

**HOKE COUNTY
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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

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

**HOKE COUNTY
RAEFORD, NORTH CAROLINA**

Principal Officials

June 30, 2016

Board of County Commissioners

James Leach - Chairman

Harry Southerland- Vice Chairman

Allen Thomas, Jr.

Robert Wright

Tony Hunt

County Officials

Letitia Edens

County Manager

Grady L. Hunt

County Attorney

Gwen McGougan

Clerk to the Board

Garvin Ferguson

Interim Finance Director

HOKE COUNTY, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR END JUNE 30, 2016

TABLE OF CONTENTS

		<u>Page</u>
	Financial Section	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-12
<u>Exhibit</u>	Basic Financial Statements - Overview	
	Government-Wide Financial Statements:	
A	Statement of Net Position	13
B	Statement of Activities	14-15
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	16-17
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	20
G	Statement of Net Position - Proprietary Funds	21
H	Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	22
I	Statement of Cash Flows - Proprietary Funds	23
J	Statement of Fiduciary Net Position - Fiduciary Funds	24
	Notes to the Financial Statements	25-74

HOKE COUNTY, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR END JUNE 30, 2016

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	75
A-2	Other Post-Employment Benefits - Required Supplementary Information	76
A-3	Local Government Employees' Retirement System - County's Proportionate Share of Net Pension Liability (Asset)	77
A-4	Local Government Employees' Retirement System - County's Contributions	78
A-5	Register of Deeds' Supplemental Pension Fund - County's Proportionate Share of Net Pension Liability (Asset)	79
A-6	Register of Deeds' Supplemental Pension Fund - County's Contributions	80
	Combining and Individual Fund Statements and Schedules:	
	General Fund:	
B-1	General Fund Consolidated - Statement of Revenues, Expenditures, and Changes in Fund Balance	81
B-2	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	82-91
B-3	Register of Deeds Automation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	92
B-4	Revaluation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	93
B-5	Law Enforcement Officer Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	94

HOKE COUNTY, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR END JUNE 30, 2016

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
C-1	Nonmajor Governmental Funds - Combining Balance Sheet	95
C-2	Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	96
	Special Revenue Funds:	
D-1	Nonmajor Special Revenue Funds - Combining Balance Sheet	97-98
D-2	Nonmajor Special Revenue Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	99-100
D-3	Revolving Loan Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	101
D-4	Emergency Systems Telephone Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	102
D-5	Asset Forfeiture Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	103
D-6	Grant Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	104
D-7	Fire Districts Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	105
D-8	Multi-Year Grants Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	106-107

HOKE COUNTY, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR END JUNE 30, 2016

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Capital Project Funds:	
E-1	Nonmajor Capital Project Funds - Combining Balance Sheet	108
E-2	Nonmajor Capital Project Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	109
E-3	Administrative Capital Projects Fund - Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual	110
E-4	CDBG Capital Projects Fund - Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual	111-112
E-5	Capital Reserve Fund - Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual	113
	Major Enterprise Funds:	
F-1	Water and Sewer District Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	114-115
F-2	Water Construction Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	116-117
F-3	Water Rate Stabilization Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	118
F-4	Waste Water Treatment Plant Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	119-120
F-5	Solid Waste Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP)	121

HOKE COUNTY, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR END JUNE 30, 2016

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Major Enterprise Funds (continued):	
F-6	Convenience Site Fund - New Project Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	122
F-7	Hoke Area Transit System Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	123
	Agency Funds:	
G-1	Combining Statement of Changes in Assets and Liabilities	124
	Supplemental Financial Data:	
H-1	Schedule of Ad Valorem Taxes Receivable	125
H-2	Analysis of Current Tax Levy	126
	Compliance Section:	
	Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	127-128
	Report On Compliance With Requirements Applicable to Each Major Federal Program; And Internal Control Over Compliance; In Accordance with OMB Uniform Guidance; And The State Single Audit Implementation Act	129-131
	Report On Compliance With Requirements Applicable to Each Major State Program; And Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; And The State Single Audit Implementation Act	132-134
	Schedule of Findings, Responses, and Questioned Costs	135-151
	Corrective Action Plan	152-157
	Schedule of Prior Year Audit Findings	158
	Schedule of Expenditures of Federal and State Awards	159-163

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Hoke County
Raeford, 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 Hoke County, North Carolina, as of and for the year ended June 30, 2016, 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 did not audit the financial statements of the Hoke County ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hoke County ABC Board, is based solely on the report of the other auditors. 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 of material misstatement. The financial statements of the Hoke County ABC Board 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, based upon our audit and the report of the other auditors, 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 Hoke County, North Carolina, as of June 30, 2016, and the respective changes in financial position, and cash flows, where applicable, 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 Funding Progress, the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System's Schedules of the County's Proportionate Share of Net Pension Asset (Liability) and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We and the other auditors 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 the basic financial statements of Hoke County, North Carolina. The combining and individual fund financial statements, budgetary 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, budgetary 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary 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 September 25, 2017 on our consideration of Hoke County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Hoke 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 Hoke County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 25, 2017

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Management's Discussion and Analysis

As management of Hoke County, we offer readers of Hoke County's financial statements this narrative overview and analysis of the financial activities of Hoke County for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

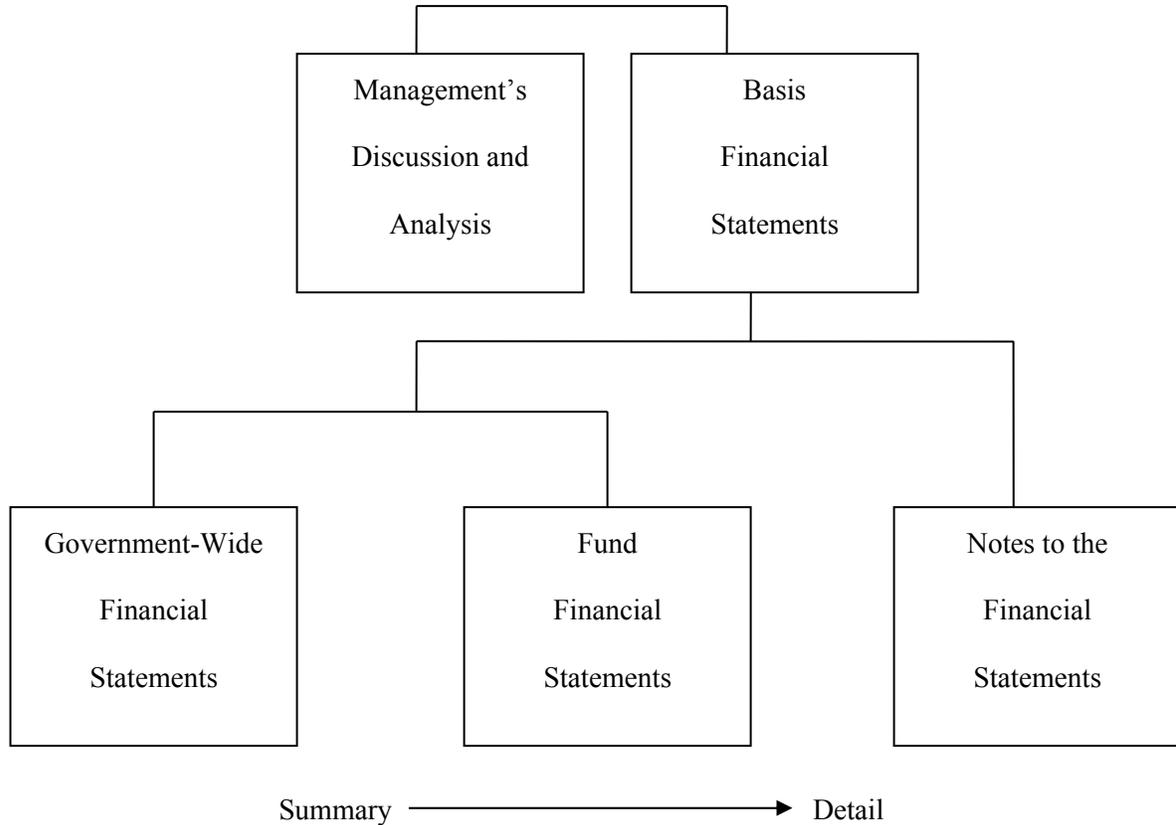
- The assets and deferred outflows of resources of Hoke County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$51,411,870 (net position).
- The County's total net position increased by \$12,165,783, primarily due to increased net position in the governmental activities.
- As of the close of the current fiscal year, Hoke County's governmental funds reported combined ending fund balances of \$17,732,481, after a net increase in fund balance of \$4,999,078. Approximately 25.9% of this total amount, or \$4,593,686, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,961,310, or 31.0%, of total General Fund expenditures and transfers out for the fiscal year. Total fund balance of the General Fund, \$16,427,586, was 42.6% of total General Fund expenditures and transfers out for the year.
- Hoke County's total debt decreased by \$3,214,872. The County received revenue bonds in the current year in the Water and Sewer Fund and paid off the related bond anticipation note.
- Hoke County maintains an A rating from Standard and Poor's Corporation and an A1 rating from Moody's Investor Service.
- The County closed the Hoke Area Transit System Fund on July 1, 2016. Assets and liabilities were transferred to the General Fund.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term information about the County's financial status.

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

The next section of the basic financial statements is the **notes to the financial statements**. The notes 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, 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.

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 total of the County's assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and federal and State grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer, landfill, and area transit services offered by Hoke County. The final category is the component unit. Hoke County ABC Board is legally separate from the County; however, the County is financially accountable for the Board by appointing its members. Also, the ABC Board is required to distribute its profit to the County. The government-wide financial statements include not only the County itself (primary government) but also the ABC Board.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hoke 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 Hoke 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.

Hoke 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. Hoke County has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Hoke County uses enterprise funds to account for its water and sewer activity, landfill operations, and the area transit system. 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. Hoke County has four 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 start on page 25 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Hoke County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 75 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 Hoke County exceeded its liabilities and deferred inflows of resources by \$51,411,870 as of June 30, 2016. The County's net position increased by \$12,165,783 in the same period. One of the largest portions, \$51,286,580, reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). Hoke County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hoke 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. An additional portion of Hoke County's net position, \$4,165,515 (8%), represents resources that are subject to external restrictions on how they may be used. The remaining deficit of \$4,040,225 is unrestricted.

Hoke County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 22,411,812	\$ 18,547,562	\$ 14,359,448	\$ 12,663,729	\$ 36,771,260	\$ 31,211,291
Capital assets, net of depreciation	<u>22,078,193</u>	<u>22,791,622</u>	<u>68,965,134</u>	<u>66,217,431</u>	<u>91,043,327</u>	<u>89,009,053</u>
Total assets	<u>44,490,005</u>	<u>41,339,184</u>	<u>83,324,582</u>	<u>78,881,160</u>	<u>127,814,587</u>	<u>120,220,344</u>
Deferred Outflows of Resources	<u>999,694</u>	<u>958,283</u>	<u>97,049</u>	<u>129,861</u>	<u>1,096,743</u>	<u>1,088,144</u>
Liabilities:						
Long-term liabilities outstanding	41,382,550	43,223,006	26,625,384	15,542,156	68,007,934	58,765,162
Other liabilities	<u>6,044,849</u>	<u>4,877,391</u>	<u>2,740,058</u>	<u>14,784,041</u>	<u>8,784,907</u>	<u>19,661,432</u>
Total liabilities	<u>47,427,399</u>	<u>48,100,397</u>	<u>29,365,442</u>	<u>30,326,197</u>	<u>76,792,841</u>	<u>78,426,594</u>
Deferred Inflows of Resources	<u>651,899</u>	<u>3,208,999</u>	<u>54,720</u>	<u>426,808</u>	<u>706,619</u>	<u>3,635,807</u>
Net Position:						
Net investment in capital assets	9,519,942	9,363,150	41,766,638	38,284,489	51,286,580	47,647,639
Restricted	4,165,515	4,379,626	-	-	4,165,515	4,379,626
Unrestricted	<u>(16,275,056)</u>	<u>(22,754,705)</u>	<u>12,234,831</u>	<u>9,973,527</u>	<u>(4,040,225)</u>	<u>(12,781,178)</u>
Total net position	<u>\$ (2,589,599)</u>	<u>\$ (9,011,929)</u>	<u>\$ 54,001,469</u>	<u>\$ 48,258,016</u>	<u>\$ 51,411,870</u>	<u>\$ 39,246,087</u>

Hoke County's Changes in Net Position

Figure 3

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,140,479	\$ 3,160,130	\$ 9,568,037	\$ 8,543,806	\$ 12,708,516	\$ 11,703,936
Operating grants	8,467,275	9,001,216	-	905,270	8,467,275	9,906,486
Capital grants	437,982	1,035,556	4,223,495	1,736,202	4,661,477	2,771,758
General revenues:						
Property taxes	27,780,860	26,399,813	-	-	27,780,860	26,399,813
Other taxes	6,324,887	6,937,400	-	-	6,324,887	6,937,400
Unrestricted:						
Intergovernmental	232,846	339,021	-	-	232,846	339,021
Miscellaneous	-	1,512	-	-	-	1,512
Investment income	49,434	19,345	55,122	42,405	104,556	61,750
Total revenues	<u>46,433,763</u>	<u>46,893,993</u>	<u>13,846,654</u>	<u>11,227,683</u>	<u>60,280,417</u>	<u>58,121,676</u>
Expenses:						
General government	4,531,433	5,354,007	-	-	4,531,433	5,354,007
Public safety	13,597,404	13,472,161	-	-	13,597,404	13,472,161
Economic and physical development	817,659	758,859	-	-	817,659	758,859
Human services	11,709,366	12,367,394	-	-	11,709,366	12,367,394
Cultural and recreational	1,069,623	1,066,787	-	-	1,069,623	1,066,787
Transportation	1,050,126	-	-	-	1,050,126	-
Education	5,842,616	6,111,645	-	-	5,842,616	6,111,645
Interest on long-term debt	1,125,987	1,619,032	-	-	1,125,987	1,619,032
Water Fund	-	-	6,156,104	5,071,137	6,156,104	5,071,137
Sanitation	-	-	2,214,316	2,169,502	2,214,316	2,169,502
Hoke Area Transit	-	-	-	1,262,224	-	1,262,224
Total expenses	<u>39,744,214</u>	<u>40,749,885</u>	<u>8,370,420</u>	<u>8,502,863</u>	<u>48,114,634</u>	<u>49,252,748</u>
Change in net position						
before transfers	6,689,549	6,144,108	5,476,234	2,724,820	12,165,783	8,868,928
Transfers	<u>(267,219)</u>	<u>(311,343)</u>	<u>267,219</u>	<u>311,343</u>	<u>-</u>	<u>-</u>
Change in net position	<u>6,422,330</u>	<u>5,832,765</u>	<u>5,743,453</u>	<u>3,036,163</u>	<u>12,165,783</u>	<u>8,868,928</u>
Net Position:						
Beginning of year - July 1	(9,011,929)	(13,247,823)	48,258,016	45,455,141	39,246,087	32,207,318
Restatement	<u>-</u>	<u>(1,596,871)</u>	<u>-</u>	<u>(233,288)</u>	<u>-</u>	<u>(1,830,159)</u>
Beginning of year - July 1, as restated	<u>(9,011,929)</u>	<u>(14,844,694)</u>	<u>48,258,016</u>	<u>45,221,853</u>	<u>39,246,087</u>	<u>30,377,159</u>
End of year - June 30	<u>\$ (2,589,599)</u>	<u>\$ (9,011,929)</u>	<u>\$ 54,001,469</u>	<u>\$ 48,258,016</u>	<u>\$ 51,411,870</u>	<u>\$ 39,246,087</u>

Governmental Activities. Governmental activities increased the County's net position by \$6,422,330 mainly due to an increase in property tax revenue and decreases in general government, human services, and interest on long-term debt expenditures in the current year.

Business-Type Activities. Business-type activities increased the County's net position by \$5,743,453 mainly due to increases in charges for services and capital grant revenues.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Hoke County. At the end of the current fiscal year, available fund balance of the General Fund was \$13,501,530, while total fund balance reached \$16,427,586. The County currently has an available fund balance of 34.98% of total General Fund expenditures and transfers out, while total fund balance represents 42.57% of that same amount.

At June 30, 2016, the governmental funds of Hoke County reported a combined fund balance of \$17,732,481, a 39% increase over last year. This increase is mainly due to an increase of fund balance in the General Fund of \$4.7 million.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$228,917 (0.56%).

Proprietary Funds. Hoke County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. At the end of the fiscal year, unrestricted net position of the Water and Sewer District Fund amounted to \$8,555,664 and \$3,679,167 for the Solid Waste Fund. The total growth in net position for both major funds was \$4,730,150 and \$746,084, respectively.

Other factors concerning the finances of these funds have already been addressed in the discussion of Hoke County's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Hoke County's capital assets for its governmental and business-type activities as of June 30, 2016, totals \$91,043,327 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Construction of water and sewer infrastructure
- Transfer of HATS Fund capital assets to the General Fund
- Purchase of vehicles in the General and Water and Sewer Funds
- Purchase of backhoe in the Solid Waste Fund

**Hoke County's Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,330,072	\$ 4,330,072	\$ 671,456	\$ 671,456	\$ 5,001,528	\$ 5,001,528
Building	16,244,252	16,679,557	32,665,420	33,839,894	48,909,672	50,519,451
Equipment	616,250	779,065	537,127	586,055	1,153,377	1,365,120
Vehicles	887,619	1,002,928	319,390	320,502	1,207,009	1,323,430
Construction in progress	-	-	34,771,741	30,799,524	34,771,741	30,799,524
Total	\$ 22,078,193	\$ 22,791,622	\$ 68,965,134	\$ 66,217,431	\$ 91,043,327	\$ 89,009,053

Additional information on the County's capital assets can be found in Note 3.A of the basic financial statements.

Long-Term Debt. As of June 30, 2016, Hoke County had total debt outstanding of \$67,589,463.

**Hoke County's Outstanding Debt
General Obligation Bonds and Other Obligations
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 8,500,000	\$ 9,200,000	\$ 4,367,000	\$ 4,836,000	\$ 12,867,000	\$ 14,036,000
Installment purchases	14,608,580	15,913,135	1,529,496	1,672,942	16,138,076	17,586,077
Revenue bonds	-	-	21,302,000	9,423,000	21,302,000	9,423,000
Limited obligation bonds	17,282,387	17,758,258	-	-	17,282,387	17,758,258
Bond anticipation note	-	-	-	12,001,000	-	12,001,000
Total	\$ 40,390,967	\$ 42,871,393	\$ 27,198,496	\$ 27,932,942	\$ 67,589,463	\$ 70,804,335

As mentioned in the financial highlights section of this document, Hoke County maintains a bond rating of A from Standard and Poor's and an A1 rating from Moody's Investor Service.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Hoke County is approximately \$232,106,000.

Additional information regarding Hoke County's long-term debt can be found in Note 3.B. beginning on page 63 of this audited financial report.

Economic Factors and Next Year's Budget

Hoke County continues to position itself for the future with the addition of a new wastewater treatment plant permitted for 1.5 million gallons of wastewater a day. It is expected that with the new wastewater treatment plant, the County will be better positioned to attract commercial and industrial growth.

Hoke County is part of a region which is positioned for growth with the expansion of neighboring Fort Bragg. Hoke County continues to see growth in the northeastern part of the County providing housing for military personnel and development of commercial establishments.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities. The valuation of property for the upcoming year is estimated to be \$3.1 billion. This increase is attributed to residential and commercial growth. The tax rate has increased from \$.73 to \$.75 per one hundred dollars of valuation of property listed as of January 1, 2016.

Budgeted expenditures in the General Fund are expected to increase to \$44,465,772 compared to an original budget of \$40,808,642 in fiscal year 2016. The increase is primarily due to increases in DSS, Public Schools, Administration, Transportation, and Public Safety expenditures.

Business-Type Activities. The water and sewer and solid waste revenues are anticipated to increase primarily due to additional growth within the County. General operating expenses are anticipated to remain stable considering the above mentioned growth.

Governmental Activities. Property taxes are expected to reflect 54.9% of the total General Fund budget of \$44.5 million.

The largest component of General Fund expenditures is expected to be employee compensation which represents 44.1% of the total General Fund budget. This component increased by 1.6% compared to the prior year.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Hoke County, 227 North Main Street, Raeford, North Carolina 28376.

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HOKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hoke County ABC Board
Assets:				
Cash and cash equivalents	\$ 16,578,033	\$ 12,088,980	\$ 28,667,013	\$ 195,334
Receivables, net	5,531,086	984,319	6,515,405	-
Inventories	14,595	132,322	146,917	127,066
Prepaid expenses	71,248	-	71,248	7,220
Non-current assets:				
Restricted cash and cash equivalents	106,672	1,153,827	1,260,499	-
Net pension asset	110,178	-	110,178	17,948
Capital assets:				
Land, improvements, and construction in progress	4,330,072	35,443,197	39,773,269	3,000
Other capital assets, net of depreciation	17,748,121	33,521,937	51,270,058	20,477
Capital assets, net	<u>22,078,193</u>	<u>68,965,134</u>	<u>91,043,327</u>	<u>23,477</u>
Total assets	<u>44,490,005</u>	<u>83,324,582</u>	<u>127,814,587</u>	<u>371,045</u>
Deferred Outflows of Resources	<u>999,694</u>	<u>97,049</u>	<u>1,096,743</u>	<u>4,250</u>
Liabilities:				
Accounts payable and accrued liabilities	1,758,912	546,917	2,305,829	199,336
Accrued interest payable	312,989	-	312,989	-
Due in less than one year	2,908,446	934,034	3,842,480	-
Payable from restricted assets	-	1,153,827	1,153,827	-
Non-current liabilities:				
Net pension liability	1,064,502	105,280	1,169,782	22,840
Due in more than one year	<u>41,382,550</u>	<u>26,625,384</u>	<u>68,007,934</u>	<u>-</u>
Total liabilities	<u>47,427,399</u>	<u>29,365,442</u>	<u>76,792,841</u>	<u>222,176</u>
Deferred Inflows of Resources	<u>651,899</u>	<u>54,720</u>	<u>706,619</u>	<u>10,439</u>
Net Position:				
Net investment in capital assets	9,519,942	41,766,638	51,286,580	23,477
Restricted:				
Stabilization for State statute	2,972,865	-	2,972,865	-
Human services	1,076,156	-	1,076,156	-
Register of Deeds	14,429	-	14,429	-
Public safety	102,065	-	102,065	-
Working capital	-	-	-	42,825
Unrestricted	<u>(16,275,056)</u>	<u>12,234,831</u>	<u>(4,040,225)</u>	<u>76,378</u>
Total net position	<u>\$ (2,589,599)</u>	<u>\$ 54,001,469</u>	<u>\$ 51,411,870</u>	<u>\$ 142,680</u>

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

HOKE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 4,531,433	\$ 1,586,233	\$ 417,940	\$ -
Public safety	13,597,404	848,319	215,460	-
Economic and physical development	817,659	22,787	-	137,982
Human services	11,709,366	394,636	7,203,309	-
Cultural and recreational	1,069,623	119,362	7,324	-
Transportation	1,050,126	169,142	608,066	-
Education	5,842,616	-	15,176	300,000
Interest on long-term debt	1,125,987	-	-	-
Total governmental activities	<u>39,744,214</u>	<u>3,140,479</u>	<u>8,467,275</u>	<u>437,982</u>
Business-Type Activities:				
Water and sewer	6,156,104	6,662,759	-	4,223,495
Landfill	2,214,316	2,905,278	-	-
Hoke Area Transit	-	-	-	-
Total business-type activities	<u>8,370,420</u>	<u>9,568,037</u>	<u>-</u>	<u>4,223,495</u>
Total primary government	<u>\$ 48,114,634</u>	<u>\$ 12,708,516</u>	<u>\$ 8,467,275</u>	<u>\$ 4,661,477</u>
Component Unit:				
ABC Board	<u>\$ 1,439,487</u>	<u>\$ 1,441,478</u>	<u>\$ -</u>	<u>\$ -</u>

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

HOKE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hoke County ABC Board
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (2,527,260)	\$ -	\$ (2,527,260)	
Public safety	(12,533,625)	-	(12,533,625)	
Economic and physical development	(656,890)	-	(656,890)	
Human services	(4,111,421)	-	(4,111,421)	
Cultural and recreational	(942,937)	-	(942,937)	
Transportation	(272,918)	-	(272,918)	
Education	(5,527,440)	-	(5,527,440)	
Interest on long-term debt	(1,125,987)	-	(1,125,987)	
Total governmental activities	<u>(27,698,478)</u>	<u>-</u>	<u>(27,698,478)</u>	
Business-Type Activities:				
Water and sewer	-	4,730,150	4,730,150	
Landfill	-	690,962	690,962	
Hoke Area Transit	-	-	-	
Total business-type activities	<u>-</u>	<u>5,421,112</u>	<u>5,421,112</u>	
Total primary government	<u>(27,698,478)</u>	<u>5,421,112</u>	<u>(22,277,366)</u>	
Component Unit:				
ABC Board				\$ <u>1,991</u>
General Revenues:				
Taxes:				
Ad valorem taxes	27,780,860	-	27,780,860	-
Local option sales tax	6,303,514	-	6,303,514	-
Other taxes	21,373	-	21,373	-
Unrestricted intergovernmental	232,846	-	232,846	-
Investment earnings	49,434	55,122	104,556	9
Total general revenues excluding transfers	<u>34,388,027</u>	<u>55,122</u>	<u>34,443,149</u>	<u>9</u>
Transfers	<u>(267,219)</u>	<u>267,219</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>34,120,808</u>	<u>322,341</u>	<u>34,443,149</u>	<u>9</u>
Change in net position	6,422,330	5,743,453	12,165,783	2,000
Net Position:				
Beginning of year - July 1	<u>(9,011,929)</u>	<u>48,258,016</u>	<u>39,246,087</u>	<u>140,680</u>
End of year - June 30	<u>\$ (2,589,599)</u>	<u>\$ 54,001,469</u>	<u>\$ 51,411,870</u>	<u>\$ 142,680</u>

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

HOKE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 15,115,158	\$ 1,462,875	\$ 16,578,033
Taxes receivable, net	2,435,403	278,042	2,713,445
Accounts receivable, net	2,422,905	52,408	2,475,313
Note receivable	-	342,328	342,328
Inventory	14,595	-	14,595
Prepays	2,405	68,843	71,248
Due from other funds	486,151	11,401	497,552
Restricted cash and cash equivalents	106,672	-	106,672
Total assets	<u>\$ 20,583,289</u>	<u>\$ 2,215,897</u>	<u>\$ 22,799,186</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,612,103	\$ 146,809	\$ 1,758,912
Due to other funds	11,401	486,151	497,552
Total liabilities	<u>1,623,504</u>	<u>632,960</u>	<u>2,256,464</u>
Deferred Inflows of Resources:			
Taxes receivable	2,435,403	278,042	2,713,445
Prepaid taxes	96,796	-	96,796
Total deferred inflows of resources	<u>2,532,199</u>	<u>278,042</u>	<u>2,810,241</u>
Fund Balances:			
Non-spendable:			
Inventories	14,595	-	14,595
Prepaid items	2,405	68,843	71,248
Long-term receivable	-	342,328	342,328
Restricted:			
Stabilization for State statute	2,909,056	63,809	2,972,865
Human services	1,076,156	-	1,076,156
Register of Deeds	14,429	-	14,429
Public safety	-	102,065	102,065
Committed	106,672	940,154	1,046,826
Assigned:			
Subsequent year's expenditures	335,267	-	335,267
Other	7,696	274,612	282,308
Unassigned	11,961,310	(486,916)	11,474,394
Total fund balances	<u>16,427,586</u>	<u>1,304,895</u>	<u>17,732,481</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,583,289</u>	<u>\$ 2,215,897</u>	<u>\$ 22,799,186</u>

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

HOKE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Total fund balances			\$ 17,732,481
Capital assets used in governmental activities are not financial resources and, therefore, are not reported:			
Total capital assets	\$ 32,295,068		
Less accumulated depreciation	<u>(10,216,875)</u>		
Net capital assets	<u>\$ 22,078,193</u>		22,078,193
Net pension asset			110,178
Net pension liability (LGERS)			(1,064,502)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			891,742
Liabilities for deferred inflows in the fund statements but not the government-wide statements			2,713,445
Pension related deferrals			(447,151)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:			
Bond and installment financing	\$ (40,390,967)		
Accrued interest payable	(312,989)		
Compensated absences	(935,183)		
Other post-employment benefits	(2,456,324)		
Net pension obligation	<u>(508,522)</u>		
Total	<u>\$ (44,603,985)</u>		<u>(44,603,985)</u>
Net position of governmental activities			<u>\$ (2,589,599)</u>

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

HOKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 25,322,776	\$ 2,436,667	\$ 27,759,443
Local option sales taxes	6,303,514	-	6,303,514
Other taxes and licenses	21,373	-	21,373
Unrestricted intergovernmental	232,846	-	232,846
Restricted intergovernmental	8,591,385	299,641	8,891,026
E-911 wireless	-	336,451	336,451
Permits and fees	1,484,398	-	1,484,398
Sales and services	1,333,861	-	1,333,861
Investment earnings	49,434	-	49,434
Total revenues	<u>43,339,587</u>	<u>3,072,759</u>	<u>46,412,346</u>
Expenditures:			
Current:			
General government	4,648,083	-	4,648,083
Public safety	9,908,678	2,776,043	12,684,721
Economic and physical development	618,769	184,408	803,177
Human services	11,570,834	-	11,570,834
Cultural and recreational	984,899	-	984,899
Transportation	1,041,026	-	1,041,026
Education	5,842,616	-	5,842,616
Debt service:			
Principal retirements	2,480,426	-	2,480,426
Interest and fees	1,125,987	-	1,125,987
Total expenditures	<u>38,221,318</u>	<u>2,960,451</u>	<u>41,181,769</u>
Revenues over (under) expenditures	<u>5,118,269</u>	<u>112,308</u>	<u>5,230,577</u>
Other Financing Sources (Uses):			
Transfers in	-	141,282	141,282
Transfers out	<u>(372,781)</u>	<u>-</u>	<u>(372,781)</u>
Total other financing sources (uses)	<u>(372,781)</u>	<u>141,282</u>	<u>(231,499)</u>
Net change in fund balances	4,745,488	253,590	4,999,078
Fund Balances:			
Beginning of year - July 1	<u>11,682,098</u>	<u>1,051,305</u>	<u>12,733,403</u>
End of year - June 30	<u>\$ 16,427,586</u>	<u>\$ 1,304,895</u>	<u>\$ 17,732,481</u>

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

HOKE COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 4,999,078
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities:	
Current year capital outlay	230,143
Capital outlay transferred in from Hoke Area Transit Fund	
Cost	130,623
Accumulated depreciation	(29,713)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	891,742
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not the fund statements	(1,044,482)
Principal repayments on debt owed are recorded as a use of funds on the fund statements but affect only the Statement of Net Position in the government-wide statements.	2,480,426
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	(1,256,904)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	<u>21,417</u>
Changes in net position of governmental activities (Exhibit B)	<u>\$ 6,422,330</u>

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

HOKE COUNTY, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Ad valorem taxes	\$ 23,097,734	\$ 23,176,252	\$ 25,322,776	\$ 2,146,524
Local option sales taxes	5,520,500	5,520,500	6,303,514	783,014
Other taxes and licenses	35,000	35,000	21,373	(13,627)
Unrestricted intergovernmental	191,300	191,300	232,846	41,546
Restricted intergovernmental	9,568,047	9,688,446	8,591,385	(1,097,061)
Permits and fees	1,129,346	1,129,346	1,484,398	355,052
Sales and services	1,052,715	1,082,715	1,333,861	251,146
Investment earnings	13,000	13,000	49,434	36,434
Total revenues	<u>40,607,642</u>	<u>40,836,559</u>	<u>43,339,587</u>	<u>2,503,028</u>
Expenditures:				
Current:				
General government	5,205,818	5,170,795	4,642,341	528,454
Public safety	10,073,658	10,163,376	9,908,678	254,698
Economic and physical development	631,755	640,673	618,769	21,904
Human services	12,650,236	12,789,254	11,570,834	1,218,420
Cultural and recreational	976,384	982,887	984,899	(2,012)
Transportation	1,007,499	1,084,760	1,041,026	43,734
Intergovernmental - education	5,832,617	5,842,617	5,842,616	1
Debt service:				
Principal retirements	2,475,405	2,475,405	2,480,426	(5,021)
Interest and fees	1,930,270	1,930,270	1,125,987	804,283
Total expenditures	<u>40,783,642</u>	<u>41,080,037</u>	<u>38,215,576</u>	<u>2,864,461</u>
Revenues over (under) expenditures	<u>(176,000)</u>	<u>(243,478)</u>	<u>5,124,011</u>	<u>5,367,489</u>
Other Financing Sources (Uses):				
Transfers out	(25,000)	(39,284)	(372,781)	(333,497)
Appropriated fund balance	<u>201,000</u>	<u>282,762</u>	<u>-</u>	<u>282,762</u>
Total other financing sources (uses)	<u>176,000</u>	<u>243,478</u>	<u>(372,781)</u>	<u>(616,259)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>4,751,230</u>	<u>\$ 4,751,230</u>
Fund Balance:				
Beginning of year - July 1			<u>11,547,559</u>	
End of year - June 30			<u>\$ 16,298,789</u>	

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

HOKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Major		Nonmajor	Total
	Water and Sewer District	Solid Waste	Hoke Area Transit System	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 8,261,253	\$ 3,827,727	\$ -	\$ 12,088,980
Accounts receivable, net	763,939	220,380	-	984,319
Inventories	132,322	-	-	132,322
Total current assets	9,157,514	4,048,107	-	13,205,621
Non-current assets:				
Restricted cash and cash equivalents	1,153,827	-	-	1,153,827
Land and construction in progress	35,260,545	182,652	-	35,443,197
Other capital assets, net of depreciation	32,364,582	1,157,355	-	33,521,937
Total non-current assets	68,778,954	1,340,007	-	70,118,961
Total assets	77,936,468	5,388,114	-	83,324,582
Deferred Outflows of Resources	64,699	32,350	-	97,049
Liabilities and Net Position:				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	333,234	213,683	-	546,917
Compensated absences	35,607	17,150	-	52,757
Current portion of long-term debt	881,277	-	-	881,277
Liabilities to be paid from restricted assets:				
Customer deposits	1,153,827	-	-	1,153,827
Total current liabilities	2,403,945	230,833	-	2,634,778
Non-current liabilities:				
Net pension liability	70,187	35,093	-	105,280
Long-term obligations	26,508,260	117,124	-	26,625,384
Total non-current liabilities	26,578,447	152,217	-	26,730,664
Total liabilities	28,982,392	383,050	-	29,365,442
Deferred Inflows of Resources	36,480	18,240	-	54,720
Net Position:				
Net investment in capital assets	40,426,631	1,340,007	-	41,766,638
Unrestricted	8,555,664	3,679,167	-	12,234,831
Total net position	\$ 48,982,295	\$ 5,019,174	\$ -	\$ 54,001,469

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

HOKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major		Nonmajor	Total
	Water and Sewer District	Solid Waste	Hoke Area Transit System	
Operating Revenues:				
Water and sewer charges	\$ 5,689,790	\$ -	\$ -	\$ 5,689,790
Tap and impact fees	873,981	-	-	873,981
Solid waste collection fees	-	2,778,694	-	2,778,694
Other operating revenues	98,988	126,584	-	225,572
Total operating revenues	<u>6,662,759</u>	<u>2,905,278</u>	<u>-</u>	<u>9,568,037</u>
Operating Expenses:				
Water administration	882,464	-	-	882,464
Water treatment	883,878	-	-	883,878
Water distribution	1,717,514	-	-	1,717,514
Sewer operations	472,325	-	-	472,325
Sewer plant operations	408,575	-	-	408,575
Landfill operations	-	2,116,512	-	2,116,512
Depreciation	1,256,680	97,804	-	1,354,484
Total operating expenses	<u>5,621,436</u>	<u>2,214,316</u>	<u>-</u>	<u>7,835,752</u>
Operating income (loss)	<u>1,041,323</u>	<u>690,962</u>	<u>-</u>	<u>1,732,285</u>
Non-Operating Revenues (Expenses):				
Investment earnings	-	55,122	-	55,122
Loss on disposal	-	-	(100,910)	(100,910)
Interest and other charges	(534,668)	-	-	(534,668)
Total non-operating revenues (expenses)	<u>(534,668)</u>	<u>55,122</u>	<u>(100,910)</u>	<u>(580,456)</u>
Income (loss) before capital contributions and transfers	506,655	746,084	(100,910)	1,151,829
Capital contributions	4,223,495	-	-	4,223,495
Transfers from General Fund	-	-	368,129	368,129
Change in net position	4,730,150	746,084	267,219	5,743,453
Net Position:				
Beginning of year - July 1	<u>44,252,145</u>	<u>4,273,090</u>	<u>(267,219)</u>	<u>48,258,016</u>
End of year - June 30	<u>\$ 48,982,295</u>	<u>\$ 5,019,174</u>	<u>\$ -</u>	<u>\$ 54,001,469</u>

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

HOKE COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major		Nonmajor	
	Water and Sewer District	Solid Waste	Hoke Area Transit System	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 7,366,848	\$ 2,860,065	\$ -	\$ 10,226,913
Cash paid for goods and services	(3,611,705)	(1,393,989)	-	(5,005,694)
Cash paid to employees for services	(1,065,883)	(633,351)	-	(1,699,234)
Net cash provided (used) by operating activities	2,689,260	832,725	-	3,521,985
Cash Flows from Capital and Related Financing Activities:				
Proceeds from debt	12,001,000	-	-	12,001,000
Principal payments on long-term debt	(12,735,446)	-	-	(12,735,446)
Interest paid on debt	(534,668)	-	-	(534,668)
Capital contribution - grants	4,223,495	-	-	4,223,495
Acquisition and construction of capital assets	(4,104,618)	(98,479)	-	(4,203,097)
Net cash provided (used) by capital and related financing activities	(1,150,237)	(98,479)	-	(1,248,716)
Cash Flows from Investing Activities:				
Interest on investments	-	55,122	-	55,122
Net increase (decrease) in cash and cash equivalents	1,539,023	789,368	-	2,328,391
Cash and Cash Equivalents:				
Beginning of year - July 1	7,876,057	3,038,359	-	10,914,416
End of year - June 30	\$ 9,415,080	\$ 3,827,727	\$ -	\$ 13,242,807
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 1,041,323	\$ 690,962	\$ -	\$ 1,732,285
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,256,680	97,804	-	1,354,484
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
(Increase) decrease in accounts receivable	661,898	(45,213)	-	616,685
(Increase) decrease in inventory	13,841	-	-	13,841
(Increase) decrease in net pension asset	72,966	43,780	-	116,746
(Increase) decrease in deferred outflows of resources - pensions	(10,590)	115	-	(10,475)
Increase (decrease) in net pension liability	70,187	35,093	-	105,280
Increase (decrease) in deferred inflows of resources - pensions	(141,357)	(88,462)	-	(229,819)
Increase (decrease) in accounts payable	(349,033)	78,467	-	(270,566)
Increase (decrease) in customer deposits	42,191	-	-	42,191
Increase (decrease) in OPEB payable	28,065	16,482	-	44,547
Increase (decrease) in accrued vacation pay	3,089	3,697	-	6,786
Total adjustments	1,647,937	141,763	-	1,789,700
Net cash provided (used) by operating activities	\$ 2,689,260	\$ 832,725	\$ -	\$ 3,521,985

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

HOKE COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 86,820
Accounts receivable	<u>53,638</u>
Total assets	<u>\$ 140,458</u>
 Liabilities:	
Accounts payable and other liabilities	<u>\$ 140,458</u>

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

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Significant Accounting Policies

The accounting policies of Hoke County, North Carolina (the “County”) and its discretely presented component unit 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 unit, a legally separate entity for which the County is financially accountable. The discretely presented component unit presented below is reported in a separate column in the County’s financial statements in order to emphasize that it is legally separate from the County.

Discretely Presented Component Unit

Hoke County ABC Board

The members of the ABC Board’s governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board issues separate financial statements which may be obtained from the Hoke County ABC Board, Highway 401S, Raeford, North Carolina 28376.

Blended Component Units

Hoke County Water and Sewer District

The District exists to provide and maintain a water system for the County residents within the District. The District is reported as an Enterprise Fund in the County’s financial statements.

Hoke County Industrial Facility and Pollution Control Financing Authority

The Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Hoke County Facilities Corp.

The corporation exists to operate exclusively for the purpose of promoting the general welfare of the citizens of the County by assisting the County in carrying out its governmental functions through the acquisition, construction, operation, sale or lease of real estate and improvement, facilities, and equipment. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

B. Basis of Presentation, Measurement Focus – Basis of Accounting

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government net position (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.

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 funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County reports the following major governmental fund:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund. The Register of Deeds Automation Fund, Revaluation Fund, and Law Enforcement Officer Fund are legally budgeted funds under North Carolina General Statutes; however, for statement presentation, in accordance with GASB Statement No. 54, they are consolidated in the General Fund.

The County reports the following major enterprise funds:

Water and Sewer District Fund. This fund is used to account for the operations of the water and sewer district within the County.

Solid Waste Fund. This fund is used to account for the operations of the solid waste fund within the County.

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Sheriff Execution Fund, which accounts for monies collected by the Sheriff's office for the execution of writs; the Jail Inmate/Welfare Fund, which accounts for monies deposited by the inmates for the inmates use; and the Municipal Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County, but that are not revenues to the County.

Nonmajor Funds. The County maintains nine legally budgeted funds. The Revolving Loan Fund, the Emergency Systems Telephone Fund, the Asset Forfeiture Fund, the Grant Projects Fund, the Fire District Fund, and the Multi-Year Grants Fund are reported as nonmajor special revenue funds. The Administrative Capital Projects Fund, the CDBG Capital Projects Fund, and the Capital Reserve Fund are reported as nonmajor capital projects funds. The Hoke Area Transit System Fund is reported as a nonmajor enterprise fund.

Measurement Focus, Basis of Accounting

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

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary, 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.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for the 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 the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all Counties, municipalities, and special tax districts. Property taxes

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

Sales taxes and certain intergovernmental revenues, such as the beer and wine 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 is 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 North Carolina General Statutes. An annual budget is adopted for the General Fund and all special revenue funds except for the Multi-Year Grants Special Revenue Fund. All annual appropriations lapse at fiscal year-end. Except for the Capital Reserve Fund, project ordinances are adopted for the Capital Project Funds and the Enterprise Capital Projects Funds, which are consolidated with the Enterprise Operating Funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the County are made in Board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United State 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 majority of the County's investments are carried at fair value. The NCCMT Cash Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price.

Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are considered cash and cash equivalents.

Restricted Assets

Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund is also classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

Restricted cash was comprised of the following at June 30, 2016:

Governmental Activities:	
General Fund:	
Restricted for revaluation	\$ 106,672
Business-Type Activities	
Water and Sewer District Fund:	
Customer deposits	1,153,827
Total restricted cash	\$ 1,260,499

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 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, 2015.

As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Allowance for Doubtful Accounts

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

Inventories and Prepaid Items

The inventories of the County is valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the County's enterprise funds consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed or sold.

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

Capital Assets

Purchased or constructed assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair market value on the date donated. 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. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Hoke County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Hoke County Board of Education.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Plant and distribution systems	40 years
Infrastructure	30 years
Improvements	25 years
Furniture and equipment	10 years
Vehicles	6 years
Computer equipment	3 years

Deferred Outflows/Inflows of Resources

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

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

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statements of Net Position.

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

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The 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 County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Management Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates. A significant area where estimates are made is allowance for doubtful accounts.

Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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

Prepaid Items – portion of fund balance not available to pay for any commitments because it represents prepaid expenses of the next year, which are not spendable resources.

Long-Term Receivable – portion of fund balance that is not an available resource because it represents the amount not expected to be converted to cash during the subsequent fiscal year.

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

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

Restricted for Human Services – portion of fund balance available for appropriation but legally segregated for Health Department expenditures. It represents the balance of the total unexpended Health Department grants and related fees.

Restricted for Register of Deeds – portion of fund balance restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds' office.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety activities such as fire protection, police, and E911 expenditures.

Purpose	General Fund	Other Governmental Funds	Total
Human services	\$ 1,076,156	\$ -	\$ 1,076,156
Register of Deeds	14,429	-	14,429
Public safety	-	102,065	102,065
Total	\$ 1,090,585	\$ 102,065	\$ 1,192,650

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Committed Fund Balance. This classification represents a portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the County’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Tax Revaluation – portion of fund balance that can only be used for tax revaluation.

Committed for Future Capital Projects – portion of fund balance that is restricted by resolution approved by the Board for future capital projects.

Purpose	General Fund	Other Governmental Funds	Total
Tax revaluation	\$ 106,672	\$ -	\$ 106,672
Capital projects	-	940,154	940,154
Total	\$ 106,672	\$ 940,154	\$ 1,046,826

Assigned Fund Balance. This classification represents a portion of fund balance that the County’s governing board intends to use for specific purposes budgeted for.

Assigned for Public Safety – portion of fund balance that had been budgeted by the Board for public safety activities such as fire protection, police, and E911 expenditures.

Assigned for Education – portion of fund balance that has been budgeted in a special revenue fund by the Board for education purposes.

Assigned for Economic Development – portion of fund balance that has been budgeted by the Board for the economic development.

Assigned for Subsequent Year’s Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already in restricted or committed approved by the Board.

Purpose	General Fund	Other Governmental Funds	Total
Public safety	\$ 7,696	\$ 31,299	\$ 38,995
Education	-	-	-
Economic development	-	243,313	243,313
Subsequent year's expenditures	335,267	-	335,267
Total	\$ 342,963	\$ 274,612	\$ 617,575

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Unassigned Fund Balance. This classification represents the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance.

Hoke 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.

The County has not officially adopted a 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	\$ 16,427,586
Less:	
Inventories	14,595
Prepays	2,405
Stabilization for State statute	<u>2,909,056</u>
Total available fund balance	<u>\$ 13,501,530</u>

Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "State-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State-administered defined benefit pension plans and additions to/deductions from the State-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the State-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the State-administered defined benefit pension plans. Investments are reported at fair value.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

A legally budgeted Register of Deeds Automation Fund, Revaluation Fund, and Law Enforcement Officer Fund are consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds (Exhibit D). Fund balance for the General Fund is reconciled as follows:

Fund balance, ending - General Fund (Exhibit F)	<u>\$ 16,298,789</u>
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Register of Deeds Automation Fund:

Expenditures:

General government	5,742
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Fund balance, beginning	<u>20,171</u>
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Fund balance, ending	<u>14,429</u>
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Revaluation Fund:

Fund balance, beginning	<u>106,672</u>
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Fund balance, ending	<u>106,672</u>
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Law Enforcement Officer:

Fund balance, beginning	<u>7,696</u>
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Fund balance, ending	<u>7,696</u>
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Total ending fund balance (Exhibit D)	<u>\$ 16,427,586</u>
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HOKE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations are in violation of State law [G159-28(b)]. Violations as of June 30, 2016 are as follows:

General Fund:

Cultural and recreational	\$	2,012
Transfers out		358,497

Special Revenue Fund:

Fire Districts Fund	\$	195,245
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Capital Projects Fund:

Administrative Capital Projects Fund:	\$	1,004,623
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Water and Sewer Fund:

Waste Water Treatment Plant Fund:		
Transfers out	\$	380,264

The County plans closer monitoring of the expenditure process to assure adequate appropriations prior to incurring expenditures. The Finance Officer will review Administrative Capital Projects Fund and propose correction to be approved by the Board of Commissioners.

B. Deficit Fund Balance or Net Position of Individual Funds

Multi-Year Grant Special Revenue Fund	\$	765
Administrative Capital Projects Fund		484,536
CDBG Capital Projects Fund		1,615

The County plans closer monitoring of projects to ensure revenue shortfalls are identified, and anticipated over expenditures are properly corrected to prevent deficit fund balances, or net positions in individual funds.

C. Significant Violations of Finance-Related Legal and Contractual Provisions

Non-Compliance with North Carolina General Statutes

1. The County had disbursements during the current fiscal year that were not pre-audited according to State statutes. Proper documentation and approvals were not obtained prior to funds being obligated. This is a violation of N.C. G.S. 159-28(a).

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County Finance Department will continue to work with the County departments to ensure proper procedures are followed. The Finance department will closely monitor the general ledger and ongoing purchases regularly and amend the budgets as needed

2. The County does not have budgets for project and multi-year funds readily available for the auditor. The County was not ready for its annual audit causing the issuance of the report to be issued late. These are violations of N.C. G.S. 159-13.2 and 159-34.

The County will make every effort to ensure timely reporting of financial statements.

3. An original budget ordinance was not adopted for two annual special revenue funds (Revolving Loan Fund, Grant Projects Fund) prior to the beginning of the fiscal year, violating G.S. 159-8(a). Furthermore, a budget was not adopted for the following transfers: transfer from the General Fund to the Special Revenue Funds (Grant Projects Fund and Multi-Year Grants Fund), from the General Fund to the Hoke Area Transit System Fund, from the Waste Water Treatment Plant Capital Projects Fund to Water and Sewer District Fund. These are violations of G.S. 159-28(a).

A checklist has been established to ensure each fund of the budget is included in the annual adoption process.

4. The County is not performing escheating of abandoned property timely. There are outdated checks on the County's year-end bank reconciliation. This is a violation of N.C. G.S. 116B-53(c) subpart 12.

The Finance department is working on escheating all checks older than one year, it is expected that the process will be complete and timely escheating maintained (by April of 2018) as a result of the new software purchased to assist in the escheating process.

3. Detail Notes On All Funds

A. Assets

Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by their agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institutions used by the County. The County does not have policies regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the County's deposits had a carrying amount of \$9,155,648 and a bank balance of \$9,140,478. Of the bank balance, \$513,785 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2016, Hoke County had \$4,303 cash on hand.

Investments

At June 30, 2016, the County's investments consisted of \$20,854,381 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's.

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

Credit Risk. The County does not have a formal policy regarding credit risk.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Property Tax-Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at present-use value as opposed to market value. When the property loses its eligibility for use-valuation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 621,051	\$ -	\$ 621,051
2014	623,219	-	623,219
2015	908,576	-	908,576
2016	958,681	-	958,681
Total	<u>\$ 3,111,527</u>	<u>\$ -</u>	<u>\$ 3,111,527</u>

Receivables

Receivables at the government-wide level at June 30, 2016 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Other Governments</u>	<u>Note Receivable</u>	<u>Total</u>
Governmental Activities:					
General	\$ 35,506	\$ 3,227,403	\$ 2,387,399	\$ -	\$ 5,650,308
Other governmental	-	350,042	52,408	342,328	744,778
Allowance for doubtful accounts	-	(864,000)	-	-	(864,000)
Total receivables	<u>\$ 35,506</u>	<u>\$ 2,713,445</u>	<u>\$ 2,439,807</u>	<u>\$ 342,328</u>	<u>\$ 5,531,086</u>
Business-Type Activities:					
Water and Sewer District	\$ 1,339,009	\$ -	\$ -	\$ -	\$ 1,339,009
Solid waste	492,380	-	-	-	492,380
Allowance for doubtful accounts	(847,070)	-	-	-	(847,070)
Total business-type activities	<u>\$ 984,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 984,319</u>

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Due from other governments consists of the following:

Governmental Activities:

Local option sales tax	\$	958,037
Refundable sales tax		589,584
MV taxes, State		229,800
Lottery funds		300,000
ABC distribution		98,185
Grants receivable		264,201
Total	\$	<u>2,439,807</u>

Capital Assets

Primary Government

Capital asset activity for the governmental activities for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 4,330,072	\$ -	\$ -	\$ -	\$ 4,330,072
Depreciable Assets:					
Buildings	20,442,462	-	-	-	20,442,462
Equipment	3,647,761	39,663	-	100,910	3,788,334
Vehicles and motor equipment	3,762,261	190,480	248,254	29,713	3,734,200
Total depreciable capital assets	<u>27,852,484</u>	<u>230,143</u>	<u>248,254</u>	<u>130,623</u>	<u>27,964,996</u>
Less Accumulated Depreciation:					
Buildings	3,762,905	435,305	-	-	4,198,210
Equipment	2,868,696	303,388	-	-	3,172,084
Vehicles and motor equipment	2,759,333	305,789	248,254	29,713	2,846,581
Total accumulated depreciation	<u>9,390,934</u>	<u>\$1,044,482</u>	<u>\$ 248,254</u>	<u>\$ 29,713</u>	<u>10,216,875</u>
Total depreciable capital assets, net	<u>18,461,550</u>				<u>17,748,121</u>
Governmental activity capital assets, net	<u>\$ 22,791,622</u>				<u>\$ 22,078,193</u>

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

General government	\$ 110,724
Public safety	753,281
Economic and physical development	9,334
Human services	97,245
Cultural and recreational	<u>73,898</u>
Total	<u>\$ 1,044,482</u>

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The following is a summary of the County's business-type capital assets:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Business-Type Activities:				
Water and Sewer District:				
Non-Depreciable Assets:				
Land	\$ 488,804	\$ -	\$ -	\$ 488,804
Construction in progress	30,799,524	3,972,217	-	34,771,741
Total non-depreciable capital assets	31,288,328	3,972,217	-	35,260,545
Depreciable Assets:				
Plant and distribution system	43,880,731	-	-	43,880,731
Furniture and maintenance equipment	1,188,955	34,850	-	1,223,805
Buildings	124,620	-	-	124,620
Vehicles	623,885	97,551	13,685	707,751
Total depreciable capital assets	45,818,191	132,401	13,685	45,936,907
Less Accumulated Depreciation:				
Plant and distribution system	11,029,318	1,150,472	-	12,179,790
Furniture and maintenance equipment	789,961	59,514	-	849,475
Buildings	15,785	2,492	-	18,277
Vehicles	494,266	44,202	13,685	524,783
Total accumulated depreciation	12,329,330	\$ 1,256,680	\$ 13,685	13,572,325
Total depreciable capital assets, net	33,488,861			32,364,582
Water and Sewer capital assets, net	64,777,189			67,625,127
Solid Waste:				
Non-Depreciable Assets:				
Land	182,652	\$ -	\$ -	182,652
Depreciable Assets:				
Plant and distribution system	1,075,504	-	-	1,075,504
Furniture and maintenance equipment	696,513	98,479	-	794,992
Vehicles	433,571	-	-	433,571
Total depreciable capital assets	2,205,588	98,479	-	2,304,067
Less Accumulated Depreciation:				
Plant and distribution system	195,858	21,510	-	217,368
Furniture and maintenance equipment	610,362	21,833	-	632,195
Vehicles	242,688	54,461	-	297,149
Total accumulated depreciation	1,048,908	\$ 97,804	\$ -	1,146,712
Total depreciable capital assets, net	1,156,680			1,157,355
Solid waste capital assets, net	1,339,332			1,340,007

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Balance	Additions	Retirements	Transfers	Balance
	June 30, 2015				June 30, 2016
Hoke Area Transit System:					
Depreciable Assets:					
Equipment	118,304	\$ -	\$ 17,394	\$ (100,910)	-
Vehicles	29,713	-	-	(29,713)	-
Total depreciable capital assets	148,017	-	17,394	(130,623)	-
Less Accumulated Depreciation:					
Equipment	17,394	-	17,394	-	-
Vehicles	29,713	-	-	(29,713)	-
Total accumulated depreciation	47,107	\$ -	\$ 17,394	\$ (29,713)	-
Total depreciable capital assets, net	100,910				-
Transit capital assets, net	100,910				-
Business-type activities, net	\$ 66,217,431				\$ 68,965,134

Net Investment in Capital Assets

The total net investment in capital assets, at June 30, 2016 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 22,078,193	\$ 68,965,134
Long-term debt	40,390,967	27,198,496
Less:		
School debt to which County does not hold title	27,832,716	-
Total capital debt	12,558,251	27,198,496
Net investment in capital assets	\$ 9,519,942	\$ 41,766,638

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Construction Commitments

The government has active construction projects at year-end. At June 30, 2016, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water and Sewer Fund:		
Phase V Water Project	\$ 10,007,314	\$ 549,293
Hwy 401 water improvements	1,438,449	611,551
Vass Road Water Main Extension Best Rd and Trudeau Avenue	175,033	2,751
Drainage Repair	7,250	209,750
Vass Road Production Wells	214,187	478,703
Gillis Hill Water Improvements	23,071	260,050
Sandy Grove Pump Station	1,059,572	108,144
Sewer Project Phase 1A	1,457,147	18,618
Sewer Project Phase 1B	17,669,379	456,257
VFD	246,572	299,258
Total	<u>\$ 49,967,353</u>	<u>\$ 3,450,632</u>

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2016 were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 1,028,966	\$ 583,137	\$ 1,612,103
Other governmental	136,166	10,643	146,809
Total governmental activities	<u>\$ 1,165,132</u>	<u>\$ 593,780</u>	<u>\$ 1,758,912</u>
Business-Type Activities:			
Water and Sewer District	\$ 305,364	\$ 27,870	\$ 333,234
Solid Waste	195,016	18,667	213,683
Total business-type activities	<u>\$ 500,380</u>	<u>\$ 46,537</u>	<u>\$ 546,917</u>

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Pension Plan Obligations

Local Government Employees' Retirement System

Plan Description. The County is a participating employer in 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.76% 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 \$972,034 for the year ended June 30, 2016.

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, 2016, the County reported a liability of \$1,169,782 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County's proportion was .261%, which was an increase of .013% from its proportion measured as of June 30, 2014.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

For the year ended June 30, 2016, the County recognized pension expense of \$656,262. At June 30, 2016, 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	\$ -	\$ 274,966
Net difference between projected and actual earnings on pension plan investments	-	333,033
Changes in proportion and differences between County contributions and proportionate share of contributions	106,283	-
County contributions subsequent to the measurement date	972,034	-
Total	\$ 1,078,317	\$ 607,999

\$972,034 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (357,526)
2018	(357,526)
2019	(357,229)
2020	570,565
Total	\$ (501,716)

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	<u>6.0%</u>	3.4%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 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 3.00%. All rates of return and inflation are annualized.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

	1% Decrease	Discount Rate	1% Increase
	(6.25%)	(7.25%)	(8.25%)
County's proportionate share of the net pension liability (asset)	<u>\$ 8,157,053</u>	<u>\$ 1,169,782</u>	<u>\$ (4,716,839)</u>

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

Law Enforcement Officers’ Special Separation Allowance

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

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Retirees receiving benefits	-
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>61</u>
Total	<u>61</u>

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separate 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 67 and 68:

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

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned 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 annual required contribution for the current year was determined as part of the December 31, 2014, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2014, was 16 years.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Annual required contribution	\$ 85,223
Interest on net pension obligation	21,998
Adjustment to annual required contribution	<u>(38,662)</u>
Annual pension cost	68,559
Employer contributions made	<u>-</u>
Increase in net pension obligation	68,559
Net pension obligation:	
Beginning of year - July 1	<u>439,963</u>
End of year - June 30	<u>\$ 508,522</u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 55,253	0.00%	\$ 379,984
2015	59,979	0.00%	439,963
2016	68,559	0.00%	508,522

Funding Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$531,032. The covered payroll (annual payroll of active employees covered by the plan) was \$2,740,426, and the ratio of the UAAL to the covered payroll was 19.38%.

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

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (the “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 5% of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2016, were \$133,085, which consisted of \$133,085 from the County and \$0 from the law enforcement officers.

Register of Deeds’ Supplemental Pension Fund

Plan Description. Hoke County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds’ Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for the Registers of Deeds’ Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 \$7,191 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$110,178 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County's proportion was .475%, which was a decrease of .028% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$312. At June 30, 2016, 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	\$ 539	\$ 1,824
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	5,464	-
Changes in proportion and differences between County contributions and proportionate share of contributions	5,232	-
County contributions subsequent to the measurement date	7,191	-
Total	\$ 18,426	\$ 1,824

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$7,191 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2017	\$ 3,647
2018	2,727
2019	1,563
2020	1,474
Total	<u>\$ 9,411</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

	1% Decrease	Discount Rate	1% Increase
	(4.75%)	(5.75%)	(6.75%)
County's proportionate share of the net pension liability (asset)	\$ (99,405)	\$ (110,178)	\$ (119,450)

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.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Other Post-Employment Benefits – Healthcare Benefits

Plan Description. Under a County resolution, Hoke County provides healthcare benefits to employees through the County’s Retiree Health Plan as a single employer defined benefit plan to cover retirees of the County who participate in the North Carolina Local Governmental Employees’ Retirement System (the “System”). The County has elected to partially pay the future overall cost of coverage for these benefits. The benefits are available to qualified retirees until the age of sixty-five (65).

Effective July 1, 2000, to be eligible for the County’s Retiree Health Plan, the retiree must be eligible for State retirement benefits and by either: (a) having reached age sixty (60) *and* having worked the last five (5) years in continuous full-time service with Hoke County or (b) having reached age fifty-five (55) *and* having worked the last twelve (12) years in full-time services with Hoke County. Upon separation of regular permanent employment, an employee may continue coverage under the County’s medical insurance plan subject to COBRA provisions.

County Contributions Based on Years of Creditable Service	
Years of Creditable Service with County	County Pays
12 - 14	25%
15 - 24	50%
25+	75%

Premiums will be calculated annually and will be subject to adjustments as necessary. Coverage is transferred to a supplemental policy when retiree becomes eligible for Medicare. If a retiree becomes eligible for another employer-sponsored plan, then County coverage shall immediately become secondary. Retirees can purchase coverage for their dependents at the County’s group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the Plan consisted of the following at December 31, 2014:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	5	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	347	68
Total	352	68

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Funding Policy. The County pays between 25% to 75% of the cost of coverage for the healthcare benefits to qualified retirees based on time worked with the County under a County resolution that can be amended by the County's Board. The County's members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 3.3% of annual covered payroll. For the current year, the County contributed \$49,364, or .33%, of annual covered payroll. The County purchases insurance from a private carrier for healthcare coverage. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 13.37% and .13% of covered payroll, respectively. There were no contributions made by employees. The County's obligation to contribute to the plan is established and may be amended by the County Board.

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

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation for the healthcare benefits:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 446,736	\$ 44,183	\$ 490,919
Interest on net OPEB obligation	82,488	8,157	90,645
Adjustments to annual required contribution	<u>(78,801)</u>	<u>(7,793)</u>	<u>(86,594)</u>
Annual OPEB cost (expense)	450,423	44,547	494,970
Contributions made	<u>(49,364)</u>	-	<u>(49,364)</u>
Increase (decrease) in net OPEB obligation	401,059	44,547	445,606
Net OPEB obligation:			
Beginning of year - July 1	<u>2,055,265</u>	<u>210,863</u>	<u>2,266,128</u>
End of year - June 30	<u>\$ 2,456,324</u>	<u>\$ 255,410</u>	<u>\$ 2,711,734</u>

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

Three Year Trend Information			
Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 450,834	5.65%	\$ 1,846,615
2015	465,043	10.61%	2,266,128
2016	494,970	9.97%	2,711,734

Funding Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,639,993. The covered payroll (annual payroll of active employees covered by the plan) was \$15,037,213, and the ratio of the UAAL to the covered payroll was 24.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.5% to 5.0% annually. Both

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

rates included a 3.0% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of pay on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

As of June 30, 2016, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County.

Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (the "Death Benefit Plan"), a multiple-employer, State-administered, cost-sharing plan funded on a one-year 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 benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

Closure and Post-Closure Care Costs

The County closed its landfill prior to the requirements for closure and post-closure expenditures. At that time, the County contracted to have its solid waste transported to other locations outside the County.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Deferred Outflows and Inflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pensions - difference between expected and actual experience	\$ 539	\$ 276,790
Pensions - difference between projected and actual investment earnings	5,464	333,033
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	111,515	-
Contributions to pension plan subsequent to measurement date	979,225	-
Prepaid taxes not yet earned (General)	-	96,796
Taxes receivable, net (General)	-	2,435,403
Taxes receivable, net (Special Revenue)	-	278,042
Total	<u>\$ 1,096,743</u>	<u>\$ 3,420,064</u>

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency.

Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage for owned autos to actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits.

All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers' compensation.

Through the captive, the Liability and Property Pool is reinsured for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-State public entity captive.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through commercial crime coverage with a \$250,000 occurrence limit. The Director of Finance is bonded for \$200,000, and the Tax Collector is bonded for \$100,000.

Since the County is not located in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the County does not need nor carries flood insurance.

The County carries commercial coverage for all other risk 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.

Contingent Liabilities

At June 30, 2016, the County was a defendant to various lawsuits. In the opinion of the County's management and the County Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

Long-Term Obligations

As authorized by State law [G.S. 160A-20 and 153A-158.1], the County financed various property acquisitions for use by the Hoke County Board of Education during the fiscal year ended June 30, 2016, by issuing school bonds. The purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with the Hoke County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education.

The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the bond obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

General Obligations Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full-faith credit and taxing power of the County. Hoke County's Water and Sewer Districts issue general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Water and Sewer District Fund, are collateralized by the full-faith credit and taxing power of the District. Principal and interest payments are appropriated when due.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County's general long-term debt at June 30, 2016, is comprised of the following individual issues:

General Obligation Bonds:

General Fund:

Series 2007 School Bonds, annual payments, including interest at a rate of 4%, maturing in 2027 \$ 8,500,000

Water and Sewer Fund:

\$400,000 2014A Refunding Series, due in semi-annual payments, including interest at a rate of 1.02%, maturing in 2018 \$ 200,000

\$4,770,000 2014B Refunding Series, due in semi-annual payments, including interest at a rate of 2.39%, maturing in 2026 4,167,000

Total Water and Sewer Fund \$ 4,367,000

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

Year Ending June 30	General Fund		Water and Sewer	
	Principal	Interest	Principal	Interest
2017	\$ 700,000	\$ 348,000	\$ 480,000	\$ 101,631
2018	700,000	320,000	491,000	91,529
2019	700,000	292,000	395,000	81,164
2020	700,000	264,000	405,000	71,724
2021	700,000	236,000	412,000	62,044
2022-2026	4,500,000	672,125	2,184,000	158,433
2027	<u>500,000</u>	<u>21,250</u>	-	-
Total	<u>\$ 8,500,000</u>	<u>\$ 2,153,375</u>	<u>\$ 4,367,000</u>	<u>\$ 566,525</u>

Refundings

On July 22, 2014, the County refunded the 1998 Water Series and the 2004 Water Refunding Series bonds with the 2014A and 2014B Refunding Series general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the Statement of Net Position. The reacquisition price equaled the net carrying amount of the old debt. The refunding was undertaken to achieve debt service savings and the refunding does not involve a device to obtain a material financial advantage other than to achieve debt service savings due to lower interest rates. The net present value savings was \$528,951 for both bonds.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County's notes payable debt at June 30, 2016 is comprised of the following individual issues:

Notes Payable - General Fund:

\$3,830,000 note, payable in semi-annual installments of \$127,167, including interest at 3.11%, maturing in 2022	\$ 1,532,000
\$2,585,000 note, payable in semi-annual installments of \$85,667, including interest at 2.12%, maturing in 2022	1,027,999
\$5,000,000 note, payable in annual installments of \$333,333, including interest at 2.65%, maturing in 2021	1,666,666
\$525,000 note, payable in annual installments of \$35,000, including interest at 4.64%, maturing in 2018	105,000
\$3,865,000 note, payable in semi-annual installments of \$128,833, including interest at 3.79%, maturing in 2023	1,803,666
\$2,790,450 USDA note, payable in annual installments of \$168,823, including interest at 4.375%, maturing in 2035	2,021,706
\$7,034,000 USDA note, payable in annual installments of \$362,040, including interest at the rate of 4.125%, maturing in 2045	6,022,281
\$700,000 USDA note, payable in annual installments of \$36,029, including interest at 4.125%, maturing in 2034	<u>429,262</u>
Total notes payable - General Fund	<u>14,608,580</u>

Notes Payable - Water and Sewer Fund:

\$1,300,000 Sanitary Sewer Bond, due in annual payments of \$111,273, including interest of 3.365%, maturing in 2018	211,996
\$1,360,000 note, payable in monthly installments of \$14,167, at zero interest, maturing in 2024	<u>1,317,500</u>
Total notes payable - Water and Sewer Fund	<u>1,529,496</u>

Total notes payable \$ 16,138,076

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Annual debt service requirements for the County's notes payables are as follows:

Year Ending June 30	General Fund		Water and Sewer	
	Principal	Interest	Principal	Interest
2017	\$ 1,264,983	\$ 536,078	\$ 274,277	\$ 6,996
2018	1,273,943	495,322	277,719	3,555
2019	1,283,280	454,189	170,000	-
2020	1,258,012	412,662	170,000	-
2021	1,268,153	372,347	170,000	-
2022-2026	2,362,218	1,447,334	467,500	-
2027-2031	1,746,343	1,088,117	-	-
2032-2036	1,557,006	710,183	-	-
2037-2041	1,384,675	425,525	-	-
2042-2045	1,209,967	120,247	-	-
Total	<u>\$ 14,608,580</u>	<u>\$ 6,062,004</u>	<u>\$ 1,529,496</u>	<u>\$ 10,551</u>

Limited Obligation Bonds Payable - General Fund:

\$18,710,000 Non-General Obligation Qualified School Construction

Bond, tax credit rate 4.38%, maturing in 2032

\$ 17,282,387

Annual debt service requirements for the County's limited obligation bonds payable is as follows:

Year Ending June 30	General Fund	
	Principal	Interest
2017	\$ 475,871	\$ 919,409
2018	475,871	919,409
2019	475,871	919,409
2020	475,871	919,409
2021	475,871	919,409
2022-2026	4,745,173	4,597,047
2027-2031	8,428,185	3,677,638
2032	1,729,674	919,409
Total	<u>\$ 17,282,387</u>	<u>\$ 13,791,139</u>

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Revenue Bonds Payable - Water and Sewer Fund:

<p>\$9,423,000 USDA Water & Sewer Revenue Bonds, Series 2013, issued for water and sewer system improvements. Only interest installments are due for the first two years annually on June 1. Principal and interest installments are due annually beginning on June 1, 2016, at an annual interest rate of 3.5%, maturing in 2053.</p>	\$ 9,301,000
<p>\$9,000,000 USDA Water & Sewer Revenue Bonds, Series 2016A, issued for certain improvements to the water system. Only interest installments are due for the first two years annually on June 1. Principal and interest installments are due annually beginning on June 1, 2018, at an annual interest rate of 2.5%, maturing in 2055.</p>	9,000,000
<p>\$1,703,000 USDA Water & Sewer Revenue Bonds, Series 2016B, issued for certain improvements to the water system. Only interest installments are due for the first two years annually on June 1. Principal and interest installments are due annually beginning on June 1, 2018, at an annual interest rate of 2.5%, maturing in 2055.</p>	1,703,000
<p>\$1,298,000 USDA Water & Sewer Revenue Bonds, Series 2016C, issued for certain improvements to the water system. Only interest installments are due for the first two years annually on June 1. Principal and interest installments are due annually beginning on June 1, 2018, at an annual interest rate of 2.5%, maturing in 2055.</p>	<u>1,298,000</u>
<p>Total revenue bonds payable</p>	<u>\$ 21,302,000</u>

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Revenue bond debt service requirements to maturity for the County are as follows:

Year Ending June 30	Water and Sewer	
	Principal	Interest
2017	\$ 127,000	\$ 625,560
2018	324,000	621,115
2019	333,000	611,705
2020	343,000	602,020
2021	352,000	592,045
2022-2026	1,927,000	2,799,805
2027-2031	2,225,000	2,501,190
2032-2036	2,572,000	2,154,930
2037-2041	2,971,000	1,753,025
2042-2046	3,442,000	1,286,350
2047-2051	3,981,000	743,975
2052-2055	2,705,000	161,890
Total	<u>\$ 21,302,000</u>	<u>\$ 14,453,610</u>

The County is in compliance with the covenants as to rates and charges in Section 5.01 of the Bond Order, authorizing the issuances of the Water and Sewer System, Series 2013 and Series 2016A, 2016B, and 2016C USDA Revenue Bonds. The County agrees that the net revenues for the fiscal year be no less than 110% of the debt service requirement for that year, not less than 100% of the amount necessary to pay annual debt services obligations on subordinated indebtedness, if any, and not less than 100% of the amount necessary to meet annual debt service obligations coming due in that fiscal year with respect to the County's general obligation bonds and installment financing obligations, if any, used to finance system improvements.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The debt service coverage ratio calculation for the year ended June 30, 2016, is as follows:

Operating revenues	\$ 6,662,759
Operating expenses*	<u>4,364,756</u>
Net revenues	<u>\$ 2,298,003</u>

Net revenues must be no less than 110% for current year debt service requirements

	None
Current year debt service	\$ 521,674
Current year debt service percent coverage	441%

Net revenues may not be less than 100% of the amount necessary to pay annual debt service obligations on subordinated indebtedness

Debt service on subordinated indebtedness	\$ 747,440
Debt service on subordinated indebtedness percent coverage	307%

Net revenues may not be less than 100% of the amount necessary to meet annual debt service obligations coming due with respect to general obligation bonds and installment financing obligations

Debt service	\$ 862,904
Debt services on debt coming due in next fiscal year percent of coverage	266%

*Per revenue bond covenant, this does not include depreciation expense of \$1,256,680.

The County has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$9,423,000 in water and sewer system revenue bonds issued in June 2013 and \$12,001,000 issued in June 2016. Proceeds from the bonds provided financing for system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2053 and 2055, respectively. Annual principal and interest payments on the bonds are expected to require less than 8% of net revenues. The total principal and interest remaining to be paid on the bonds is \$35,755,610. Principal and interest paid for the current year and total customer net revenues were \$521,674 and \$2,298,003, respectively.

Debt Related to Capital Activities – Of the total governmental activities debt listed, only \$12,558,251 relates to assets the County holds title.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:						
General obligation bonds	\$ 9,200,000	\$ -	\$ 700,000	\$ -	\$ 8,500,000	\$ 700,000
Limited obligation bonds	17,758,258	-	475,871	-	17,282,387	475,871
Installment purchases	15,913,135	-	1,304,555	-	14,608,580	1,264,983
Compensated absences	819,313	1,581,812	1,489,116	23,174	935,183	467,592
Other post-employment benefits	1,982,418	450,423	49,364	72,847	2,456,324	-
Net pension liability (LGRS)	-	1,064,502	-	-	1,064,502	-
Net pension obligation	439,963	68,559	-	-	508,522	-
Total governmental activities	<u>\$ 46,113,087</u>	<u>\$ 3,165,296</u>	<u>\$ 4,018,906</u>	<u>\$ 96,021</u>	<u>\$ 45,355,498</u>	<u>\$ 2,908,446</u>
Business-Type Activities:						
Water and Sewer District:						
General obligation bonds	\$ 4,836,000	\$ -	\$ 469,000	\$ -	\$ 4,367,000	\$ 480,000
Revenue bond	9,423,000	12,001,000	122,000	-	21,302,000	127,000
Bond anticipation note	12,001,000	-	12,001,000	-	-	-
Installment purchases	1,672,942	-	143,446	-	1,529,496	274,277
Compensated absences	68,124	100,786	97,697	-	71,213	35,607
Other post-employment benefits	127,370	28,065	-	-	155,435	-
Net pension liability (LGRS)	-	70,187	-	-	70,187	-
Total water and sewer	<u>28,128,436</u>	<u>12,200,038</u>	<u>12,833,143</u>	<u>-</u>	<u>27,495,331</u>	<u>916,884</u>
Solid Waste:						
Compensated absences	30,602	47,686	43,989	-	34,299	17,150
Other post-employment benefits	83,493	16,482	-	-	99,975	-
Net pension liability (LGRS)	-	35,093	-	-	35,093	-
Total solid waste	<u>114,095</u>	<u>99,261</u>	<u>43,989</u>	<u>-</u>	<u>169,367</u>	<u>17,150</u>
Hoke Area Transit System:						
Compensated absences	23,174	-	-	(23,174)	-	-
Other post-employment benefits	72,847	-	-	(72,847)	-	-
Total transit	<u>96,021</u>	<u>-</u>	<u>-</u>	<u>(96,021)</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 28,338,552</u>	<u>\$ 12,299,299</u>	<u>\$ 12,877,132</u>	<u>\$ (96,021)</u>	<u>\$ 27,664,698</u>	<u>\$ 934,034</u>

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Compensated absences, net pension obligation, and other post-employment benefits for governmental activities typically have been liquidated in the General Fund and enterprise funds and are accounted for on a FIFO basis.

At June 30, 2016, the County had a legal debt margin of approximately \$232,106,000.

Conduit Debt Obligations

The County Industrial Facility and Pollution Control Authority have issued industrial revenue bonds to provide financial assistance to private business for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof, is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2016, there were no industrial revenue bonds outstanding.

Interfund Balances and Activity

Balances due to/from funds at June 30, 2016 consist of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
Special Revenue Funds:			
Grant projects	\$ -	\$ 11,401	Fund project
Capital Project Funds:			
CDBG Capital Projects Fund	1,615	-	Deficit cash
Administrative Capital Projects Fund	484,536	-	Deficit cash
General Fund	<u>11,401</u>	<u>486,151</u>	
Total	<u>\$ 497,552</u>	<u>\$ 497,552</u>	

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Transfers to/from other funds consist of the following:

	From	To	Purpose
General Fund	\$ 141,282	\$ -	
CDBG Capital Projects Fund	-	14,283	Fund project costs
Grant Projects Fund	-	82,899	Fund grant projects
Multi-Year Grants Fund	-	44,100	Fund grant projects
Total	\$ 141,282	\$ 141,282	

4. **Jointly Governed Organizations**

Four County Community Services Board

The County appoints four members of the forty-five member Board for the Four County Community Services Board to oversee various functions of communities and secure funding when available. The County paid no fees or contributions to the Board and received no grants or monies through the Board.

Justice Board

The County appoints seven of the twelve members of the Criminal Justice Board which oversees the judicial system in Hoke County and Scotland County. The County neither contributes nor receives financial benefits from the Board.

Southeastern Economic Development Commission

The County, along with four other counties, has established the Southeastern Economic Development Commission to oversee economic and industrial development in the region. The County made a contribution to the Commission of \$4,226 during the year and received no financial benefit or responsibility from or for the Commission.

Sandhills Mental Health Association

The County appoints two of the twenty-member Board of the Sandhills Mental Health Association, an organization that covers four other counties. The organization provides mental health services to residents in the coverage area through locally established branches.

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Joint Economic Development Board

The County, jointly with the City of Raeford, appointed the four-member Board of the Joint Economic Development Board to enhance the industrial and economic development of Raeford County and Hoke County. No contributions were made during the year.

Joint Nursing Home/Adult Care Home Community Advisory Committee

The County appointed the four-member Board of the Hoke Joint Nursing Home/Adult Care Home Community Advisory Committee to provide monitoring assistance for industries in Hoke County. The County has no financial responsibilities in connection with this Board and makes no operating contributions to the Board's operations.

5. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
TANF Payments and Penalties	\$ 235,652	\$ -
Medical Assistance Program	948,088	1,528
Special Supplemental Nutrition Program for WIC	997,972	-
Adoption/Foster Care - Payments and Penalties	(47)	-
IV-E Adoption Subsidy and Vendors	157,027	41,175
Title IV-E - Foster Care	53,023	15,531
State Children's Insurance Program - N.C. Health Choice	564,894	30,896
SFHF Maximization	-	265
CWS - Adoption Subsidy and Vendors	-	140,303
SC/SA Domiciliary Care	-	272,944
State Foster Home	-	19,324
Total	<u>\$ 2,956,609</u>	<u>\$ 521,966</u>

HOKE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

6. 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.

HOKE COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2006	\$ -	\$ 102,148	\$ 102,148	0.00%	\$ 1,592,122	6.42%
12/31/2007	-	148,113	148,113	0.00%	1,947,233	7.61%
12/31/2008	-	156,309	156,309	0.00%	2,026,316	7.71%
12/31/2009	-	263,186	263,186	0.00%	2,160,819	12.18%
12/31/2010	-	272,565	272,565	0.00%	2,345,625	11.62%
12/31/2011	-	295,557	295,557	0.00%	2,383,038	12.40%
12/31/2012	-	350,142	350,142	0.00%	2,532,923	13.82%
12/31/2013	-	380,055	380,055	0.00%	2,464,931	15.42%
12/31/2014	-	436,287	436,287	0.00%	2,845,294	15.33%
12/31/2015	-	531,032	531,032	0.00%	2,740,426	19.38%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.50% to 7.35%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

HOKE COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll (b-a/c)
12/31/2008	\$ -	\$ 2,014,737	\$ 2,014,737	0.00%	\$ 11,569,360	17.40%
12/31/2010	-	2,943,754	2,943,754	0.00%	13,208,535	22.29%
12/31/2012	-	3,407,347	3,407,347	0.00%	13,006,914	26.20%
12/31/2014	-	3,639,993	3,639,993	0.00%	15,037,213	24.21%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2009	\$ 282,085	0.00%
2010	282,085	7.17%
2011	292,663	15.16%
2012	292,663	7.84%
2013	407,823	8.87%
2014	448,293	5.69%
2015	461,742	9.86%
2016	490,919	10.06%

Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.0%
Medical trend assumptions	
Pre-medicare trend rate	7.50% - 5.00%
Year of ultimate trend rate	2020

*Included inflation at 3.0%

HOKE COUNTY, NORTH CAROLINA**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF NET
PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS***

Local Government Employees' Retirement System			
	2016	2015	2014
Hoke County's proportion of the net pension liability (asset) %	0.26065%	0.24745%	0.24320%
Hoke County's proportionate share of the net pension liability (asset) \$	\$ 1,169,782	\$ (1,459,327)	\$ 2,931,494
Hoke County's covered payroll	\$ 14,477,764	\$ 13,843,764	\$ 12,040,294
Hoke County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	8.08%	-10.54%	24.35%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

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

HOKE COUNTY, NORTH CAROLINA**SCHEDULE OF COUNTY CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS**

Local Government Employees' Retirement System			
	2016	2015	2014
Contractually required contribution	\$ 972,034	\$ 1,032,713	\$ 987,199
Contributions in relation to the contractually required contribution	<u>972,034</u>	<u>1,032,713</u>	<u>987,199</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hoke County's covered payroll	\$ 14,222,807	\$ 14,477,764	\$ 13,843,764
Contributions as a percentage of covered payroll	6.83%	7.13%	7.13%

HOKE COUNTY, NORTH CAROLINA**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF NET
PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS***

Register of Deeds' Supplemental Pension Fund			
	2016	2015	2014
Hoke County's proportion of the net pension liability (asset) %	0.47544%	0.50351%	0.51401%
Hoke County's proportionate share of the net pension liability (asset) \$	\$ (110,178)	\$ (114,142)	\$ (109,793)
Hoke County's covered payroll	\$ 47,971	\$ 46,805	\$ 55,480
Hoke County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-229.68%	-243.87%	-197.90%
Plan fiduciary net position as a percentage of the total pension liability	197.29%	193.88%	190.50%

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF COUNTY CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST THREE FISCAL YEARS

Register of Deeds' Supplemental Pension Fund			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,191	\$ 3,392	\$ 3,309
Contributions in relation to the contractually required contribution	<u>7,191</u>	<u>3,392</u>	<u>3,309</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hoke County's covered payroll	\$ 48,153	\$ 47,971	\$ 46,805
Contributions as a percentage of covered payroll	14.93%	7.07%	7.07%

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - GENERAL FUND CONSOLIDATED
 FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Register of Deeds Automation Fund	Revaluation Fund	Law Enforcement Officer Fund	Total
Revenues:					
Ad valorem taxes	\$ 25,322,776	\$ -	\$ -	\$ -	\$ 25,322,776
Local option sales taxes	6,303,514	-	-	-	6,303,514
Other taxes and licenses	21,373	-	-	-	21,373
Unrestricted intergovernmental	232,846	-	-	-	232,846
Restricted intergovernmental	8,591,385	-	-	-	8,591,385
Permits and fees	1,484,398	-	-	-	1,484,398
Sales and services	1,333,861	-	-	-	1,333,861
Investment earnings	49,434	-	-	-	49,434
Total revenues	<u>43,339,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,339,587</u>
Expenditures:					
Current:					
General government	4,642,341	5,742	-	-	4,648,083
Public safety	9,908,678	-	-	-	9,908,678
Economic and physical development	618,769	-	-	-	618,769
Human services	11,570,834	-	-	-	11,570,834
Cultural and recreational	984,899	-	-	-	984,899
Transportation	1,041,026	-	-	-	1,041,026
Intergovernmental - education	5,842,616	-	-	-	5,842,616
Debt service:					
Principal retirements	2,480,426	-	-	-	2,480,426
Interest and fees	1,125,987	-	-	-	1,125,987
Total expenditures	<u>38,215,576</u>	<u>5,742</u>	<u>-</u>	<u>-</u>	<u>38,221,318</u>
Revenues over (under) expenditures	<u>5,124,011</u>	<u>(5,742)</u>	<u>-</u>	<u>-</u>	<u>5,118,269</u>
Other Financing Sources (Uses):					
Transfers out	<u>(372,781)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(372,781)</u>
Net change in fund balance	4,751,230	(5,742)	-	-	4,745,488
Fund Balance:					
Beginning of year - July 1	<u>11,547,559</u>	<u>20,171</u>	<u>106,672</u>	<u>7,696</u>	<u>11,682,098</u>
End of year - June 30	<u>\$ 16,298,789</u>	<u>\$ 14,429</u>	<u>\$ 106,672</u>	<u>\$ 7,696</u>	<u>\$ 16,427,586</u>

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 22,968,152	\$ 25,068,359	\$ 2,100,207	\$ 23,766,075
Interest	208,100	254,417	46,317	261,746
Total	<u>23,176,252</u>	<u>25,322,776</u>	<u>2,146,524</u>	<u>24,027,821</u>
Local Option Sales Tax:				
Article 39 - one percent	1,575,000	1,485,027	(89,973)	1,739,814
Article 40 - 1/2 of a percent	2,400,000	3,096,676	696,676	2,915,573
Article 42 - 1/2 of a percent	1,020,000	1,159,907	139,907	1,215,998
Article 44 - 1/2 of a percent	500	42	(458)	3,963
Medicaid Hold Harmless	525,000	561,862	36,862	1,030,487
Total	<u>5,520,500</u>	<u>6,303,514</u>	<u>783,014</u>	<u>6,905,835</u>
Other Taxes and Licenses:				
Privilege licenses	-	1,146	1,146	2,185
Cable TV franchise tax	35,000	20,227	(14,773)	29,380
Total	<u>35,000</u>	<u>21,373</u>	<u>(13,627)</u>	<u>31,565</u>
Unrestricted Intergovernmental:				
Payments in lieu of taxes	11,300	29,834	18,534	120,655
Beer and wine tax	180,000	203,012	23,012	218,366
Total	<u>191,300</u>	<u>232,846</u>	<u>41,546</u>	<u>339,021</u>
Restricted Intergovernmental:				
Social services	5,712,044	5,275,549	(436,495)	6,121,179
Health Department	2,312,531	1,553,704	(758,827)	1,758,526
Law enforcement grants	210,000	210,000	-	231,000
Juvenile justice	90,520	90,529	9	120,529
Veteran services	1,400	3,051	1,651	-
Transportation	622,934	608,066	(14,868)	-
Senior Services grants	332,693	371,950	39,257	325,515
ABC profits for law enforcement	99,000	171,212	72,212	206,795
Other	307,324	307,324	-	731,838
Total	<u>9,688,446</u>	<u>8,591,385</u>	<u>(1,097,061)</u>	<u>9,495,382</u>

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Permits and Fees:				
Inspection fees	504,500	585,371	80,871	647,988
Sheriff fees	184,846	303,788	118,942	261,479
Court facility fees	45,000	60,121	15,121	55,167
Register of Deeds fees	294,000	401,213	107,213	364,211
Tax administration	101,000	133,905	32,905	125,216
Total	<u>1,129,346</u>	<u>1,484,398</u>	<u>355,052</u>	<u>1,454,061</u>
Sales and Services:				
Health Department fees	216,182	148,947	(67,235)	139,443
Jail fees	235,900	207,551	(28,349)	406,261
Corporative extensions	110,913	102,392	(8,521)	-
Economic development	16,000	22,787	6,787	19,609
Library	4,000	8,126	4,126	8,637
Parks and recreation	75,900	91,144	15,244	76,689
Elections	4,520	7,762	3,242	365
Transportation	65,000	169,142	104,142	-
Planning and zoning	90,200	122,120	31,920	133,540
Miscellaneous revenue	264,100	453,890	189,790	575,776
Total	<u>1,082,715</u>	<u>1,333,861</u>	<u>251,146</u>	<u>1,360,320</u>
Investment Earnings	<u>13,000</u>	<u>49,434</u>	<u>36,434</u>	<u>19,345</u>
Total revenues	<u>40,836,559</u>	<u>43,339,587</u>	<u>2,503,028</u>	<u>43,633,350</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	216,650	204,270	12,380	197,884
Operating expenses	55,400	73,906	(18,506)	56,508
Charges for services	(24,997)	(24,997)	-	(24,997)
Total	<u>247,053</u>	<u>253,179</u>	<u>(6,126)</u>	<u>229,395</u>
Administration:				
Salaries and employee benefits	191,246	179,819	11,427	224,019
Operating expenses	1,256,950	1,105,627	151,323	1,867,005
Charges for services	(116,034)	(116,034)	-	(288,912)
Total	<u>1,332,162</u>	<u>1,169,412</u>	<u>162,750</u>	<u>1,802,112</u>

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Human Resources:				
Salaries and employee benefits	239,145	179,915	59,230	259,915
Operating expenses	16,500	12,645	3,855	16,947
Charges for services	(46,710)	(46,710)	-	(46,710)
Total	208,935	145,850	63,085	230,152
Elections:				
Salaries and employee benefits	184,697	175,976	8,721	146,666
Operating expenses	99,400	90,905	8,495	82,269
Capital outlay	3,210	-	3,210	6,134
Total	287,307	266,881	20,426	235,069
Finance:				
Salaries and employee benefits	515,283	435,746	79,537	505,753
Operating expenses	144,900	130,339	14,561	129,595
Charges for services	(211,111)	(211,111)	-	(211,112)
Total	449,072	354,974	94,098	424,236
Tax Administration:				
Salaries and employee benefits	402,012	367,281	34,731	386,957
Operating expenses	62,652	56,594	6,058	40,028
Total	464,664	423,875	40,789	426,985
Tax Collections:				
Salaries and employee benefits	306,625	301,769	4,856	310,287
Operating expenses	51,431	68,973	(17,542)	65,517
Total	358,056	370,742	(12,686)	375,804
DMV:				
Operating expenses	119,163	107,205	11,958	35
Legal:				
Special legal services	99,000	73,339	25,661	85,651
Register of Deeds:				
Salaries and employee benefits	153,201	152,754	447	155,651
Operating expenses	54,673	55,228	(555)	50,953
Total	207,874	207,982	(108)	206,604

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Central Garage:				
Salaries and employee benefits	104,089	104,968	(879)	102,527
Operating expenses	10,900	3,549	7,351	2,075
Charges for services	(31,736)	(31,736)	-	(31,736)
Total	83,253	76,781	6,472	72,866
Public Buildings:				
Salaries and employee benefits	384,785	371,832	12,953	379,072
Operating expenses	420,875	373,575	47,300	372,857
Capital outlay	31,500	30,030	1,470	84,635
Charges for services	(39,862)	(39,862)	-	(39,862)
Total	797,298	735,575	61,723	796,702
Groundskeeping:				
Salaries and employee benefits	47,452	46,223	1,229	44,821
Operating expenses	26,720	20,907	5,813	23,359
Capital outlay	-	-	-	5,929
Total	74,172	67,130	7,042	74,109
Information Technology:				
Salaries and employee benefits	242,357	233,513	8,844	222,197
Operating expenses	257,100	212,574	44,526	172,502
Charges for services	(56,671)	(56,671)	-	(56,671)
Total	442,786	389,416	53,370	338,028
Total general government	5,170,795	4,642,341	528,454	5,297,748
Public Safety:				
Sheriff:				
Salaries and employee benefits	4,105,327	3,809,916	295,411	3,905,369
Operating expenses	688,272	589,880	98,392	654,667
Capital outlay	176,938	176,938	-	349,851
Total	4,970,537	4,576,734	393,803	4,909,887
Court Facilities:				
Operating expenses	78,500	89,919	(11,419)	78,174
Capital outlay	14,125	14,125	-	18,812
Total	92,625	104,044	(11,419)	96,986

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Jail:				
Salaries and employee benefits	2,459,378	2,463,452	(4,074)	2,397,791
Operating expenses	920,300	1,084,532	(164,232)	1,245,814
Total	<u>3,379,678</u>	<u>3,547,984</u>	<u>(168,306)</u>	<u>3,643,605</u>
Communications:				
Salaries and employee benefits	735,551	709,305	26,246	722,372
Operating expenses	147,743	168,182	(20,439)	131,096
Capital outlay	11,400	11,002	398	-
Total	<u>894,694</u>	<u>888,489</u>	<u>6,205</u>	<u>853,468</u>
Emergency Management:				
Salaries and employee benefits	134,675	130,830	3,845	127,211
Operating expenses	20,300	18,153	2,147	16,410
Capital outlay	11,500	10,717	783	6,784
Total	<u>166,475</u>	<u>159,700</u>	<u>6,775</u>	<u>150,405</u>
Animal Control:				
Salaries and employee benefits	220,419	207,572	12,847	204,736
Operating expenses	49,350	42,167	7,183	45,635
Total	<u>269,769</u>	<u>249,739</u>	<u>20,030</u>	<u>250,371</u>
Juvenile Justice:				
Operating expenses	<u>120,529</u>	<u>129,824</u>	<u>(9,295)</u>	<u>128,981</u>
Inspections:				
Salaries and employee benefits	183,969	158,413	25,556	192,632
Operating expenses	35,100	26,876	8,224	20,258
Capital outlay	-	-	-	21,625
Total	<u>219,069</u>	<u>185,289</u>	<u>33,780</u>	<u>234,515</u>
Medical Examiner:				
Contracted services	<u>50,000</u>	<u>66,875</u>	<u>(16,875)</u>	<u>65,900</u>
Total public safety	<u>10,163,376</u>	<u>9,908,678</u>	<u>254,698</u>	<u>10,334,118</u>
Economic and Physical Development:				
Planning and Zoning:				
Salaries and employee benefits	122,035	121,267	768	120,048
Operating expenses	5,850	4,841	1,009	6,321
Total	<u>127,885</u>	<u>126,108</u>	<u>1,777</u>	<u>126,369</u>

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Economic Development:				
Operating expenditures	76,345	73,060	3,285	72,554
Cooperative Extension:				
Salaries and employee benefits	327,296	314,237	13,059	157,209
Operating expenses	46,088	45,396	692	31,301
Capital outlay	629	-	629	2,002
Total	374,013	359,633	14,380	190,512
Conservation:				
Salaries and employee benefits	54,780	54,614	166	53,286
Operating expenses	7,650	5,354	2,296	6,231
Capital outlay	-	-	-	614
Total	62,430	59,968	2,462	60,131
Total economic and physical development	640,673	618,769	21,904	449,566
Human Services:				
Environmental Health:				
Operating expenses	23,699	20,987	2,712	19,174
Capital outlay	3,200	3,116	84	-
Total	26,899	24,103	2,796	19,174
Client Services:				
Operating expenses	39,200	27,135	12,065	30,040
Child Health:				
Operating expenses	55,013	61,451	(6,438)	38,864
Child Services Coordinator:				
Operating expenses	14,900	5,834	9,066	7,036
Pregnancy Care Management:				
Operating expenses	10,900	9,163	1,737	6,214
Ed/Risk Reduction:				
Operating expenses	21,430	8,587	12,843	5,092
WIC - Nutrition:				
Operating expenses	2,000	1,134	866	1,434

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
WIC - Administration:				
Salaries and employee benefits	-	11	(11)	-
Operating expenses	200	200	-	-
Total	200	211	(11)	-
NC Partnership for Children:				
Operating expenses	3,000	4,000	(1,000)	2,000
WIC - Breastfeeding:				
Operating expenses	15,634	6,895	8,739	7,241
WorkFirst Block Grant:				
Operating expenses	48,200	18,734	29,466	35,000
Program Integrity:				
Salaries and employee benefits	4,116	4,116	-	52,151
Operating expenses	500	431	69	489
Total	4,616	4,547	69	52,640
Public Assistance:				
Operating expenses	1,103,654	976,038	127,616	1,069,109
DSS - IV-D:				
Salaries and employee benefits	34,489	34,489	-	436,159
Operating expenses	67,833	53,892	13,941	54,514
Total	102,322	88,381	13,941	490,673
Title XX:				
Salaries and employee benefits	106,176	106,693	(517)	1,398,159
Operating expenses	2,736,181	2,383,305	352,876	2,884,497
Total	2,842,357	2,489,998	352,359	4,282,656
DSS - Eligibility:				
Salaries and employee benefits	67,656	72,976	(5,320)	920,154
Operating expenses	2,000	797	1,203	1,077
Total	69,656	73,773	(4,117)	921,231
DSS-Food Stamps:				
Salaries and employee benefits	46,083	47,868	(1,785)	582,418
Operating expenses	15,700	14,369	1,331	14,360
Total	61,783	62,237	(454)	596,778

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Veterans Service:				
Salaries and employee benefits	22,850	22,728	122	21,863
Operating expenses	5,900	2,751	3,149	1,596
Capital outlay	2,500	2,479	21	675
Total	31,250	27,958	3,292	24,134
Health Administration:				
Salaries and employee benefits	2,091,284	1,774,351	316,933	1,930,817
Operating expenses	368,500	368,285	215	303,679
Capital outlay	10,000	9,950	50	95,968
Total	2,469,784	2,152,586	317,198	2,330,464
Communicable Diseases:				
Operating expenses	27,500	35,544	(8,044)	17,554
Bioterrorism Grant:				
Operating expenses	22,380	16,194	6,186	5,358
Breast and Cervical Cancer Program:				
Operating expenses	11,475	7,670	3,805	7,689
Women's Preventive Health:				
Operating expenses	61,385	52,066	9,319	46,232
Maternal Care:				
Salaries and employee benefits	20,250	16,894	3,356	10,921
Operating expenses	23,250	28,611	(5,361)	21,397
Total	43,500	45,505	(2,005)	32,318
Activities Routes to School:				
Operating expenses	56,000	47,557	8,443	60,348
DSS - Administration:				
Salaries and employee benefits	3,589,278	3,429,221	160,057	332,645
Operating expenses	371,884	360,494	11,390	502,834
Capital outlay	87,392	81,115	6,277	36,160
Total	4,048,554	3,870,830	177,724	871,639

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Senior Services:				
Salaries and employee benefits	308,668	292,460	16,208	260,065
Operating expenses	515,870	410,644	105,226	443,228
Capital outlay	1,000	629	371	-
Total	825,538	703,733	121,805	703,293
Health Primary Care:				
Operating expenses	32,800	51,579	(18,779)	30,430
Special Appropriations				
	737,324	697,391	39,933	718,000
Total human services	12,789,254	11,570,834	1,218,420	12,412,641
Cultural and Recreational:				
Recreation:				
Salaries and employee benefits	441,521	462,824	(21,303)	491,885
Operating expenses	142,900	130,226	12,674	138,658
Capital outlay	1,000	-	1,000	-
Total	585,421	593,050	(7,629)	630,543
Literacy Council:				
Salaries and employee benefits	59,230	59,209	21	58,933
Operating expenses	2,400	2,078	322	1,275
Total	61,630	61,287	343	60,208
Library:				
Salaries and employee benefits	282,736	282,525	211	273,620
Operating expenses	53,100	48,037	5,063	52,345
Total	335,836	330,562	5,274	325,965
Total cultural and recreational	982,887	984,899	(2,012)	1,016,716
Transportation:				
Salaries and employee benefits	726,925	738,753	(11,828)	-
Operating expenses	285,018	231,831	53,187	-
Capital outlay	72,817	70,442	2,375	-
Total	1,084,760	1,041,026	43,734	-

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Education:				
Public school - current	4,812,418	4,812,418	-	4,470,416
Community colleges	432,762	432,762	-	472,762
Capital outlay	359,437	359,437	-	910,700
Total	<u>5,604,617</u>	<u>5,604,617</u>	-	<u>5,853,878</u>
Special Appropriations	<u>238,000</u>	<u>237,999</u>	<u>1</u>	<u>146,494</u>
Total education	<u>5,842,617</u>	<u>5,842,616</u>	<u>1</u>	<u>6,000,372</u>
Debt Service:				
Principal retirement - government	2,475,405	2,480,426	(5,021)	2,472,707
Interest and fees	<u>1,930,270</u>	<u>1,125,987</u>	<u>804,283</u>	<u>1,618,505</u>
Total debt service	<u>4,405,675</u>	<u>3,606,413</u>	<u>799,262</u>	<u>4,091,212</u>
Total expenditures	<u>41,080,037</u>	<u>38,215,576</u>	<u>2,864,461</u>	<u>39,602,373</u>
Revenues over (under) expenditures	<u>(243,478)</u>	<u>5,124,011</u>	<u>5,367,489</u>	<u>4,030,977</u>
Other Financing Sources (Uses):				
Transfers to other funds:				
Intrafund transfers	(25,000)	-	25,000	(10,053)
Transfers to other funds:				
Special revenue funds	-	(126,999)	(126,999)	-
Capital project funds	(14,284)	(14,283)	1	-
Hoke Area Transit System	-	(231,499)	(231,499)	(311,343)
Transfers from other funds:				
Capital project funds	-	-	-	1,048,849
Appropriated fund balance	<u>282,762</u>	<u>-</u>	<u>(282,762)</u>	<u>-</u>
Total other financing sources (uses)	<u>243,478</u>	<u>(372,781)</u>	<u>(616,259)</u>	<u>727,453</u>
Net change in fund balance	<u>\$ -</u>	<u>4,751,230</u>	<u>\$ 4,751,230</u>	<u>4,758,430</u>
Fund Balance:				
Beginning of year - July 1		<u>11,547,559</u>		<u>6,789,129</u>
End of year - June 30		<u>\$ 16,298,789</u>		<u>\$ 11,547,559</u>

HOKE COUNTY, NORTH CAROLINA

**REGISTER OF DEEDS AUTOMATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Operating expenditures	\$ 25,000	\$ 5,742	\$ 19,258
Revenues over (under) expenditures	(25,000)	(5,742)	19,258
Other Financing Sources (Uses):			
Intrafund transfers	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund balance	<u>\$ -</u>	(5,742)	<u>\$ (5,742)</u>
Fund Balance:			
Beginning of year - July 1		<u>20,171</u>	
End of year - June 30		<u>\$ 14,429</u>	

HOKE COUNTY, NORTH CAROLINA

REVALUATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	\$ -	\$ -
Fund Balance:			
Beginning of year - July 1		<u>106,672</u>	
End of year - June 30		<u>\$ 106,672</u>	

HOKE COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICER FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	\$ -	\$ -
Fund Balance:			
Beginning of year - July 1		<u>7,696</u>	
End of year - June 30		<u>\$ 7,696</u>	

HOKE COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 522,721	\$ 940,154	\$ 1,462,875
Taxes receivable	278,042	-	278,042
Accounts receivable	52,408	-	52,408
Notes receivable	342,328	-	342,328
Due from other funds	11,401	-	11,401
Prepaid items	68,843	-	68,843
Total assets	<u>\$ 1,275,743</u>	<u>\$ 940,154</u>	<u>\$ 2,215,897</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 146,809	\$ -	\$ 146,809
Due to other funds	-	486,151	486,151
Total liabilities	<u>146,809</u>	<u>486,151</u>	<u>632,960</u>
Deferred Inflows of Resources:			
Taxes receivable	<u>278,042</u>	<u>-</u>	<u>278,042</u>
Fund Balances:			
Non-spendable:			
Prepaid items	68,843	-	68,843
Long-term receivable	342,328	-	342,328
Restricted:			
Stabilization by State statute	63,809	-	63,809
Public safety	102,065	-	102,065
Committed	-	940,154	940,154
Assigned	274,612	-	274,612
Unassigned	(765)	(486,151)	(486,916)
Total fund balances	<u>850,892</u>	<u>454,003</u>	<u>1,304,895</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,275,743</u>	<u>\$ 940,154</u>	<u>\$ 2,215,897</u>

HOKE COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	\$ 2,436,667	\$ -	\$ 2,436,667
Restricted intergovernmental	161,659	137,982	299,641
E-911 wireless	336,451	-	336,451
Total revenues	<u>2,934,777</u>	<u>137,982</u>	<u>3,072,759</u>
Expenditures:			
Current:			
Public safety	2,776,043	-	2,776,043
Economic and physical development	56,915	127,493	184,408
Total expenditures	<u>2,832,958</u>	<u>127,493</u>	<u>2,960,451</u>
Revenues over (under) expenditures	<u>101,819</u>	<u>10,489</u>	<u>112,308</u>
Other Financing Sources (Uses):			
Transfers in	<u>126,999</u>	<u>14,283</u>	<u>141,282</u>
Net change in fund balances	228,818	24,772	253,590
Fund Balances:			
Beginning of year - July 1	<u>622,074</u>	<u>429,231</u>	<u>1,051,305</u>
End of year - June 30	<u>\$ 850,892</u>	<u>\$ 454,003</u>	<u>\$ 1,304,895</u>

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HOKE COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	<u>Revolving Loan Fund</u>	<u>Emergency Systems Telephone Fund</u>	<u>Asset Forfeiture Fund</u>	<u>Grant Projects Fund</u>
Assets:				
Cash and cash equivalents	\$ 243,313	\$ 163,179	\$ 31,299	\$ -
Taxes receivable	-	-	-	-
Accounts receivable	-	28,038	-	-
Notes receivable	342,328	-	-	-
Due from other funds	-	-	-	11,401
Prepays	-	38,497	-	-
Total assets	<u>\$ 585,641</u>	<u>\$ 229,714</u>	<u>\$ 31,299</u>	<u>\$ 11,401</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 68,529	\$ -	\$ -
Deferred Inflows of Resources:				
Taxes receivable	-	-	-	-
Fund Balances:				
Non-spendable:				
Prepaid items	-	38,497	-	-
Long-term receivable	342,328	-	-	-
Restricted:				
Stabilization by State statute	-	28,038	-	11,401
Public safety	-	94,650	-	-
Assigned	243,313	-	31,299	-
Unassigned	-	-	-	-
Total fund balances	<u>585,641</u>	<u>161,185</u>	<u>31,299</u>	<u>11,401</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 585,641</u>	<u>\$ 229,714</u>	<u>\$ 31,299</u>	<u>\$ 11,401</u>

HOKE COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Fire District Fund	Multi-Year Grants Fund	Total
Assets:			
Cash and cash equivalents	\$ 84,880	\$ 50	\$ 522,721
Taxes receivable	278,042	-	278,042
Accounts receivable	24,370	-	52,408
Notes receivable	-	-	342,328
Due from other funds	-	-	11,401
Prepays	30,346	-	68,843
Total assets	<u>\$ 417,638</u>	<u>\$ 50</u>	<u>\$ 1,275,743</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 77,465</u>	<u>\$ 815</u>	<u>\$ 146,809</u>
Deferred Inflows of Resources:			
Taxes receivable	<u>278,042</u>	<u>-</u>	<u>278,042</u>
Fund Balances:			
Non-spendable:			
Prepaid items	30,346	-	68,843
Long-term receivable	-	-	342,328
Restricted:			
Stabilization by State statute	24,370	-	63,809
Public safety	7,415	-	102,065
Assigned	-	-	274,612
Unassigned	-	(765)	(765)
Total fund balances	<u>62,131</u>	<u>(765)</u>	<u>850,892</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 417,638</u>	<u>\$ 50</u>	<u>\$ 1,275,743</u>

HOKE COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016**

	Revolving Loan Fund	Emergency Systems Telephone Fund	Asset Forfeiture Fund	Grant Projects Fund
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	-	-	5,460	-
E-911 wireless	-	336,451	-	-
Total revenues	<u>-</u>	<u>336,451</u>	<u>5,460</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	-	261,366	50,547	-
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>261,366</u>	<u>50,547</u>	<u>-</u>
Revenues over (under) expenditures	-	75,085	(45,087)	-
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,899</u>
Net change in fund balances	-	75,085	(45,087)	82,899
Fund Balances:				
Beginning of year - July 1	<u>585,641</u>	<u>86,100</u>	<u>76,386</u>	<u>(71,498)</u>
End of year - June 30	<u>\$ 585,641</u>	<u>\$ 161,185</u>	<u>\$ 31,299</u>	<u>\$ 11,401</u>

HOKE COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Fire District Fund</u>	<u>Multi-Year Grants Funds</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	\$ 2,436,667	\$ -	\$ 2,436,667
Restricted intergovernmental	-	156,199	161,659
E-911 wireless	-	-	336,451
Total revenues	<u>2,436,667</u>	<u>156,199</u>	<u>2,934,777</u>
Expenditures:			
Current:			
Public safety	2,432,242	31,888	2,776,043
Economic and physical development	-	56,915	56,915
Total expenditures	<u>2,432,242</u>	<u>88,803</u>	<u>2,832,958</u>
Revenues over (under) expenditures	4,425	67,396	101,819
Other Financing Sources (Uses):			
Transfers in	-	44,100	126,999
Net change in fund balances	4,425	111,496	228,818
Fund Balances:			
Beginning of year - July 1	<u>57,706</u>	<u>(112,261)</u>	<u>622,074</u>
End of year - June 30	<u>\$ 62,131</u>	<u>\$ (765)</u>	<u>\$ 850,892</u>

HOKE COUNTY, NORTH CAROLINA

SPECIAL REVENUE FUND - REVOLVING LOAN FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Miscellaneous revenue	\$ -	\$ 82,994	\$ 82,994
Net change in fund balance	<u>\$ -</u>	82,994	<u>\$ 82,994</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:			
Current year loan repayments		<u>(82,994)</u>	
Net change in fund balance		-	
Fund Balance:			
Beginning of year - July 1		<u>585,641</u>	
End of year - June 30		<u>\$ 585,641</u>	

HOKE COUNTY, NORTH CAROLINA

**SPECIAL REVENUE FUND - EMERGENCY SYSTEMS TELEPHONE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
E-911	\$ 323,932	\$ 336,451	\$ 12,519
Expenditures:			
Implemental functions	42,535	42,535	-
Telephone & furniture	58,642	58,642	-
Software and software maintenance	78,905	78,905	-
Hardware and hardware maintenance	48,640	48,640	-
Training	2,105	2,105	-
Capital outlay	60,000	30,539	29,461
Other operating expenditures	33,105	-	33,105
Total expenditures	<u>323,932</u>	<u>261,366</u>	<u>62,566</u>
Net change in fund balance	<u>\$ -</u>	75,085	<u>\$ 75,085</u>
Fund Balance:			
Beginning of year - July 1		<u>86,100</u>	
End of year - June 30		<u>\$ 161,185</u>	
PSAP Reconciliation:			
Amounts reported on the Emergency Telephone System Fund budget to actual are different from the PSAP Revenue - Expenditure Report because:			
Ending fund balance, reported on budget to actual		\$ 161,185	
Expenditures not reported in the fund (difference in beginning fund balance - budget to actual vs. PSAP report)		(61)	
Current year eligible expenditures reflected in the general ledger not reported on PSAP report		36,604	
Current year eligible expenditures not reflected in the general ledger and on PSAP report		<u>(20,250)</u>	
Ending balance, PSAP revenue - expenditure report		<u>\$ 177,478</u>	

HOKE COUNTY, NORTH CAROLINA

**SPECIAL REVENUE FUND - ASSET FORFEITURE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Drug forfeiture funds	\$ 52,000	\$ 5,460	\$ (46,540)
Expenditures:			
Operating expenditures	<u>52,000</u>	<u>50,547</u>	<u>1,453</u>
Net change in fund balance	<u>\$ -</u>	<u>(45,087)</u>	<u>\$ (45,087)</u>
Fund Balance:			
Beginning of year - July 1		<u>76,386</u>	
End of year - June 30		<u>\$ 31,299</u>	

HOKE COUNTY, NORTH CAROLINA

**SPECIAL REVENUE FUND - GRANT PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfer from General Fund	\$ -	\$ 82,899	\$ 82,899
Net change in fund balance	<u>\$ -</u>	82,899	<u>\$ 82,899</u>
Fund Balance:			
Beginning of year - July 1		<u>(71,498)</u>	
End of year - June 30		<u>\$ 11,401</u>	

HOKE COUNTY, NORTH CAROLINA

SPECIAL REVENUE FUND - FIRE DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes	\$ 2,236,997	\$ 2,436,667	\$ 199,670
Expenditures:			
Public Safety:			
Fire Districts:			
North Raeford Fire Department	185,045	192,079	(7,034)
Antioch Fire Department	116,550	132,799	(16,249)
North Scotland Fire Department	10,841	11,781	(940)
Puppy Creek Fire Department	780,911	865,228	(84,317)
Rockfish Fire Department	373,977	408,375	(34,398)
Hillcrest Fire Department	409,288	438,371	(29,083)
West Hoke Fire Department	121,516	132,867	(11,351)
Pine Hill Fire Department	108,847	117,867	(9,020)
Stonewall Fire Department	102,470	98,514	3,956
Crestline Fire Department	27,552	34,361	(6,809)
Total expenditures	<u>2,236,997</u>	<u>2,432,242</u>	<u>(195,245)</u>
Net change in fund balance	<u>\$ -</u>	4,425	<u>\$ 4,425</u>
Fund Balance:			
Beginning of year - July 1		<u>57,706</u>	
End of year - June 30		<u>\$ 62,131</u>	

HOKE COUNTY, NORTH CAROLINA

SPECIAL REVENUE FUND - MULTI-YEAR GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Restricted Intergovernmental Revenues:				
Local Law Enforcement Block Grant	\$ -	\$ 21,340	\$ -	\$ 21,340
Governor's Crime Commission Grant	95,354	34,441	-	34,441
CDBG - Capacity Building Grant	202,927	72,648	-	72,648
Urgent Home Repair Grant	150,000	293,728	-	293,728
Urgent Home Repair Grant 2012	75,000	75,000	-	75,000
Urgent Home Repair Grant 2013	75,000	37,500	37,500	75,000
Urgent Home Repair Grant 2015	100,000	-	100,000	100,000
Public Access Grant	17,000	22,042	-	22,042
Emergency Management Performance Grant	84,095	207,442	18,699	226,141
Brownfields Grant	400,000	320,295	-	320,295
4H Grant	5,000	5,000	-	5,000
DOC - Community Military Support	125,000	125,000	-	125,000
Total revenues	<u>1,329,376</u>	<u>1,214,436</u>	<u>156,199</u>	<u>1,370,635</u>
Expenditures:				
Local Law Enforcement Block Grant:				
Operating expenses	<u>63,108</u>	<u>19,008</u>	<u>-</u>	<u>19,008</u>
PSJA/HIV Program:				
Operating expenses	95,354	30,640	-	30,640
Capital outlay	<u>-</u>	<u>3,801</u>	<u>-</u>	<u>3,801</u>
Total	<u>95,354</u>	<u>34,441</u>	<u>-</u>	<u>34,441</u>
Capacity Building Grant:				
Salaries and employee benefits	202,927	50,496	-	50,496
Operating expenses	<u>-</u>	<u>44,206</u>	<u>-</u>	<u>44,206</u>
Total	<u>202,927</u>	<u>94,702</u>	<u>-</u>	<u>94,702</u>
Senior Service Grant:				
Operating expenses	<u>225,000</u>	<u>289,590</u>	<u>-</u>	<u>289,590</u>
Public Access Grant:				
Operating expenses	17,000	3,298	-	3,298
Capital outlay	<u>-</u>	<u>13,473</u>	<u>-</u>	<u>13,473</u>
Total	<u>17,000</u>	<u>16,771</u>	<u>-</u>	<u>16,771</u>

HOKE COUNTY, NORTH CAROLINA

SPECIAL REVENUE FUND - MULTI-YEAR GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Emergency Management Performance Grant:				
Operating expenses	221,817	172,389	31,888	204,277
Brownsfield Grant:				
Professional fees	400,000	330,244	-	330,244
Urgent Repair	-	69,651	-	69,651
Urgent Home Repair 2012	75,000	81,670	-	81,670
Urgent Home Repair 2013	82,500	82,161	-	82,161
Urgent Home Repair 2015	100,000	-	56,915	56,915
4H	5,000	11,070	-	11,070
Community Military Support	125,000	125,000	-	125,000
Total expenditures	1,612,706	1,326,697	88,803	1,415,500
Revenues over (under) expenditures	(283,330)	(112,261)	67,396	(44,865)
Other Financing Sources (Uses):				
Transfers from other funds	283,330	-	44,100	44,100
Net change in fund balance	\$ -	\$ (112,261)	111,496	\$ (765)
Fund Balance:				
Beginning of year - July 1			(112,261)	
End of year - June 30			\$ (765)	

HOKE COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	<u>Administrative Capital Projects Fund</u>	<u>CDBG Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 940,154	\$ 940,154
Liabilities and Fund Balances:				
Liabilities:				
Due to General Fund	\$ 484,536	\$ 1,615	\$ -	\$ 486,151
Fund Balances:				
Committed	-	-	940,154	940,154
Unassigned	(484,536)	(1,615)	-	(486,151)
Total fund balances	<u>(484,536)</u>	<u>(1,615)</u>	<u>940,154</u>	<u>454,003</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 940,154</u>	<u>\$ 940,154</u>

HOKE COUNTY, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Administrative Capital Projects Fund</u>	<u>CDBG Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
Revenues:				
Restricted intergovernmental	\$ -	\$ 137,982	\$ -	\$ 137,982
Expenditures:				
Current:				
Economic and physical development	-	127,493	-	127,493
Revenues over (under) expenditures	-	10,489	-	10,489
Other Financing Sources (Uses):				
Transfers in	-	14,283	-	14,283
Net change in fund balances	-	24,772	-	24,772
Fund Balances:				
Beginning of year - July 1	(484,536)	(26,387)	940,154	429,231
End of year - June 30	<u>\$ (484,536)</u>	<u>\$ (1,615)</u>	<u>\$ 940,154</u>	<u>\$ 454,003</u>

HOKE COUNTY, NORTH CAROLINA

**ADMINISTRATIVE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND -
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 865,800	\$ 865,800	\$ -	\$ 865,800
E911 Board Grant	-	299,100	-	299,100
Miscellaneous	-	891	-	891
Total revenues	<u>865,800</u>	<u>1,165,791</u>	<u>-</u>	<u>1,165,791</u>
Expenditures:				
General Government:				
Governing body project	4,162,000	4,714,082	-	4,714,082
PARTF project	865,800	865,800	-	865,800
STNWL project	65,000	65,680	-	65,680
Rockfish Community Building	-	143,902	-	143,902
South Hoke Community Building	75,000	75,817	-	75,817
Total general government	<u>5,167,800</u>	<u>5,865,281</u>	<u>-</u>	<u>5,865,281</u>
Public Safety:				
Jail roof project	247,582	254,291	-	254,291
E-911 Center	639,131	939,564	-	939,564
Total public safety	<u>886,713</u>	<u>1,193,855</u>	<u>-</u>	<u>1,193,855</u>
Total expenditures	<u>6,054,513</u>	<u>7,059,136</u>	<u>-</u>	<u>7,059,136</u>
Revenues over (under) expenditures	<u>(5,188,713)</u>	<u>(5,893,345)</u>	<u>-</u>	<u>(5,893,345)</u>
Other Financing Sources (Uses):				
Transfers from General Fund	4,549,582	5,083,317	-	5,083,317
Transfers from Special Revenue Fund	313,639	-	-	-
Long-term debt issued	325,492	325,492	-	325,492
Total other financing sources (uses)	<u>5,188,713</u>	<u>5,408,809</u>	<u>-</u>	<u>5,408,809</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (484,536)</u>	<u>-</u>	<u>\$ (484,536)</u>
Fund Balance:				
Beginning of year - July 1			<u>(484,536)</u>	
End of year - June 30			<u>\$ (484,536)</u>	

HOKE COUNTY, NORTH CAROLINA

CDBG CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
CDBG - Scatter Housing 2009	\$ 400,000	\$ 400,000	\$ -	\$ 400,000
CDBG - Ethanol	710,000	710,001	-	710,001
NC Rural Center - Ethanol	810,000	440,000	-	440,000
CDBG - Scatter Housing 2012	225,000	111,818	113,182	225,000
CDBG - Cheraw Acres	250,000	205,627	-	205,627
CDBG - Scatter Housing 2015	14,283	-	-	-
Single Family Rehabilitation Program 2012	382,600	349,589	24,800	374,389
Total revenues	<u>2,791,883</u>	<u>2,217,035</u>	<u>137,982</u>	<u>2,355,017</u>
Expenditures:				
CDBG - Single Family Rehab:				
Maintenance and repair	-	750	-	750
CDBG - Scatter Housing 2009:				
Professional services	47,000	60,187	-	60,187
Housing replacement	323,000	318,664	-	318,664
Clearing activities	30,000	50,394	-	50,394
Total CDBG Scatter Housing 2009	<u>400,000</u>	<u>429,245</u>	<u>-</u>	<u>429,245</u>
Ethanol:				
Professional services	50,000	265,626	-	265,626
Construction	1,570,000	1,118,538	-	1,118,538
Total CDBG - Ethanol	<u>1,620,000</u>	<u>1,384,164</u>	<u>-</u>	<u>1,384,164</u>
CDBG - Scatter Housing 2012:				
Professional services	42,500	8,043	34,882	42,925
Clearing activities	182,500	104,200	62,100	166,300
Total CDBG Scatter Housing 2012	<u>225,000</u>	<u>112,243</u>	<u>96,982</u>	<u>209,225</u>
CDBG - Cheraw Acres:				
Administration	25,000	24,092	-	24,092
Street improvements	193,000	181,655	-	181,655
Water improvements	32,000	-	-	-
Total CDBG - Cheraw Acres	<u>250,000</u>	<u>205,747</u>	<u>-</u>	<u>205,747</u>
CDBG - Scatter Housing 2015:				
Rehabilitation	14,283	-	14,311	14,311

HOKE COUNTY, NORTH CAROLINA

**CDBG CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Single Family Rehab Program 2012:				
Professional services	15,000	13,044	-	13,044
Construction	<u>367,600</u>	<u>331,855</u>	<u>16,200</u>	<u>348,055</u>
Total Single Family Rehab Program 2012	<u>382,600</u>	<u>344,899</u>	<u>16,200</u>	<u>361,099</u>
Total expenditures	<u>2,891,883</u>	<u>2,477,048</u>	<u>127,493</u>	<u>2,604,541</u>
Revenues over (under) expenditures	(100,000)	(260,013)	10,489	(249,524)
Other Financing Sources (Uses):				
Transfers from General Fund	<u>100,000</u>	<u>233,626</u>	<u>14,283</u>	<u>247,909</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (26,387)</u>	24,772	<u>\$ (1,615)</u>
Fund Balance:				
Beginning of year - July 1			<u>(26,387)</u>	
End of year - June 30			<u>\$ (1,615)</u>	

HOKE COUNTY, NORTH CAROLINA

**CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	\$ -	\$ -
Fund Balance:			
Beginning of year - July 1		<u>940,154</u>	
End of year - June 30		<u>\$ 940,154</u>	

HOKE COUNTY, NORTH CAROLINA

**MAJOR ENTERPRISE FUND - WATER AND SEWER DISTRICT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Water and sewer charges	\$ 5,736,007	\$ 5,689,790	\$ (46,217)
Tap and impact fees	629,000	873,981	244,981
Other operating revenues	47,050	98,988	51,938
Total revenues	<u>6,412,057</u>	<u>6,662,759</u>	<u>250,702</u>
Expenditures:			
Operating Expenses:			
Water and Sewer Operations:			
Salaries and benefits	1,198,158	1,088,243	109,915
Other operating expenses	3,035,763	2,725,810	309,953
Capital outlay	553,000	397,183	155,817
Charges for services	350,000	263,561	86,439
Total	<u>5,136,921</u>	<u>4,474,797</u>	<u>662,124</u>
Debt Service:			
Interest and fees	534,668	534,668	-
Debt principal	13,009,555	12,735,446	274,109
Total	<u>13,544,223</u>	<u>13,270,114</u>	<u>274,109</u>
Total expenditures	<u>18,681,144</u>	<u>17,744,911</u>	<u>936,233</u>
Revenues over (under) expenditures	<u>(12,269,087)</u>	<u>(11,082,152)</u>	<u>1,186,935</u>
Other Financing Sources (Uses):			
Transfer in (out):			
Intrafund transfers, net - to Waste Water Treatment Plant Fund	(583,858)	(583,858)	-
Long-term debt issued	12,001,000	12,001,000	-
Total other financing sources (uses)	<u>11,417,142</u>	<u>11,417,142</u>	<u>-</u>

HOKE COUNTY, NORTH CAROLINA

**MAJOR ENTERPRISE FUND - WATER AND SEWER DISTRICT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Appropriated fund balance	851,945	-	(851,945)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 334,990	\$ 334,990
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 334,990	
Reconciling items:			
Depreciation		(1,256,680)	
Debt principal		12,735,446	
Intrafund transfer		583,858	
Capital outlay		132,401	
Capital contributions - project		4,223,495	
Compensated absences		(3,089)	
Other post-employment benefits		(28,065)	
Decrease in net pension asset		(72,966)	
Increase in deferred outflows of resources - pensions		10,590	
Increase in net pension liability		(70,187)	
Decrease in deferred inflows of resources - pensions		141,357	
Debt proceeds		<u>(12,001,000)</u>	
Change in net position		<u>\$ 4,730,150</u>	

HOKE COUNTY, NORTH CAROLINA

WATER CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
NC Clean Water Bond Grant	\$ -	\$ 980,443	\$ -	\$ 980,443
Golden Leaf Fund	1,000,000	600,000	290,330	890,330
NC Rural Center Grant	1,000,000	-	488,991	488,991
NC DOT Reimbursement	56,600	-	-	-
Investment earnings	-	107,110	-	107,110
Miscellaneous	43,428	43,428	-	43,428
Total revenues	<u>2,100,028</u>	<u>1,730,981</u>	<u>779,321</u>	<u>2,510,302</u>
Expenditures:				
Eagle Ridge:				
Construction - water/sewer	<u>161,836</u>	<u>161,836</u>	<u>-</u>	<u>161,836</u>
Phase V:				
Construction cost	8,672,777	8,722,470	-	8,722,470
Engineering/construction management	864,579	372,981	-	372,981
Land and right of way	73,469	1,800	-	1,800
Legal and permitting	54,116	38,411	-	38,411
Administrative costs	7,718	-	-	-
Capitalized interest	829,437	829,437	-	829,437
Additional services, equipment, and testing	54,511	42,215	-	42,215
Total Phase V	<u>10,556,607</u>	<u>10,007,314</u>	<u>-</u>	<u>10,007,314</u>
401 Water Improvements:				
Construction of lines	1,684,000	1,288,851	-	1,288,851
Professional services	208,000	133,598	16,000	149,598
Construction	158,000	-	-	-
Total 401 Water Improvements	<u>2,050,000</u>	<u>1,422,449</u>	<u>16,000</u>	<u>1,438,449</u>
Vass Road Water Main Extension:				
Professional services	18,730	18,730	-	18,730
Construction cost	156,304	156,303	-	156,303
Contingencies	2,750	-	-	-
Total Vass Road Water Main Extension	<u>177,784</u>	<u>175,033</u>	<u>-</u>	<u>175,033</u>

HOKE COUNTY, NORTH CAROLINA

WATER CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
NC211 / B-5127 Water Main Replacement:				
Professional services	11,300	-	11,300	11,300
Construction cost	45,300	-	49,921	49,921
Total NC211 / B-5127 Water Main Replacement	56,600	-	61,221	61,221
Best Rd and Trudeau Avenue Drainage Repair:				
Professional services	10,000	-	7,250	7,250
Construction cost	188,000	-	-	-
Contingencies	19,000	-	-	-
Total Best Rd and Trudeau Avenue Drainage Repair	217,000	-	7,250	7,250
Vass Rd Production Wells:				
Professional services	122,000	2,200	87,625	89,825
Construction cost	522,890	16,548	107,814	124,362
Contingencies	48,000	-	-	-
Total Vass Rd Production Wells	692,890	18,748	195,439	214,187
Gillis Hill Water Improvements				
Professional services	32,042	5,401	17,670	23,071
Construction cost	228,254	-	-	-
Contingencies	22,825	-	-	-
Total Gillis Hill Water Improvements	283,121	5,401	17,670	23,071
Total expenditures	14,195,838	11,790,781	297,580	12,088,361
Revenues over (under) expenditures	(12,095,810)	(10,059,800)	481,741	(9,578,059)
Other Financing Sources (Uses) :				
Long-term debt issued	9,423,000	9,423,000	-	9,423,000
Transfers in:				
Water and Sewer Fund	2,672,810	1,691,618	-	1,691,618
General Fund	-	40,734	-	40,734
Total other financing sources (uses)	12,095,810	11,155,352	-	11,155,352
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,095,552	\$ 481,741	\$ 1,577,293

HOKE COUNTY, NORTH CAROLINA

**WATER RATE STABILIZATION FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Other Financing Sources (Uses) :				
Transfers in:				
Water and Sewer Fund	\$ 276,000	\$ 568,927	\$ -	\$ 568,927
Transfers out:				
Water and sewer projects	(276,000)	-	-	-
Total other financing sources (uses)	-	568,927	-	568,927
Revenues and other financing sources over (under) expenditures and other financing uses	-	\$ 568,927	\$ -	\$ 568,927

HOKE COUNTY, NORTH CAROLINA

WASTE WATER TREATMENT PLANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
CDBG grants	\$ 510,000	\$ -	\$ -	\$ -
NC Rural Center Grant - Walmart	1,000,000	910,480	-	910,480
USDA SEDC Grant - WW1B	4,500,000	1,507,202	2,808,986	4,316,188
Golden Leaf Fund - WW1A	379,500	379,500	-	379,500
NC Rural Center Grant - WW1A	730,000	730,000	-	730,000
Restricted intergovernmental - VFD	150,000	-	-	-
Contribution - VFD	395,830	-	252,348	252,348
Facility investment fees - SGPS	583,858	229,000	354,858	583,858
Hoke County Schools Participation - SGES	27,982	-	27,982	27,982
Total revenues	<u>8,277,170</u>	<u>3,756,182</u>	<u>3,444,174</u>	<u>7,200,356</u>
Expenditures:				
SCBLD, Walmart and Others:				
Professional services	502,328	730,809	-	730,809
Construction	1,374,800	1,584,228	-	1,584,228
Contingencies	164,600	-	-	-
Total SCBLD, Walmart and others	<u>2,041,728</u>	<u>2,315,037</u>	<u>-</u>	<u>2,315,037</u>
SGPS:				
Professional services	159,136	40,242	15,571	55,813
Construction	984,716	291,136	712,623	1,003,759
Contingencies	23,864	-	-	-
Total SGPS	<u>1,167,716</u>	<u>331,378</u>	<u>728,194</u>	<u>1,059,572</u>
SGES:				
Professional services	4,200	-	4,200	4,200
Construction	80,611	-	91,863	91,863
Total SGES	<u>84,811</u>	<u>-</u>	<u>96,063</u>	<u>96,063</u>
WWTP:				
Professional services	2,202,490	2,202,490	-	2,202,490
WW1A:				
Professional services	210,707	203,623	2,000	205,623
Construction	1,226,353	1,212,819	-	1,212,819
Easements and appraisals	38,705	38,705	-	38,705
Total WW1A	<u>1,475,765</u>	<u>1,455,147</u>	<u>2,000</u>	<u>1,457,147</u>

HOKE COUNTY, NORTH CAROLINA

WASTE WATER TREATMENT PLANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
WW1B:				
Professional services	1,379,825	1,185,214	116,378	1,301,592
Construction	16,375,811	13,764,747	2,368,474	16,133,221
Capitalized interest	370,000	117,610	116,956	234,566
Total WW1B	<u>18,125,636</u>	<u>15,067,571</u>	<u>2,601,808</u>	<u>17,669,379</u>
VFD:				
Professional services	56,720	-	-	-
Construction	477,543	-	246,572	246,572
Contingencies	11,567	-	-	-
Total VFD	<u>545,830</u>	<u>-</u>	<u>246,572</u>	<u>246,572</u>
Total expenditures	<u>25,643,976</u>	<u>21,371,623</u>	<u>3,674,637</u>	<u>25,046,260</u>
Revenues over (under) expenditures	<u>(17,366,806)</u>	<u>(17,615,441)</u>	<u>(230,463)</u>	<u>(17,845,904)</u>
Other Financing Sources (Uses) :				
Bond anticipation note issued	12,001,000	12,001,000	-	12,001,000
LREMC loan proceeds	1,360,000	1,360,000	-	1,360,000
Transfers in:				
General Fund	1,042,628	-	-	-
Intrafund transfers, net:				
Water Sewer District Fund	2,963,178	2,759,584	583,858	3,343,442
Total other financing sources (uses)	<u>17,366,806</u>	<u>16,120,584</u>	<u>583,858</u>	<u>16,704,442</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,494,857)</u>	<u>\$ 353,395</u>	<u>\$ (1,141,462)</u>

HOKE COUNTY, NORTH CAROLINA

**MAJOR ENTERPRISE FUND - SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Solid waste charges	\$ 2,123,000	\$ 2,778,694	\$ 655,694
Other	113,000	126,584	13,584
Total operating revenues	<u>2,236,000</u>	<u>2,905,278</u>	<u>669,278</u>
Non-operating revenues:			
Investment earnings	35,000	55,122	20,122
Total revenues	<u>2,271,000</u>	<u>2,960,400</u>	<u>689,400</u>
Expenditures:			
Landfill Administration:			
Landfill operations:			
Salaries and benefits	643,458	637,048	6,410
Other operating expenses	1,315,420	1,187,191	128,229
Capital outlay	156,445	116,487	39,958
Charges for services	350,000	263,560	86,440
Total expenditures	<u>2,465,323</u>	<u>2,204,286</u>	<u>261,037</u>
Revenues over (under) expenditures	(194,323)	756,114	950,437
Appropriated fund balance	<u>194,323</u>	<u>-</u>	<u>(194,323)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 756,114</u>	<u>\$ 756,114</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 756,114	
Reconciling items:			
Capital outlay		98,479	
Depreciation		(97,804)	
Compensated absences		(3,697)	
Other post-employment benefits		(16,482)	
Decrease in net pension asset		(43,780)	
Increase in deferred outflows of resources - pensions		(115)	
Increase in net pension liability		(35,093)	
Decrease in deferred inflows of resources - pensions		88,462	
Change in net position		<u>\$ 746,084</u>	

HOKE COUNTY, NORTH CAROLINA

CONVENIENCE SITE - NEW PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Expenditures:				
Professional services	\$ 10,150	\$ -	\$ -	\$ -
Construction	493,045	568,220	-	568,220
Contingencies	58,000	-	-	-
Capital outlay	80,000	41,885	-	41,885
Total expenditures	<u>641,195</u>	<u>610,105</u>	<u>-</u>	<u>610,105</u>
Revenues over (under) expenditures	(641,195)	(610,105)	-	(610,105)
Other Financing Sources (Uses) :				
Transfers in:				
Solid Waste Fund	<u>641,195</u>	<u>568,220</u>	<u>-</u>	<u>568,220</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (41,885)</u>	<u>\$ -</u>	<u>\$ (41,885)</u>

HOKE COUNTY, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUND - HOKE AREA TRANSIT SYSTEM
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers:			
Transfers from General Fund	\$ -	\$ 231,499	\$ 231,499
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 231,499</u>	<u>\$ 231,499</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 231,499	
Reconciling items:			
Loss on disposal		(100,910)	
Transfer to governmental fund:			
Transfer LGERS to governmental activities		40,609	
Transfer compensated absences to governmental activities		23,174	
Transfer OPEB to governmental activities		<u>72,847</u>	
Change in net position		<u>\$ 267,219</u>	

HOKE COUNTY, NORTH CAROLINA

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 78,236	\$ 156,006	\$ 201,807	\$ 32,435
Liabilities:				
Accounts payable	\$ 78,236	\$ 156,006	\$ 201,807	\$ 32,435
Sheriff Execution Fund				
Assets:				
Cash and cash equivalents	\$ 98	\$ 29,781	\$ 29,781	\$ 98
Liabilities:				
Accounts payable	\$ 98	\$ 29,781	\$ 29,781	\$ 98
Jail Inmate/Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 77,660	\$ 228,847	\$ 265,742	\$ 40,765
Liabilities:				
Accounts payable	\$ 77,660	\$ 228,847	\$ 265,742	\$ 40,765
Municipal Tax Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 151,099	\$ 137,577	\$ 13,522
Accounts receivable	57,355	16,008	19,725	53,638
Total assets	\$ 57,355	\$ 167,107	\$ 157,302	\$ 67,160
Liabilities:				
Accounts payable	\$ 10,925	\$ 163,638	\$ 148,290	\$ 26,273
Other liabilities	46,430	-	5,543	40,887
Total liabilities	\$ 57,355	\$ 163,638	\$ 153,833	\$ 67,160
Total - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 155,994	\$ 565,733	\$ 634,907	\$ 86,820
Accounts receivable	57,355	16,008	19,725	53,638
Total assets	\$ 213,349	\$ 581,741	\$ 654,632	\$ 140,458
Liabilities:				
Accounts payable	\$ 166,919	\$ 578,272	\$ 645,620	\$ 99,571
Other liabilities	46,430	-	5,543	40,887
Total liabilities	\$ 213,349	\$ 578,272	\$ 651,163	\$ 140,458

HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2016**

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2016	\$ -	\$ 25,546,587	\$ 24,273,739	\$ 1,272,848
2015	1,206,208	-	716,592	489,616
2014	443,541	-	165,296	278,245
2013	366,838	-	90,355	276,483
2012	264,296	-	53,409	210,887
2011	188,005	-	29,924	158,081
2010	152,990	-	16,877	136,113
2009	144,435	-	8,915	135,520
2008	140,078	-	7,239	132,839
2007	143,554	-	6,783	136,771
2006	124,579	-	124,579	-
Total	<u>\$ 3,174,524</u>	<u>\$ 25,546,587</u>	<u>\$ 25,493,708</u>	<u>3,227,403</u>
Less: allowance for uncollectible accounts				<u>(792,000)</u>
Ad valorem taxes receivable, net				<u>\$ 2,435,403</u>
Reconciliation with Revenues:				
Ad Valorem Taxes:				
General Fund				<u>\$ 25,322,776</u>
Reconciling items:				
Interest collected				(254,417)
Discounts allowed				335,269
Taxes written off				124,579
Other				<u>(34,499)</u>
Total reconciling items				<u>170,932</u>
Total collections and credits				<u>\$ 25,493,708</u>

HOKE COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2016

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 3,392,361,600	\$ 0.0075	\$ 25,442,712	\$ 22,910,880	\$ 2,531,832
Interest and penalties	10,598,800	0.0075	79,491	55,191	24,300
Total	<u>3,402,960,400</u>		<u>25,522,203</u>	<u>22,966,071</u>	<u>2,556,132</u>
Discoveries:					
Current year's taxes	560,267		4,202	4,202	-
Prior year's taxes and rollbacks	4,384,133		32,881	32,881	-
Total	<u>4,944,400</u>		<u>37,083</u>	<u>37,083</u>	<u>-</u>
Abatements					
Total property valuation	<u>(1,693,200)</u>		<u>(12,699)</u>	<u>(12,699)</u>	<u>-</u>
Net Levy			25,546,587	22,990,455	2,556,132
Uncollected taxes at June 30, 2016			<u>1,272,848</u>	<u>1,047,509</u>	<u>225,339</u>
Current Year's Taxes Collected			<u>\$ 24,273,739</u>	<u>\$ 21,942,946</u>	<u>\$ 2,330,793</u>
Current Levy Collection Percentage			<u>95.02%</u>	<u>95.44%</u>	<u>91.18%</u>

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

Independent Auditor's Report

To the Board of Commissioners
Hoke County
Raeford, 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 Hoke County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 25, 2017. Our report includes a reference to other auditors who audited the financial statements of the Hoke County ABC Board, as described in our report on Hoke County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Hoke County ABC Board 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 Hoke 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 Hoke County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hoke County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we identify certain deficiencies in internal controls that we consider to be material weaknesses: 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, and 2016-011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hoke 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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-010, and 2016-011.

Responses to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County'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
September 25, 2017

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

To the Board of Commissioners
Hoke County
Raeford, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Hoke 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 Hoke County's major federal programs for the year ended June 30, 2016. Hoke County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hoke 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; the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hoke 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 Hoke County's compliance.

Basis for Qualified Opinion on CFDA# 93.767 Children’s Health Insurance Program – NC Health Choice

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, Hoke County did not comply with requirements regarding CFDA# 93.767 Children’s Health Insurance Program – NC Health Choice as described in finding number 2016-014 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Hoke County to comply with the requirements applicable to that program.

Qualified Opinion on CFDA# 93.767 Children’s Health Insurance Program – NC Health Choice

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, Hoke County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Children’s Health Insurance Program – NC Health Choice for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Hoke 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 other major federal programs identified in the summary of auditor’s results section of the accompanying Schedule of Findings, Responses, and Questioned Costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2016-013. Our opinion on each major federal program is not modified with respect to this matter.

Hoke County’s response to the non-compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Hoke 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 Hoke 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 Hoke County’s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hoke County’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2016-012, 2016-013, and 2016-014 to be material weaknesses.

A *significant deficiency in internal controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2016-015 to be a significant deficiency.

Hoke County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Hoke County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB 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
September 25, 2017

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

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

Independent Auditor's Report

To the Board of Commissioners
Hoke County
Raeford, North Carolina

Report on Compliance for Each Major State Program

We have audited Hoke 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 Hoke County's major State programs for the year ended June 30, 2016. Hoke County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hoke County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of 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 Hoke 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 Hoke County's compliance.

Basis for Qualified Opinion on Children’s Health Insurance Program – NC Health Choice

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, Hoke County did not comply with income limit requirements regarding Children’s Health Insurance Program – NC Health Choice as described in finding number 2016-014 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Hoke County to comply with the requirements applicable to that program.

Qualified Opinion on Children’s Health Insurance Program – NC Health Choice

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, Hoke County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Children’s Health Insurance Program – NC Health Choice for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major State Programs

In our opinion, Hoke 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 other major State programs identified in the summary of auditor’s results section of the accompanying Schedule of Findings, Responses, and Questioned Costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2016-013. Our opinion on each major State program is not modified with respect to this matter.

Hoke County’s response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Hoke 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 Hoke 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 Hoke 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 Hoke County’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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 State program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2016-012, 2016-013, and 2016-014 to be material weaknesses.

A significant deficiency in internal controls over compliance is a deficiency, or a combination of deficiencies, in internal controls 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2016-015 to be a significant deficiency.

Hoke County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Hoke County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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
September 25, 2017

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HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted?

Yes

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? Yes
- Significant deficiency (s) identified? Yes

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

Unmodified for all federal programs except for Children's Health Insurance Program – NC Health Choice, which was qualified.

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

Yes

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Medicaid Cluster	93.778
Children's Health Insurance Program - NC Health Choice	93.767

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,605,491

Auditee qualified as low-risk auditee?

No

HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditor’s Results (Continued)

State Awards

Internal control over major State programs:

- Material weakness (es) identified? Yes
- Significant deficiency (s) identified? Yes

Type of auditor’s report issued on compliance for major State programs:

Unmodified for all State programs except for Children’s Health Insurance Program – NC Health Choice, which was qualified.

Any 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 Cluster
Children's Health Insurance Program - NC Health Choice

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

Material Weakness

Finding 2016-001

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

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by the County's personnel with regard to drafting full accrual, full disclosure financial statements. The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules.

Effect: The County requires assistance from the external auditor in drafting the financial statements.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-001.

Cause: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above is cost prohibitive.

Recommendation: The County should exercise due care in reviewing the financial statements drafted by the external auditor as the County is responsible for the accuracy of the audited financial statements.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings (Continued)

Material Weakness

Finding 2016-002

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

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicated that the County's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Effect: Financial reports used for budget monitoring throughout the year do not properly reflect the account balances.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-002.

Cause: The general ledger is not reconciled to subsidiary ledgers on a regular basis, and year-end journal entries are not booked.

Recommendation: Management should reconcile the subsidiary ledgers on a regular basis, reconcile year-end balances to subsidiary ledgers and post-closing entries needed, and improve the internal control system to prevent the adjustments in the future.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings (Continued)

Material Weakness, Non-Compliance

Finding 2016-003

Criteria: N.C. General Statute 159-28(a) requires that all money received and expended by a local government should be included in the budget ordinance. The Statutes require that funds be appropriated before incurring the obligation for funds. These requirements imply that the County has a responsibility to design a system to monitor its compliance with the budget ordinance and the General Statutes pertaining to local government finance.

Condition: There are excessive over-expended items in several of the County's funds. A detailed note of the excess of expenditures over appropriations is found in the notes to the financial statements of Hoke County's audit report.

Effect: Expenditures exceed budget.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-003.

Cause: Lack of budgetary control.

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

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings (Continued)

Material Weakness, Non-Compliance

Finding 2016-004

Criteria: Management should have a control system in place to reduce the likelihood that funds operate in a deficit. According to N.C. General Statute 159-13(b)(2), the full amount of a prior deficit in any fund shall be appropriated.

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

Effect: The County has several funds with deficit fund balances or net position.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-004.

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

Recommendation: Management and the Board should review the budget reports to monitor the funds more closely and make the required transfers to cover the deficit.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings (Continued)

Material Weakness, Non-Compliance

Finding 2016-005

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting. N.C. General Statute 159-17.1 requires that all monies received on account of operation of vending facilities be deposited, budgeted, appropriated, and expended in accordance with the Local Government Budget and Fiscal Control Act.

Condition: Monies received for operation of vending facilities is not being budgeted and expended in accordance with the Local Government Budget and Fiscal Control Act. Monies from vending facilities is deposited in a trust fund and spent from that fund.

Effect: Due to the nature of the account (agency fund), County monies accounted for in this account are not following the proper budgeting requirements.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-005, modified.

Cause: Vendor deposits and disbursements are being processed through the inmate trust fund account.

Recommendation: Require that only inmate transactions be maintained in the Inmate Trust Fund. Require any vendor activity be maintained and budgeted in the General Fund of the County.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings (Continued)

Material Weakness, Non-Compliance

Finding 2016-006

Criteria: N.C. General Statute 159-13.2 requires the County to adopt project ordinances and to amend those ordinances as necessary.

Condition: The budgets for several of the projects were not readily available to the finance staff or for review by the auditor. While preparing the financial statements, the auditors asked for documentation of the budgets for several projects, and the budget ordinances were not readily available.

Effect: Budget may be incorrect so overspending may occur.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-006, modified.

Recommendation: Require copies of the budget ordinances and any amendments to be placed in a budget ordinance and amended budget folder for each project until the project is complete. Budgets in the accounting system should be up to date with any amendments made.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings (Continued)

Material Weakness, Non-Compliance

Finding 2016-007

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting. N.C General Statute 159-28(a) requires that before an obligation is incurred by the unit, there is an appropriation in the budget ordinance authorizing it. N.C. General Statute 159-25(a)(2) requires the finance officer to pre-audit obligations and disbursements.

Condition: Controls over purchase orders at the Sheriff's Department have been designed, but not properly implemented. Purchase orders were not supported with the proper documentation and approval was not obtained prior to goods being ordered. This can cause over expenditures in the funds and also indicates that the pre-audit function is not properly implemented. Budget may not be available for spending at the time the goods were ordered.

Effect: Lack of proper implementation of internal control policies greatly increases the risk of fraudulent activity and can result in improper financial reporting.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-008.

Cause: Employees have overridden management's internal controls with respect to purchase orders and preapproval.

Recommendation: Strengthen the internal controls over purchase order function. Require that all purchase orders be approved by the department and Finance Director prior to ordering goods to ensure that budget is available.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings (Continued)

Material Weakness, Non-Compliance

Finding 2016-008

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting. N.C. General Statute 159-8(a) requires that all moneys received and expended by a local government should be included in the budget ordinance. N.C. General Statute 159-25(a)(2) requires the finance officer to pre-audit obligations and disbursements.

Condition: An original budget ordinance was not adopted for two annual special revenue funds prior to the beginning of the fiscal year. Funds were spent prior to having a budget adopted for the funds.

Effect: The lack of the adoption of a budget causes noncompliance with State statutes.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-009, modified.

Cause: A budget was not adopted for the special revenue funds in a timely manner.

Recommendation: Management should adopt a budget prior to incurring obligations. Management should review and monitor the general ledger and ongoing purchases regularly and amend the budget as applicable.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings (Continued)

Material Weakness

Finding 2016-009

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

Condition: The County's DSS Trust bank account was not reconciled to subsidiary ledgers.

Effect: The County is not properly performing its duties as a representative payee for the funds. Funds could be owed to DSS trust clients.

Cause: Turnover in the department over the years and lack of monitoring by finance personnel during bank reconciliation review.

Recommendation: Management should reconcile the subsidiary ledgers as far back as this condition existed.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings (Continued)

Material Weakness, Non-Compliance

Finding 2016-010

Criteria: N.C. General Statute 116B-53(c) subpart 12 indicates that property is presumed abandoned if it is unclaimed by the apparent owner after one year of the property becoming distributable.

Condition: There are checks older than a year on the County's outstanding checklist that have not cleared the bank. State law requires the entity to go through an escheating process for property held more than a year.

Effect: Non-compliance with laws and regulations.

Cause: Escheating property is not being performed the County.

Recommendation: Management should put controls in place to perform the escheat process in accordance with State law.

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

Material Weakness, Non-Compliance

Finding 2016-011

Criteria: N.C. General Statute 159-34 requires the County to have an audit as soon as possible after the close of each fiscal year.

Condition: The County was not ready for its annual audit which caused the audit report to be issued late.

Effect: The conditions above caused a delay in the issuance of the County's audit report.

Recommendation: Finance should contact the auditor as soon as possible after receipt of a prepared by client list if there are any questions at all as to the list to help the County be prepared for its fieldwork.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section III – Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

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

CFDA # 93.778

Grant Number: DMA 2016

Finding: 2016-012

Material Weakness

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

Condition: The County Department of Social Services failed to provide evidence of proper documentation for four reviews performed. Certain documentation was not in the casefiles; however, we were able to determine that the participants were still eligible for benefits for the periods tested based on other documentation in the casefiles.

Context: Of the 6,771 casefiles, we examined 60 and determined that four applicants were reviewed for benefits during the fiscal year, but supporting documentation of eligibility determination was not found within the applicant's file.

Effect: Casefiles were missing the required documentation of a completed review.

Cause: Caseworker failed to maintain evidence of the required documentation during the review.

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

Recommendation: Caseworkers should obtain all required documentation for reviews for each applicant and maintain them in the casefiles. A checklist of items to process an ex parte review could be put in place to standardize the redetermination review process.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section III – Federal Award Findings and Questioned Costs (continued)

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

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

CFDA # 93.778

Grant Number: DMA 2016

Finding: 2016-013

Material Weakness, Non-Material Non-Compliance

Eligibility

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

Condition: The County Department of Social Services failed to provide evidence of proper documentation for two reviews performed. Certain documentation was not in the casefiles so we were not able to determine if these two cases were eligible for benefits for the periods we tested due to the missing key documentation.

Context: Of the 6,771 casefiles, we examined 60 and determined that two applicants were reviewed for benefits during the fiscal year but supporting documentation of eligibility determination was not found within the applicant's file. The missing documentation would have contained key elements to determine eligibility of the applicant. We were not able to determine benefits provided to applicants were for eligible recipients.

Effect: Casefiles were missing documentation to support eligibility.

Cause: Caseworker failed to obtain the required documentation during the review.

Questioned Costs: \$7,012.38 is the amount provided by the NCDHHS as the total amount of benefits paid out for these two cases during the period we tested. In accordance with 2 CFR 200, auditors must report known questioned costs when likely questioned costs are greater than \$25,000. Therefore, the overpayment of \$7,012.38 is being questioned.

Recommendation: Caseworkers should obtain all required documentation for reviews for each applicant and maintain them in the casefiles. A checklist of items to process an ex parte review could be put in place to standardize the redetermination review process. Management should re-evaluate the eligibility determination to see if recoupment is necessary.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section III – Federal Award Findings and Questioned Costs (continued)

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: State Children's Health Insurance Program

CFDA # 93.767

Grant Number: DMA 2016

Finding: 2016-014

Material Weakness, Material Non-Compliance Eligibility

Criteria: In accordance with 42 CFR 435, documentation must be obtained as needed to determine if an applicant 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 determine or redetermined for benefits.

Condition: The County Department of Social Services failed to follow State guidelines for calculating budget in order to determine eligibility. Upon our recalculation of income budget, we found that the applicant was not eligible for benefits because the recalculated amount exceeded the income limits for the program.

Context: Of the 90 casefiles, we examined 18 and determined one applicant was improperly determined as eligible for benefits.

Effect: Applicant received benefits when they were not eligible.

Cause: Caseworker failed to calculate budget correctly.

Questioned Costs: \$232.20 is the amount provided by the NCDHHS as the total amount of benefits paid out for this case during the period we tested. In accordance with 2 CFR 200, auditors must report known questioned costs when likely questioned costs are greater than \$25,000. Therefore, the amount of \$232.20 is being questioned.

Recommendation: Caseworkers should review their eligibility determinations and ensure all items on their list of items required are complete before approving benefits are contained in the casefile.

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section III – Federal Award Findings and Questioned Costs (continued)

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Names: Medical Assistance Program (Medicaid; Title XIX), State Children’s Health Insurance Program

CFDA # 93.778, 93.767

Grant Numbers: DMA 2016, DMA 2016

Finding 2016-015

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.

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

Effect: Unauthorized access to the State system could be obtained due to the unattended logged in workstation.

Cause: Lack of proper internal controls over data security.

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

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

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

HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section IV – State Award Findings and Questioned Costs

NC Dept. of Health and Human Services

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

Finding: 2016-012 - In accordance with 42 CFR 435, documentation must be obtained as needed to determine if an applicant meets specific eligibility standards, and documentation must be maintained to support those determinations. Management should have an adequate system of internal control procedures in place to ensure an applicant is properly determine or redetermined for benefits with documentation of the determination in the casefiles. For ex parte reviews, caseworkers do not obtain a standard signed application for redetermination. Rather, caseworkers perform a review internally by running automated matches through the State systems and obtaining support for changes from applicant if needed. Caseworkers document their review through case narratives. See more details at Finding 2016-012 in Section III – Federal Award Findings and Questioned Costs.

Finding: 2016-013 - In accordance with 42 CFR 435, documentation must be obtained as needed to determine if an applicant meets specific eligibility standards, and documentation must be maintained to support those determinations. Management should have an adequate system of internal control procedures in place to ensure an applicant is properly determine or redetermined for benefits with documentation of the determination in the casefiles. For ex parte reviews, caseworkers do not obtain a standard signed application for redetermination. Rather, caseworkers perform a review internally by running automated matches through the State systems and obtaining support for changes from applicant if needed. Caseworkers document their review through case narratives. See more details at Finding 2016-013 in Section III – Federal Award Findings and Questioned Costs.

Finding: 2016-015 - 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. See more details at Finding 2016-015 in Section III – Federal Award Findings and Questioned Costs.

NC Dept. of Health and Human Services

Program Name: State Children’s Health Insurance Program

Finding: 2016-014 - In accordance with 42 CFR 435, documentation must be obtained as needed to determine if an applicant 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 determine or redetermined for benefits. See more details at Finding 2016-014 in Section III – Federal Award Findings and Questioned Costs.

Finding: 2016-015 - 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. See more details at Finding 2016-015 in Section III – Federal Award Findings and Questioned Costs.

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Vice Chairman

Tony Hunt
Commissioner

Allen Thomas, Jr.
Commissioner



Robert Wright
Commissioner

Grady Hunt
County Attorney

Letitia Edens
County Manager

Gwen McGougan
Clerk to the Board

Section II – Financial Statements Findings

Finding: 2016-001

Name of Contact Person: E.J. Prevatte, Finance Director

Corrective Action/Management’s Response: Management concurs and will diligently review financial data to ensure agreement with audited financial records. As of July 10, 2017 E.J. Prevatte, Finance Director and Garvin Ferguson, Assistant Finance Director will diligently review financial data.

Proposed Completion Date: Management and the Board will implement the above procedure immediately. Finance staff was increased by hiring a Finance Director on 7/1/017.

Finding: 2016-002

Name of Contact Person: E.J. Prevatte, Finance Director

Corrective Action/Management’s Response: Management is aware that year-end audit adjustments are typically required. E.J. Prevatte, Finance Director and Garvin Ferguson, Assistant Finance Director will ensure subsidiary ledgers are reconciled to the general ledger on a monthly basis and year-end journal entries are booked prior to auditor’s final field work.

Proposed Completion Date: Management and the Board will implement the above procedure immediately. Finance staff was increased by hiring a Finance Director on 7/10/17.

Finding: 2016-003

Name of Contact Person: E.J. Prevatte, Finance Director

Corrective Action/Management’s Response: Management concurs. Management and the Board will more closely review the budget reports to ensure compliance in future years. Budget reports will be reviewed monthly by the Finance Director and Department Managers for potential budget issues. Accounts Payable Clerk also reviews budgets as invoices are processed. Better estimates of accruals at year-end will be made to provide guidance on expenditures.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

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Section II – Financial Statements Findings (continued)

Finding: 2016-004

Name of Contact Person: E.J. Prevatte, Finance Director

Corrective Action/Management’s Response: Management concurs and will continue to transfer budgeted funds to cover the deficit balances in the subsequent fiscal year. Management will review and forecast revenues to anticipate potential shortfalls and make necessary transfers prior to year-end.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Finding: 2016-005

Name of Contact Person: E.J. Prevatte, Finance Director

Corrective Action/Management’s Response: Management will move welfare account activity to the General Fund in the subsequent fiscal year and budget for activities appropriately. New accounting software has been purchased which better tracks and provides reports of inmate’s individual accounts, thus providing better accuracy in posting transactions to the correct accounts.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Finding: 2016-006

Name of Contact Person: E.J. Prevatte, Finance Director

Corrective Action/Management’s Response: Management will implement control procedures to require staff to keep original and amended project budgets with the project documentation until the project is complete. With the addition of a new Finance Director, staffing is adequate to provide a proficient review of all records to ensure completeness.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

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Section II – Financial Statements Findings (continued)

Finding: 2016-007

Name of Contact Person: Hubert Peterkin, Sheriff

Corrective Action/Management’s Response: The Sheriff has been approved as a Deputy Finance Director; this allows the Sheriff the flexibility to approve purchase orders. Sheriff’s staff has had training on purchase order approval processes along with the management of invoices and check request. Great care is given to explain and return all items to the Sheriff’s Office when they do not follow the General Statute 159-28(a). We will continue to work with the Sheriff’s Office to ensure proper procedure is followed.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Finding: 2016-008

Name of Contact Person: E.J. Prevatte, Finance Director

Corrective Action/Management’s Response: The budget process is being evaluated to ensure all funds and all budgets are accounted for during the budget process. A check list has been established to make sure each fund of the budget is included in the annual adoption process. With the addition of a new Finance Director, staffing is adequate to provide accurate review of the budget ordinance and the general ledger budget postings.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Finding: 2016-009

Name of Contact Person: E.J. Prevatte, Finance Director

Corrective Action/Management’s Response: Trust accounts are currently being reviewed on a monthly basis by the Finance department and discrepancies between the DSS sub ledgers and general ledger are investigated by both Finance and DSS.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

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Section II – Financial Statements Findings (continued)

Finding: 2016-010

Name of Contact Person: E.J. Prevatte, Finance Director

Corrective Action/Management’s Response: The County does escheat outstanding checks more than one-year-old; however, due to limited staff and the lengthy process of confirming last known addresses and personal identifying information, this was not completed in a timely manner. Management has invested in new software to assist with this process which should ensure funds are escheated in a timely manner.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Finding: 2016-011

Name of Contact Person: E.J. Prevatte, Finance Director

Corrective Action/Management’s Response: Management will ensure timely completion of the financial audit by reviewing the prepared by client list as soon as received and start preparing for the items on the list before auditors come out for fieldwork. With the addition of a new Finance Director, staffing is adequate to provide a proficient review of all records to ensure completeness.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Section III – Federal Award Findings and Questioned Costs

Finding: 2016-012

Name of Contact Person: Becky Morrow, Interim DSS Director

Corrective Action/Management’s Response: Management concurs with the condition, context and recommendations. The County has implemented a new policy for 2nd Party reviews where 44 cases per month will be reviewed for accuracy and completeness with checklist by the supervisor. This should provide some control over eligibility documentation obtained by caseworkers. See attached Corrective Action Plan issued by North Carolina DHHS Division of Medical Assistance.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

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Section III – Federal Award Findings and Questioned Costs (continued)

Finding: 2016-013

Name of Contact Person: Becky Morrow, Interim DSS Director

Corrective Action/Management's Response: Management concurs with the condition, context and recommendations. The County has implemented a new policy for 2nd Party reviews where 44 cases per month will be reviewed for accuracy and completeness with checklist by the supervisor. This should provide some control over eligibility documentation obtained by caseworkers. See attached Corrective Action Plan issued by North Carolina DHHS Division of Medical Assistance.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Finding: 2016-014

Name of Contact Person: Becky Morrow, Interim DSS Director

Corrective Action/Management's Response: Management concurs with the condition, context and recommendations. The County has implemented a new policy for 2nd Party reviews where 44 cases per month will be reviewed for accuracy and completeness with checklist by the supervisor. This should provide some control over eligibility documentation obtained by caseworkers. See attached Corrective Action Plan issued by North Carolina DHHS Division of Medical Assistance.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Finding: 2016-015

Name of Contact Person: Becky Morrow, Interim DSS Director

Corrective Action/Management's Response: Management concurs with the condition, context and recommendations. The County has implemented a new policy for the automatic locking of the computer when an employee walks away from the terminal. The terminals will lock within two minutes as a security procedure for protecting personal identifiable information. See attached corrective action plan issued by North Carolina DHHS Division of Medical Assistance.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

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Section IV – State Award Findings and Questioned Costs

Finding: 2016-012

See Finding 2016-012 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

Finding: 2016-013

See Finding 2016-013 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

Finding: 2016-014

See Finding 2016-014 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

Finding: 2016-015

See Finding 2016-015 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

HOKE COUNTY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding: 2015-001

Status: Repeated as 2016-001

Finding: 2015-002

Status: Repeated as 2016-002

Finding: 2015-003

Status: Repeated as 2016-003

Finding: 2015-004

Status: Repeated as 2016-004

Finding: 2015-005

Status: Modified and repeated as 2016-005

Finding: 2015-006

Status: Modified and repeated as 2016-006

Finding: 2015-007

Status: Corrected

Finding: 2015-008

Status: Repeated as 2016-007

Finding: 2015-009

Status: Modified and repeated as 2016-008

HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

CFDA #	State/ Pass-through Grantor's Number	Expenditures		
		Federal	State	
FEDERAL AWARDS:				
<u>U.S. Department of Agriculture</u>				
Passed-through the NC Department of Health and Human Services:				
Division of Social Services:				
<u>Supplemental Nutrition Assistance Program Cluster:</u>				
Administration:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	WC302	\$ 392,279	\$ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Fraud Administration	10.561	WC302	46,664	-
Total Supplemental Nutrition Assistance Program Cluster			<u>438,943</u>	<u>-</u>
Division of Public Health:				
Administration:				
Special Supplemental Nutrition Program for Woman, Infants, & Children	10.557	LGC-PH-06-30-2016	323,367	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Woman, Infants, & Children	10.557	WIC 2016	997,972	-
Total for Women, Infants, & Children			<u>1,321,339</u>	<u>-</u>
<u>Water and Waste Program Cluster:</u>				
Direct Programs:				
Water and Waste Disposal Systems for Rural Communities (grant)	10.760	Grant #13	2,601,808	-
Total Water and Waste Program Cluster			<u>2,601,808</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>4,362,090</u>	<u>-</u>
<u>U. S. Department of Transportation</u>				
Passed-through NC Department of Transportation:				
Formula Grants for Rural Areas:				
WBS - Admin 36233.51.15.1	20.509	WBS36233.51.15.1	37,434	2,340
WBS - Admin 36233.51.15.3	20.509	WBS36233.51.15.3	226,265	28,283
WBS - Admin 36233.51.16.1	20.509	WBS36233.51.16.1	60,430	59,025
WBS - Admin 36233.51.14.3	20.509	WBS36233.51.14.3	80,728	10,091
WBS - Admin 36233.51.16.3	20.509	WBS36233.51.16.3	5,660	707
Total for U.S. Department of Transportation			<u>410,517</u>	<u>100,446</u>
Total U.S. Department of Transportation			<u>410,517</u>	<u>100,446</u>
<u>U.S. Department of Health and Human Services</u>				
Centers for Medicare and Medicaid Services				
Passed-through the NC Department of Health and Human Services:				
<u>Medicaid Cluster:</u>				
Division of Medical Assistance:				
Administration:				
Medical Assistance Program	93.778	DMA 2016	42,925,614	23,174,313
Direct Benefit Payments:				
Medical Assistance Program	93.778	WC302	948,088	1,528
Total Medicaid Cluster			<u>43,873,702</u>	<u>23,175,841</u>
Centers for Disease Control and Prevention				
Passed through NC Dept. of Health and Human Services				
Division of Public Health:				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements				
	93.074	12642680M8	13,876	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs				
	93.116	1460272ANF	43	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)				
	93.758	12615503PF	30,991	-
Preventive Health Services_ Sexually Transmitted Disease control Grants				
	93.977	1311462CNB	267	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs				
	93.919	1320310DJS	1,275	-

HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

	CFDA #	State/ Pass-through Grantor's Number	Expenditures	
			Federal	State
HIV Prevention Activities_ Health Dept Based	93.940	1311981DHV	2,000	
Immunization Cooperative Agreements	93.268	1331631CEJ	11,022	-
Public Health Emergency Preparedness	93.069	12642680EW	26,685	-
Total Centers for Disease Control and Prevention			86,159	-
Health Resources and Services Administration				
Maternal & Child Services Block Grant to the States	93.994	12715745AP	66,080	40,777
Administration of Children and Families				
Passed through NC Dept. of Health and Human Services				
Division of Child Development:				
<u>Subsidized Child Care Cluster:</u>				
<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	WC302	125,984	-
Division of Child Development:				
Child Care and Development Block Grant	93.575	563151	950,961	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory	93.596	536145	320,023	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Matching	93.596	536148	204,078	55,918
Total Child Care Development Fund Cluster			1,601,046	55,918
Temporary Assistance For Needy Families	93.558	536150	266,025	-
Foster Care Title IV-E	93.658	536153	16,503	8,434
State Appropriations	XXXX		-	97,321
TANF - MOE	XXXX		-	186,488
Total Subsidized Child Care Cluster (Note 3)			1,883,574	348,161
Passed through NC Dept. of Health and Human Services				
Division of Social Services:				
<u>Foster Care and Adoption Cluster:</u>				
Administration:				
Title IV-E Foster Care	93.658	WC 302	89,691	8,683
Foster Care	93.658	WC 302	52,904	35,671
Adoption Assistance - Title IV-E Adoption - Off Training	93.659	WC 302	11,887	-
Direct Benefit Payments:				
Foster Care - Title IV-E	93.658	WC 302	53,023	15,531
Adoption Assistance - Adoption Subsidy & Vendors - Direct Benefit Payments	93.659	WC 302	157,027	41,175
Total Foster Care and Adoption Cluster (Note 3)			364,532	101,060
Passed through NC Dept. of Health and Human Services				
Division of Social Services				
<u>Temporary Assistance for Needy Families Cluster:</u>				
Administration:				
Temporary Assistance for Needy Families	93.558	LGC-PH-06-30-2016	8,986	-
Temporary Assistance for Needy Families (TANF)/Work First	93.558	WC 302	63,663	-
Direct Benefit Payments:				
TANF - Payments & Penalties	93.558	WC 302	235,652	-
Total TANF Cluster			308,301	-
Passed through NC Dept. of Health and Human Services				
Division of Social Services				
Low-Income Home Energy Assistance				
Administration	93.568	WC 302	261,382	-
Crisis Intervention Program	93.568	WC 302	166,821	-
Total Low-Income Home Energy Assistance			428,203	-

HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

	CFDA #	State/ Pass-through Grantor's Number	Expenditures	
			Federal	State
Division of Social Services				
Administration:				
Chafee Foster Care Independence Program	93.674	WC 302	17,100	4,275
SSBG- in-Home, Other Services, and Training	93.667	WC 302	255,831	16,623
Stephanie Tubbs Jones Child Welfare Services Program	93.645	WC 302	13,576	-
Child Support Enforcement Section - Title IV-D	93.563	WC 302	434,390	-
Promoting Safe and Stable Families	93.556	WC 302	3,790	-
Direct Benefit Payments:				
Chafee Foster Care Independence Program	93.674	WC 302	-	-
Total			<u>724,687</u>	<u>20,898</u>
Passed through NC Dept. of Health and Human Services				
Division of Medical Assistance				
Administration:				
Children's Health Insurance Program - NC Health Choice	93.767	WC 302	15,473	554
Direct Benefits:				
Children's Health Insurance Program - NC Health Choice	93.767	DMA 2016	564,894	30,896
Total Children's Health Insurance Program - NC Health Choice			<u>580,367</u>	<u>31,450</u>
Office of the Population Affairs				
Passed-through the NC Department of Health and Human Services:				
Division of Public Health:				
Family Planning Services	93.217	LGC-PH-06-30-2016	31,174	-
Administration for Community Living				
Division of Aging and Adult Services				
Passed-through the Lumber River Council of Governments				
Division of Aging:				
<u>Aging Cluster:</u>				
Special Programs for the Aging - Title III, Part C Nutrition Services				
Congregate Nutrition	93.045	ZGA370-A-YTD 047 Hoke	42,469	-
Home-Delivered Meals	93.045	ZGA370-A-YTD 047 Hoke	40,526	-
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers				
In-Home Aide (1)	93.044	ZGA370-A-YTD 047 Hoke	104,885	-
Transportation	93.044	ZGA370-A-YTD 047 Hoke	75,372	-
Total Aging Cluster			<u>263,252</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>48,610,031</u>	<u>23,718,187</u>
<u>U.S. Department of Housing and Urban Development</u>				
<u>Office of Community Planning and Development</u>				
<u>Division of Community Assistance</u>				
Community Development Block Grants / State's Program and Non-entitlement Grants in Hawaii	14.228	SH12	113,182	-
<u>U.S. Department of Homeland Security</u>				
Passed-through the N.C. Emergency Management Agency				
Emergency Management Performance Grants	97.042	EMPG 37093	18,699	-
<u>U.S. Department of Justice - Criminal Division</u>				
Direct Program:				
Equitable Sharing Program	16.922	NC0470000	1,841	-
TOTAL FEDERAL AWARDS			<u>53,516,360</u>	<u>23,818,633</u>

HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

CFDA #	State/ Pass-through Grantor's Number	Expenditures	
		Federal	State
STATE AWARDS:			
N.C. Dept of Administration			
	Veterans Service	-	3,051
N.C. Dept of Health and Human Services			
Division of Social Services			
	DCD Smart Start	-	36,110
	Energy Assistance Private Grants	-	3,262
	Foster Care	-	35,671
	AFDC Incentive Program	-	491
	CWS - Adoption Subsidy & Vendors	-	140,303
	F/C at risk Maximization	-	4,294
	Foster Care At Risk	-	5,950
	SC/SA Domiciliary Care	-	272,944
	SFHF Maximization	-	265
	ST Child Welfare/CPS	-	34,393
	State Foster Home	-	19,324
	Total Division of Social Services	-	553,007
Division of Public Health			
	General Aid to Counties	-	99,340
	General Communicable Disease Control	-	3,652
	Breast & Cervical Cancer Program	-	7,650
	Child Health	-	1,741
	HMHC-Family Planning	-	3,671
	Maternal Health	-	17,255
	HIV/STD SSBG Aid	-	500
	Sexually Transmitted Diseases	-	109
	Women's Health Service Fund	-	15,399
	Tuberculosis	-	12,000
	TB Medical Service	-	1,282
	School Nurse Funding Initiative	-	150,000
	Active Routes to School	-	117,684
	Total Division of Public Health	-	430,283
Office of Rural Health and Community Care			
	Medication Assistance Program	-	17,898
	Total N.C. Dept of Health and Human Services	-	1,001,188
N.C. Dept of Public Instruction			
	Public School Building Capital Fund - Lottery Proceeds (Note 3)	-	300,000
N.C. Dept of Transportation			
Rural Operating Assistance Program (ROAP) Cluster			
	ROAP Elderly and Disabled Transportation Assistance Program	DOT-16CL 36220.10.6.1	51,397
	ROAP Rural General Public Program	DOT-16CL 36228.22.6.1	49,509
	ROAP Work First	DOT-16CL 36236.11.5.1	14,265
	Total ROAP Cluster	-	115,171
N.C. Dept of Public Safety			
Division of Juvenile Justice and Delinquency Prevention			
	Juvenile Crime Prevention Council Program	-	90,529
N.C. Dept of Insurance			
	SHIIP Grant	-	4,228

HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

CFDA #	State/ Pass-through Grantor's Number	Expenditures	
		Federal	State
N.C. Dept of Environment and Natural Resources			
Division of Waste Management			
		-	52,355
		-	27,736
		-	80,091
Total N.C. Dept of Environment and Natural Resources			
N.C. Dept of Public Instruction			
		-	300,000
N.C. Housing Finance Agency			
NC Housing Trust Fund/Urgent Repair Program			
	URP-13	-	37,500
	SFR 12	-	24,800
	URP-15	-	56,915
		-	119,215
Total N.C. Housing Finance Agency			
N.C. Rural Economic Development Center, Inc.			
		-	116,542
Golden Leaf Foundation			
		-	270,565
TOTAL STATE ASSISTANCE		-	2,100,580
TOTAL FEDERAL AND STATE ASSISTANCE		\$ 53,516,360	\$ 25,919,213

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 Hoke County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 *US 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 SEFSA presents only a selected portion of the operations of Hoke County, it is not intended to and does not present the financial position, changes in net position or cash flows of Hoke 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. Pass-through entity identifying numbers are presented where available. Hoke County has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

3. Cluster of Programs

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