

STOKES COUNTY
NORTH CAROLINA

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

STOKES COUNTY, NORTH CAROLINA
BASIC FINANCIAL STATEMENTS AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, and the respective changes in financial position, and cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of the Change in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Post-Employment Benefits' Schedules of 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 22, 2019 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 22, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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, 2019. 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 \$43,494,468 (net position).
- The government's total net position decreased by \$952,752, primarily due to an increase in education 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 \$25,712,287, after a net decrease in fund balance of \$5,970,697. Approximately 40.67% of this total amount, or \$10,456,646, is restricted and committed.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,194,414, or 22.43%, of total General Fund expenditures and transfers to other funds for the fiscal year.
- Stokes County's total debt decreased by \$2,123,724 (5.44%) 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.

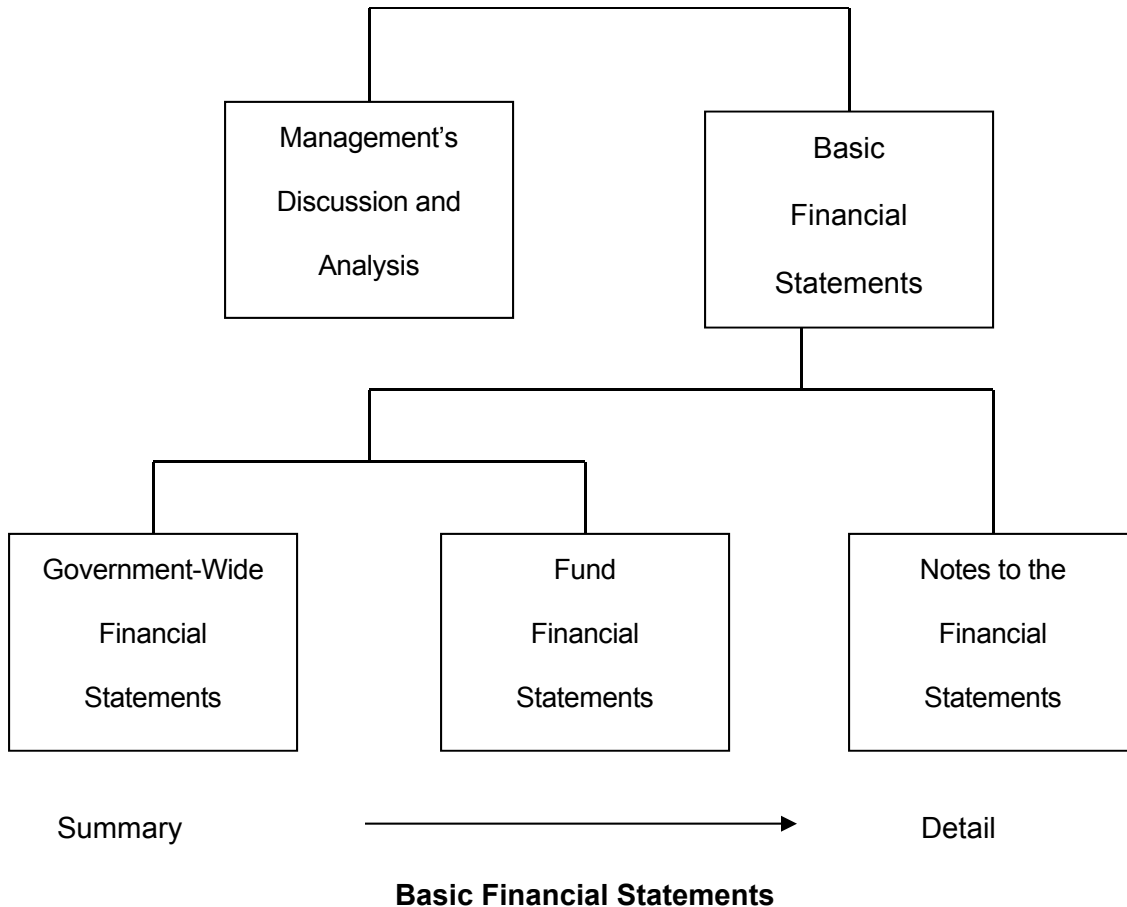
Overview of the Financial Statements

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



The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short- and long-term information about the County's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the County's nonmajor governmental funds and internal services funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's total assets and total liabilities. Measuring net position is one way to gauge the County's financial condition.

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

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Stokes County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Stokes County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Stokes County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Stokes County has seven fiduciary funds, all of which are agency funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 9 of this report.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Stokes County exceeded liabilities and deferred inflows of resources by \$43,494,468 as of June 30, 2019. The County's net position decreased by \$952,752 for the fiscal year ended June 30, 2019. One of the largest portions, \$33,972,407 (78.11%), 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, \$8,362,064 (19.22%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,159,997 (2.67%) is unrestricted.

Stokes County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 29,824,598	\$ 36,734,016	\$ 575,525	\$ 476,834	\$ 30,400,123	\$ 37,210,850
Capital assets	55,328,057	51,612,790	5,515,876	5,714,030	60,843,933	57,326,820
Total assets	85,152,655	88,346,806	6,091,401	6,190,864	91,244,056	94,537,670
Deferred outflow s of resources	3,423,447	2,221,825	-	-	3,423,447	2,221,825
Long-term liabilities	48,210,036	48,638,864	-	-	48,210,036	48,638,864
Other liabilities	2,439,360	3,233,323	7,268	20,922	2,446,628	3,254,245
Total liabilities	50,649,396	51,872,187	7,268	20,922	50,656,664	51,893,109
Deferred inflow s of resources	516,371	419,166	-	-	516,371	419,166
Net Position:						
Net investment in capital assets	28,456,531	28,013,505	5,515,876	5,714,030	33,972,407	33,727,535
Restricted'	8,362,064	8,330,875	-	-	8,362,064	8,330,875
Unrestricted	591,740	1,932,898	568,257	455,912	1,159,997	2,388,810
Total	\$ 37,410,335	\$ 38,277,278	\$ 6,084,133	\$ 6,169,942	\$ 43,494,468	\$ 44,447,220

Governmental Activities: Governmental activities decreased the County's net position by \$866,943 resulting in net position of \$37,410,335. 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.

Business-Type Activities: Business-type activities decreased \$85,809, resulting in net position of \$6,084,133. Key elements of this decrease are as follows:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Stokes County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,621,952	\$ 4,041,239	\$ 353,447	\$ 305,028	\$ 3,975,399	\$ 4,346,267
Operating grants and contributions	6,607,013	6,822,489	-	-	6,607,013	6,822,489
Capital grants and contributions	-	-	-	3,430,222	-	3,430,222
General revenues:						
Property taxes	21,998,021	21,853,660	-	-	21,998,021	21,853,660
Other taxes	18,257,398	16,872,653	-	-	18,257,398	16,872,653
Investment earnings	631,047	375,917	4,533	2,813	635,580	378,730
Other	505,180	463,409	7,553	-	512,733	463,409
Total revenues	51,620,611	50,429,367	365,533	3,738,063	51,986,144	54,167,430
Expenses:						
General government	6,015,217	9,004,534	-	-	6,015,217	9,004,534
Public safety	15,094,115	13,856,118	-	-	15,094,115	13,856,118
Environmental protection	1,666,872	1,332,957	-	-	1,666,872	1,332,957
Economic and physical development	1,238,428	1,414,216	-	-	1,238,428	1,414,216
Human services	9,935,541	8,903,667	-	-	9,935,541	8,903,667
Culture and recreation	974,006	873,189	-	-	974,006	873,189
Intergovernmental:						
Schools	15,952,807	14,558,478	-	-	15,952,807	14,558,478
Debt service:						
Interest and fiscal charges	1,485,569	1,650,571	-	-	1,485,569	1,650,571
Stokes Reynolds Revenue Bond Fund	-	-	135,000	75,325	135,000	75,325
Regional Sewer Fund	-	-	293,451	259,913	293,451	259,913
Danbury Water Fund	-	-	147,890	138,655	147,890	138,655
Total expenses	52,362,555	51,593,730	576,341	473,893	52,938,896	52,067,623
Increase (decrease) in net position before transfers	(741,944)	(1,164,363)	(210,808)	3,264,170	(952,752)	2,099,807
Transfers in (out)	(124,999)	(64,999)	124,999	64,999	-	-
Increase (decrease) in net position	(866,943)	(1,229,362)	(85,809)	3,329,169	(952,752)	2,099,807
Net position - beginning, previously reported	38,277,278	42,675,738	6,169,942	2,840,773	44,447,220	45,516,511
Restatement	-	(3,169,098)	-	-	-	(3,169,098)
Net position - beginning, restated	38,277,278	39,506,640	6,169,942	2,840,773	44,447,220	42,347,413
Net position - ending	\$37,410,335	\$38,277,278	\$6,084,133	\$6,169,942	\$43,494,468	\$44,447,220

Figure 3 (Changes in Net Position) reflects a decrease in net position of \$866,943 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 \$51,620,611 while expenses in this category totaled \$52,362,556. After transfers to the business-type activities, the total net position stands at \$37,410,335.

Business-type activities generated revenue of \$365,533 and had expenses of \$576,341. Net position decreased in the business-type activities by \$85,809. 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)

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of the Stokes County. At the end of the current fiscal year, fund balance available in the General Fund was \$19,705,499, while total fund balance reached \$22,546,143. 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 39.48% of General Fund expenditures and transfers to other funds, while total fund balance represents 45.18% 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: Community College projects, Petree project, and Jail expansion project. At the end of the current fiscal year, committed fund balance was \$1,047,620. Total net change in fund balance was a decrease of \$4,416,932.

At June 30, 2019, the governmental funds of Stokes County reported a combined fund balance of \$25,712,287, an 18.84% decrease over last year. The primary reason for this decrease is the decrease in fund balance in the Capital Projects 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 \$2,469,346 over the approved budget, but actual expenditures were ultimately \$2,438,732 less than the final budget. Total expenditures decrease \$14,955,480 from the prior year, due to separating school current expense into a fund to account for the tax rate.

Total General Fund actual revenues decreased \$11,040,120 from the prior year due to separating school current expense into a fund to account for the tax rate. 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)

The cash balance in the General Fund decreased \$2,168,210 from the prior year-end. The decrease is due to adding staff to different department, supplies and equipment. Sales tax revenues compared to both budget and the prior year collections have increased. The County received an increase in sales taxes of approximately \$349,774 over the prior year.

General Fund expenditures decreased \$14,955,480, or approximately 30.26%, from the prior year, due to the separation of school current expense into a fund to account for the tax rate.

Analysis of Fund Balance: A recap of the historical analysis of fund balance for the period 2009-10 through 2018-19 includes the following noteworthy points:

- 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.
- 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 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, and 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.
- In the fiscal year 2018-19, the County continues to budget conservatively. Department's increases in budget was due to mandates, cost of living increase for employees, and new staff for different departments, capital outlay and projects. The County continues to review budgets quarterly for savings and/or increases in cost of services. Revenues are reviewed closely to recognize any increases and/or decreases. The County appropriated \$2,961,656 to balance the budget. The County revised the appropriation to \$3,351,555 (\$389,899). The County used \$1,947,147 of the appropriation. Revenues were \$1,034,424 less than budget due to federal and state grant reimbursements and expenditures were \$2,438,732 less than budget. The County decreased the fund balance by \$1,947,147. 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 \$11,194,414 or 22.43% of annual expenditures and transfers out. The County has Jail expansion project and Petree picnic shelter/walking trail 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 decrease in net position of \$85,809 compared to the prior year. This was due to increased expenditure for operation of the Danbury water and sewer and addition appropriation to the hospital.

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, 2019 totals \$60,843,933 (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	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,714,418	\$ 3,714,418	\$ 266,370	\$ 266,370	\$ 3,980,788	\$ 3,980,788
Construction in progress	6,272,978	2,099,252	-	-	6,272,978	2,099,252
Total non-depreciable assets	9,987,396	5,813,670	266,370	266,370	10,253,766	6,080,040
Buildings and improvements	58,308,048	57,712,451	3,611,422	3,611,422	61,919,470	61,323,873
Furniture and equipment	8,485,833	7,795,458	4,963,409	4,963,409	13,449,242	12,758,867
Vehicles	6,932,433	6,031,101	25,123	25,123	6,957,556	6,056,224
Sewer lines	-	-	5,513,766	5,483,333	5,513,766	5,483,333
Total depreciable assets	73,726,314	71,539,010	14,113,720	14,083,287	87,840,034	85,622,297
Accumulated depreciation	28,385,653	25,739,890	8,864,214	8,635,627	37,249,867	34,375,517
Depreciable assets, net	45,340,661	45,799,120	5,249,506	5,447,660	50,590,167	51,246,780
Total	\$ 55,328,057	\$ 51,612,790	\$ 5,515,876	\$ 5,714,030	\$ 60,843,933	\$ 57,326,820

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, 2019, Stokes County had total debt outstanding of \$36,913,891.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Stokes County's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installment purchase	21,300,853	22,222,433	-	-	21,300,853	22,222,433
QSCB	8,612,952	9,569,947	-	-	8,612,952	9,569,947
QZAB	1,429,412	1,588,235	-	-	1,429,412	1,588,235
USDA Loan	5,570,674	5,657,000	-	-	5,570,674	5,657,000
State Revolving Loan	-	-	-	-	-	-
Total	\$ 36,913,891	\$ 39,037,615	\$ -	\$ -	\$ 36,913,891	\$ 39,037,615

Stokes County's total debt has decreased by \$2,123,724 during the past fiscal year due to 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 \$281,801,000. These statutory limits exceed the County's realistic debt capacity.

Economic Factors

Stokes County's population per 2018 Census was 46,605.

The 2017 Per Capita Income figure for Stokes County was \$35,584, and the Median Household Income was \$48,748.

The rate of unemployment in Stokes County for 2019 1st quarter was 4.0%.

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

The 2018 Total Retail Sales (with food/drink) is \$2,547,837.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Major new investments in Stokes County for 2018-19 include:

- Buy local campaign for Stokes County from local farmers.
- 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 adding a picnic shelter/walking trail.
- Jail expansion.
- 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, 2020

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 increased \$2,762,685 (7.44%) from prior year, due to operational cost, employee compensation, capital outlay and debt service expenditures in fiscal year 2018-19. School debt service payments are funded by 4 cent tax fund (Dedicated Debt Service Fund) and lottery funds. The County separated the School Current Expense to a fund to show the tax rate for school operations.

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 contracted with an engineering firm to extended water to the Meadows community and looking at water and sewer in other location in the County.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Stokes County, Post Office Box 20, Danbury, North Carolina 27016; (336) 593-2405 or jedwards@co.stokes.nc.us.

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BASIC FINANCIAL STATEMENTS

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STOKES COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Stokes County Water and Sewer Authority
ASSETS				
Cash and cash equivalents	\$ 20,274,345	\$ 531,508	\$ 20,805,853	\$ 198,467
Taxes receivable, net	1,403,224	-	1,403,224	-
Accounts receivable, net	1,058,067	41,844	1,099,911	786
Due from other governments	2,618,209	-	2,618,209	-
Inventory, at cost	65,229	-	65,229	-
Restricted cash and cash equivalents	4,345,419	2,173	4,347,592	7,093
Net pension asset	60,105	-	60,105	-
Capital assets				
Non-depreciable capital assets	9,987,396	266,370	10,253,766	59,979
Other capital assets, net of accumulated depreciation	45,340,661	5,249,506	50,590,167	967,662
Total capital assets	55,328,057	5,515,876	60,843,933	1,027,641
Total assets	85,152,655	6,091,401	91,244,056	1,233,987
DEFERRED OUTFLOWS OF RESOURCES				
	3,423,447	-	3,423,447	-
LIABILITIES AND NET POSITION				
Liabilities:				
Accounts payable and accrued liabilities	2,082,023	5,095	2,087,118	333
Accrued interest payable	357,337	-	357,337	-
Liabilities to be paid from restricted assets	-	2,173	2,173	8,130
Long-term liabilities:				
Due within one year	10,805,382	-	10,805,382	-
Total pension liability- LEOSA	882,782	-	882,782	-
Total OPEB liability	5,331,367	-	5,331,367	-
Net pension liability - LGERS	3,852,446	-	3,852,446	-
Due in more than one year	27,338,059	-	27,338,059	-
Total liabilities	50,649,396	7,268	50,656,664	8,463
DEFERRED INFLOWS OF RESOURCES				
	516,371	-	516,371	-
Net position:				
Net investment in capital assets	28,456,531	5,515,876	33,972,407	1,027,641
Restricted:				
Stabilization by state statute	3,271,575	-	3,271,575	-
Health Department - Title XIX	290,619	-	290,619	-
Mental Health MOE	13,590	-	13,590	-
School current expense	54,151	-	54,151	-
Debt service	4,059,349	-	4,059,349	-
Public safety	598,035	-	598,035	-
ROD Pension Plan	74,745	-	74,745	-
Unrestricted	591,740	568,257	1,159,997	197,883
Total net position	\$ 37,410,335	\$ 6,084,133	\$ 43,494,468	\$ 1,225,524

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Exhibit 2
Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 6,015,217	\$ 245,923	\$ 57,220	\$ -
Public safety	15,094,115	2,354,990	138,352	-
Environmental protection	1,666,872	8,867	185,000	-
Economic and physical development	1,238,428	295,950	797,119	-
Human services	9,935,541	716,222	4,979,322	-
Culture and recreation	974,006	-	-	-
Intergovernmental:				
Education	15,952,807	-	450,000	-
Debt service:				
Interest and fiscal charges	1,485,569	-	-	-
Total governmental activities	<u>52,362,555</u>	<u>3,621,952</u>	<u>6,607,013</u>	<u>-</u>
Business-type activities:				
Stokes-Reynolds Memorial Hospital Fund	135,000	10,584	-	-
Regional Sewer Fund	293,451	162,342	-	-
Danbury Water Fund	147,890	180,521	-	-
Total business-type activities	<u>576,341</u>	<u>353,447</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 52,938,896</u>	<u>\$ 3,975,399</u>	<u>\$ 6,607,013</u>	<u>\$ -</u>
Component Unit:				
Stokes County Water and Sewer Authority	\$ 197,998	\$ 218,270	\$ -	\$ -
Total component unit	<u>\$ 197,998</u>	<u>\$ 218,270</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, 2019

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	\$ (5,712,074)	\$ -	\$ (5,712,074)	\$ -
Public safety	(12,600,773)	-	(12,600,773)	-
Environmental protection	(1,473,005)	-	(1,473,005)	-
Economic and physical development	(145,359)	-	(145,359)	-
Human services	(4,239,997)	-	(4,239,997)	-
Culture and recreation	(974,006)	-	(974,006)	-
Intergovernmental:				
Education	(15,502,807)	-	(15,502,807)	-
Debt service:				
Interest and fiscal charges	(1,485,569)	-	(1,485,569)	-
Total governmental activities	(42,133,590)	-	(42,133,590)	-
Business-type activities:				
Stokes-Reynolds Memorial Hospital Fund	-	(124,416)	(124,416)	-
Regional Sewer Fund	-	(131,109)	(131,109)	-
Danbury Water Fund	-	32,631	32,631	-
Total business-type activities	-	(222,894)	(222,894)	-
Total primary government	(42,133,590)	(222,894)	(42,356,484)	-
Component Unit:				
Stokes County Water and Sewer Authority				20,272
Total component unit				20,272
General revenues:				
Taxes:				
Property taxes, levied for general purposes	21,998,021	-	21,998,021	-
Sales tax	6,822,433	-	6,822,433	-
Other unrestricted intergovernmental revenue	11,434,965	-	11,434,965	-
Interest earnings	631,047	4,533	635,580	615
Other	505,180	7,553	512,733	22,600
Total general revenues excluding transfers	41,391,646	12,086	41,403,732	23,215
Transfers to/from other funds	(124,999)	124,999	-	-
Total general revenues and transfers	41,266,647	137,085	41,403,732	23,215
Change in net position	(866,943)	(85,809)	(952,752)	43,487
Net position - beginning, previously reported	38,277,278	6,169,942	44,447,220	1,182,037
Net position - ending	\$ 37,410,335	\$ 6,084,133	\$ 43,494,468	\$ 1,225,524

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	<u>Major Funds</u>		<u>Nonmajor</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 17,126,275	\$ 1,339,023	\$ 1,809,047	\$ 20,274,345
Taxes receivable, net	1,265,863	-	137,361	1,403,224
Accounts receivable, net	561,907	-	496,160	1,058,067
Due from other governments	2,618,209	-	-	2,618,209
Due from other funds	97,378	-	-	97,378
Inventory	65,229	-	-	65,229
Restricted cash and cash equivalents	4,345,419	-	-	4,345,419
Total assets	<u>\$ 26,080,280</u>	<u>\$ 1,339,023</u>	<u>\$ 2,442,568</u>	<u>\$ 29,861,871</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,701,315	\$ 291,403	\$ 89,305	\$ 2,082,023
Due to other funds	-	-	97,378	97,378
Total liabilities	<u>1,701,315</u>	<u>291,403</u>	<u>186,683</u>	<u>2,179,401</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,832,822</u>	<u>-</u>	<u>137,361</u>	<u>1,970,183</u>
Fund Balances:				
Non-spendable, not in spendable form:				
Inventory	65,229	-	-	65,229
Restricted:				
Stabilization by state statute	2,775,415	-	496,160	3,271,575
Restricted, all others	4,417,709	-	598,035	5,015,744
Committed	-	1,047,620	1,121,707	2,169,327
Assigned:				
Subsequent year's expenditures	4,093,376	-	-	4,093,376
Unassigned	<u>11,194,414</u>	<u>-</u>	<u>(97,378)</u>	<u>11,097,036</u>
Total fund balances	<u>22,546,143</u>	<u>1,047,620</u>	<u>2,118,524</u>	<u>25,712,287</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 26,080,280</u>	<u>\$ 1,339,023</u>	<u>\$ 2,442,568</u>	
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.				55,328,057
Net pension asset				60,105
Net pension liability - LGERS				(3,852,446)
Total pension Liability - LEOSSA				(882,782)
Total OPEB liability				(5,331,367)
Deferred outflows of resources related to pensions are not reported in the funds.				3,288,054
Deferred inflows of resources related to pensions are not reported in the funds.				(76,643)
Deferred outflows of resources related to OPEB are not reported in the funds.				135,393
Deferred inflows of resources related to OPEB are not reported in the funds.				(374,848)
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.				1,905,303
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				(36,913,891)
Accrued interest payable				(357,337)
Compensated absences and retirement benefits				(1,229,550)
Net position of governmental funds				<u>\$ 37,410,335</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, 2019

	<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>
Revenues:				
Ad valorem taxes	\$ 26,151,440	\$ -	\$ 2,592,795	\$ 28,744,235
Other taxes and licenses	7,098,626	-	2,855,747	9,954,373
Intergovernmental	8,087,607	-	-	8,087,607
Permits and fees	387,705	-	-	387,705
Sales and services	3,269,717	-	-	3,269,717
Investment earnings	601,555	12,832	16,660	631,047
Other revenues	428,180	77,000	-	505,180
Total revenues	<u>46,024,830</u>	<u>89,832</u>	<u>5,465,202</u>	<u>51,579,864</u>
Expenditures:				
Current:				
General government	5,765,610	-	-	5,765,610
Public safety	11,511,885	4,310,908	3,346,469	19,169,262
Environmental protection	1,655,231	-	-	1,655,231
Economic and physical development	1,552,736	-	-	1,552,736
Human services	9,648,472	104,656	-	9,753,128
Culture and recreation	901,498	-	-	901,498
Special appropriations	510,748	-	-	510,748
Intergovernmental:				
Education	12,608,444	91,200	1,780,000	14,479,644
Debt service:				
Principal	2,873,206	-	-	2,873,206
Interest and fiscal charges	1,513,981	-	-	1,513,981
Total expenditures	<u>48,541,811</u>	<u>4,506,764</u>	<u>5,126,469</u>	<u>58,175,044</u>
Excess of revenues over (under) expenditures	<u>(2,516,981)</u>	<u>(4,416,932)</u>	<u>338,733</u>	<u>(6,595,180)</u>
Other Financing Sources (Uses):				
Transfers from other funds	974,542	-	1,240,864	2,215,406
Transfers to other funds	(1,365,863)	-	(974,542)	(2,340,405)
Debt issued	749,482	-	-	749,482
Total other financing sources (uses)	<u>358,161</u>	<u>-</u>	<u>266,322</u>	<u>624,483</u>
Net change in fund balances	(2,158,820)	(4,416,932)	605,055	(5,970,697)
Fund balances at beginning of year	<u>24,704,963</u>	<u>5,464,552</u>	<u>1,513,469</u>	<u>31,682,984</u>
Fund balances at end of year	<u>\$ 22,546,143</u>	<u>\$ 1,047,620</u>	<u>\$ 2,118,524</u>	<u>\$ 25,712,287</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, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$ (5,970,697)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	6,472,407
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Depreciation and amortization expense recorded on the Statement of Activities but not in the fund statements	(2,721,668)
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In the fund statements, only the proceeds from the sale of capital assets are reported. The Statement of Activities reports the gain or loss on the sale capital assets.	(35,472)
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Pension expense - LGERS	(169,005)
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Pension expense - ROD	(10,268)
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Pension expense - LEOSSA	(14,379)
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OPEB plan expense	(219,060)
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The issuance of long-term debt or the repayment of the principal of long-term debt effects the current financial resources of the governmental funds, but has no effect on net position.	
Debt issued	(749,482)
Principal repayments	2,873,206

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.	
Accrued interest expense	28,412
Compensated absences	(165,906)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(185,031)
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Changes in net position of governmental activities	<u>\$ (866,943)</u>
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The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final
				Positive
				(Negative)
Revenues:				
Ad valorem taxes	\$ 12,436,051	\$ 12,436,051	\$ 12,466,444	\$ 30,393
Other taxes and licenses	6,993,500	6,993,500	7,095,081	101,581
Intergovernmental	8,116,228	8,914,833	7,759,946	(1,154,887)
Permits and fees	381,130	398,630	387,705	(10,925)
Sales and services	2,975,122	3,066,283	2,822,714	(243,569)
Investment earnings	275,000	331,454	543,573	212,119
Other revenues	44,530	368,545	399,409	30,864
Total revenues	31,221,561	32,509,296	31,474,872	(1,034,424)
Expenditures:				
Current:				
General government	5,222,182	6,183,122	5,765,610	417,512
Public safety	11,006,181	11,738,001	11,511,885	226,116
Environmental protection	1,329,925	1,727,479	1,655,231	72,248
Economic and physical development	1,560,257	1,575,144	1,552,736	22,408
Human services	9,169,264	9,570,069	7,917,342	1,652,727
Culture and recreation	740,555	912,165	901,498	10,667
Special appropriations	522,509	525,779	510,748	15,031
Contingency	300,000	-	-	-
Intergovernmental:				
Education	199,487	271,667	249,654	22,013
Debt service:				
Principal	2,856,920	2,873,200	2,873,206	(6)
Interest and fiscal charges	1,513,997	1,513,997	1,513,981	16
Total expenditures	34,421,277	36,890,623	34,451,891	2,438,732
Excess of revenues over (under) expenditures	(3,199,716)	(4,381,327)	(2,977,019)	1,404,308
Other Financing Sources (Uses):				
Transfers from other funds	2,497,949	3,227,375	3,227,375	-
Transfers to other funds	(2,701,371)	(2,946,985)	(2,946,985)	-
Debt issued	441,482	749,382	749,482	100
Total other financing sources (uses)	238,060	1,029,772	1,029,872	100
Excess of revenues and other sources over (under) expenditures and other uses	(2,961,656)	(3,351,555)	(1,947,147)	1,404,408
Fund balance appropriated	2,961,656	3,351,555	-	(3,351,555)
Net change in fund balance	\$ -	\$ -	(1,947,147)	\$ (1,947,147)
Fund balance at beginning of year			20,075,581	
Fund balance at end of year			<u>\$ 18,128,434</u>	

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2019

	Major			Total
	Stokes- Reynolds Memorial Hospital Fund	Regional Sewer Fund	Danbury Water Fund	
ASSETS				
Current assets:				
Cash and investments	\$ 50,097	\$ 260,089	\$ 221,322	\$ 531,508
Accounts receivable, net	-	20,694	21,150	41,844
Total current assets	<u>50,097</u>	<u>280,783</u>	<u>242,472</u>	<u>573,352</u>
Non-current assets:				
Restricted cash and cash equivalents	-	-	2,173	2,173
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	-	5,513,766	-	5,513,766
Accumulated depreciation	(7,024,640)	(1,395,423)	(444,151)	(8,864,214)
Total capital assets	<u>228,849</u>	<u>4,143,466</u>	<u>1,143,561</u>	<u>5,515,876</u>
Total assets	<u>278,946</u>	<u>4,424,249</u>	<u>1,388,206</u>	<u>6,091,401</u>
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and accrued liabilities	-	3,164	1,931	5,095
Total current liabilities	<u>-</u>	<u>3,164</u>	<u>1,931</u>	<u>5,095</u>
Non-current liabilities:				
Liabilities payable from restricted assets	-	-	2,173	2,173
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>2,173</u>	<u>2,173</u>
Total liabilities	<u>-</u>	<u>3,164</u>	<u>4,104</u>	<u>7,268</u>
Net position:				
Net investment in capital assets	228,849	4,143,466	1,143,561	5,515,876
Unrestricted	<u>50,097</u>	<u>277,619</u>	<u>240,541</u>	<u>568,257</u>
Total net position	<u>\$ 278,946</u>	<u>\$ 4,421,085</u>	<u>\$ 1,384,102</u>	<u>\$ 6,084,133</u>

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2019

	Major			
	Stokes-Reynolds Memorial Hospital Fund	Regional Sewer Fund	Danbury Water Fund	Total
Operating Revenues:				
Charges for sales and services	\$ 10,584	\$ 162,342	\$ 180,521	\$ 353,447
Total operating revenues	10,584	162,342	180,521	353,447
Operating Expenses:				
Operating	135,000	113,638	98,589	347,227
Depreciation and amortization	-	179,813	48,774	228,587
Total operating expenses	135,000	293,451	147,363	575,814
Operating income (loss)	(124,416)	(131,109)	33,158	(222,367)
Non-Operating Revenues (Expenses):				
Interest expense	-	-	(527)	(527)
Miscellaneous revenue	1,125	-	6,428	7,553
Interest earned on investments	144	3,650	739	4,533
Total non-operating revenues (expenses)	1,269	3,650	6,640	11,559
Income (loss) before transfers and capital contributions	(123,147)	(127,459)	39,798	(210,808)
Transfers in	134,999	-	-	134,999
Transfers out	(10,000)	-	-	(10,000)
Total transfers and contributions	124,999	-	-	124,999
Change in fund net position	1,852	(127,459)	39,798	(85,809)
Total net position, beginning	277,094	4,548,544	1,344,304	6,169,942
Total net position, ending	\$ 278,946	\$ 4,421,085	\$ 1,384,102	\$ 6,084,133

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-Type Activities			
	Major			
	Stokes-Reynolds Memorial Hospital Fund	Regional Sewer Fund	Danbury Water Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 10,584	\$ 154,037	\$ 107,600	\$ 272,221
Cash paid for goods and services	(135,000)	(75,321)	(70,791)	(281,112)
Cash paid to employees	-	(37,847)	(42,117)	(79,964)
Net cash provided (used) by operating activities	(124,416)	40,869	(5,308)	(88,855)
Cash Flows from Non-Capital Financing Activities:				
Miscellaneous revenue	1,125	-	6,428	7,553
Transfers in (out)	124,999	-	-	124,999
Net cash provided (used) by non-capital financing activities	126,124	-	6,428	132,552
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(30,433)	-	(30,433)
Interest paid	-	-	(527)	(527)
Net cash used by capital and related financing activities	-	(30,433)	(527)	(30,960)
Cash Flows from Investing Activities:				
Interest on investments	144	3,650	739	4,533
Net cash provided by investing activities	144	3,650	739	4,533
Net increase (decrease) in cash and cash equivalents	1,852	14,086	1,332	17,270
Cash and cash equivalents at beginning of year	48,245	246,003	222,163	516,411
Cash and cash equivalents at end of year	\$ 50,097	\$ 260,089	\$ 223,495	\$ 533,681
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (124,416)	\$ (131,109)	\$ 33,158	\$ (222,367)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	-	179,813	48,774	228,587
Pension expense				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	(8,305)	(73,116)	(81,421)
Increase (decrease) in accounts payable and accrued liabilities	-	470	(14,124)	(13,654)
Net cash provided by (used) operating activities	\$ (124,416)	\$ 40,869	\$ (5,308)	\$ (88,855)

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS
June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 65,382
Accounts receivable	<u>9,554</u>
Total assets	<u>\$ 74,936</u>
LIABILITIES	
Accounts payable	\$ 12,205
Miscellaneous liabilities	<u>62,731</u>
Total liabilities	<u>\$ 74,936</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, 2019

I. Summary of Significant Accounting Policies

The accounting policies of Stokes County and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Stokes County Water and Sewer Authority (the "Authority") exists to construct and operate a water system for the County's residents. The Authority is presented as if it were an enterprise fund.

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

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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

I. Summary of Significant Accounting Policies (Continued)

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

Basis of Presentation (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary fund. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise funds:

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

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

Basis of Presentation (Continued)

Additionally, the County reports the following fund types:

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

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

Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-Wide, Proprietary Fund, and Fiduciary Fund Financial Statements. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting (Continued)

Sales taxes collected and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the state at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General, Special Revenues 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)

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- Government Portfolio, a SEC-registered government money market fund, are measured at fair value. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

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	\$ 3,986,793
General Fund	Health Medicaid Title XIX Fund	342,609
General Fund	Mental Health MOE Fund	16,017
Total Governmental Activities		<u>4,345,419</u>

Business-Type Activities:

Danbury Water Fund	Customers deposits	<u>2,173</u>
Total Business-Type Activities		<u>2,173</u>

Total Restricted Cash	<u>\$ 4,347,592</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, 2018. As allowed by state law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories and Prepaid items

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

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior 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)

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	\$ 55,328,057	\$ 5,515,876
Less, capital debt:		
Gross debt	36,913,891	-
Less:		
Non-capital related debt	10,042,365	-
Capital debt, net	26,871,526	-
Net investment in capital assets	\$ 28,456,531	\$ 5,515,876

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.

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

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

Restricted for School Current Expense Fund portion of fund balance restricted for future school current expense.

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

Restricted fund balance at June 30, 2019, is as follows:

Purpose	General Fund	Other Governmental Funds
Stabilization by state statute	\$ 2,775,415	\$ 496,160
Public safety	-	598,035
Mental Health MOE	13,590	-
Health Department-Title XIX	290,619	-
School Current Expense Fund	54,151	-
Debt service	4,059,349	-
Total	<u>\$ 7,193,124</u>	<u>\$ 1,094,195</u>

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the amount of Register of Deeds \$74,745 as of June 30, 2019.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

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

11. Net Position/Fund Balances (Continued)

Committed Fund Balance - 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.

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, 2019, is as follows:

Purpose	Capital Projects Fund	Other Governmental Funds
Committed:		
General government	\$ 1,047,620	\$ 976,731
Public safety	-	72,476
Environmental protection	-	40,000
Human services	-	32,500
Total	<u>\$ 1,047,620</u>	<u>\$ 1,121,707</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, 2019, is as follows:

Purpose	General Fund
Assigned:	
Subsequent year's expenditures	\$ 4,093,376
Total	<u>\$ 4,093,376</u>

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)

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.

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.

Total fund balance - General Fund	\$ 22,546,143
Less:	
Inventory	65,229
Stabilization by state statute	<u>2,775,415</u>
Total Available Fund Balance	<u>\$ 19,705,499</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

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

Legally budgeted Health Department Title XIX, Mental Health MOE Fund, School Current Expense Fund 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)	\$ 18,128,434
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Health Department Title XIX Fund:

Revenues:

Intergovernmental	327,661
Sales and services	447,003
Investment earnings	1,291
Other revenues	28,771

Expenditures:

Human services	(1,253,276)
Transfers in - General Fund	192,527

Dedicated Debt Service Fund:

Revenues:

Ad valorem taxes	1,579,794
Investment earnings	56,209
Transfers in - General Fund	1,139,775
Transfers out - General Fund	(2,560,572)

Mental Health MOE Fund:

Revenues:

Other taxes and licenses	3,545
Investment earnings	482

Expenditures:

Human services	(477,854)
Transfers in - General Fund	248,820

School Current Expense Fund:

Ad valorem taxes	12,105,202
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Expenditures:

Current expense	(12,051,051)
Poplar Spring operating	(94,508)
Special appropriation	(213,231)
Transfers in - Dedicated Debt Service Fund	94,508
Transfers in - General Fund	213,231
Fund balance, beginning	<u>4,629,382</u>

Fund balance, ending (Exhibit 4)	<u><u>\$ 22,546,143</u></u>
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NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2019, the County's deposits had a carrying amount of \$10,655,871 and a bank balance of \$10,611,827. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$10,111,827 was covered by collateral held under the Pooling Method. At June 30, 2019, Stokes County had \$2,765 cash on hand.

At June 30, 2019, the Authority had deposits with carrying amounts of \$203,445 and a bank balance of \$203,445. The Authority had investments in the North Carolina Capital Management Trust Government Portfolio of \$2,115, which carried a credit rating of AAAm by Standard & Poor's. The Authority has no policy on credit risk.

2. Investments

At June 30, 2019, the County's investment balances were as follows:

	Valuation Measurement Method	Book Value	Maturity	Rating
North Carolina Capital Management Trust:				
Government Portfolio	Fair Value - Level 1	\$ 3,914,093	N/A	AAAm
Term Portfolio	Fair Value - Level 1	10,646,098	10,646,098	-
Total		<u>\$ 14,560,191</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, 2019. 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, 2019 were as follows:

	Taxes	Accounts	Due from Other Governments	Total
Governmental activities:				
General	\$ 1,698,651	\$ 5,574,363	\$ 2,618,209	\$ 9,891,223
Other governmental	172,685	496,160	-	668,845
Total receivables	1,871,336	6,070,523	2,618,209	10,560,068
Allowance for doubtful accounts	(468,112)	(5,012,456)	-	(5,480,568)
Total-governmental activities	<u>\$ 1,403,224</u>	<u>\$ 1,058,067</u>	<u>\$ 2,618,209</u>	<u>\$ 5,079,500</u>

	Accounts
Business-type activities:	
Regional Sewer Fund	\$ 20,694
Danbury Water Fund	21,150
Total-business-type activities	<u>\$ 41,844</u>

Due from other governments:	
Local option sales tax	\$ 1,186,197
NC Department of Social Services	830,183
DMV Motor Vehicles	253,845
Other	347,984
Total due from other governments	<u>\$ 2,618,209</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, 2019 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	<u>2,099,252</u>	<u>4,506,764</u>	<u>(197,643)</u>	<u>(135,395)</u>	<u>6,272,978</u>
Total capital assets not being depreciated	<u>5,813,670</u>	<u>4,506,764</u>	<u>(197,643)</u>	<u>(135,395)</u>	<u>9,987,396</u>
Capital assets being depreciated:					
Buildings	57,712,451	460,202	-	135,395	58,308,048
Furniture and equipment	7,795,458	690,375	-	-	8,485,833
Vehicle and motor equipment	<u>6,031,101</u>	<u>1,012,709</u>	<u>(111,377)</u>	<u>-</u>	<u>6,932,433</u>
Total capital assets being depreciated	<u>71,539,010</u>	<u>2,163,286</u>	<u>(111,377)</u>	<u>135,395</u>	<u>73,726,314</u>
Less accumulated depreciation for:					
Buildings	15,458,592	1,738,046	-	-	17,196,638
Furniture and equipment	5,612,535	380,108	-	-	5,992,643
Vehicle and motor equipment	<u>4,668,763</u>	<u>603,514</u>	<u>(75,905)</u>	<u>-</u>	<u>5,196,372</u>
Total accumulated depreciation	<u>25,739,890</u>	<u>\$ 2,721,668</u>	<u>\$ (75,905)</u>	<u>\$ -</u>	<u>28,385,653</u>
Total capital assets being depreciated, net	<u>45,799,120</u>				<u>45,340,661</u>
Governmental activity capital assets, net	<u>\$ 51,612,790</u>				<u>\$ 55,328,057</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

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

General government	\$ 410,497
Public safety	909,953
Environmental protection	70,696
Economic and physical development	1,275
Human services	147,786
Schools	1,147,201
Culture and recreation	<u>34,260</u>
Total depreciation expense	<u>\$ 2,721,668</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Stokes-Reynolds Memorial				
Hospital Fund:				
Capital assets not being depreciated:				
Land	\$ 228,849	\$ -	\$ -	\$ 228,849
Capital assets being depreciated:				
Buildings	3,611,422	-	-	3,611,422
Equipment	3,413,218	-	-	3,413,218
Total capital assets being depreciated	7,024,640	-	-	7,024,640
Less accumulated depreciation for:				
Buildings	3,611,422	-	-	3,611,422
Equipment	3,413,218	-	-	3,413,218
Total accumulated depreciation	7,024,640	\$ -	\$ -	7,024,640
Stokes-Reynolds capital assets, net	<u>\$ 228,849</u>			<u>\$ 228,849</u>
Regional Sewer Fund:				
Capital assets being depreciated:				
Sewer lines	\$ 5,483,333	\$ 30,433	\$ -	\$ 5,513,766
Vehicle	25,123	-	-	25,123
Total capital assets being depreciated	5,508,456	30,433	-	5,538,889
Less accumulated depreciation for:				
Sewer lines	1,190,487	179,813	-	1,370,300
Vehicle	25,123	-	-	25,123
Total accumulated depreciation	1,215,610	<u>\$ 179,813</u>	<u>\$ -</u>	1,395,423
Total capital assets being depreciated, net	<u>1,122,735</u>			<u>4,143,466</u>
Sewer capital assets, net	<u>\$ 4,292,846</u>			<u>\$ 4,143,466</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
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	1,550,191	-	-	1,550,191
Less accumulated depreciation for:				
Equipment	395,377	\$ 48,774	\$ -	444,151
Total capital assets being depreciated, net	1,154,814			1,106,040
Danbury Water Fund capital assets, net	\$ 1,192,335			\$ 1,143,561

Construction Commitments

The County has active construction projects as of June 30, 2019. The projects include the Jail Project, Petree Project and the Community College projects. At June 30, 2019, the County's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Jail Project	6,395,360	132,240
Petree Project	1,421,448	214,656
Community College-Sewer Extension	3,430,222	736,973
Community College	5,647,436	418,632
Total	\$ 16,894,466	\$ 1,502,501

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, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
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	526,679	29,179	-	555,858
Equipment	15,593	2,422	-	18,015
Total accumulated depreciation	542,272	\$ 31,601	\$ -	573,873
 Total capital assets being depreciated, net	 999,263			 967,662
 Water and Sewer Authority capital assets, net	 <u>\$ 1,059,242</u>			 <u>\$ 1,027,641</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, 2019 were as follows:

	<u>Vendors</u>	<u>Accrued Salaries</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 890,469	\$ 617,824	\$ 193,022	\$ 1,701,315
Capital Projects Fund	291,403	-	-	291,403
Other governmental funds	89,305	-	-	89,305
Total governmental activities	<u>\$ 1,271,177</u>	<u>\$ 617,824</u>	<u>\$ 193,022</u>	<u>\$ 2,082,023</u>
Business-type activities:				
Regional Sewer Fund	\$ 1,891	\$ 1,273	\$ -	\$ 3,164
Danbury Water Fund	535	1,396	-	1,931
Total business-type activities	<u>\$ 2,426</u>	<u>\$ 2,669</u>	<u>\$ -</u>	<u>\$ 5,095</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, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$944,615 for the year ended June 30, 2019.

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 application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the County reported a liability of \$3,852,446 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the County's proportion was .16239%, which was an increase of .00217% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense for \$1,113,620. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 594,341	\$ 19,943
Change of assumptions	1,022,291	-
Net difference between projected and actual earnings on pension plan investments	528,826	-
Changes in proportion and differences between County contributions and proportionate share of contributions	103,062	-
County contributions subsequent to the measurement date	944,615	-
Total	<u>\$ 3,193,135</u>	<u>\$ 19,943</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

\$944,615 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, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2020	\$ 1,061,333
2021	702,391
2022	145,288
2023	319,565
Total	<u>\$ 2,228,577</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2017 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, 2018 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 7.00%. 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
County's proportionate share of the net pension liability (asset)	\$ 9,253,909	\$ 3,852,446	\$ (661,101)

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

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description.* Stokes County administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. 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, 2017, the Separation Allowance's membership consisted of:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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, 2017 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	3.64 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, 2017 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 and 100% for females.

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

Deaths After Retirement (*Beneficiary*): RP-2014 Healthy Annuitant base rates projected 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 \$52,411 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, 2019, the County reported a total pension liability of \$882,782. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$68,964.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,639	\$ 21,057
Changes of assumptions	29,680	31,848
County benefit payments and administrative expenditures paid subsequent to the measurement date	28,165	-
Total	<u>\$ 76,484</u>	<u>\$ 52,905</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

\$28,165 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ (1,491)
2021	(1,491)
2022	(1,491)
2023	452
2024	(565)
Total	<u>\$ (4,586)</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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	<u>\$ 942,334</u>	<u>\$ 882,782</u>	<u>\$ 828,159</u>

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

	2019
Beginning balance	\$ 869,998
Service cost	43,791
Interest on the total pension liability	26,664
Difference between expected and actual experience	22,691
Changes of assumptions or other inputs	(27,951)
Benefit payments	(52,411)
Ending balance of the total pension liability	<u>\$ 882,782</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

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 3.16% at December 31, 2017 to 3.64% at December 31, 2018.

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. 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 \$108,108 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)

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.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$2,322 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$60,105 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the County's proportion was .36289%, which was a decrease of .019% from its proportion measured as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

For the year ended June 30, 2019, the County recognized pension expense of \$12,590. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 530	\$ 2,743
Change in assumptions	2,827	-
Net difference between projected and actual earnings on pension plan investments	9,580	-
Changes in proportion and differences between County contributions and proportionate share of contributions	3,176	1,052
Employer contributions subsequent to the measurement date	2,322	-
Total	<u>\$ 18,435</u>	<u>\$ 3,795</u>

\$2,322 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, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 5,933
2021	2,073
2022	2,823
2023	1,489
Total	<u>\$ 12,318</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2017 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, 2017 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, 2018 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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)	\$ 47,390	\$ 60,105	\$ 70,829

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, 2018, and the total pension liability used to calculate the net pension liability for LEOSSA was measured as of December 31, 2018, with an actuarial valuation date of December 31, 2017. 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)	\$ 3,852,446	\$ -	\$ 60,105	\$ 3,912,551
Proportion of the net pension liability (asset)	0.162%	NA	0.363%	-
Total pension liability	-	882,782	-	882,782
Pension expense	1,113,620	68,964	12,590	1,195,174

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources</u>	<u>LGERS</u>	<u>LEOSSA</u>	<u>ROD</u>	<u>Total</u>
Differences between expected and actual experience	\$ 594,341	\$ 18,639	\$ 530	\$ 613,510
Changes of assumptions	1,022,291	29,680	2,827	1,054,798
Net difference between projected and actual earnings on pension plan investments	528,826	-	9,580	538,406
Changes in proportion and differences between County contributions and proportionate share of contributions	103,062	-	3,176	106,238
County contributions (LGERS, ROD) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	944,615	28,165	2,322	975,102
	<u>\$ 3,193,135</u>	<u>\$ 76,484</u>	<u>\$ 18,435</u>	<u>\$ 3,288,054</u>
 <u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 19,943	\$ 21,057	\$ 2,743	43,743
Changes of assumptions	-	31,848	-	31,848
Changes in proportion and differences between County contributions and proportionate share of contributions	-	-	1,052	1,052
	<u>\$ 19,943</u>	<u>\$ 52,905</u>	<u>\$ 3,795</u>	<u>\$ 76,643</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>305</u>

Total OPEB Liability

The County's total OPEB liability of \$5,331,367 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

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	3.56 percent
Measurement Date	3.89 percent
Healthcare cost trend rates	
Pre-Medicare	7.5% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The County selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by the Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	<u>\$ 5,219,889</u>
Changes for the Year:	
Service cost	236,763
Interest	183,496
Differences between expected and actual experience	(1,741)
Changes of assumptions or other inputs	(174,854)
Benefit payments	<u>(132,186)</u>
Net changes	<u>111,478</u>
Balance at June 30, 2019	<u><u>\$ 5,331,367</u></u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.56% to 3.89%.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 5,881,747	\$ 5,331,367	\$ 4,840,029

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	\$ 4,699,549	\$ 5,331,367	\$ 6,083,023

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

For the year ended June 30, 2019, the County recognized OPEB expense of \$361,153. At June 30, 2019, 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	\$ 3,207	\$ 1,521
Changes of assumptions	-	373,327
Benefit payments and plan administrative expense made subsequent to the measurement date	132,186	-
Total	\$ 135,393	\$ 374,848

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

\$132,186 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, 2020. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	
June 30	Total
2020	\$ (59,106)
2021	(59,106)
2022	(59,106)
2023	(59,106)
2024	(59,106)
Thereafter	(76,111)
Total	<u>\$ (371,641)</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	\$ 2,248,520	\$ 19,943
LEO	48,319	52,905
Register of Deeds	16,113	3,795
OPEB	3,207	374,848
Contributions to pension plan in 2018-19 fiscal year		
LGERS	944,615	-
LEO	28,165	-
Register of Deeds	2,322	-
OPEB	132,186	-
Taxes receivable, net (General)	-	1,265,863
Taxes receivable, net (Special Revenue)	-	137,361
Prepaid taxes not yet earned	-	64,880
Other receivables (General)	-	502,079
Total	<u>\$ 3,423,447</u>	<u>\$ 2,421,674</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)

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, 2019, 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, 2019, Stokes County had a legal debt margin of \$281,801,000.

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, 2019, the balances outstanding on those debts were \$727,000 and \$381,667, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

a. Installment Purchase Contracts and Notes Payable (Continued)

The County has outstanding notes from direct placements related to governmental activities totaling \$727,000, which are secured by the mortgaged property and equipment in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$727,000 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) exercise the Deed of Trust Trustee to exercise all remedies under the Uniform Commercial Code of the State and the general laws of the state and to the extent permitted by law take possession of the Mortgaged Property; (4) enforce its security interest or direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust and sell the mortgaged property; (5) enforce its security interest in the contract and sell the equipment.

The County has outstanding notes from direct placements related to governmental activities totaling \$381,667, which are secured by the mortgaged property and equipment in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$381,667 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) take possession of the mortgaged property; (4) no deficiency judgment may be rendered against the grantor to collect indebtedness.

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, 2019, the balance outstanding was \$10,400,000.

The County has outstanding notes from direct placements related to governmental activities totaling \$10,400,000, which are secured by the mortgaged property in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$10,400,000 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof;

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

a. Installment Purchase Contracts and Notes Payable (Continued)

(3) exercise the Deed of Trust Trustee to exercise all remedies under the Uniform Commercial Code of the State and the general laws of the state and to the extent permitted by law take possession of the Mortgaged Property; (4) enforce its security interest or direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust and sell the mortgaged property.

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, 2019, the balance outstanding was \$8,612,952.

The County has outstanding notes from direct placements related to governmental activities totaling \$8,612,953, which are secured by the mortgaged property and equipment in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$8,612,952 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) exercise the Deed of Trust Trustee to exercise all remedies under the Uniform Commercial Code of the State and the general laws of the state and to the extent permitted by law take possession of the Mortgaged Property; (4) enforce its security interest or direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust and sell the mortgaged property or equipment.

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, 2019, the balance outstanding was \$1,429,412.

The County has outstanding notes from direct placements related to governmental activities totaling \$1,429,412, which are secured by the mortgaged property and equipment in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$1,429,412 contain provisions that an event of default would result in (1) declare

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

a. Installment Purchase Contracts and Notes Payable (Continued)

the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach; (3) exercise the Deed of Trust Trustee to exercise all remedies under the Uniform Commercial Code of the State and the general laws of the state and to the extent permitted by law take possession of the Mortgaged Property; (4) enforce its security interest or direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust and sell the mortgaged property.

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, 2019, the balance outstanding was \$5,570,674.

The County has outstanding notes from direct placements related to governmental activities totaling \$5,570,674, which are secured by the real property financed with the loan funds in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$5,570,674 contain provisions that an event of default would result in (1) terminate or refuse to render or continue financial assistance for the aid of the property, facility, project, service or activity; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof.

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, 2019, the balance outstanding was \$232,207.

The County has outstanding notes from direct placements related to governmental activities totaling \$232,207, which are secured by the mortgaged property in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$232,207 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) exercise the Deed of Trust Trustee to exercise all remedies under the

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

a. Installment Purchase Contracts and Notes Payable (Continued)

Uniform Commercial Code of the State and the general laws of the state and to the extent permitted by law take possession of the Mortgaged Property; (4) enforce its security interest or direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust and sell the mortgaged property.

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, 2019, the balance outstanding was \$1,500,000.

The County has outstanding notes from direct placements related to governmental activities totaling \$1,500,000, which are secured by the mortgaged property in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$1,500,000 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) exercise the Deed of Trust Trustee to exercise all remedies under the Uniform Commercial Code of the State and the general laws of the state and to the extent permitted by law take possession of the Mortgaged Property; (4) enforce its security interest or direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust and sell the mortgaged property; (5) pursue any other remedy available at law or equity to the bank.

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, 2019, the balance outstanding was \$6,364,600.

The County has outstanding notes from direct placements related to governmental activities totaling \$6,364,600, which are secured by the mortgaged property in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$6,364,600 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach

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)

thereof; (3) exercise the Deed of Trust Trustee to exercise all remedies under the Uniform Commercial Code of the State and the general laws of the state and to the extent permitted by law take possession of the Mortgaged Property; (4) the interest rate shall immediately be converted to the Default rate.

In August 2018, the County entered into an installment financing contract for the purpose of purchasing vehicles and equipment. The contract provides for an annual principle and interest payment of \$265,284 for four years. At June 30, 2019, the balance outstanding was \$749,482.

The County has outstanding notes from direct placements related to governmental activities totaling \$749,482, secured by the financed equipment and deposits in the project fund in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$749,482 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) require any balance remaining in the Project Fund to be applied against outstanding required payments; (4) avail itself of all available remedies under the agreement and recovery of attorneys' fees and other expenses.

In July 2014, the County entered into an agreement for the purchase of tax office software. The agreement provides for a yearly payment of \$42,000. At June 30, 2019, the balance outstanding was \$210,000.

The County has outstanding notes from direct placements related to governmental activities totaling \$210,000. The County's outstanding notes from direct placements related to governmental activities of \$210,000 contain provisions that an event of early termination for any reason prior to the payment of the full implementation fee, the County agrees to pay the remaining portion of the implementation fee within sixty (60) days after the date of termination.

In August 2016, the County entered into an agreement for the purchase of ambulance and six patrol vehicles. The agreement provides for a yearly payment of \$137,174. At June 30, 2019, the balance outstanding was \$119,029.

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)

The County has outstanding notes from direct placements related to governmental activities totaling \$119,029 and are secured with the financed equipment and investments held in the Escrow Fund in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$119,029 contain provisions that an event of default would result in (1) declare the current amounts due and all remaining payments due during the fiscal year the default occurs in with accrued interest immediately due; (2) return or repossession of all equipment; (3) sale or lease of equipment by the County with all proceeds applied to costs the Lessor has incurred in exercising remedies, amounts due under the agreement, and payment of the termination value and any proceeds in excess of these amounts shall be paid by the County to the lessor; (4) termination of lease to any equipment; (5) avail itself of all available remedies under applicable law and the agreement and recover any out of pocket costs for expenses incurred as a result of the default.

In October 2017, The County entered into an agreement for the purchase of ambulance, patrol vehicles and other equipment. The agreement provides for a yearly payment of \$315,949. At June 30, 2019, the balance outstanding was \$616,868.

The County has outstanding notes from direct placements related to governmental activities totaling \$616,868, which are secured by the Escrow Funds in compliance with G.S. 160A-20. The County's outstanding notes from direct placements related to governmental activities of \$616,868 contain provisions that an event of default would result in (1) declare the current amounts due and all remaining payments due during the fiscal year the default occurs in with accrued interest immediately due; (2) return or repossession of all equipment; (3) sale or lease of equipment by the County with all proceeds applied to costs the Lessor has incurred in exercising remedies, amounts due under the agreement, and payment of the termination value and any proceeds in excess of these amounts shall be paid by the County to the lessor; (4) termination of lease to any equipment; (5) avail itself of all available remedies under applicable law and the agreement and recover any out of pocket costs for expenses incurred as a result of the default.

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

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 9,575,832	\$ 1,501,715
2021	3,110,070	1,447,262
2022	2,811,816	1,394,836
2023	2,557,800	1,348,836
2024	2,498,919	1,310,687
2025-2029	10,822,134	4,953,042
2030-2034	1,535,547	545,308
2035-2060	4,001,773	1,295,535
Total	<u>\$ 36,913,891</u>	<u>\$ 13,797,221</u>

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balances June 30, 2019	Due Within One Year
Governmental Activities:					
Notes from direct placements	\$ 27,879,433	\$ 749,482	\$ 1,757,388	\$ 26,871,527	\$ 8,460,013
Notes from direct placements Schools QSCB	9,569,947	-	956,995	8,612,952	956,995
Notes from direct placements Schools QZAB	1,588,235	-	158,823	1,429,412	158,824
Vacation, holiday, and compensatory time	1,063,644	2,233,805	2,067,899	1,229,550	1,229,550
Total Law Enforcement Officers' Special Separation					
Allowance Pension Liability	869,998	12,784	-	882,782	-
Net pension liability (LGRS)	2,447,718	1,404,728	-	3,852,446	-
Total OPEB liability	5,219,889	111,478	-	5,331,367	-
Total governmental activities	<u>\$ 48,638,864</u>	<u>\$ 4,512,277</u>	<u>\$ 4,941,105</u>	<u>\$ 48,210,036</u>	<u>\$ 10,805,382</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2019 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	\$ 974,542
From Dedicated Debt Service Fund to General Fund for debt payment	2,466,064
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	1,230,864
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	134,999
From General Fund to Health Department Title XIX Fund to transfer fund balance for Title XIX	192,527
From General Fund to Mental Health MOE Fund to account for the fund balance	248,820
From General Fund to School Current Expense Fund for school operations.	213,231
From Dedicated Fund to School Current Expense Fund for Poplar Spring Elementary School operations.	94,508
From Stokes Reynolds Memorial Hospital Fund to Capital Reserve Fund for capital outlay per lease agreement	<u>10,000</u>
Total	<u>\$ 6,705,330</u>

D. Due To/From Other Funds

Due to the General Fund for the allocation of costs from the Schools Capital Outlay/Capital Reserve Fund in the amount of \$97,378. The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 were 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, 2019. 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, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$500,835 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)

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 \$13,820 to the Council during the fiscal year ended June 30, 2019. The County was the subrecipient of various federal and state grants totaling approximately \$420,207 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.

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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
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
Last Three Fiscal Years

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Beginning balance	\$ 869,998	\$ 837,336	\$ 833,251
Service cost	43,791	35,323	37,951
Interest on the total pension liability	26,664	31,408	28,938
Difference between expected and actual experience	22,691	(32,317)	-
Changes of assumptions or other inputs	(27,951)	45,552	(17,462)
Benefit payments	(52,411)	(47,304)	(45,342)
Ending balance of the total pension liability	<u>\$ 882,782</u>	<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 Three Fiscal Years

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Total pension liability	\$ 882,782	\$ 869,998	\$ 837,336
Covered payroll	\$ 1,879,935	\$ 1,696,875	\$ 1,659,202
Total pension liability as a percentage of covered payroll	46.96%	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 TOTAL OPEB LIABILITY
Last Two Fiscal Years

Other Post-Employment Benefits		
	2019	2018
Service cost	\$ 236,763	\$ 258,164
Interest	183,496	155,381
Differences between expected and actual experience	(1,741)	4,291
Changes of assumptions or other inputs	(174,854)	(295,224)
Benefit payments	<u>(132,186)</u>	<u>(128,783)</u>
Net change in total OPEB liability	111,478	(6,171)
Total OPEB liability - beginning	<u>5,219,889</u>	<u>5,226,060</u>
Total OPEB liability - ending	<u>\$ 5,331,367</u>	<u>\$ 5,219,889</u>
Covered payroll	\$ 9,662,244	\$ 9,662,244
Total OPEB liability as a percentage of covered payroll	55.18%	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:

Fiscal Year	Rate
2018	3.56%
2019	3.89%

*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 NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
Last Six Fiscal Years*

Local Governmental Employees' Retirement System						
	2019	2018	2017	2016	2015	2014
Stokes County's proportion of the net pension liability (asset) (%)	0.16239%	0.16022%	0.15691%	0.15471%	0.16026%	0.16460%
Stokes County's proportion of the net pension liability (asset) (\$)	\$ 3,852,446	\$ 2,447,718	\$ 3,330,156	\$ 694,329	\$ (945,128)	\$ 1,984,062
Stokes County's covered payroll	\$ 11,097,231	\$ 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 payroll	34.72%	23.41%	32.40%	7.28%	(10.07%)	22.17%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 Six Fiscal Years

Local Governmental Employees' Retirement System						
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 944,615	\$ 849,702	\$ 773,777	\$ 679,569	\$ 679,145	\$ 670,748
Contributions in relation to the contractually required contribution	<u>944,615</u>	<u>849,702</u>	<u>773,777</u>	<u>679,569</u>	<u>679,145</u>	<u>670,748</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stokes County's covered payroll	\$ 11,929,769	\$ 11,097,231	\$ 10,454,639	\$ 10,277,209	\$ 9,533,524	\$ 9,389,406
Contributions as a percentage of covered payroll	7.92%	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 Six Fiscal Years

Register of Deeds' Supplemental Pension Fund

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Stokes County's proportion of the net pension liability (asset) (%)	0.36289%	0.38162%	0.36819%	0.38609%	0.36388%	0.35446%
Stokes County's proportion of the net pension liability (asset) (\$)	\$ (60,105)	\$ (65,139)	\$ (68,837)	\$ (89,472)	\$ (82,486)	\$ (75,713)
Stokes County's covered payroll	\$ 58,366	\$ 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 payroll	-102.98%	-105.17%	-113.60%	-154.18%	-148.30%	-139.37%
Plan fiduciary net position as a percentage of the total pension liability	153.31%	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 Six Fiscal Years

Register of Deeds' Supplemental Pension Fund						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,322	\$ 3,106	\$ 3,316	\$ 3,008	\$ 3,089	\$ 2,971
Contributions in relation to the contractually required contribution	<u>2,322</u>	<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>	<u>\$ -</u>
Stokes County's covered payroll	\$ 54,966	\$ 58,366	\$ 61,935	\$ 60,595	\$ 58,031	\$ 55,620
Contributions as a percentage of covered payroll	4.22%	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, 2019

	General Fund	School Current Expense Fund	Dedicated Debt Service Fund	Health Department Title XIX Fund	Mental Health MOE Fund	Eliminations	Total General Fund
Revenues:							
Ad valorem taxes	\$ 12,466,444	12,105,202	\$ 1,579,794	\$ -	\$ -	\$ -	\$ 26,151,440
Other taxes and licenses	7,095,081	-	-	-	3,545	-	7,098,626
Intergovernmental	7,759,946	-	-	327,661	-	-	8,087,607
Permits and fees	387,705	-	-	-	-	-	387,705
Sales and services	2,822,714	-	-	447,003	-	-	3,269,717
Investment earnings	543,573	-	56,209	1,291	482	-	601,555
Other revenues	399,409	-	-	28,771	-	-	428,180
Total revenues	<u>31,474,872</u>	<u>12,105,202</u>	<u>1,636,003</u>	<u>804,726</u>	<u>4,027</u>	<u>-</u>	<u>46,024,830</u>
Expenditures:							
Current:							
General government	5,765,610	-	-	-	-	-	5,765,610
Public safety	11,511,885	-	-	-	-	-	11,511,885
Environmental protection	1,655,231	-	-	-	-	-	1,655,231
Economic and physical development	1,552,736	-	-	-	-	-	1,552,736
Human services	7,917,342	-	-	1,253,276	477,854	-	9,648,472
Culture and recreation	901,498	-	-	-	-	-	901,498
Special appropriations	510,748	-	-	-	-	-	510,748
Intergovernmental:							
Education	249,654	12,358,790	-	-	-	-	12,608,444
Debt service:							
Principal	2,873,206	-	-	-	-	-	2,873,206
Interest and fiscal charges	1,513,981	-	-	-	-	-	1,513,981
Total expenditures	<u>34,451,891</u>	<u>12,358,790</u>	<u>-</u>	<u>1,253,276</u>	<u>477,854</u>	<u>-</u>	<u>48,541,811</u>
Excess of revenues over (under) expenditures	<u>(2,977,019)</u>	<u>(253,588)</u>	<u>1,636,003</u>	<u>(448,550)</u>	<u>(473,827)</u>	<u>-</u>	<u>(2,516,981)</u>
Other Financing Sources (Uses):							
Transfers from other funds	3,440,606	307,739	1,139,775	192,527	248,820	(4,354,925)	974,542
Transfers to other funds	(3,160,216)	-	(2,560,572)	-	-	4,354,925	(1,365,863)
Debt issued	749,482	-	-	-	-	-	749,482
Total other financing sources (uses)	<u>1,029,872</u>	<u>307,739</u>	<u>(1,420,797)</u>	<u>192,527</u>	<u>248,820</u>	<u>-</u>	<u>358,161</u>
Net change in fund balances	(1,947,147)	54,151	215,206	(256,023)	(225,007)	-	(2,158,820)
Fund balances at beginning of year	<u>20,075,581</u>	<u>-</u>	<u>3,844,143</u>	<u>546,642</u>	<u>238,597</u>	<u>-</u>	<u>24,704,963</u>
Fund balances at end of year	<u>\$ 18,128,434</u>	<u>\$ 54,151</u>	<u>\$ 4,059,349</u>	<u>\$ 290,619</u>	<u>\$ 13,590</u>	<u>\$ -</u>	<u>\$ 22,546,143</u>

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 12,436,051	\$ 12,466,444	\$ 30,393
Other Taxes and Licenses:			
Local option sales taxes	6,770,000	6,822,433	52,433
White goods disposal tax	20,000	19,138	(862)
Scrap tire disposal tax	62,000	64,841	2,841
Solid waste disposal tax	32,000	36,030	4,030
Electronic Management Program	3,500	2,954	(546)
Real estate transfer taxes	75,000	122,396	47,396
Dog tag licenses	31,000	27,289	(3,711)
Total	<u>6,993,500</u>	<u>7,095,081</u>	<u>101,581</u>
Unrestricted Intergovernmental Revenues:			
Medicaid Relief-Hold harmless	946,787	1,166,946	220,159
Beer and wine tax	175,000	167,100	(7,900)
ABC net revenue	4,000	-	(4,000)
CATV Time Warner	130,000	146,546	16,546
Total	<u>1,255,787</u>	<u>1,480,592</u>	<u>224,805</u>
Restricted Intergovernmental Revenues:			
State grants, including federal pass-through monies	7,111,546	5,729,594	(1,381,952)
Public School Capital Lottery	450,000	450,000	-
Court costs and facilities fees	97,500	99,760	2,260
Total	<u>7,659,046</u>	<u>6,279,354</u>	<u>(1,379,692)</u>
Permits and Fees:			
Building permits and inspection fees	214,530	218,028	3,498
Register of Deeds	184,100	169,677	(14,423)
Total	<u>398,630</u>	<u>387,705</u>	<u>(10,925)</u>
Sales and Services:			
Rents, concessions and fees	1,296,283	1,328,100	31,817
Ambulance fees	1,770,000	1,494,614	(275,386)
Total	<u>3,066,283</u>	<u>2,822,714</u>	<u>(243,569)</u>
Investment earnings	<u>331,454</u>	<u>543,573</u>	<u>212,119</u>
Other General Revenues:			
Sale of materials	7,000	-	(7,000)
Insurance claim refunds	272,007	275,055	3,048
Other	89,538	124,354	34,816
Total	<u>368,545</u>	<u>399,409</u>	<u>30,864</u>
Total revenues	<u>32,509,296</u>	<u>31,474,872</u>	<u>(1,034,424)</u>

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Current Operating:			
General Government:			
Governing Body:			
Salaries	64,800	59,621	5,179
Employee benefits	169,922	159,189	10,733
Operating expenditures	966,411	893,830	72,581
Supplies	1,200	767	433
Capital outlay	42,935	41,231	1,704
Total	<u>1,245,268</u>	<u>1,154,638</u>	<u>90,630</u>
Administrative:			
Salaries	206,191	202,355	3,836
Employee benefits	56,350	55,735	615
Operating expenditures	29,050	16,741	12,309
Supplies	3,800	3,268	532
Capital outlay	370	367	3
Total	<u>295,761</u>	<u>278,466</u>	<u>17,295</u>
Elections:			
Salaries	86,460	85,946	514
Employee benefits	29,097	28,765	332
Operating expenditures	84,375	76,832	7,543
Supplies	8,650	7,112	1,538
Capital outlay	600	561	39
Total	<u>209,182</u>	<u>199,216</u>	<u>9,966</u>
Finance:			
Salaries	186,953	184,629	2,324
Employee benefits	57,891	56,817	1,074
Operating expenditures	194,775	184,704	10,071
Supplies	8,000	6,201	1,799
Total	<u>447,619</u>	<u>432,351</u>	<u>15,268</u>
Purchasing:			
Salaries	54,423	54,179	244
Employee benefits	16,853	15,948	905
Operating expenditures	10,299	5,322	4,977
Supplies	1,900	1,187	713
Capital outlay	2,860	2,857	3
Total	<u>86,335</u>	<u>79,493</u>	<u>6,842</u>
Information Systems:			
Salaries	174,248	173,989	259
Employee benefits	50,701	50,146	555
Operating expenditures	75,357	68,620	6,737
Supplies	5,075	3,083	1,992
Capital outlay	10,550	10,542	8
Total	<u>315,931</u>	<u>306,380</u>	<u>9,551</u>

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Final Budget	Actual Amounts	Variance Positive (Negative)
Tax Administration:			
Salaries	368,261	365,548	2,713
Employee benefits	131,125	129,771	1,354
Operating expenditures	299,816	290,503	9,313
Supplies	7,700	6,704	996
Total	806,902	792,526	14,376
Legal:			
Operating expenditures	102,000	93,547	8,453
Register of Deeds:			
Salaries	122,346	122,009	337
Employee benefits	42,082	41,416	666
Operating expenditures	61,154	55,529	5,625
Supplies	3,945	3,490	455
Total	229,527	222,444	7,083
Public Buildings:			
Salaries	282,057	275,520	6,537
Employee benefits	113,528	111,664	1,864
Operating expenditures	690,000	688,766	1,234
Supplies	75,000	64,527	10,473
Capital outlay	668,568	475,739	192,829
Total	1,829,153	1,616,216	212,937
Superior Court:			
Operating expenditures	13,013	10,821	2,192
Supplies	580	576	4
Total	13,593	11,397	2,196
Vehicle Maintenance:			
Salaries	114,457	114,692	(235)
Employee benefits	40,738	40,466	272
Operating expenditures	30,265	23,031	7,234
Supplies	5,800	4,699	1,101
Capital outlay	20,291	20,277	14
Total	211,551	203,165	8,386
Mapping/GIS:			
Salaries	119,708	119,360	348
Employee benefits	42,032	40,542	1,490
Operating expenditures	38,320	34,675	3,645
Supplies	5,000	3,555	1,445
Capital outlay	9,165	9,165	-
Total	214,225	207,297	6,928

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revaluation:			
Salaries	122,126	119,566	2,560
Employee benefits	42,049	40,825	1,224
Operating expenditures	7,200	4,366	2,834
Supplies	4,700	3,717	983
Total	<u>176,075</u>	<u>168,474</u>	<u>7,601</u>
Total general government	<u>6,183,122</u>	<u>5,765,610</u>	<u>417,512</u>
Public Safety:			
Sheriff:			
Salaries	2,354,807	2,315,218	39,589
Employee benefits	797,758	786,263	11,495
Operating expenditures	238,593	215,978	22,615
Supplies	182,000	180,434	1,566
Capital outlay	297,219	293,029	4,190
Total	<u>3,870,377</u>	<u>3,790,922</u>	<u>79,455</u>
Jail:			
Salaries	1,088,022	1,079,161	8,861
Employee benefits	355,147	350,785	4,362
Operating expenditures	770,426	757,188	13,238
Supplies	17,800	18,132	(332)
Capital outlay	133,941	129,370	4,571
Total	<u>2,365,336</u>	<u>2,334,636</u>	<u>30,700</u>
Animal Control:			
Salaries	151,359	150,549	810
Employee benefits	58,832	58,067	765
Operating expenditures	104,150	60,528	43,622
Supplies	27,000	22,571	4,429
Capital outlay	5,000	4,666	334
Total	<u>346,341</u>	<u>296,381</u>	<u>49,960</u>
Emergency Management:			
Salaries	56,498	56,238	260
Employee benefits	15,571	15,474	97
Operating expenditures	15,750	10,483	5,267
Supplies	6,600	4,095	2,505
Capital outlay	90,800	90,732	68
Total	<u>185,219</u>	<u>177,022</u>	<u>8,197</u>
Emergency Medical Services:			
Salaries	1,808,911	1,795,418	13,493
Employee benefits	486,176	480,091	6,085
Operating expenditures	315,130	313,962	1,168
Supplies	286,133	275,135	10,998
Capital outlay	592,622	592,108	514
Total	<u>3,488,972</u>	<u>3,456,714</u>	<u>32,258</u>

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Final Budget	Actual Amounts	Variance Positive (Negative)
Emergency Communications:			
Salaries	609,860	608,803	1,057
Employee benefits	180,217	180,205	12
Operating expenditures	120,420	118,457	1,963
Supplies	2,900	2,769	131
Capital outlay	9,237	9,231	6
Total	<u>922,634</u>	<u>919,465</u>	<u>3,169</u>
Fire Marshal:			
Salaries	168,875	166,042	2,833
Employee benefits	48,813	48,182	631
Operating expenditures	35,196	28,692	6,504
Supplies	16,700	14,879	1,821
Capital outlay	59,189	57,495	1,694
Total	<u>328,773</u>	<u>315,290</u>	<u>13,483</u>
Medical Examiner:			
Contracted services	<u>44,000</u>	<u>41,382</u>	<u>2,618</u>
Day Reporting Center:			
Salaries	109,242	108,725	517
Employee benefits	37,855	37,716	139
Operating expenditures	30,207	24,582	5,625
Supplies	4,300	4,321	(21)
Capital outlay	4,745	4,729	16
Total	<u>186,349</u>	<u>180,073</u>	<u>6,276</u>
Total public safety	<u>11,738,001</u>	<u>11,511,885</u>	<u>226,116</u>
Environmental Protection:			
Solid Waste Collection:			
Salaries	391,461	386,627	4,834
Employee benefits	98,366	97,750	616
Operating expenditures	806,397	760,175	46,222
Supplies	77,265	67,010	10,255
Capital outlay	<u>353,990</u>	<u>343,669</u>	<u>10,321</u>
Total environmental protection	<u>1,727,479</u>	<u>1,655,231</u>	<u>72,248</u>
Economic and Physical Development:			
Economic Development:			
Salaries	97,492	97,225	267
Employee benefits	30,692	30,449	243
Operating expenditures	713,350	712,705	645
Supplies	2,975	2,924	51
Total	<u>844,509</u>	<u>843,303</u>	<u>1,206</u>

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Final Budget	Actual Amounts	Variance Positive (Negative)
Planning and Community Development:			
Salaries	289,220	287,558	1,662
Employee benefits	91,349	90,735	614
Operating expenditures	23,675	16,278	7,397
Supplies	8,700	6,590	2,110
Total	<u>412,944</u>	<u>401,161</u>	<u>11,783</u>
Cooperative Extension:			
Operating expenditures	171,488	167,787	3,701
Supplies	3,500	3,345	155
Total	<u>174,988</u>	<u>171,132</u>	<u>3,856</u>
Natural Resources:			
Salaries	82,222	81,992	230
Employee benefits	27,827	27,662	165
Operating expenditures	24,487	21,031	3,456
Supplies	5,280	3,569	1,711
Capital outlay	2,887	2,886	1
Total	<u>142,703</u>	<u>137,140</u>	<u>5,563</u>
Total economic and physical development	<u>1,575,144</u>	<u>1,552,736</u>	<u>22,408</u>
Human Services:			
Health:			
Administration:			
Salaries	507,124	501,057	6,067
Employee benefits	168,971	169,287	(316)
Operating expenditures	41,140	29,380	11,760
Supplies	21,000	17,020	3,980
Capital outlay	15,070	13,444	1,626
Total	<u>753,305</u>	<u>730,188</u>	<u>23,117</u>
Environmental Health:			
Salaries	188,682	186,809	1,873
Employee benefits	64,529	62,391	2,138
Operating expenditures	21,753	17,752	4,001
Supplies	21,351	17,905	3,446
Capital outlay	2,918	2,918	-
Total	<u>299,233</u>	<u>287,775</u>	<u>11,458</u>
Total health	<u>1,052,538</u>	<u>1,017,963</u>	<u>34,575</u>
Social Services:			
Administration:			
Salaries	2,612,027	2,562,259	49,768
Employee benefits	923,629	900,096	23,533
Operating expenditures	1,096,266	792,733	303,533
Supplies	53,000	49,083	3,917
Capital outlay	69,000	66,344	2,656
Total	<u>4,753,922</u>	<u>4,370,515</u>	<u>383,407</u>

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
General Public Assistance, County share only:			
Adoption assistance	552,952	300,423	252,529
Daycare for children and adults	57,009	2,396	54,613
Aid to the blind	2,526	2,526	-
Medical assistance - Medicaid	15,000	1,870	13,130
Aid to families with dependent children-WORKFIRST	85,850	28,988	56,862
Foster Home Fund	1,548,620	937,269	611,351
Crisis intervention	166,499	116,745	49,754
LIEAP	183,623	153,600	30,023
Special assistance	522,341	414,349	107,992
Total	<u>3,134,420</u>	<u>1,958,166</u>	<u>1,176,254</u>
Senior Citizens:			
Salaries	175,816	173,900	1,916
Employee benefits	56,389	54,570	1,819
Operating expenditures	359,764	309,877	49,887
Supplies	8,600	4,780	3,820
Capital outlay	5,100	5,035	65
Total	<u>605,669</u>	<u>548,162</u>	<u>57,507</u>
Total social services	<u>8,494,011</u>	<u>6,876,843</u>	<u>1,617,168</u>
Veterans Services:			
Salaries	18,323	18,271	52
Employee benefits	3,027	3,020	7
Operating expenditures	2,005	1,206	799
Supplies	165	39	126
Total	<u>23,520</u>	<u>22,536</u>	<u>984</u>
Total human services	<u>9,570,069</u>	<u>7,917,342</u>	<u>1,652,727</u>
Culture and Recreation:			
Recreation			
Operating expenditures	<u>117,484</u>	<u>117,484</u>	<u>-</u>
Arts Council:			
Salaries	74,103	73,734	369
Employee benefits	26,898	26,771	127
Improvements	169,500	169,500	-
Total	<u>270,501</u>	<u>270,005</u>	<u>496</u>
Library:			
Library operations	<u>500,835</u>	<u>500,835</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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Parks:			
Salaries	6,365	5,571	794
Employee benefits	550	462	88
Operating expenditures	14,300	6,091	8,209
Supplies	2,130	1,050	1,080
Total	<u>23,345</u>	<u>13,174</u>	<u>10,171</u>
Total culture and recreation	<u>912,165</u>	<u>901,498</u>	<u>10,667</u>
Special Appropriations:			
Juvenile Services	14,409	14,500	(91)
Yadkin Valley Economic Development	196,958	196,698	260
N. C. Forestry Service	91,720	89,545	2,175
Stokes Friends of Youth	107,149	107,149	-
Insight Human Services	26,896	26,896	-
Domestic Violence Task Force	5,500	5,500	-
Stokes County Stop Child Abuse Now	33,522	33,522	-
PTRC- MPO	8,091	-	8,091
Stokes County Fire & Rescue Associates	29,325	29,315	10
PTRC	1,500	926	574
PTRC-Rural Planning Organization	4,012	-	4,012
King Senior Center	6,697	6,697	-
Total special appropriations	<u>525,779</u>	<u>510,748</u>	<u>15,031</u>
Community College:			
Salaries	67,234	63,904	3,330
Employee benefits	28,563	26,669	1,894
Operating expenditures	130,700	116,722	13,978
Supplies	17,000	14,964	2,036
Capital outlay	28,170	27,395	775
Total community college	<u>271,667</u>	<u>249,654</u>	<u>22,013</u>
Total education	<u>271,667</u>	<u>249,654</u>	<u>22,013</u>
Debt Service:			
School:			
Principal	2,001,180	2,001,178	2
Interest	1,482,227	1,482,226	1
County Building:			
Principal	872,020	872,028	(8)
Interest	31,770	31,755	15
Total debt service	<u>4,387,197</u>	<u>4,387,187</u>	<u>10</u>

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Total expenditures	36,890,623	34,451,891	2,438,732
Excess of revenues over (under) expenditures	(4,381,327)	(2,977,019)	1,404,308
Other Financing Sources (Uses):			
Transfers - in (out):			
From Capital Reserve Fund	974,542	974,542	-
From Dedicated Debt Service Fund	2,466,064	2,466,064	-
To Capital Reserve Fund	(1,230,864)	(1,230,864)	-
To Health Department Title XIX Fund	(192,527)	(192,527)	-
To Stokes-Reynolds Memorial Hospital Fund	(134,999)	(134,999)	-
To Mental Health MOE	(248,820)	(248,820)	-
To School Current Expense Fund	(213,231)	(213,231)	-
To Dedicated Debt Service Fund	(1,139,775)	(1,139,775)	-
Total transfers	280,390	280,390	-
Proceeds from debt issuance (refunding):			
Installment obligations issued	749,382	749,482	100
Total proceeds from debt issuance	749,382	749,482	100
Total other financing sources (uses)	1,029,772	1,029,872	100
Net change in fund balance	(3,351,555)	(1,947,147)	1,404,408
Appropriated fund balance	3,351,555	-	(3,351,555)
Net change in fund balance	\$ -	(1,947,147)	\$ (1,947,147)
Fund balance, beginning of year		20,075,581	
Fund balance, end of year		<u>\$ 18,128,434</u>	

STOKES COUNTY, NORTH CAROLINA
SCHOOL CURRENT EXPENSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 10,670,525	\$ 10,614,749	\$ (55,776)
Motor vehicle taxes collected by state	1,180,526	1,281,423	100,897
Penalties & Interest	200,000	209,286	9,286
Total	<u>12,051,051</u>	<u>12,105,458</u>	<u>54,407</u>
Less: refunds	<u>-</u>	<u>(256)</u>	<u>(256)</u>
Net	<u>12,051,051</u>	<u>12,105,202</u>	<u>54,151</u>
Total revenues	<u>12,051,051</u>	<u>12,105,202</u>	<u>54,151</u>
Expenditures:			
Schools			
Current Expense	12,051,051	12,051,051	-
Poplar Spring Operating	94,508	94,508	-
Special Appropriation	213,231	213,231	-
Total expenditures	<u>12,358,790</u>	<u>12,358,790</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(307,739)</u>	<u>(253,588)</u>	<u>54,151</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
From Dedicated Debt Service Fund	94,508	94,508	-
From General Fund	213,231	213,231	-
Total other financing sources (uses)	<u>307,739</u>	<u>307,739</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	54,151	<u>\$ 54,151</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		<u>\$ 54,151</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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,376,842	\$ 1,414,750	\$ 37,908
Motor vehicle taxes collected by state	152,326	165,164	12,838
Total	<u>1,529,168</u>	<u>1,579,914</u>	<u>50,746</u>
Less: refunds	<u>-</u>	<u>(120)</u>	<u>(120)</u>
Net	<u>1,529,168</u>	<u>1,579,794</u>	<u>50,626</u>
Investment earnings	<u>-</u>	<u>56,209</u>	<u>56,209</u>
Total revenues	<u>1,529,168</u>	<u>1,636,003</u>	<u>106,835</u>
Expenditures:			
Debt service:			
School debt	<u>108,371</u>	<u>-</u>	<u>108,371</u>
Total expenditures	<u>108,371</u>	<u>-</u>	<u>108,371</u>
Excess of revenues over (under) expenditures	<u>1,420,797</u>	<u>1,636,003</u>	<u>215,206</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
To General Fund	(2,466,064)	(2,466,064)	-
To School Capital Outlay Fund	(94,508)	(94,508)	-
From General Fund	<u>1,139,775</u>	<u>1,139,775</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,420,797)</u>	<u>(1,420,797)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	215,206	<u>\$ 215,206</u>
Fund balance, beginning of year		<u>3,844,143</u>	
Fund balance, end of year		<u>\$ 4,059,349</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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted Intergovernmental Revenues:			
State grants, including federal pass-through monies	\$ 389,810	\$ 327,661	\$ (62,149)
Sales and Services:			
Fees	337,145	447,003	109,858
Investment earnings	-	1,291	1,291
Other General Revenues:			
Miscellaneous	<u>27,500</u>	<u>28,771</u>	<u>1,271</u>
Total revenues	<u>754,455</u>	<u>804,726</u>	<u>50,271</u>
Expenditures:			
Current operating:			
Adult Health Program:			
Salaries	194,643	192,727	1,916
Employee benefits	61,693	61,248	445
Operating expenditures	35,000	36,603	(1,603)
Supplies	<u>25,000</u>	<u>16,857</u>	<u>8,143</u>
Total	<u>316,336</u>	<u>307,435</u>	<u>8,901</u>
Child Health Program:			
Salaries	102,564	101,305	1,259
Employee benefits	33,608	33,009	599
Operating expenditures	172,825	168,454	4,371
Supplies	21,170	10,993	10,177
Capital outlay	<u>14,732</u>	<u>10,695</u>	<u>4,037</u>
Total	<u>344,899</u>	<u>324,456</u>	<u>20,443</u>
Family Planning Program:			
Salaries	177,886	175,597	2,289
Employee benefits	57,767	56,915	852
Operating expenditures	43,000	41,900	1,100
Supplies	<u>35,000</u>	<u>21,272</u>	<u>13,728</u>
Total	<u>313,653</u>	<u>295,684</u>	<u>17,969</u>
General:			
Operating expenditures	91,572	79,460	12,112
Supplies	<u>61,462</u>	<u>41,325</u>	<u>20,137</u>
Total	<u>153,034</u>	<u>120,785</u>	<u>32,249</u>
Prenatal Program:			
Salaries	69,728	69,128	600
Employee benefits	22,883	22,391	492
Operating expenditures	105,250	113,037	(7,787)
Supplies	<u>3,500</u>	<u>360</u>	<u>3,140</u>
Total	<u>201,361</u>	<u>204,916</u>	<u>(3,555)</u>
Total expenditures	<u>1,329,283</u>	<u>1,253,276</u>	<u>76,007</u>
Excess of revenues over (under) expenditures	<u>(574,828)</u>	<u>(448,550)</u>	<u>126,278</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
From General Fund	<u>192,527</u>	<u>192,527</u>	<u>-</u>
Total other financing sources (uses)	<u>192,527</u>	<u>192,527</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(382,301)</u>	<u>(256,023)</u>	<u>126,278</u>
Appropriated fund balance	<u>382,301</u>	<u>-</u>	<u>(382,301)</u>
Net change in fund balance	<u>\$ -</u>	<u>(256,023)</u>	<u>\$ (256,023)</u>
Fund balance, beginning of year		<u>546,642</u>	
Fund balance, end of year		<u>\$ 290,619</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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes and licenses			
ABC bottle tax	\$ 3,550	\$ 3,545	\$ (5)
Investment earnings	-	482	482
Total revenues	<u>3,550</u>	<u>4,027</u>	<u>477</u>
Expenditures:			
Current operating:			
Mental Health	156,259	156,259	-
ABC Bottle Tax	3,550	3,546	4
SOC Transportation	150	150	-
Insight Human Services	101,000	101,000	-
NC211	5,000	5,000	-
Narcan Kits for Law Enforcement/EMS	13,612	13,612	-
Behavioral Health/Substance Abuse Care Management	25,785	22,468	3,317
DSS Placements/CCS Assists/Psychiatrist	10,974	10,974	-
Media/Education	5,074	4,858	216
Critical Incident Training	2,013	3,005	(992)
Medication Storage/Lock Boxes	2,429	2,429	-
Transportation	7,470	7,532	(62)
Youth Haven	33,949	33,948	1
Parenting Path	16,500	16,500	-
Community Paramedicine Program	45,998	36,405	9,593
Med Assist Event	8,387	8,386	1
Faith Based Initiative	2,745	2,744	1
Smoking Cessation/Drug Abuse Info	4,926	4,925	1
Stokes Partnership for Children	43,000	43,000	-
Health Department	<u>2,001</u>	<u>1,113</u>	<u>888</u>
Total expenditures	<u>490,822</u>	<u>477,854</u>	<u>12,968</u>
Excess of revenues over (under) expenditures	<u>(487,272)</u>	<u>(473,827)</u>	<u>13,445</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
From General Fund	<u>248,820</u>	<u>248,820</u>	<u>-</u>
Total other financing sources (uses)	<u>248,820</u>	<u>248,820</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(238,452)	(225,007)	13,445
Appropriated fund balance	<u>238,452</u>	<u>-</u>	<u>(238,452)</u>
Net change in fund balance	<u>\$ -</u>	<u>(225,007)</u>	<u>\$ (225,007)</u>
Fund balance, beginning of year		<u>238,597</u>	
Fund balance, end of year		<u>\$ 13,590</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, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Golden Leaf Funding	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -
ARC Grant	300,000	300,000	-	300,000	-
Forsyth Tech State Funding	250,000	250,000	-	250,000	-
NCDENR	482,500	482,500	-	482,500	-
NCDOT	100,000	100,000	-	100,000	-
Private Donation	1,636,083	1,559,083	77,000	1,636,083	-
Sales tax refund	6,968	27,241	-	27,241	20,273
Interest on Investment	7,021	49,325	12,832	62,157	55,136
Total revenues	<u>4,782,572</u>	<u>4,768,149</u>	<u>89,832</u>	<u>4,857,981</u>	<u>75,409</u>
Expenditures:					
Community College:					
Construction-Community College	6,000,000	5,491,258	91,200	5,582,458	417,542
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	<u>10,233,263</u>	<u>8,986,458</u>	<u>91,200</u>	<u>9,077,658</u>	<u>1,155,605</u>
Petree Project:					
Construction-Community Center	1,318,104	1,316,792	-	1,316,792	1,312
Construction-Picnic Shelter	318,000	-	104,656	104,656	213,344
Total Petree Project	<u>1,636,104</u>	<u>1,316,792</u>	<u>104,656</u>	<u>1,421,448</u>	<u>214,656</u>
Jail Project:					
Construction/Architect	6,247,784	2,023,066	4,310,908	6,333,974	(86,190)
Financing Cost/Interest	279,816	61,386	-	61,386	218,430
Total Jail Project	<u>6,527,600</u>	<u>2,084,452</u>	<u>4,310,908</u>	<u>6,395,360</u>	<u>132,240</u>
Total expenditures	<u>18,396,967</u>	<u>12,387,702</u>	<u>4,506,764</u>	<u>16,894,466</u>	<u>1,502,501</u>
Excess of revenues over (under) expenditures	<u>(13,614,395)</u>	<u>(7,619,553)</u>	<u>(4,416,932)</u>	<u>(12,036,485)</u>	<u>1,577,910</u>
Other Financing Sources (Uses):					
Operating transfers - in:					
From Regional Sewer Fund	250,000	250,000	-	250,000	-
From School/F. Tech Fund	250,000	250,000	-	250,000	-
Debt issuance-Nancy Reynolds/Community College	534,695	534,695	-	534,695	-
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					
Total other financing sources (uses)	<u>13,614,395</u>	<u>13,451,395</u>	<u>-</u>	<u>13,451,395</u>	<u>(163,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,831,842</u>	<u>(4,416,932)</u>	<u>\$ 1,414,910</u>	<u>\$ 1,414,910</u>
Fund balance, beginning of year			<u>5,464,552</u>		
Fund balance, end of year			<u>\$ 1,047,620</u>		

STOKES COUNTY, NORTH CAROLINA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30,2019

	Special Revenue Funds				
	Emergency Telephone System	Service District Fire District	Rural Hall Fire District	King Fire District	Walnut Cove Fire District
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 531,090	\$ 29,076	\$ 7,894	\$ 83,449	\$ 35,831
Taxes receivable, net	-	103,766	4,401	11,186	18,008
Accounts receivable, net	<u>28,256</u>	<u>84,222</u>	<u>3,760</u>	<u>19,032</u>	<u>12,812</u>
Total assets	<u>\$ 559,346</u>	<u>\$ 217,064</u>	<u>\$ 16,055</u>	<u>\$ 113,667</u>	<u>\$ 66,651</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 89,120	\$ 112	\$ -	\$ 72	\$ 1
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>89,120</u>	<u>112</u>	<u>-</u>	<u>72</u>	<u>1</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>103,766</u>	<u>4,401</u>	<u>11,186</u>	<u>18,008</u>
Fund balances:					
Restricted:					
Stabilization by state statute	28,256	84,222	3,760	19,032	12,812
Restricted, all others	441,970	28,964	7,894	83,377	35,830
Committed	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>470,226</u>	<u>113,186</u>	<u>11,654</u>	<u>102,409</u>	<u>48,642</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 559,346</u>	<u>\$ 217,064</u>	<u>\$ 16,055</u>	<u>\$ 113,667</u>	<u>\$ 66,651</u>

STOKES COUNTY, NORTH CAROLINA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30,2019

	Capital Project Funds		Total
	Schools Capital Outlay/Capital Reserve Fund	Capital Reserve Fund	Nonmajor Governmental Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 1,121,707	\$ 1,809,047
Taxes receivable, net	-	-	137,361
Accounts receivable, net	<u>348,078</u>	<u>-</u>	<u>496,160</u>
Total assets	<u>\$ 348,078</u>	<u>\$ 1,121,707</u>	<u>\$ 2,442,568</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 89,305
Due to other funds	<u>97,378</u>	<u>-</u>	<u>97,378</u>
Total liabilities	<u>97,378</u>	<u>-</u>	<u>186,683</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>137,361</u>
Fund balances:			
Restricted:			
Stabilization by state statute	348,078	-	496,160
Restricted, all others	-	-	598,035
Committed	-	1,121,707	1,121,707
Unassigned	<u>(97,378)</u>	<u>-</u>	<u>(97,378)</u>
Total fund balances	<u>250,700</u>	<u>1,121,707</u>	<u>2,118,524</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 348,078</u>	<u>\$ 1,121,707</u>	<u>\$ 2,442,568</u>

STOKES COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	Special Revenue Funds				
	Emergency Telephone System	Service District Fire District	Rural Hall Fire District	King Fire District	Walnut Cove Fire District
Revenues:					
Ad valorem taxes, net of refunds	\$ -	\$ 1,856,839	\$ 75,078	\$ 389,506	\$ 271,372
Other taxes and licenses	339,080	392,070	15,231	78,978	55,285
Investment earnings	2,203	1,290	74	414	288
Total revenues	<u>341,283</u>	<u>2,250,199</u>	<u>90,383</u>	<u>468,898</u>	<u>326,945</u>
Expenditures:					
Current operating:					
Public safety	265,799	2,229,789	86,573	450,956	313,352
Schools	-	-	-	-	-
Total expenditures	<u>265,799</u>	<u>2,229,789</u>	<u>86,573</u>	<u>450,956</u>	<u>313,352</u>
Excess of revenues over (under) expenditures	<u>75,484</u>	<u>20,410</u>	<u>3,810</u>	<u>17,942</u>	<u>13,593</u>
Other Financing Sources (Uses):					
Operating transfers - in (out):					
From General Fund	-	-	-	-	-
From Stokes Reynolds Memorial Fund	-	-	-	-	-
To General Fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	75,484	20,410	3,810	17,942	13,593
Fund balances, beginning of year	<u>394,742</u>	<u>92,776</u>	<u>7,844</u>	<u>84,467</u>	<u>35,049</u>
Fund balances, end of year	<u>\$ 470,226</u>	<u>\$ 113,186</u>	<u>\$ 11,654</u>	<u>\$ 102,409</u>	<u>\$ 48,642</u>

STOKES COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	<u>Capital Project Funds</u>		<u>Total</u>
	<u>Schools Capital Outlay/Capital Reserve Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>
Revenues:			
Ad valorem taxes, net of refunds	\$ -	\$ -	\$ 2,592,795
Other taxes and licenses	1,975,103	-	2,855,747
Investment earnings	889	11,502	16,660
Total revenues	<u>1,975,992</u>	<u>11,502</u>	<u>5,465,202</u>
Expenditures:			
Current operating:			
Public safety	-	-	3,346,469
Schools	<u>1,780,000</u>	<u>-</u>	<u>1,780,000</u>
Total expenditures	<u>1,780,000</u>	<u>-</u>	<u>5,126,469</u>
Excess of revenues over (under) expenditures	<u>195,992</u>	<u>11,502</u>	<u>338,733</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
From General Fund	-	1,230,864	1,230,864
From Stokes Reynolds Memorial Fund	-	10,000	10,000
To General Fund	<u>-</u>	<u>(974,542)</u>	<u>(974,542)</u>
Total other financing sources (uses)	<u>-</u>	<u>266,322</u>	<u>266,322</u>
Net change in fund balance	195,992	277,824	605,055
Fund balances, beginning of year	<u>54,708</u>	<u>843,883</u>	<u>1,513,469</u>
Fund balances, end of year	<u>\$ 250,700</u>	<u>\$ 1,121,707</u>	<u>\$ 2,118,524</u>

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
EMERGENCY TELEPHONE SYSTEM FUND
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes and licenses:			
Restricted intergovernmental revenues	\$ 304,595	\$ 339,080	\$ 34,485
Investment earnings	-	2,203	2,203
Total revenues	<u>304,595</u>	<u>341,283</u>	<u>36,688</u>
Expenditures:			
Current operating:			
Public safety:			
Telephone and furniture	52,417	58,811	(6,394)
Hardware maintenance	255,903	107,016	148,887
Software maintenance	46,390	46,390	-
Training	10,000	7,120	2,880
Functions	46,462	46,462	-
Total expenditures	<u>411,172</u>	<u>265,799</u>	<u>145,373</u>
Excess of revenues over (under) expenditures	(106,577)	75,484	182,061
Appropriated fund balance	<u>106,577</u>	-	<u>(106,577)</u>
Net change in fund balance	<u>\$ -</u>	75,484	<u>\$ 75,484</u>
Fund balance, beginning of year		<u>394,742</u>	
Fund balance, end of year		<u><u>\$ 470,226</u></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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,641,470	\$ 1,639,267	\$ (2,203)
Motor vehicle taxes collected by state	161,419	177,479	16,060
prior year	<u>42,000</u>	<u>40,284</u>	<u>(1,716)</u>
Total	1,844,889	1,857,030	12,141
 Less: refunds	<u>-</u>	<u>(191)</u>	<u>(191)</u>
 Net	1,844,889	1,856,839	11,950
 Local option sales tax	366,900	392,070	25,170
Investment earnings	<u>-</u>	<u>1,290</u>	<u>1,290</u>
 Total revenues	<u>2,211,789</u>	<u>2,250,199</u>	<u>38,410</u>
 Expenditures:			
Current operating:			
Public safety	<u>2,229,789</u>	<u>2,229,789</u>	<u>-</u>
 Excess of revenues over (under) expenditures	(18,000)	20,410	38,410
 Appropriated fund balance	<u>18,000</u>	<u>-</u>	<u>(18,000)</u>
 Net change in fund balance	<u>\$ -</u>	20,410	<u>\$ 20,410</u>
 Fund balance, beginning of year		<u>92,776</u>	
 Fund balance, end of year		<u>\$ 113,186</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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 64,206	\$ 63,691	\$ (515)
Motor vehicle taxes collected by state	9,567	10,266	699
prior year	<u>1,000</u>	<u>1,121</u>	<u>121</u>
Total	74,773	75,078	305
 Local option sales tax	 11,800	 15,231	 3,431
Investment earnings	<u>-</u>	<u>74</u>	<u>74</u>
 Total revenues	 <u>86,573</u>	 <u>90,383</u>	 <u>3,810</u>
 Expenditures:			
Current operating:			
Public safety	<u>86,573</u>	<u>86,573</u>	<u>-</u>
 Net change in fund balance	 <u>\$ -</u>	 3,810	 <u>\$ 3,810</u>
 Fund balance, beginning of year		 <u>7,844</u>	
 Fund balance, end of year		 <u>\$ 11,654</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
KING FIRE DISTRICT
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes			
Current year	\$ 330,363	\$ 329,165	\$ (1,198)
Motor vehicle taxes collected by state prior year	50,093 5,000	55,557 4,814	5,464 (186)
	<u>385,456</u>	<u>389,536</u>	<u>4,080</u>
Less: refunds	<u>-</u>	<u>(30)</u>	<u>(30)</u>
Total	385,456	389,506	4,050
Local option sales tax	65,500	78,978	13,478
Investment earnings	<u>-</u>	<u>414</u>	<u>414</u>
Total revenues	<u>450,956</u>	<u>468,898</u>	<u>17,942</u>
Expenditures:			
Current operating:			
Public safety	<u>450,956</u>	<u>450,956</u>	<u>-</u>
Total expenditures	<u>450,956</u>	<u>450,956</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	17,942	<u>\$ 17,942</u>
Fund balance, beginning of year		<u>84,467</u>	
Fund balance, end of year		<u>\$ 102,409</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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 230,278	\$ 230,097	\$ (181)
Motor vehicle taxes collected by state	30,762	32,366	1,604
prior year	<u>5,200</u>	<u>8,909</u>	<u>3,709</u>
Total	266,240	271,372	5,132
 Local option sales tax	 43,000	 55,285	 12,285
Investment earnings	<u>-</u>	<u>288</u>	<u>288</u>
 Total revenues	 309,240	 326,945	 17,705
 Expenditures:			
Current operating:			
Public safety	<u>313,352</u>	<u>313,352</u>	<u>-</u>
 Total expenditures	 <u>313,352</u>	 <u>313,352</u>	 <u>-</u>
 Excess of revenues over (under)			
expenditures	(4,112)	13,593	17,705
 Appropriated fund balance	<u>4,112</u>	<u>-</u>	<u>(4,112)</u>
 Net change in fund balance	 <u>\$ -</u>	 13,593	 <u>\$ 13,593</u>
 Fund balance, beginning of year		<u>35,049</u>	
 Fund balance, end of year		<u>\$ 48,642</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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes and licenses:			
Local option sales taxes	\$ 1,780,000	\$ 1,975,103	\$ 195,103
Investment earnings	-	889	889
Total revenues	<u>1,780,000</u>	<u>1,975,992</u>	<u>195,992</u>
Expenditures:			
Schools:			
Capital outlay	<u>1,780,000</u>	<u>1,780,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	195,992	<u>\$ 195,992</u>
Fund balance, beginning of year		<u>54,708</u>	
Fund balance, end of year		<u>\$ 250,700</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL RESERVE FUND
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ -	\$ 11,502	\$ 11,502
Total revenues	<u>-</u>	<u>11,502</u>	<u>11,502</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
From General Fund	1,230,864	1,230,864	-
From Stokes Reynolds Memorial Hospital Fund	10,000	10,000	-
To General Fund	<u>(1,240,864)</u>	<u>(974,542)</u>	<u>266,322</u>
Total other financing sources (uses)	<u>-</u>	<u>266,322</u>	<u>266,322</u>
Net change in fund balance	<u>\$ -</u>	<u>277,824</u>	<u>\$ 277,824</u>
Fund balance, beginning of year		<u>843,883</u>	
Fund balance, end of year		<u>\$ 1,121,707</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP) -
STOKES-REYNOLDS MEMORIAL HOSPITAL FUND
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Stokes Reynolds Hospital Inc.	\$ -	\$ 583	\$ 583
Miscellaneous revenue	10,001	11,126	1,125
Non-operating revenues:			
Interest income	-	144	144
Total revenues	<u>10,001</u>	<u>11,853</u>	<u>1,852</u>
Expenditures:			
Hospital expense	75,000	75,000	-
Operating expense	60,000	60,000	-
Total expenditures	<u>135,000</u>	<u>135,000</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(124,999)</u>	<u>(123,147)</u>	<u>1,852</u>
Other Financing Sources (Uses):			
Operating transfers			
To Capital Reserve Fund	(10,000)	(10,000)	-
From General Fund	134,999	134,999	-
Total other financing sources (uses)	<u>124,999</u>	<u>124,999</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	1,852	<u>\$ 1,852</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Depreciation		-	
Change in net position		<u>\$ 1,852</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP) -
REGIONAL SEWER FUND
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Sewer fees	\$ 129,998	\$ 162,341	\$ 32,343
Non-operating revenues:			
Interest income	<u>3,000</u>	<u>3,650</u>	<u>650</u>
Total revenues	<u>132,998</u>	<u>165,991</u>	<u>32,993</u>
Expenditures:			
Salaries	29,253	27,763	1,490
Fringe	10,468	10,084	384
Operating expenditures	56,850	36,855	19,995
Maint. & repairs equipment	25,000	25,000	-
Capital outlay	30,433	30,433	-
Equipment	<u>16,652</u>	<u>13,935</u>	<u>2,717</u>
Total expenditures	<u>168,656</u>	<u>144,070</u>	<u>24,586</u>
Excess of revenues over (under) expenditures	(35,658)	21,921	57,579
Other Financing Sources (Uses):			
Retained earnings appropriated	<u>35,658</u>	<u>-</u>	<u>(35,658)</u>
Excess of revenues and retained earnings appropriated under expenditures and other uses	<u>\$ -</u>	21,921	<u>\$ 21,921</u>
Reconciliation from Budgetary Basis (Modified Accrual) to full accrual:			
Reconciling items:			
Capital outlay		30,433	
Depreciation		<u>(179,813)</u>	
Change in net position		<u>\$ (127,459)</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP) -
DANBURY WATER FUND
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water fees	\$ 125,069	\$ 180,521	\$ 55,452
Non-operating revenues:			
Miscellaneous	6,429	6,429	-
Interest income	-	739	739
Total revenues	<u>131,498</u>	<u>187,689</u>	<u>56,191</u>
Expenditures:			
Salaries	34,161	31,137	3,024
Fringe	11,451	10,980	471
Operating expenditures	34,100	15,778	18,322
Maintenance and repairs equipment	26,429	26,760	(331)
Capital outlay	13,935	13,935	-
Other	64,612	527	64,085
Total expenditures	<u>184,688</u>	<u>99,117</u>	<u>85,571</u>
Excess of revenues over (under) expenditures	(53,190)	88,572	141,762
Other Financing Sources (Uses):			
Retained earnings appropriated	<u>53,190</u>	-	<u>(53,190)</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	88,572	<u>\$ 88,572</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Depreciation		<u>(48,774)</u>	
Change in net position		<u>\$ 39,798</u>	

**STOKES COUNTY, NORTH CAROLINA
COMBINING SCHEDULE OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2019**

	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2019</u>
<u>Social Services Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 25,575	\$ 294,322	\$ 286,046	\$ 33,851
Accounts receivable	9,244	9,554	9,244	9,554
Total	<u>\$ 34,819</u>	<u>\$ 303,876</u>	<u>\$ 295,290</u>	<u>\$ 43,405</u>
LIABILITIES				
Accounts payable	\$ 12,895	\$ 12,205	\$ 12,895	\$ 12,205
Funds held for others	21,924	568,054	558,778	31,200
Total	<u>\$ 34,819</u>	<u>\$ 580,259</u>	<u>\$ 571,673</u>	<u>\$ 43,405</u>
<u>Recreation Fund</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 3,172</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 3,183</u>
LIABILITIES				
Funds held for others	<u>\$ 3,172</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 3,183</u>
<u>Penalties and Interest-School</u>				
ASSETS				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 209,286</u>	<u>\$ 209,286</u>	<u>\$ -</u>
LIABILITIES				
Funds held for others	<u>\$ -</u>	<u>\$ 209,286</u>	<u>\$ 209,286</u>	<u>\$ -</u>
<u>Stokes County Jail</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 14,849</u>	<u>\$ 8,375</u>	<u>\$ -</u>	<u>\$ 23,224</u>
LIABILITIES				
Funds held for others	<u>\$ 14,849</u>	<u>\$ 8,375</u>	<u>\$ -</u>	<u>\$ 23,224</u>
<u>Stokes County 4-H Fund</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 2,130</u>	<u>\$ 17,835</u>	<u>\$ 14,841</u>	<u>\$ 5,124</u>
LIABILITIES				
Accounts payable	\$ 668	\$ -	\$ 668	\$ -
Funds held for others	1,462	32,675	29,013	5,124
Total	<u>\$ 2,130</u>	<u>\$ 32,675</u>	<u>\$ 29,681</u>	<u>\$ 5,124</u>

STOKES COUNTY, NORTH CAROLINA
COMBINING SCHEDULE OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2019

	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2019</u>
<u>Total All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 45,726	\$ 529,829	\$ 510,173	\$ 65,382
Accounts receivable	9,244	9,554	9,244	9,554
Total	<u>\$ 54,970</u>	<u>\$ 539,383</u>	<u>\$ 519,417</u>	<u>\$ 74,936</u>
LIABILITIES				
Accounts payable	\$ 13,563	\$ 12,205	\$ 13,563	\$ 12,205
Funds held for others	41,407	818,401	797,077	62,731
Total	<u>\$ 54,970</u>	<u>\$ 830,606</u>	<u>\$ 810,640</u>	<u>\$ 74,936</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, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 26,312,199	\$ 25,627,635	\$ 684,564
2017-2018	640,625	116	340,184	300,557
2016-2017	287,797	48	90,576	197,269
2015-2016	186,994	-	46,954	140,040
2014-2015	128,077	-	26,223	101,854
2013-2014	100,336	-	14,207	86,129
2012-2013	76,635	-	10,277	66,358
2011-2012	57,607	-	7,471	50,136
2010-2011	46,324	-	4,817	41,507
2009-2010	34,168	-	3,930	30,238
2008-2009	29,002	-	29,002	-
Total	<u>\$ 1,587,565</u>	<u>\$ 26,312,363</u>	<u>\$ 26,201,276</u>	<u>1,698,652</u>
Less: Allowance for uncollectible ad valorem taxes receivable: General Fund				<u>432,789</u>
Ad valorem taxes receivable, net				<u>\$ 1,265,863</u>
Reconciliation with revenues:				
Taxes - ad valorem - General Fund				\$ 12,466,444
Taxes - ad valorem - Dedicated Debt Service Fund				1,579,794
Taxes - ad valorem - School Current Expense Fund				12,105,202
Discounts allowed				251,771
Amounts written off for tax year 2008-09 per Statute of Limitations				<u>29,002</u>
Miscellaneous				(21,651)
Subtotal				<u>26,410,562</u>
Less interest and penalties collected				<u>(209,286)</u>
Total				<u>\$ 26,201,276</u>

STOKES COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
Year Ended June 30, 2019

	County-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 3,372,073,333	\$ 0.66	\$ 22,255,684	\$ 19,532,830	\$ 2,722,854
Utilities	599,026,515	0.66	3,953,575	3,953,575	-
Penalties	-		18,215	18,215	-
Total	<u>3,971,099,848</u>		<u>26,227,474</u>	<u>23,504,620</u>	<u>2,722,854</u>
Discoveries:					
Current year taxes	<u>16,038,182</u>	0.66	<u>105,852</u>	<u>105,852</u>	-
Abatements					
	<u>(3,201,061)</u>		<u>(21,127)</u>	<u>(21,127)</u>	-
Total property valuation	<u>\$ 3,983,936,969</u>				
Net levy			26,312,199	23,589,345	2,722,854
Uncollected taxes at June 30, 2019			<u>684,564</u>	<u>684,564</u>	-
Current year's taxes collected			<u>\$ 25,627,635</u>	<u>\$ 22,904,781</u>	<u>\$ 2,722,854</u>
Current levy collection percentage			<u>97.40%</u>	<u>97.10%</u>	<u>100.00%</u>
Secondary Market Disclosures					
Assessed valuation:					
Assessment ratio					100%
Real property				\$ 2,769,804,177	
Business property				168,313,481	
Personal property				34,239,200	
Motor Vehicle				412,553,636	
Public service companies				<u>599,026,475</u>	
Total assessed valuation				<u>\$ 3,983,936,969</u>	
Tax rate per \$100					0.66
Levy (includes discoveries, releases and abatements)				<u>\$ 26,312,199</u>	

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

Fire Protection Districts	
Service District	\$ 1,880,324
Rural Hall	76,792
King	388,059
Walnut Cove	<u>394,741</u>
Total	<u>\$ 2,739,916</u>

Table 1

STOKES COUNTY, NORTH CAROLINA
TEN LARGEST TAXPAYERS
Year Ended June 30, 2019

<u>Name</u>	<u>Product</u>	<u>Value</u>	<u>Levy</u>	<u>Percentage</u>
Duke Power Company	Electric Utility	\$ 546,995,654	\$ 3,391,373	12.89%
Wieland Copper Products	Copper Tubing	76,451,331	473,998	1.80%
R J Reynolds Tobacco Company	Tobacco Company	17,195,071	106,609	0.41%
Wal Mart Real Estate Business Trust	Retail	13,507,925	83,749	0.32%
Energy United EMC	Electric Utility	11,679,668	72,414	0.28%
Parkdale America	Elastic	11,048,287	68,499	0.26%
Time Warner Cable Internet LLC	Cable	10,363,534	64,254	0.24%
Powerscreen Mid-Atlantic Inc	Build Equipment	8,929,192	55,361	0.21%
Surry-Yadkin Electric	Electric Utility	8,745,294	54,221	0.21%
Norfolk Southern	Railroad Utility	8,210,160	<u>50,903</u>	<u>0.19%</u>
Total			<u>\$ 4,421,381</u>	<u>16.81%</u>

STOKES COUNTY, NORTH CAROLINA
CAPITAL RESERVE FUND
RECONCILIATION OF FUND BALANCE
Year Ended June 30, 2019

Project Description	Balance July 1, 2018	Revenues and Operating Transfers - In	Operating Transfers - Out	Balance June 30, 2019
General Government:				
Administration	\$ 45,000	\$ -	\$ -	\$ 45,000
Finance	2,173	7,400	-	9,573
Public buildings	406,720	1,193,939	900,220	700,439
Register of Deeds	20,771	5,917	8,082	18,606
Vehicle maintenance	85,848	-	-	85,848
Technology	5,423	-	-	5,423
Elections	76,480	-	-	76,480
Total	<u>642,415</u>	<u>1,207,256</u>	<u>908,302</u>	<u>941,369</u>
Public Safety:				
Sheriff's Department - equipment	20,000	-	-	20,000
Jail	3,426	-	3,426	-
Emergency management	47,024	17,900	45,000	19,924
Emergency communications	35,521	-	3,677	31,844
Fire Marshal	1,637	-	1,637	-
Animal control	-	5,708	5,000	708
Total	<u>107,608</u>	<u>23,608</u>	<u>58,740</u>	<u>72,476</u>
Environmental Protection:				
Solid Waste/Sanitary Landfill	40,000	-	-	40,000
Total	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Human Services:				
Stokes-Reynolds Memorial Hospital	30,000	10,000	7,500	32,500
Total	<u>30,000</u>	<u>10,000</u>	<u>7,500</u>	<u>32,500</u>
Unspecified	<u>23,860</u>	<u>11,502</u>	<u>-</u>	<u>35,362</u>
Total	<u>\$ 843,883</u>	<u>\$ 1,252,366</u>	<u>\$ 974,542</u>	<u>\$ 1,121,707</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, 2019, 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 22, 2019. 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 22, 2019

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, 2019. Stokes County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

Stokes County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings, Responses, and Questioned Costs. Stokes County's response was not subjected to the audited procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

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

A deficiency *in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a 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 and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2019-001, 2019-002, and 2019-003 that we consider to be significant deficiencies.

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

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 22, 2019

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

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

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

Independent Auditor's Report

To the Board of 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, 2019. Stokes County's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2019-002. Our opinion on each major state program is not modified with respect to this matter.

Stokes County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings, Responses, and Questioned Costs. Stokes County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of Stokes County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Stokes County's internal control over compliance with the types of requirements that could have a direct and material effect on a major 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 and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

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

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 22, 2019

STOKES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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? Yes

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.778
SNAP Cluster	10.561
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, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major state programs:

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

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?	Yes
---	-----

Identification of major state programs:

Program Name

Medicaid
School Nurse Funding Initiative
Public School Building Capital Fund
Juvenile Crime Prevention Programs

STOKES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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

None in the current year.

3. Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services

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

Program Name: Medical Assistance Program (Medicaid; Title XIX), State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

CFDA #: 93.778, 10.561

Grant Number: XIX-MAP19, 195NC406S2514

2019-001

Significant Deficiency

Criteria: In accordance with the Division of Social Services Fiscal Manual, DSS employees should control physical access to the state network terminals or personal computers that are connected to the state mainframe.

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

Context: While performing testing of internal control over compliance related to the Division of Social Services, we noted the above condition.

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

Cause: Lapse of internal controls over data security.

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

Recommendation: Require the County Data Processing Department to implement procedures to require logout of work stations where access to the State DSS system is granted. The control procedures should include random verification of logout in instances where offices are unattended.

Views of Responsible Officials and Planned Corrective Actions: The County agrees with this finding. Please refer to the Corrective Action Plan section of this report.

STOKES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

3. Federal Award Findings and Questioned Costs (continued)

U.S. Department of Health and Human Services

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

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA #: 93.778

Grant Number: XIX-MAP19

2019-002

Significant Deficiency

Nonmaterial Noncompliance

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

Condition: One applicant had been properly terminated in NC Fast following adequate timeframe, per the Medicaid manual, due to lack of documentation provided to Stokes County DSS regarding ex-parte review. Upon review in the current fiscal year, it was determined that the applicant had, in fact, provided documentation to NCDHHS, unbeknownst to Stokes County DSS. Therefore, applicant had been receiving benefits without Stokes County's knowledge.

Context: Of the 233,115 benefit payments valued at \$18,065,323, we examined 60 payment records (\$4,199 value) and determined that one applicants' file (2%, valued at \$1,203) lacked the documentation to support benefit payments received. Upon further review, the client was deemed ineligible to receive benefits, therefore questioned costs were reported.

Effect: Applicants could receive benefits for which they are not eligible.

Cause: Eligibility was not redetermined.

Questioned Costs: In accordance with 2 CFR 200, auditors are required to report known questioned costs when likely questioned costs are greater than \$25,000. Even though the sample results only identified \$1,203 (federal share \$1,198 and state share \$5) in questioned costs, if tests were extended to the entire population, questioned costs could exceed \$25,000.

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

Views of Responsible Officials and Planned Corrective Actions: The County agrees with this finding, however, many factors not discussed above contribute to the finding. Please refer to the Corrective Action Plan section of this report.

STOKES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

3. Federal Award Findings and Questioned Costs (continued)

U.S. Department of Health and Human Services

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

Program Name: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

CFDA #: 10.561

Grant Number: 195NC406S2514

2019-003

Significant Deficiency

Criteria: In accordance with 2 CFR 200, management must have an adequate system of internal control procedures in place to properly review and assess the eligibility of individuals to ensure the accuracy of the benefits being provided is within program requirements. Management must monitor activities under federal awards to assure compliance with federal requirements. In accordance with 7 CFR section 275.2(b), a quality control unit must be established that is independent of program operations. The Enterprise Program Integrity (EPI) tracks claims for overpayments for all counties. The State of North Carolina requires counties to maintain adequate case documentation to substantiate claim entry into EPI. This information includes, but is not limited to Form DSS-1682, Report of Erroneous Issuance.

Condition: Two casefiles did not have a completed application in the casefile. Upon further review, the participants were determined to be eligible. Three EPI cases did not have required forms signed and in the casefile. Upon further review, the claims were valid.

Context: Of the 1,319 SNAP participants, we examined 60. We determined the above condition applied to two participants (3%). The applicants' file lacked information available for eligibility determination. The applicants received benefits during the fiscal year without documentation of the completed application. We examined 60 EPI cases for the program cluster. We determined the above condition applied to three EPI cases (5%).

Effect: Participants could receive benefits for which they are not eligible. EPI casefiles could have incorrect information without proper review and approval noted by the supervisor signature.

Cause: The caseworker failed to retain a completed application in the casefiles and, therefore did not obtain sufficient documentation to determine eligibility. The caseworker failed to obtain all required forms in the EPI cases.

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

Recommendation: Caseworkers should retain completed applications in the casefile. Caseworkers should obtain all required forms for the EPI cases.

Views of Responsible Officials and Planned Corrective Actions: The County agrees with this finding. Please refer to the Corrective Action Plan section of this report.

STOKES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

4. State Award Findings and Questioned Costs

Finding 2019-001 – Management should have an adequate system of internal control procedures in place to ensure that eligibility documents are obtained and retained in the applicant’s casefile. See more details at Finding 2019-001 in Section 3 – Federal Award Findings, Responses, and Questioned Costs.

Finding 2019-002 - Management should have an adequate system of internal control procedures in place to ensure that eligibility documents are obtained and retained in the applicant’s casefile. See more details at Finding 2019-002 in Section 3 – Federal Award Findings, Responses, and Questioned Costs.



Stokes County
Department of Social Services
Post Office Box 30
Danbury, North Carolina 27016
www.co.stokes.nc.us/dss

Stacey S. Elmes
Director

Agency - Phone - (336)593-2861 - Fax - (336)593-9362
Child Welfare Fax - (336)593-2431
Child Support Fax - (336)593-2477

Corrective Action Plan

Finding: 2019-001

Name of Contact Person: Stacey Elmes, DSS Director

Management Response: Management has advised staff to lock their computers when they leave their workstation. Computers have been updated with a control setting so they will go to screen saver mode after one (1) minute of non-use and require the user to type their password to unlock. Management will periodically check offices that are unattended to ensure staff are locking their computers before leaving their workstations and team leaders will address policy with staff who are out of compliance.

Most computers have a pick sticky note on them with "Window L" as a reminder for the worker to click that prior to their getting up from the computer – this will lock the computer. We will do a building check to ensure that all computers have this sticky note on them.

Security measures such as hall doors being locked and outside doors being locked are in place to ensure people are not randomly wandering thru the halls. It is also a requirement for workers to escort their clients back to the outside hall door or elevator to the lobby so as to ensure that folks are not left in the worker areas unattended.

Proposed Completion Date: Immediately and ongoing



Stokes County
Department of Social Services
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Stacey S. Elmes
Director

Agency - Phone - (336)593-2861 - Fax - (336)593-9362
Child Welfare Fax - (336)593-2431
Child Support Fax - (336)593-2477

Corrective Action Plan

Finding: 2019-002

Name of Contact Person: Stacey Elmes, DSS Director

Management Response: The agency followed the correct policy and procedures that were set forth by State Medicaid policy as it relates to SSI terminations. The beneficiary did not respond to the caseworker's request for information to re-determine eligibility. The caseworker proposed timely termination and terminated the case after the appropriate timeframe passed. The following day NC Fast showed the PDC (product delivery case) case was no longer open; which was 12-31-14. The integrated case was closed six months later; which was 6-08-15. This was the policy that was in place during this timeframe. The Department of Social Services does not agree with the finding as the agency followed the protocol and policy that was in place during that timeframe. Eligibility could not be determined because information was not available to re-determine eligibility and the client failed to send in needed information. In addition, the sampled case had evidence (Managed Care evidence), generated by a State employee, which activated the case. The agency was not aware of this.

The Department will continue to work SSI Terminations/ex-parte cases as required by the four month/120 days deadline. Supervisors and Lead Workers will continue to monitor the report to ensure the deadline is met within the required timeframes.

Caseworkers will follow up the next business day to ensure SSI termination cases are terminated by the NC Fast system. They will add a note in the system for documentation as such. A documentation sheet will be turned in to the supervisor on a monthly basis. Supervisors will review the documentation sheets monthly to ensure cases are terminated appropriately by the caseworker and the NC Fast system.

Proposed Completion Date: Immediately and ongoing



Stokes County
Department of Social Services
Post Office Box 30
Danbury, North Carolina 27016
www.co.stokes.nc.us/dss

Stacey S. Elmes
Director

Agency - Phone - (336)593-2861 - Fax - (336)593-9362
Child Welfare Fax - (336)593-2431
Child Support Fax - (336)593-2477

Corrective Action Plan

Finding: 2019-003

Name of Contact Person: Stacey Elmes, DSS Director

Management Response: The County agrees with this finding. Caseworkers will scan all SNAP files upon completion of applications, recertification, and/or changes. The caseworkers will immediately check NC Fast to ensure all documents are scanned and uploaded in the system. The Supervisor will send weekly reminders to staff to ensure documents are uploaded into NC Fast.

The Program Integrity Investigator will review all EPI cases to ensure required forms are in the case. The required forms are in the case. The supervisor will review all new cases effective immediately to ensure all forms are in the casefile and will sign off on said action.

Proposed Completion Date: Immediately and ongoing

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
FEDERAL AWARDS:						
<u>U. S. Department of Agriculture</u>						
<u>Food and Nutrition Service</u>						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Social Services:						
Administration:						
<u>Supplemental Nutrition Assist. Program Cluster</u>						
State Administrative Matching Grants for						
the Supplemental Nutrition Assistance Program	10.561	195NC406S2514	\$ 239,540	\$ -	\$ -	\$ 239,540
Total Supplemental Nutrition Assist. Program Cluster			239,540	-	-	239,540
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	172,953	-	-	-
Total Supplemental Nutrition Program for Women, Infants & Children			172,953	-	-	-
Rural Business Development Grant	10.351		169,500	-	-	-
Community Facilities Loans and Grants Cluster:						
Direct Program:						
Community Facilities Loans and Grants - Jail	10.766		4,310,908	-	-	-
Total Community Facilities Loans and Grants Cluster			4,310,908	-	-	-
Total U. S. Department of Agriculture			4,892,901	-	-	239,540
<u>U.S. Department of Health & Human Services</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	29,919	1,758	1,151	-
Grants for Supportive Services and Senior Centers	93.044	DOA-735	38,884	27,528	-	-
Special Programs for the Aging - Title III C						
Nutrition Services	93.045	DOA-735	109,332	69,417	-	-
Nutrition Services Incentive Program	93.053	DOA-735	24,740	-	-	-
Total Aging Cluster			202,875	98,703	1,151	-
National Family Caregiver Support, Title III, Part E	93.052	DOA-735	14,398	960	-	-
<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	1901NCFOST	127,272	-	-	127,272
Foster Care Title IV-E-Title IV-E Foster Care - Administration	93.658	1901NCFOST	372,462	20,647	-	347,626
Foster Care Title IV-E-Foster Care - Direct Benefit Payments	93.658	1901NCFOST	242,498	71,054	-	55,935
Adoption Assistance-Title IV-E Optional Adoption TRN-Admin	93.659	1901NCADPT	669	-	-	669
Total Foster Care and Adoption Cluster (Note 3)			742,901	91,701	-	531,502
<u>Temporary Assistance for Needy Families Cluster</u>						
Administration:						
Temporary Assistance for Needy Families (TANF) / WorkFirst	93.558	1901NCTANF	275,649	-	-	278,098
Division of Public Health:						
Temporary Assistance for Needy Families	93.558	1901NCTANF	4,220	-	-	-
Total TANF Cluster			279,869	-	-	278,098
Child Support Enforcement	93.563	1904NC4005	271,895	-	-	140,067
Low-Income Home Energy Assistance Block Grant:						
Low Income Energy Assistance- Administration	93.568	G19B1NCLIEA	26,416	-	-	-
LIHEA Payments	93.568	G19B1NCLIEA	152,900	-	-	-
Low Income Energy Assistance-Crisis Intervention Payments	93.568	G19B1NCLIEA	117,175	-	-	-
Child Welfare Services - State Grants						
Stephanie Tubbs Jones Child Welfare Service Program	93.645	G1901NCCWSS	2,785	-	-	928
Social Services Block Grant - Other Service and Training	93.667	G1901NCSOSR	179,327	-	-	-
Chafee Foster Care Independence Program - Direct Benefit Payments	93.674	1901NCC1LP	23,387	-	-	-
Social Service Block Grant	93.667	G1901NCSOSR	81,441	-	-	-
Promoting Safe and Stable Families	93.556	1901NCFPSS	45,580	-	-	-

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019

<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	G1901NCCCDF	43,326	-	-	-
Total Child Care Development Fund Cluster (Note 3)			43,326	-	-	-
<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-MAP19	761,868	3,009	-	323,840
Total Medicaid Cluster			761,868	3,009	-	323,840
Division of Medical Assistance: Division of Social Services: Administration: Children's Health Insurance Program - N.C. Health Choice	93.767	CHIP19	17,521	-	-	-
<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) Aligned Cooperative Agreements Project Grants and Cooperative Agreements for Tuberculosis Control Programs Prevention Health and Health Services Block Grant Immunization Cooperative Agreements Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.074 93.116 93.991 93.268 93.898	536260514 536260551 536260886 536260715 536260452	25,883 29 35,809 14,616 6,630	- - - - -	- - - - -	- - - - -
HIV Cluster (Note 3) Sexually Transmitted Disease (STD) Prevention and Control Grants Total HIV Cluster (Note 3)	93.977	536260610	15 15	- -	- -	- -
<u>Office of Assistant Secretary for Health</u> Passed through N.C. Department of Health and Human Services Family Planning Services	93.217	536260151	23,624	-	-	-
<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	30,443	3,908	-	-
<u>Administration for Community Living</u> Passed through N.C. Department of Insurance Division of SHIIP State Health Insurance Assistance Program	93.324	091515-4046	5,398	-	-	-
Total U. S. Department of Health and Human Services			3,106,111	198,281	1,151	1,274,435
<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 Passed-through the North Carolina Department of Health and Human Services: Emergency Management Performance Grant Total U. S. Department of Homeland Security	97.042 97.042	EMW-2017-17085 EMPG-2017-37169	20,625 17,899 38,524	- - -	- - -	- - -
Total Federal Awards			8,037,536	198,281	1,151	1,513,975

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
STATE AWARDS:						
<u>N. C. Department of Health and Human Services</u>						
Division of Social Services:						
Direct Benefit Payments:						
SFHF Maximization			-	42,850	-	42,850
State Foster Home			-	32,708	-	32,708
Extended FC MAX Non IV-E			-	44,683	-	-
Administration:						
AFDC Incent/Prog Integrity			-	1,027	-	-
Passed through the Stokes County Partnership for Children:						
St Child Welfare/CPS CS LD			-	129,840	-	-
Division of Public Health:						
Healthy Communities		1261550300	-	4,137	-	-
CHA/CHIP Peer Review		536260110	-	83,689	-	-
Food and Lodging Fees		536560874	-	6,669	-	-
General Communicable Disease Control		536260510	-	11,000	-	-
Breast and Cervical Cancer Program		536260452	-	1,020	-	-
Women's Health Service Fund		536260151	-	7,182	-	-
HIV/STD State		536260536	-	400	-	-
TB Control		536260551	-	1,467	-	-
Family Planning (State)		536260151	-	44,729	-	-
School Nurse Funding Initiative		536260803	-	150,000	-	-
Total N. C. Department of Health and Human Services			-	561,401	-	75,558
<u>N. C. Department of Administration</u>						
Veterans Service			-	2,216	-	-
Total N. C. Department of Administration			-	2,216	-	-
<u>N. C. Department of Transportation</u>						
DOT Cluster:						
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	66,097	-	-
ROAP Rural General Public Program		DOT-16CL	-	64,199	-	-
ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	12,402	-	-
Total DOT Cluster			-	142,698	-	-
Total N. C. Department of Transportation			-	142,698	-	-
<u>N. C. Department of Public Safety</u>						
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Justice and Delinquency Prevention			-	139,124	-	-
Total N. C. Department of Public Safety			-	139,124	-	-
<u>N.C. Department of Public Instruction</u>						
Public School Capital Building Fund - Lottery			-	450,000	-	-
Total N. C. Department of Public Instruction			-	450,000	-	-
<u>N. C. Department of Environmental Quality</u>						
Division of Waste Management						
Electronic Management Program			-	2,954	-	-
Convenience Center Commingled Recycling Collection			-	15,500	-	-
Division of Water Infrastructure						
NC Clean Water Revolving Loan & Grant Program						
Merger Regionalization Feasibility Grant			-	20,900	20,900	-
Total N. C. Department of Environmental Quality			-	39,354	20,900	-
<u>Piedmont Triad Regional Council</u>						
In-Home Services - State Funds		DOA-735	-	58,172	2,113	-
In-Home Caregiver Match		DOA-735	-	761	28	-
General Purpose (Senior Center Development)		DOA-735	-	10,691	3,565	-
Total Piedmont Triad Regional Council			-	69,624	5,706	-
<u>N.C. Department of Agriculture</u>						
Spay Neuter Program			-	5,706	-	-
Total N. C. Department of Commerce			-	5,706	-	-
<u>N.C. Administrative Office of the Courts</u>						
Civil License Renovation			-	2,268	-	-
Total N.C. Administrative Office of the Courts			-	2,268	-	-
Total State Awards			-	1,412,391	26,606	75,558
Total Federal and State Awards			\$ 8,037,536	\$ 1,610,672	\$ 27,757	\$ 1,589,533

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019

<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, 2019. 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:
Foster Care and Adoption, Subsidized Child Care Cluster 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.

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