

**HOKE COUNTY  
NORTH CAROLINA**

**ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**

**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, 2017**

**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

Ellis Prevatte

Finance Director



# HOKE COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR END JUNE 30, 2017

### TABLE OF CONTENTS

		<u>Page</u>
	<b>Financial Section</b>	
	<b>Independent Auditor's Report</b>	1-3
	<b>Management's Discussion and Analysis</b>	4-12
<b><u>Exhibit</u></b>	<b>Basic Financial Statements - Overview</b>	
	<b>Government-Wide Financial Statements:</b>	
A	Statement of Net Position	13
B	Statement of Activities	14-15
	<b>Fund Financial Statements:</b>	
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
	<b>Notes to the Financial Statements</b>	25-72

# HOKE COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR END JUNE 30, 2017

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Required Supplemental Financial Data:</b>	
A-1	Other Post-Employment Benefits - Required Supplementary Information	73
A-2	Local Government Employees' Retirement System - Schedule of County's Proportionate Share of Net Pension Liability (Asset)	74
A-3	Local Government Employees' Retirement System - Schedule of County's Contributions	75
A-4	Register of Deeds' Supplemental Pension Fund - Schedule of County's Proportionate Share of Net Pension Liability (Asset)	76
A-5	Register of Deeds' Supplemental Pension Fund - Schedule of County's Contributions	77
A-6	Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability	78
A-7	Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll (LEO)	79
	<b>Combining and Individual Fund Statements and Schedules:</b>	
	<b>General Fund:</b>	
B-1	General Fund Consolidated - Statement of Revenues, Expenditures, and Changes in Fund Balance	80
B-2	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	81-89
B-3	Register of Deeds Automation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	90
B-4	Revaluation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	91

# HOKE COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR END JUNE 30, 2017

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>General Fund (continued):</b>	
B-5	Law Enforcement Officer Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	92
C-1	Nonmajor Governmental Funds - Combining Balance Sheet	93
C-2	Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	94
	<b>Special Revenue Funds:</b>	
D-1	Nonmajor Special Revenue Funds - Combining Balance Sheet	95-96
D-2	Nonmajor Special Revenue Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	97-98
D-3	Revolving Loan Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	99
D-4	Emergency Systems Telephone Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	100
D-5	Asset Forfeiture Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	101
D-6	Grant Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	102
D-7	Fire Districts Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	103

# HOKE COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR END JUNE 30, 2017

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Special Revenue Funds (continued):</b>	
D-8	Multi-Year Grants Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	104-105
	<b>Capital Project Funds:</b>	
E-1	Nonmajor Capital Project Funds - Combining Balance Sheet	106
E-2	Nonmajor Capital Project Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	107
E-3	Administrative Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	108
E-4	CDBG Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	109-110
E-5	Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	111
	<b>Major Enterprise Funds:</b>	
F-1	Water and Sewer District Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	112-113
F-2	Water Construction Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	114-115
F-3	Water Rate Stabilization Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	116
F-4	Waste Water Treatment Plant Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	117-118

# HOKE COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR END JUNE 30, 2017

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Major Enterprise Funds (continued):</b>	
F-5	Solid Waste Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP)	119
F-6	Convenience Site Fund - New Project Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	120
	<b>Agency Funds:</b>	
G-1	Combining Statement of Changes in Assets and Liabilities	121
	<b>Supplemental Financial Data:</b>	
H-1	Schedule of Ad Valorem Taxes Receivable	122
H-2	Analysis of Current Tax Levy	123
	<b>Compliance Section:</b>	
	Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	124-125
	Report On Compliance With Requirements Applicable to Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance with Uniform Guidance; And The State Single Audit Implementation Act	126-128
	Report On Compliance With Requirements Applicable to Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act	129-131
	Schedule of Findings, Responses, and Questioned Costs	132-149
	Corrective Action Plan	150-155
	Schedule of Prior Year Audit Findings	156-157
	Schedule of Expenditures of Federal and State Awards	158-162

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

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

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2017, 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 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 (Liability) Asset and County Contributions, the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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 May 22, 2018 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  
May 22, 2018

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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, 2017. 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**

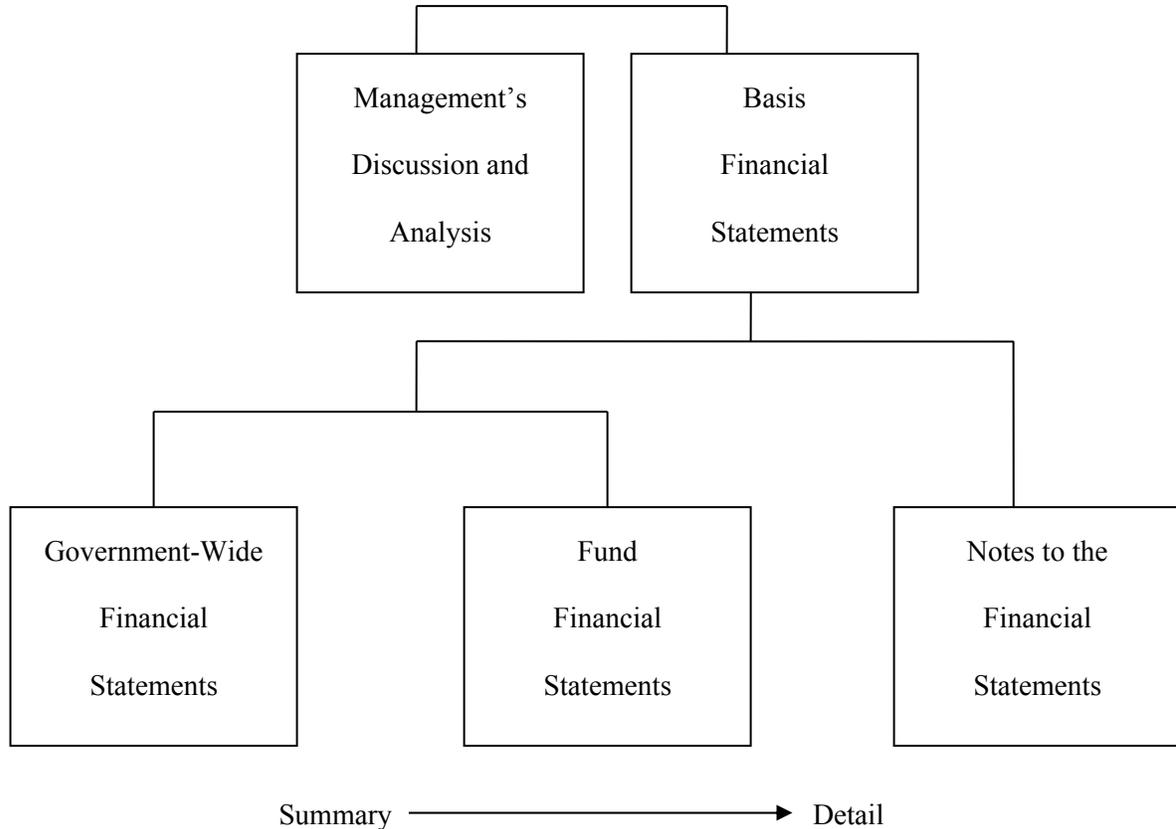
- The assets and deferred outflows of resources of Hoke County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$60,423,618 (net position).
- The County's total net position increased by \$9,034,258, primarily due to increased net position in the governmental activities.
- As of the close of the current fiscal year, Hoke County's governmental funds reported combined ending fund balances of \$23,555,913, after a net increase in fund balance of \$5,823,432. Approximately 25.8% of this total amount, or \$6,072,666, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,940,868, or 37.7%, of total General Fund expenditures and transfers out for the fiscal year. Total fund balance of the General Fund, \$22,133,275, was 52.4% of total General Fund expenditures and transfers out for the year.
- Hoke County's total debt decreased by \$2,833,706. The County only issued debt on one capital lease. The decrease was mainly due to timely payments of debt service expenditures.
- Hoke County maintains an A rating from Standard and Poor's Corporation and an A1 rating from Moody's Investor Service.

### **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 it has 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 and landfill 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, and for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 73 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 \$60,423,618 as of June 30, 2017. The County's net position increased by \$9,034,258 in the same period. One of the largest portions, \$52,774,269, 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, \$6,141,070 (10.2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,508,279 is unrestricted.

## Hoke County's Net Position

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Current and other assets	\$ 28,332,960	\$ 22,411,812	\$ 15,354,456	\$ 14,359,448	\$ 43,687,416	\$ 36,771,260
Capital assets, net of depreciation	22,480,161	22,078,193	68,779,185	68,965,134	91,259,346	91,043,327
Total assets	<u>50,813,121</u>	<u>44,490,005</u>	<u>84,133,641</u>	<u>83,324,582</u>	<u>134,946,762</u>	<u>127,814,587</u>
<b>Deferred Outflows of Resources</b>	<u>4,336,984</u>	<u>999,694</u>	<u>425,199</u>	<u>97,049</u>	<u>4,762,183</u>	<u>1,096,743</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	39,223,372	41,382,550	25,574,254	26,625,384	64,797,626	68,007,934
Other liabilities	10,588,641	6,044,849	3,462,163	2,740,058	14,050,804	8,784,907
Total liabilities	<u>49,812,013</u>	<u>47,427,399</u>	<u>29,036,417</u>	<u>29,365,442</u>	<u>78,848,430</u>	<u>76,792,841</u>
<b>Deferred Inflows of Resources</b>	<u>410,656</u>	<u>651,899</u>	<u>26,241</u>	<u>54,720</u>	<u>436,897</u>	<u>706,619</u>
<b>Net Position:</b>						
Net investment in capital assets	10,312,302	9,519,942	42,461,967	41,766,638	52,774,269	51,286,580
Restricted	6,141,070	4,165,515	-	-	6,141,070	4,165,515
Unrestricted	(11,525,936)	(16,275,056)	13,034,215	12,234,831	1,508,279	(4,040,225)
Total net position	<u>\$ 4,927,436</u>	<u>\$ (2,589,599)</u>	<u>\$ 55,496,182</u>	<u>\$ 54,001,469</u>	<u>\$ 60,423,618</u>	<u>\$ 51,411,870</u>

## Hoke County's Changes in Net Position

**Figure 3**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,226,276	\$ 3,140,479	\$ 9,545,753	\$ 9,568,037	\$ 12,772,029	\$ 12,708,516
Operating grants	9,741,805	8,467,275	-	-	9,741,805	8,467,275
Capital grants	-	437,982	720,528	4,223,495	720,528	4,661,477
General revenues:						
Property taxes	28,420,677	27,780,860	-	-	28,420,677	27,780,860
Other taxes	8,721,567	6,324,887	-	-	8,721,567	6,324,887
Unrestricted:						
Intergovernmental	281,564	232,846	-	-	281,564	232,846
Investment income	111,487	49,434	42,662	55,122	154,149	104,556
Total revenues	<u>50,503,376</u>	<u>46,433,763</u>	<u>10,308,943</u>	<u>13,846,654</u>	<u>60,812,319</u>	<u>60,280,417</u>
<b>Expenses:</b>						
General government	5,768,923	4,531,433	-	-	5,768,923	4,531,433
Public safety	14,331,030	13,597,404	-	-	14,331,030	13,597,404
Economic and physical development	698,014	817,659	-	-	698,014	817,659
Human services	12,500,618	11,709,366	-	-	12,500,618	11,709,366
Cultural and recreational	848,185	1,069,623	-	-	848,185	1,069,623
Transportation	1,295,584	1,050,126	-	-	1,295,584	1,050,126
Education	6,461,722	5,842,616	-	-	6,461,722	5,842,616
Interest on long-term debt	1,059,755	1,125,987	-	-	1,059,755	1,125,987
Water Fund	-	-	6,201,383	6,156,104	6,201,383	6,156,104
Sanitation	-	-	2,612,847	2,214,316	2,612,847	2,214,316
Total expenses	<u>42,963,831</u>	<u>39,744,214</u>	<u>8,814,230</u>	<u>8,370,420</u>	<u>51,778,061</u>	<u>48,114,634</u>
Change in net position						
before transfers	7,539,545	6,689,549	1,494,713	5,476,234	9,034,258	12,165,783
Transfers	-	(267,219)	-	267,219	-	-
Change in net position	<u>7,539,545</u>	<u>6,422,330</u>	<u>1,494,713</u>	<u>5,743,453</u>	<u>9,034,258</u>	<u>12,165,783</u>
<b>Net Position:</b>						
Beginning of year - July 1	(2,589,599)	(9,011,929)	54,001,469	48,258,016	51,411,870	39,246,087
Restatement	(22,510)	-	-	-	(22,510)	-
Beginning of year - July 1, as restated	<u>(2,612,109)</u>	<u>(9,011,929)</u>	<u>54,001,469</u>	<u>48,258,016</u>	<u>51,389,360</u>	<u>39,246,087</u>
End of year - June 30	<u>\$ 4,927,436</u>	<u>\$ (2,589,599)</u>	<u>\$ 55,496,182</u>	<u>\$ 54,001,469</u>	<u>\$ 60,423,618</u>	<u>\$ 51,411,870</u>

**Governmental Activities.** Governmental activities increased the County's net position by \$7,539,545 mainly due to increases in property tax and other tax revenues and operating grant revenues and decreases in economic and physical development, cultural and recreational, and interest on long-term debt expenditures in the current year.

**Business-Type Activities.** Business-type activities increased the County's net position by \$1,494,713 mainly due to an increase in charges for services.

### **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 \$17,782,038, while total fund balance reached \$22,133,275. The County currently has an available fund balance of 42.07% of total General Fund expenditures and transfers out, while total fund balance represents 52.36% of that same amount.

At June 30, 2017, the governmental funds of Hoke County reported a combined fund balance of \$23,555,913, a 32.84% increase over last year. This increase is mainly due to an increase of fund balance in the General Fund of \$5.7 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 \$2,252,387 (5.19%).

**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 \$9,095,155 and \$3,939,060 for the Solid Waste Fund. The total growth in net position for both major funds was \$1,189,541 and \$305,172, 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, 2017, totals \$91,259,346 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Continued construction of water and sewer infrastructure
- Purchase of vehicles in the General and Water and Sewer Funds
- VIPER radio purchases and improvements to parks in the General Fund
- Purchase of pump station in the Water and Sewer Fund
- Purchases of two trucks and a tractor in the Solid Waste Fund

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,680,785	\$ 3,680,785	\$ 671,456	\$ 671,456	\$ 4,352,241	\$ 4,352,241
Building	16,669,089	16,758,349	43,016,909	32,665,420	59,685,998	49,423,769
Equipment	1,131,537	751,440	468,089	537,127	1,599,626	1,288,567
Vehicles	998,750	887,619	432,392	319,390	1,431,142	1,207,009
Construction in progress	-	-	24,190,339	34,771,741	24,190,339	34,771,741
<b>Total</b>	<b>\$ 22,480,161</b>	<b>\$ 22,078,193</b>	<b>\$ 68,779,185</b>	<b>\$ 68,965,134</b>	<b>\$ 91,259,346</b>	<b>\$ 91,043,327</b>

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, 2017, Hoke County had total debt outstanding of \$64,755,757.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 7,800,000	\$ 8,500,000	\$ 3,887,000	\$ 4,367,000	\$ 11,687,000	\$ 12,867,000
Installment purchases	13,343,600	14,608,580	1,255,218	1,529,496	14,598,818	16,138,076
Revenue bonds	-	-	21,175,000	21,302,000	21,175,000	21,302,000
Limited obligation bonds	16,806,516	17,282,387	-	-	16,806,516	17,282,387
Capital leases	488,423	-	-	-	488,423	-
<b>Total</b>	<b>\$ 38,438,539</b>	<b>\$ 40,390,967</b>	<b>\$ 26,317,218</b>	<b>\$ 27,198,496</b>	<b>\$ 64,755,757</b>	<b>\$ 67,589,463</b>

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 \$240,758,000.

Additional information regarding Hoke County's long-term debt can be found in Note 3.B. beginning on page 62 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. With the establishment of two hospital systems, First Health of The Carolinas, Cape Fear Valley Health Center and a New Veterans Medical Facility bordering the County line, the medical field is also poised for strong growth in Hoke County.

### **Budget Highlights for the Fiscal Year Ending June 30, 2018**

**Governmental Activities.** The valuation of property for the upcoming year is estimated to be \$3.1 billion. This is consistent with last year. The tax rate remains \$.75 per one hundred dollars of valuation of property listed as of January 1, 2017.

Budgeted expenditures in the General Fund are expected to increase to \$45,277,687 compared to an original budget of \$44,465,772 in fiscal year 2017. The increase is primarily due to increases in Health Department and non-departmental 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 55.3% of the total General Fund budget of \$45.2 million.

The largest component of General Fund expenditures is expected to be employee compensation which represents 31.77% of the total General Fund budget. This component increased by 5.5% 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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hoke County ABC Board
<b>Assets:</b>				
Cash and cash equivalents	\$ 20,994,956	\$ 13,058,041	\$ 34,052,997	\$ 332,083
Receivables, net	7,030,225	940,071	7,970,296	-
Inventories	19,292	132,322	151,614	102,218
Prepaid expenses	38,178	-	38,178	6,563
Non-current assets:				
Restricted cash and cash equivalents	156,672	1,224,022	1,380,694	-
Net pension asset	93,637	-	93,637	17,948
Other assets	-	-	-	68,138
Capital assets:				
Land, improvements, and construction in progress	3,680,785	24,861,795	28,542,580	3,000
Other capital assets, net of depreciation	18,799,376	43,917,390	62,716,766	16,694
Capital assets, net	22,480,161	68,779,185	91,259,346	19,694
Total assets	50,813,121	84,133,641	134,946,762	546,644
<b>Deferred Outflows of Resources</b>	4,336,984	425,199	4,762,183	18,526
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	1,649,364	545,263	2,194,627	163,897
Accrued interest payable	324,363	62,087	386,450	-
Due in less than one year	3,070,038	1,141,118	4,211,156	51,031
Payable from restricted assets	-	1,224,022	1,224,022	-
Non-current liabilities:				
Net pension liability - LGERS	4,951,145	489,673	5,440,818	19,875
Total pension liability - LEOSSA	593,731	-	593,731	-
Due in more than one year	39,223,372	25,574,254	64,797,626	123,573
Total liabilities	49,812,013	29,036,417	78,848,430	358,376
<b>Deferred Inflows of Resources</b>	410,656	26,241	436,897	29,114
<b>Net Position:</b>				
Net investment in capital assets	10,312,302	42,461,967	52,774,269	19,694
Restricted:				
Stabilization for State statute	4,607,626	-	4,607,626	-
Human services	1,076,156	-	1,076,156	-
Register of Deeds	14,771	-	14,771	-
Register of Deeds' pension plan	125,874	-	125,874	-
Public safety	316,643	-	316,643	-
Working capital	-	-	-	46,222
Unrestricted	(11,525,936)	13,034,215	1,508,279	111,764
Total net position	\$ 4,927,436	\$ 55,496,182	\$ 60,423,618	\$ 177,680

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

HOKE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 5,768,923	\$ 1,761,022	\$ 369,327	\$ -
Public safety	14,331,030	776,989	262,659	-
Economic and physical development	698,014	18,515	-	-
Human services	12,500,618	426,265	8,361,620	-
Cultural and recreational	848,185	126,754	-	-
Transportation	1,295,584	116,731	731,234	-
Education	6,461,722	-	16,965	-
Interest on long-term debt	1,059,755	-	-	-
Total governmental activities	<u>42,963,831</u>	<u>3,226,276</u>	<u>9,741,805</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water and sewer	6,201,383	6,670,396	-	720,528
Landfill	2,612,847	2,875,357	-	-
Total business-type activities	<u>8,814,230</u>	<u>9,545,753</u>	<u>-</u>	<u>720,528</u>
Total primary government	<u>\$ 51,778,061</u>	<u>\$ 12,772,029</u>	<u>\$ 9,741,805</u>	<u>\$ 720,528</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 1,523,267</u>	<u>\$ 1,558,261</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, 2017

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hoke County ABC Board
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (3,638,574)	\$ -	\$ (3,638,574)	
Public safety	(13,291,382)	-	(13,291,382)	
Economic and physical development	(679,499)	-	(679,499)	
Human services	(3,712,733)	-	(3,712,733)	
Cultural and recreational	(721,431)	-	(721,431)	
Transportation	(447,619)	-	(447,619)	
Education	(6,444,757)	-	(6,444,757)	
Interest on long-term debt	(1,059,755)	-	(1,059,755)	
Total governmental activities	(29,995,750)	-	(29,995,750)	
<b>Business-Type Activities:</b>				
Water and sewer	-	1,189,541	1,189,541	
Landfill	-	262,510	262,510	
Total business-type activities	-	1,452,051	1,452,051	
Total primary government	(29,995,750)	1,452,051	(28,543,699)	
<b>Component Unit:</b>				
ABC Board				\$ 34,994
<b>General Revenues:</b>				
<b>Taxes:</b>				
Ad valorem taxes	28,420,677	-	28,420,677	-
Local option sales tax	8,699,982	-	8,699,982	-
Other taxes	21,585	-	21,585	-
Unrestricted intergovernmental	281,564	-	281,564	-
Investment earnings	111,487	42,662	154,149	6
Total general revenues	37,535,295	42,662	37,577,957	6
Change in net position	7,539,545	1,494,713	9,034,258	35,000
<b>Net Position:</b>				
Beginning of year - July 1	(2,589,599)	54,001,469	51,411,870	142,680
Restatement	(22,510)	-	(22,510)	-
Beginning of year - July 1, as restated	(2,612,109)	54,001,469	51,389,360	142,680
End of year - June 30	\$ 4,927,436	\$ 55,496,182	\$ 60,423,618	\$ 177,680

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

**HOKE COUNTY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<b>Major</b>	<b>Nonmajor</b>	
	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 19,348,342	\$ 1,646,614	\$ 20,994,956
Taxes receivable, net	2,615,215	293,110	2,908,325
Accounts receivable, net	3,808,041	54,525	3,862,566
Note receivable	-	259,334	259,334
Inventory	19,292	-	19,292
Prepays	38,178	-	38,178
Due from other funds	485,726	-	485,726
Restricted cash and cash equivalents	156,672	-	156,672
Total assets	\$ 26,471,466	\$ 2,253,583	\$ 28,725,049
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,597,255	\$ 52,109	\$ 1,649,364
Due to other funds	-	485,726	485,726
Total liabilities	1,597,255	537,835	2,135,090
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	2,615,215	293,110	2,908,325
Prepaid taxes	125,721	-	125,721
Total deferred inflows of resources	2,740,936	293,110	3,034,046
<b>Fund Balances:</b>			
Non-spendable:			
Inventories	19,292	-	19,292
Prepaid items	38,178	-	38,178
Restricted:			
Stabilization for State statute	4,293,767	313,859	4,607,626
Human services	1,076,156	-	1,076,156
Register of Deeds	14,771	-	14,771
Public safety	-	316,643	316,643
Committed	156,672	940,154	1,096,826
Assigned:			
Subsequent year's expenditures	585,875	-	585,875
Other	7,696	337,708	345,404
Unassigned	15,940,868	(485,726)	15,455,142
Total fund balances	22,133,275	1,422,638	23,555,913
Total liabilities, deferred inflows of resources, and fund balances	\$ 26,471,466	\$ 2,253,583	\$ 28,725,049

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

HOKE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<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			\$ 23,555,913
Capital assets used in governmental activities are not financial resources and, therefore, are not reported:			
Total capital assets	\$ 33,487,565		
Less accumulated depreciation	<u>(11,007,404)</u>		
Net capital assets	<u>\$ 22,480,161</u>		22,480,161
Net pension asset			93,637
Net pension liability (LGERS)			(4,951,145)
Total pension liability (LEOSSA)			(593,731)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			1,070,798
Liabilities for deferred inflows in the fund statements but not the government-wide statements			2,908,325
Pension related deferrals			2,981,251
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	\$ (38,438,539)		
Accrued interest payable	(324,363)		
Compensated absences	(1,007,467)		
Other post-employment benefits	<u>(2,847,404)</u>		
Total	<u>\$ (42,617,773)</u>		<u>(42,617,773)</u>
Net position of governmental activities			<u>\$ 4,927,436</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, 2017

	<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>	<u>Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 25,736,218	\$ 2,489,579	\$ 28,225,797
Local option sales taxes	8,699,982	-	8,699,982
Other taxes and licenses	21,585	-	21,585
Unrestricted intergovernmental	281,564	-	281,564
Restricted intergovernmental	9,607,061	119,285	9,726,346
E-911 wireless	-	324,130	324,130
Permits and fees	1,622,881	-	1,622,881
Sales and services	1,294,724	-	1,294,724
Investment earnings	110,548	939	111,487
Total revenues	<u>47,374,563</u>	<u>2,933,933</u>	<u>50,308,496</u>
<b>Expenditures:</b>			
Current:			
General government	5,477,977	-	5,477,977
Public safety	11,429,227	2,773,530	14,202,757
Economic and physical development	632,149	42,660	674,809
Human services	12,292,725	-	12,292,725
Cultural and recreational	1,093,414	-	1,093,414
Transportation	1,269,477	-	1,269,477
Education	6,461,722	-	6,461,722
Debt service:			
Principal retirements	2,553,827	-	2,553,827
Interest and fees	1,059,755	-	1,059,755
Total expenditures	<u>42,270,273</u>	<u>2,816,190</u>	<u>45,086,463</u>
Revenues over (under) expenditures	<u>5,104,290</u>	<u>117,743</u>	<u>5,222,033</u>
<b>Other Financing Sources (Uses):</b>			
Long-term debt issued	<u>601,399</u>	<u>-</u>	<u>601,399</u>
Net change in fund balances	5,705,689	117,743	5,823,432
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>16,427,586</u>	<u>1,304,895</u>	<u>17,732,481</u>
End of year - June 30	<u>\$ 22,133,275</u>	<u>\$ 1,422,638</u>	<u>\$ 23,555,913</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, 2017

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)	\$ 5,823,432
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities:	
Current year capital outlay	1,507,729
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	1,070,798
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not the fund statements	(1,105,761)
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue; rather it is an increase in liabilities.	(601,399)
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.	2,553,827
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.	(1,903,961)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	<u>194,880</u>
Changes in net position of governmental activities (Exhibit B)	<u>\$ 7,539,545</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, 2017**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 24,390,990	\$ 25,514,227	\$ 25,736,218	\$ 221,991
Local option sales taxes	5,995,011	6,909,652	8,699,982	1,790,330
Other taxes and licenses	15,000	15,000	21,585	6,585
Unrestricted intergovernmental	191,300	191,300	281,564	90,264
Restricted intergovernmental	10,611,059	10,815,568	9,607,061	(1,208,507)
Permits and fees	1,311,000	1,311,000	1,622,881	311,881
Sales and services	891,145	901,145	1,294,724	393,579
Investment earnings	25,000	25,000	110,548	85,548
Total revenues	<u>43,430,505</u>	<u>45,682,892</u>	<u>47,374,563</u>	<u>1,691,671</u>
<b>Expenditures:</b>				
Current:				
General government	6,180,127	6,422,800	5,453,319	969,481
Public safety	10,677,017	12,088,054	11,429,227	658,827
Economic and physical development	646,095	681,947	632,149	49,798
Human services	13,387,648	14,070,529	12,292,725	1,777,804
Cultural and recreational	1,060,241	1,175,340	1,093,414	81,926
Transportation	1,417,290	1,472,902	1,269,477	203,425
Intergovernmental - education	6,534,452	6,557,547	6,461,722	95,825
Debt service:				
Principal retirements	2,617,334	2,621,334	2,553,827	67,507
Interest and fees	1,870,568	1,870,568	1,059,755	810,813
Total expenditures	<u>44,390,772</u>	<u>46,961,021</u>	<u>42,245,615</u>	<u>4,715,406</u>
Revenues over (under) expenditures	<u>(960,267)</u>	<u>(1,278,129)</u>	<u>5,128,948</u>	<u>6,407,077</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(75,000)	(559,537)	(75,000)	484,537
Transfers in	700,000	700,000	-	700,000
Long-term debt issued	-	601,399	601,399	-
Appropriated fund balance	335,267	536,267	-	536,267
Total other financing sources (uses)	<u>960,267</u>	<u>1,278,129</u>	<u>526,399</u>	<u>(751,730)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>5,655,347</u>	<u>\$ 5,655,347</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>16,298,789</u>	
End of year - June 30			<u>\$ 21,954,136</u>	

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

## HOKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

	<u>Major</u>		<u>Total</u>
	<u>Water and Sewer District</u>	<u>Solid Waste</u>	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 9,002,507	\$ 4,055,534	\$ 13,058,041
Accounts receivable, net	728,266	211,805	940,071
Inventories	132,322	-	132,322
Total current assets	<u>9,863,095</u>	<u>4,267,339</u>	<u>14,130,434</u>
Non-current assets:			
Restricted cash and cash equivalents	1,224,022	-	1,224,022
Land and construction in progress	24,679,143	182,652	24,861,795
Other capital assets, net of depreciation	42,714,756	1,202,634	43,917,390
Total non-current assets	<u>68,617,921</u>	<u>1,385,286</u>	<u>70,003,207</u>
Total assets	<u>78,481,016</u>	<u>5,652,625</u>	<u>84,133,641</u>
<b>Deferred Outflows of Resources</b>	<u>283,466</u>	<u>141,733</u>	<u>425,199</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	399,642	145,621	545,263
Accrued interest expense	62,087	-	62,087
Compensated absences	30,218	18,182	48,400
Current portion of long-term debt	1,092,718	-	1,092,718
Liabilities to be paid from restricted assets:			
Customer deposits	1,224,022	-	1,224,022
Total current liabilities	<u>2,808,687</u>	<u>163,803</u>	<u>2,972,490</u>
Non-current liabilities:			
Net pension liability	326,449	163,224	489,673
Long-term obligations	25,440,016	134,238	25,574,254
Total non-current liabilities	<u>25,766,465</u>	<u>297,462</u>	<u>26,063,927</u>
Total liabilities	<u>28,575,152</u>	<u>461,265</u>	<u>29,036,417</u>
<b>Deferred Inflows of Resources</b>	<u>17,494</u>	<u>8,747</u>	<u>26,241</u>
<b>Net Position:</b>			
Net investment in capital assets	41,076,681	1,385,286	42,461,967
Unrestricted	9,095,155	3,939,060	13,034,215
Total net position	<u>\$ 50,171,836</u>	<u>\$ 5,324,346</u>	<u>\$ 55,496,182</u>

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, 2017

	<b>Major</b>		<b>Total</b>
	<b>Water and Sewer District</b>	<b>Solid Waste</b>	
<b>Operating Revenues:</b>			
Water and sewer charges	\$ 5,891,044	\$ -	\$ 5,891,044
Tap and impact fees	702,453	-	702,453
Solid waste collection fees	-	2,740,027	2,740,027
Other operating revenues	76,899	135,330	212,229
Total operating revenues	<u>6,670,396</u>	<u>2,875,357</u>	<u>9,545,753</u>
<b>Operating Expenses:</b>			
Water administration	1,079,187	-	1,079,187
Water treatment	728,480	-	728,480
Water distribution	1,328,724	-	1,328,724
Sewer operations	327,290	-	327,290
Sewer plant operations	524,037	-	524,037
Landfill operations	-	2,514,938	2,514,938
Depreciation	1,520,163	97,909	1,618,072
Total operating expenses	<u>5,507,881</u>	<u>2,612,847</u>	<u>8,120,728</u>
Operating income (loss)	<u>1,162,515</u>	<u>262,510</u>	<u>1,425,025</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	-	42,662	42,662
Interest and other charges	(693,502)	-	(693,502)
Total non-operating revenues (expenses)	<u>(693,502)</u>	<u>42,662</u>	<u>(650,840)</u>
Income (loss) before capital contributions	469,013	305,172	774,185
Capital contributions	<u>720,528</u>	<u>-</u>	<u>720,528</u>
Change in net position	1,189,541	305,172	1,494,713
<b>Net Position:</b>			
Beginning of year - July 1	<u>48,982,295</u>	<u>5,019,174</u>	<u>54,001,469</u>
End of year - June 30	<u>\$ 50,171,836</u>	<u>\$ 5,324,346</u>	<u>\$ 55,496,182</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, 2017

	<b>Major</b>		
	<b>Water and Sewer District</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 6,776,264	\$ 2,883,932	\$ 9,660,196
Cash paid for goods and services	(2,694,574)	(1,896,529)	(4,591,103)
Cash paid to employees for services	(1,189,141)	(659,070)	(1,848,211)
Net cash provided (used) by operating activities	<u>2,892,549</u>	<u>328,333</u>	<u>3,220,882</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal payments on long-term debt	(881,278)	-	(881,278)
Interest paid on debt	(631,415)	-	(631,415)
Capital contribution - grants	720,528	-	720,528
Acquisition and construction of capital assets	(1,288,935)	(143,188)	(1,432,123)
Net cash provided (used) by capital and related financing activities	<u>(2,081,100)</u>	<u>(143,188)</u>	<u>(2,224,288)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	-	42,662	42,662
Net increase (decrease) in cash and cash equivalents	811,449	227,807	1,039,256
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>9,415,080</u>	<u>3,827,727</u>	<u>13,242,807</u>
End of year - June 30	<u>\$ 10,226,529</u>	<u>\$ 4,055,534</u>	<u>\$ 14,282,063</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	<u>\$ 1,162,515</u>	<u>\$ 262,510</u>	<u>\$ 1,425,025</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,520,163	97,909	1,618,072
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
(Increase) decrease in accounts receivable	35,673	8,575	44,248
(Increase) decrease in deferred outflows of resources - pensions	(218,767)	(109,383)	(328,150)
Increase (decrease) in net pension liability	256,262	128,131	384,393
Increase (decrease) in deferred inflows of resources - pensions	(18,986)	(9,493)	(28,479)
Increase (decrease) in accounts payable	66,408	(68,062)	(1,654)
Increase (decrease) in customer deposits	70,195	-	70,195
Increase (decrease) in OPEB payable	29,864	16,081	45,945
Increase (decrease) in accrued vacation pay	(10,778)	2,065	(8,713)
Total adjustments	<u>1,730,034</u>	<u>65,823</u>	<u>1,795,857</u>
Net cash provided (used) by operating activities	<u>\$ 2,892,549</u>	<u>\$ 328,333</u>	<u>\$ 3,220,882</u>

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

**HOKE COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 24,654
Accounts receivable	<u>48,125</u>
Total assets	<u>\$ 72,779</u>
 <b>Liabilities:</b>	
Accounts payable and other liabilities	<u>\$ 72,779</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, 2017

### 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 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **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.

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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

### **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.

*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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for 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 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The majority of the County's investments are carried at fair value. The NCCMT Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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. The County considers demand deposits and investments with a maturity date of 90 days or less at time of purchase to be 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, 2017:

#### Governmental Activities:

##### General Fund:

Restricted for revaluation	\$ <u>156,672</u>
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##### Business-Type Activities

##### Water and Sewer District Fund:

Customer deposits	<u>1,224,022</u>
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Total restricted cash	\$ <u><u>1,380,694</u></u>
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### Ad Valorem Taxes Receivable

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

### 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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.

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **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.

### **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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

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.

**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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

*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.

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Human services	\$ 1,076,156	\$ -	\$ 1,076,156
Register of Deeds	14,771	-	14,771
Public safety	-	316,643	316,643
<b>Total</b>	<b>\$ 1,090,927</b>	<b>\$ 316,643</b>	<b>\$ 1,407,570</b>

**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.

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Tax revaluation	\$ 156,672	\$ -	\$ 156,672
Capital projects	-	940,154	940,154
<b>Total</b>	<b>\$ 156,672</b>	<b>\$ 940,154</b>	<b>\$ 1,096,826</b>

**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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

*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.

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Public safety	\$ 7,696	\$ -	\$ 7,696
Education	-	11,401	11,401
Economic development	-	326,307	326,307
Subsequent year's expenditures	585,875	-	585,875
<b>Total</b>	\$ 593,571	\$ 337,708	\$ 931,279

**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	\$ 22,133,275
<b>Less:</b>	
Inventories	19,292
Prepays	38,178
Stabilization for State statute	4,293,767
Total available fund balance	\$ 17,782,038

### **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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

measuring the net pension asset or liability, 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.

### **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>\$ 21,954,136</u>
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#### **Register of Deeds Automation Fund:**

Expenditures:

General government	24,658
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Transfers in	25,000
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Fund balance, beginning	<u>14,429</u>
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Fund balance, ending	<u>14,771</u>
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#### **Revaluation Fund:**

Transfers in	50,000
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Fund balance, beginning	<u>106,672</u>
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Fund balance, ending	<u>156,672</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>\$ 22,133,275</u>
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# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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, 2017 are as follows:

##### Capital Projects Fund:

Administrative Capital Projects Fund:	\$	570,921
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##### Water and Sewer Fund:

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

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 will note remaining budget balance on invoice prior to review by Finance Director and payment

#### B. Deficit Fund Balance or Net Position of Individual Funds

Administrative Capital Projects Fund	\$	484,536
CDBG Capital Projects Fund		1,190

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. Several completed Capital Projects remained on the books with deficit balances at year end. These old projects will be closed prior to the end of FY 18 which should correct the issue going forward.

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

##### Non-Compliance with North Carolina General Statutes

1. The County does not have budgets for project/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 delayed. 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.

2. An original budget ordinance was not adopted for one annual special revenue fund (Revolving Loan Fund) prior to the beginning of the fiscal year, violating G.S. 159-8(a).

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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. A budget ordinance was not adopted timely for one special revenue fund during FY 17. The Finance Department will ensure the special revenue fund is included in the budget in the future.

3. 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.

Management has assigned this task to an Accounting Specialist and significant progress was made during FY 17.

4. 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.

The Finance Department is working on moving all vendor transactions over to the General Fund so they can be reflected and budgeted in the General Fund rather than the Inmate Trust Fund.

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, the County's deposits had a carrying amount of \$9,933,621 and a bank balance of \$10,562,384. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2017, Hoke County had \$4,303 cash on hand.

### **Investments**

At June 30, 2017, the County's investments consisted of \$25,520,421 in the North Carolina Capital Management Trust's Government 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.

### **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.

<b>Year</b>	<b>Levied</b>	<b>Tax</b>	<b>Interest</b>	<b>Total</b>
2014	\$	623,219	\$ -	\$ 623,219
2015		908,576	-	908,576
2016		937,271	-	937,271
2017		958,681	-	958,681
Total	\$	<u>3,427,747</u>	\$ -	<u>\$ 3,427,747</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Receivables

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

	<u>Accounts</u>	<u>Taxes</u>	<u>Other Governments</u>	<u>Note Receivable</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 31,323	\$ 3,292,215	\$ 3,776,718	\$ -	\$ 7,100,256
Other governmental	-	365,110	54,525	259,334	678,969
Allowance for doubtful accounts	-	(749,000)	-	-	(749,000)
Total receivables	<u>\$ 31,323</u>	<u>\$ 2,908,325</u>	<u>\$ 3,831,243</u>	<u>\$ 259,334</u>	<u>\$ 7,030,225</u>
<b>Business-Type Activities:</b>					
Water and Sewer District	\$ 1,366,407	\$ -	\$ -	\$ -	\$ 1,366,407
Solid waste	490,805	-	-	-	490,805
Allowance for doubtful accounts	(917,141)	-	-	-	(917,141)
Total business-type activities	<u>\$ 940,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 940,071</u>

Due from other governments consists of the following:

<b>Governmental Activities:</b>	
Local option sales tax	\$ 1,349,732
Refundable sales tax	806,646
MV taxes, State	311,055
Gasoline taxes, State	15,410
ABC distribution	116,114
ABC beer and wine privilege tax	67,000
Other governmental, State	863,761
Grants receivable	301,525
Total	<u>\$ 3,831,243</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Capital Assets

#### Primary Government

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

	<b>Balance</b>				<b>Balance</b>
	<b>June 30, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>June 30, 2017</b>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 3,680,785	\$ -	\$ -	\$ -	\$ 3,680,785
<b>Depreciable Assets:</b>					
Buildings	20,956,559	350,457	-	-	21,307,016
Equipment	3,923,524	727,079	-	-	4,650,603
Vehicles and motor equipment	<u>3,734,200</u>	<u>430,193</u>	<u>315,232</u>	-	<u>3,849,161</u>
Total depreciable capital assets	<u>28,614,283</u>	<u>1,507,729</u>	<u>315,232</u>	-	<u>29,806,780</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	4,198,210	439,717	-	-	4,637,927
Equipment	3,172,084	346,982	-	-	3,519,066
Vehicles and motor equipment	<u>2,846,581</u>	<u>319,062</u>	<u>315,232</u>	-	<u>2,850,411</u>
Total accumulated depreciation	<u>10,216,875</u>	<u>\$ 1,105,761</u>	<u>\$ 315,232</u>	<u>\$ -</u>	<u>11,007,404</u>
Total depreciable capital assets, net	<u>18,397,408</u>				<u>18,799,376</u>
Governmental activity capital assets, net	<u>\$ 22,078,193</u>				<u>\$ 22,480,161</u>

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

General government	\$ 105,539
Public safety	818,014
Economic and physical development	7,983
Human services	95,916
Cultural and recreational	<u>78,309</u>
Total	<u>\$ 1,105,761</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u>
	<u>June 30, 2016</u>				<u>June 30, 2017</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer District:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 488,804	\$ -	\$ -	\$ -	\$ 488,804
Construction in progress	34,771,741	1,039,394	-	(11,620,796)	24,190,339
Total non-depreciable capital assets	<u>35,260,545</u>	<u>1,039,394</u>	<u>-</u>	<u>(11,620,796)</u>	<u>24,679,143</u>
<b>Depreciable Assets:</b>					
Plant and distribution system	43,880,731	159,420	-	11,620,796	55,660,947
Furniture and maintenance equipment	1,223,805	-	-	-	1,223,805
Buildings	124,620	-	-	-	124,620
Vehicles	707,751	90,121	-	-	797,872
Total depreciable capital assets	<u>45,936,907</u>	<u>249,541</u>	<u>-</u>	<u>11,620,796</u>	<u>57,807,244</u>
<b>Less Accumulated Depreciation:</b>					
Plant and distribution system	12,179,790	1,404,723	-	-	13,584,513
Furniture and maintenance equipment	849,475	60,999	-	-	910,474
Buildings	18,277	2,493	-	-	20,770
Vehicles	524,783	51,948	-	-	576,731
Total accumulated depreciation	<u>13,572,325</u>	<u>\$ 1,520,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,092,488</u>
Total depreciable capital assets, net	<u>32,364,582</u>				<u>42,714,756</u>
Water and Sewer capital assets, net	<u>67,625,127</u>				<u>67,393,899</u>
<b>Solid Waste:</b>					
<b>Non-Depreciable Assets:</b>					
Land	182,652	\$ -	\$ -	\$ -	182,652
<b>Depreciable Assets:</b>					
Plant and distribution system	1,075,504	-	-	-	1,075,504
Furniture and maintenance equipment	794,992	27,610	-	-	822,602
Vehicles	433,571	115,578	-	-	549,149
Total depreciable capital assets	<u>2,304,067</u>	<u>143,188</u>	<u>-</u>	<u>-</u>	<u>2,447,255</u>
<b>Less Accumulated Depreciation:</b>					
Plant and distribution system	217,368	21,511	-	-	238,879
Furniture and maintenance equipment	632,195	35,649	-	-	667,844
Vehicles	297,149	40,749	-	-	337,898
Total accumulated depreciation	<u>1,146,712</u>	<u>\$ 97,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,244,621</u>
Total depreciable capital assets, net	<u>1,157,355</u>				<u>1,202,634</u>
Solid waste capital assets, net	<u>1,340,007</u>				<u>1,385,286</u>
Business-type activities, net	<u>\$ 68,965,134</u>				<u>\$ 68,779,185</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Net Investment in Capital Assets

The total net investment in capital assets, at June 30, 2017 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 22,480,161	\$ 68,779,185
Long-term debt	38,438,539	26,317,218
<b>Less:</b>		
School debt to which County does not hold title	26,270,680	-
Total capital debt	12,167,859	26,317,218
Net investment in capital assets	\$ 10,312,302	\$ 42,461,967

### Construction Commitments

The government has active construction projects at year-end. At June 30, 2017, the government's commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
<b>Water and Sewer Fund:</b>		
Phase V Water Project	\$ 10,007,314	\$ 549,293
Hwy 401 Water Improvements	1,438,449	611,551
Vass Road Water Main Extension	175,033	2,751
Drainage Repair	12,729	429,271
Vass Road Production Wells	639,101	53,789
Sandy Grove Pump Station	1,107,705	60,011
Sewer Project Phase 1A	1,457,147	18,618
Sewer Project Phase 1B	17,800,706	324,930
VFD	351,466	194,364
Total	\$ 32,989,650	\$ 2,244,578

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### B. Liabilities

#### Payables

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

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Total</u>
<b>Governmental Activities:</b>			
General	\$ 1,119,935	\$ 477,320	\$ 1,597,255
Other governmental	52,109	-	52,109
Total governmental activities	<u>\$ 1,172,044</u>	<u>\$ 477,320</u>	<u>\$ 1,649,364</u>
<b>Business-Type Activities:</b>			
Water and Sewer District	\$ 349,546	\$ 50,096	\$ 399,642
Solid Waste	119,540	26,081	145,621
Total business-type activities	<u>\$ 469,086</u>	<u>\$ 76,177</u>	<u>\$ 545,263</u>

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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.

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, 2017, was 8.00% of compensation for law enforcement officers and 7.34% 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 \$1,165,712 for the year ended June 30, 2017.

**Refunds of Contributions** – County employees who have terminated service as a contributing member of LGERS, may file an 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

At June 30, 2017, the County reported a liability of \$5,440,818 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was .256%, which was a decrease of .004% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,474,199. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 102,224	\$ 190,652
Changes of assumptions	372,647	-
Net difference between projected and actual earnings on pension plan investments	3,008,087	-
Changes in proportion and differences between County contributions and proportionate share of contributions	75,767	100,921
County contributions subsequent to the measurement date	1,165,712	-
Total	\$ 4,724,437	\$ 291,573

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$1,165,712 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2018	\$ 504,184
2019	504,474
2020	1,416,742
2021	841,752
2022	-
Thereafter	-
Total	<u>\$ 3,267,152</u>

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

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

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

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

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

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

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

*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:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(6.25%)</b>	<b>(7.25%)</b>	<b>(8.25%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ 12,913,599</u>	<u>\$ 5,440,818</u>	<u>\$ (801,005)</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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the Plan.

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

Inactive members currently receiving benefits	-
Active plan members	<u>61</u>
Total	<u><u>61</u></u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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 criteria which are outlined in GASB Statements 73.

### Actuarial Assumptions

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

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

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

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

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

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

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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 operation budget. There were no contributions made by the employees. The County's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$0 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$593,731. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$76,794.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 14,095

No deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses were incurred subsequent to the measurement. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2018	\$ 2,353
2019	2,353
2020	2,353
2021	2,353
2022	2,353
Thereafter	2,330
Total	\$ 14,095

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(2.86%)</b>	<b>(3.86%)</b>	<b>(4.86%)</b>
Total pension liability	\$ 652,457	\$ 593,731	\$ 540,536

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

	<b>2017</b>
Beginning balance	\$ 531,032
Service cost	60,189
Interest on the total pension liability	18,958
Changes of assumptions or other inputs	(16,448)
Ending balance of the total pension liability	\$ 593,731

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

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

### Supplemental Retirement Income Plan for Law Enforcement Officers

**Plan Description.** The County contributes to 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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, 2017, were \$146,269, which consisted of \$146,269 from the County and \$0 from the law enforcement officers. No amounts were forfeited.

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

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

**Contributions.** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$10,000 for the year ended June 30, 2017.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

At June 30, 2017, the County reported an asset of \$93,637 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was .501%, which was an increase of .025% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$10,907. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 100	\$ 1,212
Changes of assumptions	24,947	-
Net difference between projected and actual earnings on pension plan investments	160	-
Changes in proportion and differences between County contributions and proportionate share of contributions	2,539	4,296
County contributions subsequent to the measurement date	10,000	-
Total	<u>\$ 37,746</u>	<u>\$ 5,508</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$10,000 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2018	\$ 10,355
2019	9,222
2020	3,704
2021	(1,043)
2022	-
Thereafter	-
Total	<u>\$ 22,238</u>

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

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

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

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

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2016 is 1.4%.

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

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

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

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(2.75%)</b>	<b>(3.75%)</b>	<b>(4.75%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ (75,502)</u>	<u>\$ (93,637)</u>	<u>\$ (108,873)</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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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.

<u>County Contributions Based on Years of Creditable Service</u>	
<u>Years of Creditable Service with County</u>	<u>County Pays</u>
30+	100%
25 - 29	75%
15 - 24	50%
12 - 14	25%

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 June 30, 2016:

	<u>General</u>	<u>Law</u>
	<u>Employees</u>	<u>Enforcement</u>
		<u>Officers</u>
Retirees and dependents receiving benefits	7	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	288	61
Total	<u>295</u>	<u>61</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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 3.9% of annual covered payroll. For the current year, the County contributed \$73,470, or .57%, 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 16.48% and .03% 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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Annual required contribution	\$ 460,139	\$ 45,508	\$ 505,647
Interest on net OPEB obligation	98,707	9,762	108,469
Adjustments to annual required contribution	(94,296)	(9,326)	(103,622)
Annual OPEB cost (expense)	464,550	45,944	510,494
Contributions made	(73,470)	-	(73,470)
Increase (decrease) in net OPEB obligation	391,080	45,944	437,024
Net OPEB obligation:			
Beginning of year - July 1	2,456,324	255,410	2,711,734
End of year - June 30	<u>\$ 2,847,404</u>	<u>\$ 301,354</u>	<u>\$ 3,148,758</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

<b>Three Year Trend Information</b>			
<b>Year Ended June 30</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2015	\$ 465,043	10.61%	\$ 2,266,128
2016	494,970	9.97%	2,711,734
2017	510,494	14.39%	3,148,758

**Funding Status and Funding Progress.** As of June 30, 2016, 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 \$3,744,830. The covered payroll (annual payroll of active employees covered by the plan) was \$12,985,118, and the ratio of the UAAL to the covered payroll was 28.8%. 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

In the June 30, 2016 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 7.75% to 5.0% annually. The investment rate of return 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 a closed basis. The remaining amortization period at June 30, 2016, was 30 years.

As of June 30, 2017, 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, 2017

### Deferred Outflows and Inflows of Resources

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pensions - difference between expected and actual experience	\$ 102,324	\$ 191,864
Pensions - changes in assumptions	397,594	14,095
Pensions - difference between projected and actual investment earnings	3,008,247	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	78,306	105,217
Contributions to pension plan subsequent to measurement date	1,175,712	-
Prepaid taxes not yet earned (General)	-	125,721
Taxes receivable, net (General)	-	2,615,215
Taxes receivable, net (Special Revenue)	-	293,110
<b>Total</b>	<b><u>\$ 4,762,183</u></b>	<b><u>\$ 3,345,222</u></b>

### 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 a limit of \$200 million for any one occurrence, 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 North Carolina 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 a \$500,000 retention up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,000.

# **HOKE COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017, 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, 2017, 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, 2017

The County's general long-term debt at June 30, 2017, 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	<u>\$ 7,800,000</u>
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**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	\$ 100,000
--	------------

\$4,770,000 2014B Refunding Series, due in semi-annual payments, including interest at a rate of 2.39%, maturing in 2026	<u>3,787,000</u>
--	------------------

Total Water and Sewer Fund	<u>\$ 3,887,000</u>
----------------------------	---------------------

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
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	900,000	208,000	424,000	52,198
2023-2027	4,100,000	485,375	1,760,000	106,236
Total	\$ 7,800,000	\$ 1,805,375	\$ 3,887,000	\$ 464,895

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The County's notes payable debt at June 30, 2017 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	\$ 1,276,667
\$2,585,000 note, payable in semi-annual installments of \$85,667, including interest at 2.12%, maturing in 2022	856,667
\$5,000,000 note, payable in annual installments of \$333,333, including interest at 2.65%, maturing in 2021	1,333,333
\$525,000 note, payable in annual installments of \$35,000, including interest at 4.64%, maturing in 2018	70,000
\$3,865,000 note, payable in semi-annual installments of \$128,833, including interest at 3.79%, maturing in 2023	1,546,000
\$2,790,450 USDA note, payable in annual installments of \$168,823, including interest at 4.375%, maturing in 2035	1,941,332
\$7,034,000 USDA note, payable in annual installments of \$362,040, including interest at the rate of 4.125%, maturing in 2045	5,908,660
\$700,000 USDA note, payable in annual installments of \$36,029, including interest at 4.125%, maturing in 2034	<u>410,941</u>
Total notes payable - General Fund	<u>13,343,600</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	107,718
\$1,360,000 note, payable in monthly installments of \$14,167, at zero interest, maturing in 2024	<u>1,147,500</u>
Total notes payable - Water and Sewer Fund	<u>1,255,218</u>
Total notes payable	<u>\$ 14,598,818</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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
2018	\$ 1,273,944	\$ 495,321	\$ 277,718	\$ 3,555
2019	1,283,281	454,188	170,000	-
2020	1,258,011	412,662	170,000	-
2021	1,268,154	372,346	170,000	-
2022	945,390	331,605	170,000	-
2023-2027	1,737,828	1,361,622	297,500	-
2028-2032	1,820,063	1,014,397	-	-
2033-3037	1,417,297	645,040	-	-
2038-2042	1,441,793	368,407	-	-
2043-2045	897,839	70,336	-	-
Total	<u>\$ 13,343,600</u>	<u>\$ 5,525,924</u>	<u>\$ 1,255,218</u>	<u>\$ 3,555</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

\$ 16,806,516

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

Year Ending June 30	General Fund	
	Principal	Interest
2018	\$ 475,871	\$ 919,409
2019	475,871	919,409
2020	475,871	919,409
2021	475,871	919,409
2022	571,798	919,409
2023-2027	5,562,383	4,597,047
2028-2032	8,768,851	4,597,045
Total	<u>\$ 16,806,516</u>	<u>\$ 13,791,137</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Revenue Bonds Payable - Water and Sewer Fund:

<p>\$9,423,000 USDA Water &amp; 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>	\$ 9,174,000
<p>\$9,000,000 USDA Water &amp; 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 &amp; 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 &amp; 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>\$ 21,175,000</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

<b>Year Ending</b> <b>June 30</b>	<b>Water and Sewer</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 324,000	\$ 621,115
2019	333,000	611,705
2020	343,000	602,020
2021	352,000	592,045
2022	363,000	581,795
2023-2027	1,984,000	2,743,560
2028-2032	2,289,000	2,435,985
2033-3037	2,648,000	2,079,260
2038-2042	3,060,000	1,665,240
2043-2047	3,543,000	1,184,250
2048-2052	4,099,000	625,390
2053-2055	1,837,000	85,685
Total	<u>\$ 21,175,000</u>	<u>\$ 13,828,050</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, 2017

The debt service coverage ratio calculation for the year ended June 30, 2017, is as follows:

Operating revenues	\$ 6,670,396
Operating expenses*	<u>3,987,718</u>
Net revenues	<u>\$ 2,682,678</u>

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

Current year debt service	\$ 752,560
Current year debt service percent coverage	356%

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	\$ 862,905
Debt service on subordinated indebtedness percent coverage	311%

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	\$ 863,802
Debt services on debt coming due in next fiscal year percent of coverage	311%

\*Per revenue bond covenant, this does not include depreciation expense of \$1,520,163.

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 \$35,003,050. Principal and interest paid for the current year and total customer net revenues were \$1,647,288 and \$2,762,134, respectively.

**Debt Related to Capital Activities** – Of the total governmental activities debt listed, only \$12,167,859 relates to assets the County holds title.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion</u>
<b>Governmental Activities:</b>						
General obligation bonds	\$ 8,500,000	\$ -	\$ 700,000	\$ -	\$ 7,800,000	\$ 700,000
Limited obligation bonds	17,282,387	-	475,871	-	16,806,516	475,871
Installment purchases	14,608,580	-	1,264,980	-	13,343,600	1,273,944
Capital leases	-	601,399	112,976	-	488,423	116,489
Compensated absences	935,183	3,305,018	3,232,734	-	1,007,467	503,734
Other post-employment benefits	2,456,324	464,550	73,470	-	2,847,404	-
Net pension liability (LIGERS)	1,064,502	3,886,643	-	-	4,951,145	-
Total pension liability (LEOSSA)	<u>508,522</u>	<u>85,209</u>	<u>-</u>	<u>-</u>	<u>593,731</u>	<u>-</u>
Total governmental activities	<u>\$ 45,355,498</u>	<u>\$ 8,342,819</u>	<u>\$ 5,860,031</u>	<u>\$ -</u>	<u>\$ 47,838,286</u>	<u>\$ 3,070,038</u>
<b>Business-Type Activities:</b>						
<b>Water and Sewer District:</b>						
General obligation bonds	\$ 4,367,000	\$ -	\$ 480,000	\$ -	\$ 3,887,000	\$ 491,000
Revenue bond	21,302,000	-	127,000	-	21,175,000	324,000
Installment purchases	1,529,496	-	274,278	-	1,255,218	277,718
Compensated absences	71,214	123,805	134,583	-	60,436	30,218
Other post-employment benefits	155,435	29,863	-	-	185,298	-
Net pension liability (LIGERS)	<u>70,187</u>	<u>256,262</u>	<u>-</u>	<u>-</u>	<u>326,449</u>	<u>-</u>
Total water and sewer	<u>27,495,332</u>	<u>409,930</u>	<u>1,015,861</u>	<u>-</u>	<u>26,889,401</u>	<u>1,122,936</u>
<b>Solid Waste:</b>						
Compensated absences	34,299	119,708	117,643	-	36,364	18,182
Other post-employment benefits	99,975	16,081	-	-	116,056	-
Net pension liability (LIGERS)	<u>35,093</u>	<u>128,131</u>	<u>-</u>	<u>-</u>	<u>163,224</u>	<u>-</u>
Total solid waste	<u>169,367</u>	<u>263,920</u>	<u>117,643</u>	<u>-</u>	<u>315,644</u>	<u>18,182</u>
Total business-type activities	<u>\$ 27,664,699</u>	<u>\$ 673,850</u>	<u>\$ 1,133,504</u>	<u>\$ -</u>	<u>\$ 27,205,045</u>	<u>\$ 1,141,118</u>

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, 2017, the County had a legal debt margin of approximately \$240,758,000.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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, 2017, there were no industrial revenue bonds outstanding.

### Interfund Balances and Activity

Balances due to/from funds at June 30, 2017 consist of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
<b>Capital Project Funds:</b>			
CDBG Capital Projects Fund	\$ 1,190	\$ -	Deficit cash
Administrative Capital Projects Fund	484,536	-	Deficit cash
<b>General Fund</b>	<u>-</u>	<u>485,726</u>	
Total	<u>\$ 485,726</u>	<u>\$ 485,726</u>	

## 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **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.

### **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 the City of Raeford 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	\$ 213,225	\$ -
Medical Assistance Program	45,389,805	24,004,160
Special Supplemental Nutrition Program for WIC	920,777	-
IV-E Adoption Subsidy and Vendors	157,027	39,732
Title IV-E - Foster Care	51,192	14,827
State Children's Insurance Program - N.C. Health Choice	694,427	5,099
SFHF Maximization	-	18,796
CWS - Adoption Subsidy and Vendors	-	117,283
SC/SA Domiciliary Care	-	248,481
Foster Care At Risk Maximization	-	1,036
Foster Care At Risk	-	1,360
SAA/SAD HB 1030	-	12,631
State Foster Home	-	13,353
Total	<u>\$ 47,426,453</u>	<u>\$ 24,476,758</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **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.

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

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for governmental activities decreased \$22,510.

## HOKE COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (b)					
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%
6/30/2016	-	3,744,830		3,744,830	0.00%	12,985,118	28.84%

## Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution	Percentage 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	461,472	9.86%
2016	490,919	10.06%
2017	505,647	14.53%

## 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	6/30/2016
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, closed
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical trend assumptions	
Pre-Medicare trend rate	7.75% - 5.00%
Year of ultimate trend rate	2022

\*Includes inflation at 3.0%

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF NET  
PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS\*

<u>Local Government Employees' Retirement System</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Hoke County's proportion of the net pension liability (asset) %	0.25636%	0.26065%	0.24745%	0.24320%
Hoke County's proportionate share of the net pension liability (asset) \$	\$ 5,440,818	\$ 1,169,782	\$ (1,459,327)	\$ 2,931,494
Hoke County's covered payroll	\$ 14,222,807	\$ 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	38.25%	8.08%	-10.54%	24.35%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

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

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF COUNTY CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARSLocal Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,165,712	\$ 972,034	\$ 1,032,713	\$ 987,199
Contributions in relation to the contractually required contribution	<u>1,165,712</u>	<u>972,034</u>	<u>1,032,713</u>	<u>987,199</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hoke County's covered payroll	\$ 15,610,906	\$ 14,222,807	\$ 14,477,764	\$ 13,843,764
Contributions as a percentage of covered payroll	7.47%	6.83%	7.13%	7.13%

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

## HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF NET  
PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS\***

<b>Register of Deeds' Supplemental Pension Fund</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Hoke County's proportion of the net pension liability (asset) %	0.50084%	0.47544%	0.50351%	0.51401%
Hoke County's proportionate share of the net pension liability (asset) \$	\$ (93,637)	\$ (110,178)	\$ (114,142)	\$ (109,793)
Hoke County's covered payroll	\$ 48,153	\$ 47,971	\$ 46,805	\$ 55,480
Hoke County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-194.46%	-229.68%	-243.87%	-197.90%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

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

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

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF COUNTY CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARSRegister of Deeds' Supplemental Pension Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 10,000	\$ 7,191	\$ 3,392	\$ 3,309
Contributions in relation to the contractually required contribution	<u>10,000</u>	<u>7,191</u>	<u>3,392</u>	<u>3,309</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hoke County's covered payroll	\$ 52,424	\$ 48,153	\$ 47,971	\$ 46,805
Contributions as a percentage of covered payroll	19.08%	14.93%	7.07%	7.07%

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

**HOKE COUNTY, NORTH CAROLINA****SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
FOR THE YEAR ENDED JUNE 30, 2017****Law Enforcement Officers' Special Separation Allowance**

	<u>2017</u>
Beginning balance	\$ 531,032
Service cost	60,189
Interest on the total pension liability	18,958
Changes of assumptions or other inputs	<u>(16,448)</u>
Ending balance of the total pension liability	<u>\$ 593,731</u>

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

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

**HOKE COUNTY, NORTH CAROLINA****SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
FOR THE YEAR ENDED JUNE 30, 2017****Law Enforcement Officers' Special Separation Allowance**

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	<b>2017</b>
Total pension liability	\$ 593,731
Covered payroll	2,740,426
Total pension liability as a percentage of covered payroll	21.67%

**Notes to the Schedules:**

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

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Register of Deeds Automation Fund	Revaluation Fund	Law Enforcement Officer Fund	Total
<b>Revenues:</b>					
Ad valorem taxes	\$ 25,736,218	\$ -	\$ -	\$ -	\$ 25,736,218
Local option sales taxes	8,699,982	-	-	-	8,699,982
Other taxes and licenses	21,585	-	-	-	21,585
Unrestricted intergovernmental	281,564	-	-	-	281,564
Restricted intergovernmental	9,607,061	-	-	-	9,607,061
Permits and fees	1,622,881	-	-	-	1,622,881
Sales and services	1,294,724	-	-	-	1,294,724
Investment earnings	110,548	-	-	-	110,548
Total revenues	<u>47,374,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,374,563</u>
<b>Expenditures:</b>					
Current:					
General government	5,453,319	24,658	-	-	5,477,977
Public safety	11,429,227	-	-	-	11,429,227
Economic and physical development	632,149	-	-	-	632,149
Human services	12,292,725	-	-	-	12,292,725
Cultural and recreational	1,093,414	-	-	-	1,093,414
Transportation	1,269,477	-	-	-	1,269,477
Intergovernmental - education	6,461,722	-	-	-	6,461,722
Debt service:					
Principal retirements	2,553,827	-	-	-	2,553,827
Interest and fees	1,059,755	-	-	-	1,059,755
Total expenditures	<u>42,245,615</u>	<u>24,658</u>	<u>-</u>	<u>-</u>	<u>42,270,273</u>
Revenues over (under) expenditures	<u>5,128,948</u>	<u>(24,658)</u>	<u>-</u>	<u>-</u>	<u>5,104,290</u>
<b>Other Financing Sources (Uses):</b>					
Intrafund transfers	(75,000)	25,000	50,000	-	-
Long-term debt issued	601,399	-	-	-	601,399
Total other financing sources (uses)	<u>526,399</u>	<u>25,000</u>	<u>50,000</u>	<u>-</u>	<u>601,399</u>
Net change in fund balance	5,655,347	342	50,000	-	5,705,689
<b>Fund Balance:</b>					
Beginning of year - July 1	<u>16,298,789</u>	<u>14,429</u>	<u>106,672</u>	<u>7,696</u>	<u>16,427,586</u>
End of year - June 30	<u>\$ 21,954,136</u>	<u>\$ 14,771</u>	<u>\$ 156,672</u>	<u>\$ 7,696</u>	<u>\$ 22,133,275</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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 25,241,127	\$ 25,568,676	\$ 327,549	\$ 25,068,359
Interest	273,100	167,542	(105,558)	254,417
Total	<u>25,514,227</u>	<u>25,736,218</u>	<u>221,991</u>	<u>25,322,776</u>
<b>Local Option Sales Tax:</b>				
Article 39 - one percent	1,500,000	1,610,461	110,461	1,485,027
Article 40 - 1/2 of a percent	2,949,511	2,937,724	(11,787)	3,096,676
Article 42 - 1/2 of a percent	1,020,000	1,200,074	180,074	1,159,907
Article 44 - 1/2 of a percent	915,141	1,989,549	1,074,408	42
Medicaid Hold Harmless	525,000	962,174	437,174	561,862
Total	<u>6,909,652</u>	<u>8,699,982</u>	<u>1,790,330</u>	<u>6,303,514</u>
<b>Other Taxes and Licenses:</b>				
Privilege licenses	-	1,062	1,062	1,146
Cable TV franchise tax	15,000	20,523	5,523	20,227
Total	<u>15,000</u>	<u>21,585</u>	<u>6,585</u>	<u>21,373</u>
<b>Unrestricted Intergovernmental:</b>				
Payments in lieu of taxes	11,300	2,201	(9,099)	29,834
Beer and wine tax	180,000	279,363	99,363	203,012
Total	<u>191,300</u>	<u>281,564</u>	<u>90,264</u>	<u>232,846</u>
<b>Restricted Intergovernmental:</b>				
Social services	6,226,365	6,128,575	(97,790)	5,268,761
Health Department	2,138,170	1,920,284	(217,886)	1,553,704
Law enforcement grants	231,000	220,500	(10,500)	210,000
Juvenile justice	157,423	150,460	(6,963)	120,529
Veteran services	1,500	2,130	630	3,051
Transportation	855,635	731,234	(124,401)	608,066
Senior Services grants	307,975	312,137	4,162	371,875
ABC profits for law enforcement	97,500	141,741	44,241	171,212
Other	800,000	-	(800,000)	307,324
Total	<u>10,815,568</u>	<u>9,607,061</u>	<u>(1,208,507)</u>	<u>8,614,522</u>
<b>Permits and Fees:</b>				
Inspection fees	652,000	648,972	(3,028)	585,371
Sheriff fees	179,000	314,285	135,285	303,788
Court facility fees	50,000	57,813	7,813	60,121
Register of Deeds fees	294,000	441,354	147,354	401,213
Tax administration	136,000	160,457	24,457	133,905
Total	<u>1,311,000</u>	<u>1,622,881</u>	<u>311,881</u>	<u>1,484,398</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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Sales and Services:</b>				
Health Department fees	150,232	137,770	(12,462)	148,947
Jail fees	104,400	137,417	33,017	207,551
Corporative extensions	110,913	124,122	13,209	102,392
Economic development	16,000	18,515	2,515	22,787
Library	4,000	8,282	4,282	8,126
Parks and recreation	71,800	93,173	21,373	91,144
Elections	6,500	111	(6,389)	7,762
Transportation	102,000	116,731	14,731	169,142
Planning and zoning	115,700	109,780	(5,920)	122,120
Miscellaneous revenue	219,600	548,823	329,223	430,753
Total	901,145	1,294,724	393,579	1,310,724
<b>Investment Earnings</b>	25,000	110,548	85,548	49,434
Total revenues	45,682,892	47,374,563	1,691,671	43,339,587
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	251,317	239,891	11,426	204,270
Operating expenses	112,300	103,639	8,661	73,906
Charges for services	(24,997)	(24,997)	-	(24,997)
Total	338,620	318,533	20,087	253,179
<b>Administration:</b>				
Salaries and employee benefits	264,084	201,026	63,058	179,819
Operating expenses	1,853,190	1,380,185	473,005	1,105,627
Charges for services	(288,913)	(288,913)	-	(116,034)
Total	1,828,361	1,292,298	536,063	1,169,412
<b>Human Resources:</b>				
Salaries and employee benefits	208,665	157,633	51,032	179,915
Operating expenses	21,000	12,118	8,882	12,645
Charges for services	(46,710)	(46,710)	-	(46,710)
Total	182,955	123,041	59,914	145,850
<b>Elections:</b>				
Salaries and employee benefits	172,161	158,689	13,472	175,976
Operating expenses	108,400	99,583	8,817	90,905
Capital outlay	5,000	3,112	1,888	-
Total	285,561	261,384	24,177	266,881

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Finance:</b>				
Salaries and employee benefits	445,930	422,460	23,470	435,746
Operating expenses	183,000	137,026	45,974	130,339
Charges for services	(211,111)	(211,111)	-	(211,111)
Total	417,819	348,375	69,444	354,974
<b>Tax Administration:</b>				
Salaries and employee benefits	437,991	417,404	20,587	367,281
Operating expenses	60,220	55,920	4,300	56,594
Total	498,211	473,324	24,887	423,875
<b>Tax Collections:</b>				
Salaries and employee benefits	350,783	335,291	15,492	301,769
Operating expenses	92,694	71,950	20,744	68,973
Total	443,477	407,241	36,236	370,742
<b>DMV:</b>				
Operating expenses	126,900	122,685	4,215	107,205
<b>Legal:</b>				
Special legal services	131,950	113,908	18,042	73,339
<b>Register of Deeds:</b>				
Salaries and employee benefits	163,901	164,518	(617)	152,754
Operating expenses	60,873	59,049	1,824	55,228
Total	224,774	223,567	1,207	207,982
<b>Central Garage:</b>				
Salaries and employee benefits	112,140	109,423	2,717	104,968
Operating expenses	14,740	4,807	9,933	3,549
Charges for services	(31,736)	(31,736)	-	(31,736)
Total	95,144	82,494	12,650	76,781
<b>Public Buildings:</b>				
Salaries and employee benefits	430,416	416,971	13,445	371,832
Operating expenses	411,416	381,242	30,174	373,575
Capital outlay	389,853	351,803	38,050	30,030
Charges for services	(39,862)	(39,862)	-	(39,862)
Total	1,191,823	1,110,154	81,669	735,575
<b>Groundskeeping:</b>				
Salaries and employee benefits	54,304	49,556	4,748	46,223
Operating expenses	24,750	23,038	1,712	20,907
Total	79,054	72,594	6,460	67,130

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Information Technology:</b>				
Salaries and employee benefits	302,569	261,156	41,413	233,513
Operating expenses	332,253	299,236	33,017	212,574
Charges for services	(56,671)	(56,671)	-	(56,671)
Total	578,151	503,721	74,430	389,416
Total general government	6,422,800	5,453,319	969,481	4,642,341
<b>Public Safety:</b>				
<b>Sheriff:</b>				
Salaries and employee benefits	4,301,853	4,224,361	77,492	3,809,916
Operating expenses	724,400	651,747	72,653	589,880
Capital outlay	1,163,843	1,032,425	131,418	176,938
Total	6,190,096	5,908,533	281,563	4,576,734
<b>Court Facilities:</b>				
Operating expenses	91,700	91,331	369	89,919
Capital outlay	32,179	31,760	419	14,125
Total	123,879	123,091	788	104,044
<b>Jail:</b>				
Salaries and employee benefits	2,719,261	2,668,879	50,382	2,463,452
Operating expenses	1,048,732	977,094	71,638	1,084,532
Total	3,767,993	3,645,973	122,020	3,547,984
<b>Communications:</b>				
Salaries and employee benefits	820,287	750,734	69,553	709,305
Operating expenses	205,539	110,013	95,526	168,182
Capital outlay	11,000	4,500	6,500	11,002
Total	1,036,826	865,247	171,579	888,489
<b>Emergency Management:</b>				
Salaries and employee benefits	149,271	141,214	8,057	130,830
Operating expenses	30,650	24,737	5,913	18,153
Capital outlay	11,500	6,290	5,210	10,717
Total	191,421	172,241	19,180	159,700
<b>Animal Control:</b>				
Salaries and employee benefits	226,843	205,075	21,768	207,572
Operating expenses	58,350	45,166	13,184	42,167
Total	285,193	250,241	34,952	249,739

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Juvenile Justice:</b>				
Operating expenses	157,423	142,556	14,867	129,824
<b>Inspections:</b>				
Salaries and employee benefits	206,756	211,298	(4,542)	158,413
Operating expenses	26,800	16,357	10,443	26,876
Capital outlay	1,667	1,665	2	-
Total	235,223	229,320	5,903	185,289
<b>Medical Examiner:</b>				
Contracted services	100,000	92,025	7,975	66,875
Total public safety	12,088,054	11,429,227	658,827	9,908,678
<b>Economic and Physical Development:</b>				
<b>Planning and Zoning:</b>				
Salaries and employee benefits	129,535	112,104	17,431	121,267
Operating expenses	11,050	6,139	4,911	4,841
Total	140,585	118,243	22,342	126,108
<b>Economic Development:</b>				
Operating expenditures	86,345	82,801	3,544	73,060
<b>Cooperative Extension:</b>				
Salaries and employee benefits	340,434	326,483	13,951	314,237
Operating expenses	45,406	40,476	4,930	45,396
Capital outlay	1,000	1,000	-	-
Total	386,840	367,959	18,881	359,633
<b>Conservation:</b>				
Salaries and employee benefits	59,677	57,361	2,316	54,614
Operating expenses	7,850	4,373	3,477	5,354
Capital outlay	650	1,412	(762)	-
Total	68,177	63,146	5,031	59,968
Total economic and physical development	681,947	632,149	49,798	618,769
<b>Human Services:</b>				
<b>Environmental Health:</b>				
Salaries and employee benefits	-	-	-	78
Operating expenses	33,281	26,496	6,785	20,909
Capital outlay	15,150	8,319	6,831	3,116
Total	48,431	34,815	13,616	24,103

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Client Services:</b>				
Operating expenses	47,478	30,068	17,410	27,135
<b>Child Health:</b>				
Operating expenses	59,697	49,457	10,240	61,451
<b>Child Services Coordinator:</b>				
Operating expenses	15,000	5,655	9,345	5,834
<b>Pregnancy Care Management:</b>				
Operating expenses	18,392	8,001	10,391	9,163
<b>Ed/Risk Reduction:</b>				
Operating expenses	8,000	6,602	1,398	8,587
<b>WIC - Nutrition:</b>				
Operating expenses	2,000	873	1,127	1,134
<b>WIC - Administration:</b>				
Salaries and employee benefits	-	-	-	11
Operating expenses	1,100	-	1,100	200
Total	1,100	-	1,100	211
<b>NC Partnership for Children:</b>				
Operating expenses	4,000	3,943	57	4,000
<b>WIC - Breastfeeding:</b>				
Operating expenses	14,450	5,372	9,078	6,895
<b>WorkFirst Block Grant:</b>				
Operating expenses	43,000	22,188	20,812	18,734
<b>Program Integrity:</b>				
Salaries and employee benefits	-	-	-	4,116
Operating expenses	750	666	84	431
Total	750	666	84	4,547
<b>Public Assistance:</b>				
Operating expenses	1,088,692	935,330	153,362	976,038
<b>DSS - IV-D:</b>				
Salaries and employee benefits	-	-	-	34,489
Operating expenses	82,833	42,725	40,108	53,892
Total	82,833	42,725	40,108	88,381

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Title XX:</b>				
Salaries and employee benefits	-	-	-	106,693
Operating expenses	3,058,368	2,433,782	624,586	2,383,305
Total	3,058,368	2,433,782	624,586	2,489,998
<b>DSS - Eligibility:</b>				
Salaries and employee benefits	-	5,879	(5,879)	72,976
Operating expenses	4,500	843	3,657	797
Total	4,500	6,722	(2,222)	73,773
<b>DSS-Food Stamps:</b>				
Salaries and employee benefits	-	547	(547)	47,868
Operating expenses	17,400	15,103	2,297	14,369
Total	17,400	15,650	1,750	62,237
<b>Veterans Service:</b>				
Salaries and employee benefits	41,108	33,512	7,596	22,728
Operating expenses	3,005	4,621	(1,616)	2,751
Capital outlay	2,479	-	2,479	2,479
Total	46,592	38,133	8,459	27,958
<b>Health Administration:</b>				
Salaries and employee benefits	2,191,885	2,039,252	152,633	1,774,351
Operating expenses	510,669	393,684	116,985	368,285
Capital outlay	20,000	20,000	-	9,950
Total	2,722,554	2,452,936	269,618	2,152,586
<b>Communicable Diseases:</b>				
Operating expenses	30,000	27,037	2,963	35,544
<b>Bioterrorism Grant:</b>				
Operating expenses	20,250	6,485	13,765	16,194
<b>Breast and Cervical Cancer Program:</b>				
Operating expenses	11,475	10,996	479	7,670
<b>Women's Preventive Health:</b>				
Operating expenses	122,200	86,710	35,490	52,066
<b>Maternal Care:</b>				
Salaries and employee benefits	20,000	17,599	2,401	16,894
Operating expenses	33,500	28,920	4,580	28,611
Total	53,500	46,519	6,981	45,505

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Activities Routes to School:</b>				
Operating expenses	16,975	7,791	9,184	47,557
<b>Immunization:</b>				
Operating expenses	19,500	17,396	2,104	-
<b>DSS - Administration:</b>				
Salaries and employee benefits	4,260,735	3,944,381	316,354	3,429,221
Operating expenses	369,900	333,718	36,182	360,494
Capital outlay	130,217	122,748	7,469	81,115
Total	4,760,852	4,400,847	360,005	3,870,830
<b>Senior Services:</b>				
Salaries and employee benefits	323,424	295,686	27,738	292,460
Operating expenses	545,104	486,169	58,935	410,644
Capital outlay	21,495	21,272	223	629
Total	890,023	803,127	86,896	703,733
<b>Health Primary Care:</b>				
Operating expenses	65,300	45,973	19,327	51,579
<b>Special Appropriations</b>				
	797,217	746,926	50,291	697,391
Total human services	14,070,529	12,292,725	1,777,804	11,570,834
<b>Cultural and Recreational:</b>				
<b>Recreation:</b>				
Salaries and employee benefits	452,329	424,112	28,217	462,824
Operating expenses	201,491	182,007	19,484	130,226
Capital outlay	66,000	66,000	-	-
Total	719,820	672,119	47,701	593,050
<b>Literacy Council:</b>				
Salaries and employee benefits	66,795	63,474	3,321	59,209
Operating expenses	2,600	2,546	54	2,078
Total	69,395	66,020	3,375	61,287
<b>Library:</b>				
Salaries and employee benefits	297,570	293,142	4,428	282,525
Operating expenses	88,555	62,133	26,422	48,037
Total	386,125	355,275	30,850	330,562
Total cultural and recreational	1,175,340	1,093,414	81,926	984,899

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Transportation:</b>				
Salaries and employee benefits	789,669	740,332	49,337	738,753
Operating expenses	303,746	185,391	118,355	231,831
Capital outlay	379,487	343,754	35,733	70,442
Total	<u>1,472,902</u>	<u>1,269,477</u>	<u>203,425</u>	<u>1,041,026</u>
<b>Education:</b>				
Public school - current	4,847,979	4,847,979	-	4,812,418
Community colleges	447,762	447,762	-	432,762
Capital outlay	1,028,806	1,022,481	6,325	359,437
Total	<u>6,324,547</u>	<u>6,318,222</u>	<u>6,325</u>	<u>5,604,617</u>
<b>Special Appropriations</b>	<u>233,000</u>	<u>143,500</u>	<u>89,500</u>	<u>237,999</u>
Total education	<u>6,557,547</u>	<u>6,461,722</u>	<u>95,825</u>	<u>5,842,616</u>
<b>Debt Service:</b>				
Principal retirement - government	2,621,334	2,553,827	67,507	2,480,426
Interest and fees	1,870,568	1,059,755	810,813	1,125,987
Total debt service	<u>4,491,902</u>	<u>3,613,582</u>	<u>878,320</u>	<u>3,606,413</u>
Total expenditures	<u>46,961,021</u>	<u>42,245,615</u>	<u>4,715,406</u>	<u>38,215,576</u>
Revenues over (under) expenditures	<u>(1,278,129)</u>	<u>5,128,948</u>	<u>6,407,077</u>	<u>5,124,011</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	(75,000)	(75,000)	-	-
Transfers to other funds:				
Special revenue funds	(484,537)	-	484,537	(126,999)
Capital project funds	-	-	-	(14,283)
Hoke Area Transit System	-	-	-	(231,499)
Transfers from other funds:				
Capital project funds	700,000	-	(700,000)	-
Long-term debt issued	601,399	601,399	-	-
Appropriated fund balance	536,267	-	(536,267)	-
Total other financing sources (uses)	<u>1,278,129</u>	<u>526,399</u>	<u>(751,730)</u>	<u>(372,781)</u>
Net change in fund balance	<u>\$ -</u>	<u>5,655,347</u>	<u>\$ 5,655,347</u>	<u>4,751,230</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>16,298,789</u>		<u>11,547,559</u>
End of year - June 30		<u>\$ 21,954,136</u>		<u>\$ 16,298,789</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Operating expenditures	\$ 25,000	\$ 24,658	\$ 342
Revenues over (under) expenditures	(25,000)	(24,658)	342
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	342	<u>\$ 342</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>14,429</u>	
End of year - June 30		<u>\$ 14,771</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Operating expenditures	\$ 50,000	\$ -	\$ 50,000
Revenues over (under) expenditures	(50,000)	-	50,000
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	50,000	<u>\$ 50,000</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>106,672</u>	
End of year - June 30		<u>\$ 156,672</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	\$ -	\$ -
<b>Fund Balance:</b>			
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, 2017

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 706,460	\$ 940,154	\$ 1,646,614
Taxes receivable	293,110	-	293,110
Accounts receivable	54,525	-	54,525
Notes receivable	259,334	-	259,334
Total assets	<u>\$ 1,313,429</u>	<u>\$ 940,154</u>	<u>\$ 2,253,583</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 52,109	\$ -	\$ 52,109
Due to other funds	-	485,726	485,726
Total liabilities	<u>52,109</u>	<u>485,726</u>	<u>537,835</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	<u>293,110</u>	<u>-</u>	<u>293,110</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by State statute	313,859	-	313,859
Public safety	316,643	-	316,643
Committed	-	940,154	940,154
Assigned	337,708	-	337,708
Unassigned	-	(485,726)	(485,726)
Total fund balances	<u>968,210</u>	<u>454,428</u>	<u>1,422,638</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,313,429</u>	<u>\$ 940,154</u>	<u>\$ 2,253,583</u>

## HOKE COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,489,579	\$ -	\$ 2,489,579
Restricted intergovernmental	119,285	-	119,285
E-911 wireless	324,130	-	324,130
Investment earnings	939	-	939
Total revenues	<u>2,933,933</u>	<u>-</u>	<u>2,933,933</u>
<b>Expenditures:</b>			
Current:			
Public safety	2,773,530	-	2,773,530
Economic and physical development	43,085	(425)	42,660
Total expenditures	<u>2,816,615</u>	<u>(425)</u>	<u>2,816,190</u>
Net change in fund balances	117,318	425	117,743
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>850,892</u>	<u>454,003</u>	<u>1,304,895</u>
End of year - June 30	<u>\$ 968,210</u>	<u>\$ 454,428</u>	<u>\$ 1,422,638</u>

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HOKE COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017

	<u>Revolving Loan Fund</u>	<u>Emergency Systems Telephone Fund</u>	<u>Asset Forfeiture Fund</u>	<u>Grant Projects Fund</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 326,307	\$ 239,706	\$ 50,504	\$ 11,401
Taxes receivable	-	-	-	-
Accounts receivable	-	27,011	-	-
Notes receivable	259,334	-	-	-
Total assets	<u>\$ 585,641</u>	<u>\$ 266,717</u>	<u>\$ 50,504</u>	<u>\$ 11,401</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 10,746</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by State statute	259,334	27,011	-	-
Public safety	-	228,960	50,504	-
Assigned	326,307	-	-	11,401
Total fund balances	<u>585,641</u>	<u>255,971</u>	<u>50,504</u>	<u>11,401</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 585,641</u>	<u>\$ 266,717</u>	<u>\$ 50,504</u>	<u>\$ 11,401</u>

HOKE COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017

	<b>Fire District Fund</b>	<b>Multi-Year Grants Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 68,101	\$ 10,441	\$ 706,460
Taxes receivable	293,110	-	293,110
Accounts receivable	27,514	-	54,525
Notes receivable	-	-	259,334
Total assets	<u>\$ 388,725</u>	<u>\$ 10,441</u>	<u>\$ 1,313,429</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>\$ 38,195</u>	<u>\$ 3,168</u>	<u>\$ 52,109</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	<u>293,110</u>	<u>-</u>	<u>293,110</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by State statute	27,514	-	313,859
Public safety	29,906	7,273	316,643
Assigned	-	-	337,708
Total fund balances	<u>57,420</u>	<u>7,273</u>	<u>968,210</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 388,725</u>	<u>\$ 10,441</u>	<u>\$ 1,313,429</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, 2017**

	<b>Revolving Loan Fund</b>	<b>Emergency Systems Telephone Fund</b>	<b>Asset Forfeiture Fund</b>	<b>Grant Projects Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	-	-	42,159	-
E-911 wireless	-	324,130	-	-
Investment earnings	-	939	-	-
Total revenues	<u>-</u>	<u>325,069</u>	<u>42,159</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Public safety	-	230,283	22,954	-
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>230,283</u>	<u>22,954</u>	<u>-</u>
Net change in fund balances	-	94,786	19,205	-
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>585,641</u>	<u>161,185</u>	<u>31,299</u>	<u>11,401</u>
End of year - June 30	<u>\$ 585,641</u>	<u>\$ 255,971</u>	<u>\$ 50,504</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, 2017**

	<b>Fire District Fund</b>	<b>Multi-Year Grants Funds</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,489,579	\$ -	\$ 2,489,579
Restricted intergovernmental	-	77,126	119,285
E-911 wireless	-	-	324,130
Investment earnings	-	-	939
Total revenues	<u>2,489,579</u>	<u>77,126</u>	<u>2,933,933</u>
<b>Expenditures:</b>			
Current:			
Public safety	2,494,290	26,003	2,773,530
Economic and physical development	-	43,085	43,085
Total expenditures	<u>2,494,290</u>	<u>69,088</u>	<u>2,816,615</u>
Net change in fund balances	(4,711)	8,038	117,318
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>62,131</u>	<u>(765)</u>	<u>850,892</u>
End of year - June 30	<u>\$ 57,420</u>	<u>\$ 7,273</u>	<u>\$ 968,210</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous revenue	\$ -	\$ 82,994	\$ 82,994
Net change in fund balance	<u>\$ -</u>	82,994	<u>\$ 82,994</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(82,994)</u>	
Net change in fund balance		-	
<b>Fund Balance:</b>			
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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
E-911	\$ 324,130	\$ 324,130	\$ -
Investment earnings	<u>-</u>	<u>939</u>	<u>939</u>
Total revenues	<u>324,130</u>	<u>325,069</u>	<u>939</u>
<b>Expenditures:</b>			
Implemental functions	42,535	42,535	-
Telephone & furniture	191,243	97,396	93,847
Software and software maintenance	33,524	33,524	-
Hardware and hardware maintenance	52,060	52,060	-
Training	<u>4,768</u>	<u>4,768</u>	<u>-</u>
Total expenditures	<u>324,130</u>	<u>230,283</u>	<u>93,847</u>
Net change in fund balance	<u>\$ -</u>	94,786	<u>\$ 94,786</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>161,185</u>	
End of year - June 30		<u>\$ 255,971</u>	
<b>PSAP Reconciliation:</b>			
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		\$ 255,971	
FY 2017 revenue accrual incorrectly reflected on PSAP report		<u>1,027</u>	
Ending balance, PSAP revenue - expenditure report		<u>\$ 256,998</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Drug forfeiture funds	\$ 20,000	\$ 42,159	\$ 22,159
<b>Expenditures:</b>			
Operating expenditures	28,000	22,954	5,046
Revenues over (under) expenditures	(8,000)	19,205	27,205
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	8,000	-	(8,000)
Net change in fund balance	<u>\$ -</u>	19,205	<u>\$ 19,205</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>31,299</u>	
End of year - June 30		<u>\$ 50,504</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	-	\$ -
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>11,401</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,612,395	\$ 2,489,579	\$ (122,816)
<b>Expenditures:</b>			
<b>Public Safety:</b>			
<b>Fire Districts:</b>			
North Raeford Fire Department	212,645	194,362	18,283
Antioch Fire Department	150,150	135,291	14,859
North Scotland Fire Department	12,250	11,349	901
Puppy Creek Fire Department	879,000	869,305	9,695
Rockfish Fire Department	435,677	420,812	14,865
Hillcrest Fire Department	465,288	447,318	17,970
West Hoke Fire Department	144,116	131,841	12,275
Pine Hill Fire Department	133,347	128,692	4,655
Stonewall Fire Department	137,770	121,587	16,183
Crestline Fire Department	42,152	33,733	8,419
Total expenditures	<u>2,612,395</u>	<u>2,494,290</u>	<u>118,105</u>
Net change in fund balance	<u>\$ -</u>	<u>(4,711)</u>	<u>\$ (4,711)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>62,131</u>	
End of year - June 30		<u>\$ 57,420</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, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
<b>Restricted Intergovernmental Revenues:</b>				
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	75,000	-	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	226,141	77,126	303,267
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>1,370,635</u>	<u>77,126</u>	<u>1,447,761</u>
<b>Expenditures:</b>				
<b>Local Law Enforcement Block Grant:</b>				
Operating expenses	<u>63,108</u>	<u>19,008</u>	<u>-</u>	<u>19,008</u>
<b>PSJA/HIV Program:</b>				
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>
<b>Capacity Building Grant:</b>				
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>
<b>Senior Service Grant:</b>				
Operating expenses	<u>225,000</u>	<u>289,590</u>	<u>-</u>	<u>289,590</u>
<b>Public Access Grant:</b>				
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, 2017

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Emergency Management Performance Grant:</b>				
Operating expenses	221,817	204,277	26,003	230,280
<b>Brownsfield Grant:</b>				
Professional fees	400,000	330,244	-	330,244
<b>Urgent Repair</b>	-	69,651	-	69,651
<b>Urgent Home Repair 2012</b>	75,000	81,670	-	81,670
<b>Urgent Home Repair 2013</b>	82,500	82,161	-	82,161
<b>Urgent Home Repair 2015</b>	100,000	56,915	43,085	100,000
<b>4H</b>	5,000	11,070	-	11,070
<b>Community Military Support</b>	125,000	125,000	-	125,000
Total expenditures	1,612,706	1,415,500	69,088	1,484,588
Revenues over (under) expenditures	(283,330)	(44,865)	8,038	(36,827)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	283,330	44,100	-	44,100
Net change in fund balance	\$ -	\$ (765)	8,038	\$ 7,273
<b>Fund Balance:</b>				
Beginning of year - July 1			(765)	
End of year - June 30			\$ 7,273	

## HOKE COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017

	<u>Administrative Capital Projects Fund</u>	<u>CDBG Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 940,154	\$ 940,154
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Due to General Fund	\$ 484,536	\$ 1,190	\$ -	\$ 485,726
<b>Fund Balances:</b>				
Committed	-	-	940,154	940,154
Unassigned	(484,536)	(1,190)	-	(485,726)
Total fund balances	<u>(484,536)</u>	<u>(1,190)</u>	<u>940,154</u>	<u>454,428</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, 2017**

	<u>Administrative Capital Projects Fund</u>	<u>CDBG Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
<b>Expenditures:</b>				
Current:				
Economic and physical development	\$ -	\$ (425)	\$ -	\$ (425)
Net change in fund balances	-	425	-	425
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>(484,536)</u>	<u>(1,615)</u>	<u>940,154</u>	<u>454,003</u>
End of year - June 30	<u>\$ (484,536)</u>	<u>\$ (1,190)</u>	<u>\$ 940,154</u>	<u>\$ 454,428</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, 2017**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
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>
<b>Expenditures:</b>				
<b>General Government:</b>				
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	90,000	143,902	-	143,902
South Hoke Community Building	75,000	75,817	-	75,817
Total general government	<u>5,257,800</u>	<u>5,865,281</u>	<u>-</u>	<u>5,865,281</u>
<b>Public Safety:</b>				
Jail roof project	247,582	254,291	-	254,291
E-911 Center	982,833	939,564	-	939,564
Total public safety	<u>1,230,415</u>	<u>1,193,855</u>	<u>-</u>	<u>1,193,855</u>
Total expenditures	<u>6,488,215</u>	<u>7,059,136</u>	<u>-</u>	<u>7,059,136</u>
Revenues over (under) expenditures	<u>(5,622,415)</u>	<u>(5,893,345)</u>	<u>-</u>	<u>(5,893,345)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from General Fund	4,953,221	5,083,317	-	5,083,317
Transfers from Special Revenue Fund	343,702	-	-	-
Long-term debt issued	325,492	325,492	-	325,492
Total other financing sources (uses)	<u>5,622,415</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>
<b>Fund Balance:</b>				
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, 2017**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
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	225,000	-	225,000
CDBG - Cheraw Acres	250,000	205,627	-	205,627
CDBG - Scatter Housing 2015	14,283	-	-	-
Single Family Rehab Disaster Recovery	150,000	-	-	-
Single Family Rehabilitation Program 2012	382,600	374,389	-	374,389
Total revenues	<u>2,941,883</u>	<u>2,355,017</u>	<u>-</u>	<u>2,355,017</u>
<b>Expenditures:</b>				
<b>CDBG - Single Family Rehab:</b>				
Maintenance and repair	-	750	-	750
<b>CDBG - Scatter Housing 2009:</b>				
Professional services	47,000	60,187	-	60,187
Housing replacement	323,000	318,664	-	318,664
Clearing activities	30,000	34,194	-	34,194
Total CDBG Scatter Housing 2009	<u>400,000</u>	<u>413,045</u>	<u>-</u>	<u>413,045</u>
<b>Ethanol:</b>				
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>
<b>CDBG - Scatter Housing 2012:</b>				
Professional services	42,500	42,925	(425)	42,500
Clearing activities	182,500	182,500	-	182,500
Total CDBG Scatter Housing 2012	<u>225,000</u>	<u>225,425</u>	<u>(425)</u>	<u>225,000</u>
<b>CDBG - Cheraw Acres:</b>				
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>
<b>CDBG - Scatter Housing 2015:</b>				
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, 2017**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Single Family Rehab Disaster Recovery</b>				
Professional services	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Single Family Rehab Program 2012:</b>				
Professional services	15,000	13,044	-	13,044
Construction	<u>367,600</u>	<u>348,055</u>	<u>-</u>	<u>348,055</u>
Total Single Family Rehab Program 2012	<u>382,600</u>	<u>361,099</u>	<u>-</u>	<u>361,099</u>
Total expenditures	<u>3,041,883</u>	<u>2,604,541</u>	<u>(425)</u>	<u>2,604,116</u>
Revenues over (under) expenditures	(100,000)	(249,524)	425	(249,099)
<b>Other Financing Sources (Uses):</b>				
Transfers from General Fund	<u>100,000</u>	<u>247,909</u>	<u>-</u>	<u>247,909</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,615)</u>	425	<u>\$ (1,190)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>(1,615)</u>	
End of year - June 30			<u>\$ (1,190)</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to General Fund	\$ (700,000)	\$ -	\$ 700,000
Appropriated fund balance	<u>700,000</u>	<u>-</u>	<u>(700,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>			
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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Operating Revenues:</b>			
Water and sewer charges	\$ 5,640,208	\$ 5,891,044	\$ 250,836
Tap and impact fees	825,000	702,453	(122,547)
Other operating revenues	79,805	76,899	(2,906)
Total revenues	<u>6,545,013</u>	<u>6,670,396</u>	<u>125,383</u>
<b>Expenditures:</b>			
<b>Operating Expenses:</b>			
<b>Water and Sewer Operations:</b>			
Salaries and benefits	1,276,310	1,226,736	49,574
Other operating expenses	3,010,546	2,335,518	675,028
Capital outlay	813,000	287,410	525,590
Charges for services	350,000	350,000	-
Total	<u>5,449,856</u>	<u>4,199,664</u>	<u>1,250,192</u>
<b>Debt Service:</b>			
Interest and fees	751,847	693,502	58,345
Debt principal	906,602	881,278	25,324
Total	<u>1,658,449</u>	<u>1,574,780</u>	<u>83,669</u>
Total expenditures	<u>7,108,305</u>	<u>5,774,444</u>	<u>1,333,861</u>
Revenues over (under) expenditures	<u>(563,292)</u>	<u>895,952</u>	<u>1,459,244</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in (out):			
Intrafund transfers, net - to Waste Water Treatment Plant Fund	<u>(600,000)</u>	<u>-</u>	<u>600,000</u>
Appropriated fund balance	<u>1,163,292</u>	<u>-</u>	<u>(1,163,292)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 895,952</u>	<u>\$ 895,952</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 895,952	
Reconciling items:			
Depreciation		(1,520,163)	
Debt principal		881,278	
Capital outlay		249,541	
Capital contributions - project		720,528	
Compensated absences		10,778	
Other post-employment benefits		(29,864)	
Increase in deferred outflows of resources - pensions		218,767	
Increase in net pension liability		(256,262)	
Decrease in deferred inflows of resources - pensions		<u>18,986</u>	
Change in net position		<u>\$ 1,189,541</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, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
NC Clean Water Bond Grant	\$ -	\$ 980,443	\$ -	\$ 980,443
Golden Leaf Fund	1,000,000	890,330	-	890,330
NC Rural Center Grant	1,000,000	488,991	369,945	858,936
NC DOT Reimbursement	56,600	-	61,221	61,221
Investment earnings	-	107,110	-	107,110
Miscellaneous	43,428	43,428	-	43,428
Total revenues	<u>2,100,028</u>	<u>2,510,302</u>	<u>431,166</u>	<u>2,941,468</u>
<b>Expenditures:</b>				
<b>Eagle Ridge:</b>				
Construction - water/sewer	<u>161,836</u>	<u>161,836</u>	<u>-</u>	<u>161,836</u>
<b>Phase V:</b>				
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>
<b>401 Water Improvements:</b>				
Construction of lines	1,684,000	1,288,851	-	1,288,851
Professional services	208,000	149,598	-	149,598
Construction	158,000	-	-	-
Total 401 Water Improvements	<u>2,050,000</u>	<u>1,438,449</u>	<u>-</u>	<u>1,438,449</u>
<b>Vass Road Water Main Extension:</b>				
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>
<b>NC211 / B-5127 Water Main Replacement:</b>				
Professional services	11,300	11,300	-	11,300
Construction cost	45,300	49,921	-	49,921
Total NC211 / B-5127 Water Main Replacement	<u>56,600</u>	<u>61,221</u>	<u>-</u>	<u>61,221</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, 2017

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Best Rd and Trudeau Avenue Drainage Repair:</b>				
Professional services	10,000	7,250	5,479	12,729
Construction cost	413,000	-	-	-
Contingencies	19,000	-	-	-
Total Best Rd and Trudeau Avenue Drainage Repair	<u>442,000</u>	<u>7,250</u>	<u>5,479</u>	<u>12,729</u>
<b>Vass Rd Production Wells:</b>				
Professional services	122,000	89,825	57,248	147,073
Construction cost	560,390	124,362	367,666	492,028
Contingencies	10,500	-	-	-
Total Vass Rd Production Wells	<u>692,890</u>	<u>214,187</u>	<u>424,914</u>	<u>639,101</u>
<b>Gillis Hill Water Improvements</b>				
Professional services	32,042	23,071	259,667	282,738
Construction cost	228,254	-	64,980	64,980
Contingencies	22,825	-	-	-
Total Gillis Hill Water Improvements	<u>283,121</u>	<u>23,071</u>	<u>324,647</u>	<u>347,718</u>
Total expenditures	<u>14,420,838</u>	<u>12,088,361</u>	<u>755,040</u>	<u>12,843,401</u>
Revenues over (under) expenditures	<u>(12,320,810)</u>	<u>(9,578,059)</u>	<u>(323,874)</u>	<u>(9,901,933)</u>
<b>Other Financing Sources (Uses) :</b>				
Long-term debt issued	9,423,000	9,423,000	-	9,423,000
Transfers in:				
Water and Sewer Fund	2,897,810	1,691,618	-	1,691,618
General Fund	-	40,734	-	40,734
Total other financing sources (uses)	<u>12,320,810</u>	<u>11,155,352</u>	<u>-</u>	<u>11,155,352</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,577,293</u>	<u>\$ (323,874)</u>	<u>\$ 1,253,419</u>

**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, 2017**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Other Financing Sources (Uses) :</b>				
Transfers in:				
Water and Sewer Fund	\$ 276,000	\$ 568,927	\$ -	\$ 568,927
Transfers out:				
Water and sewer projects	<u>(276,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>568,927</u>	<u>-</u>	<u>568,927</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 568,927</u>	<u>\$ -</u>	<u>\$ 568,927</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, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
CDBG grants	\$ 510,000	\$ -	\$ -	\$ -
NC Rural Center Grant - Walmart	1,000,000	910,480	-	910,480
USDA SEDC Grant - WW1B	4,500,000	4,316,188	183,812	4,500,000
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	105,550	357,898
Facility investment fees - SGPS	583,858	583,858	-	583,858
Hoke County Schools Participation - SGES	27,982	27,982	-	27,982
Total revenues	<u>8,277,170</u>	<u>7,200,356</u>	<u>289,362</u>	<u>7,489,718</u>
<b>Expenditures:</b>				
<b>SCBLD, Walmart and Others:</b>				
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>
<b>SGPS:</b>				
Professional services	159,136	55,813	48,133	103,946
Construction	984,716	1,003,759	-	1,003,759
Contingencies	23,864	-	-	-
Total SGPS	<u>1,167,716</u>	<u>1,059,572</u>	<u>48,133</u>	<u>1,107,705</u>
<b>SGES:</b>				
Professional services	4,200	4,200	-	4,200
Construction	80,611	91,863	-	91,863
Total SGES	<u>84,811</u>	<u>96,063</u>	<u>-</u>	<u>96,063</u>
<b>WWTP:</b>				
Professional services	<u>2,202,490</u>	<u>2,202,490</u>	<u>-</u>	<u>2,202,490</u>
<b>WW1A:</b>				
Professional services	210,707	205,623	-	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>1,457,147</u>	<u>-</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, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>WW1B:</b>				
Professional services	1,379,825	1,301,592	22,555	1,324,147
Construction	16,375,811	16,133,221	108,772	16,241,993
Capitalized interest	370,000	234,566	-	234,566
Total WW1B	<u>18,125,636</u>	<u>17,669,379</u>	<u>131,327</u>	<u>17,800,706</u>
<b>VFD:</b>				
Professional services	56,720	-	-	-
Construction	477,543	246,572	104,894	351,466
Contingencies	11,567	-	-	-
Total VFD	<u>545,830</u>	<u>246,572</u>	<u>104,894</u>	<u>351,466</u>
Total expenditures	<u>25,643,976</u>	<u>25,046,260</u>	<u>284,354</u>	<u>25,330,614</u>
Revenues over (under) expenditures	<u>(17,366,806)</u>	<u>(17,845,904)</u>	<u>5,008</u>	<u>(17,840,896)</u>
<b>Other Financing Sources (Uses) :</b>				
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	<u>2,963,178</u>	<u>3,343,442</u>	-	<u>3,343,442</u>
Total other financing sources (uses)	<u>17,366,806</u>	<u>16,704,442</u>	<u>-</u>	<u>16,704,442</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,141,462)</u>	<u>\$ 5,008</u>	<u>\$ (1,136,454)</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Solid waste charges	\$ 2,683,430	\$ 2,740,027	\$ 56,597
Other	123,000	135,330	12,330
Total operating revenues	<u>2,806,430</u>	<u>2,875,357</u>	<u>68,927</u>
Non-operating revenues:			
Investment earnings	44,000	42,662	(1,338)
Total revenues	<u>2,850,430</u>	<u>2,918,019</u>	<u>67,589</u>
<b>Expenditures:</b>			
<b>Landfill Administration:</b>			
Landfill operations:			
Salaries and benefits	753,942	661,135	92,807
Other operating expenses	1,751,603	1,430,373	321,230
Capital outlay	228,000	189,217	38,783
Charges for services	350,000	350,000	-
Total expenditures	<u>3,083,545</u>	<u>2,630,725</u>	<u>452,820</u>
Revenues over (under) expenditures	(233,115)	287,294	520,409
<b>Other Financing Sources (Uses):</b>			
Transfer out - Capital Projects Fund	(41,885)	(41,885)	-
<b>Appropriated fund balance</b>	<u>275,000</u>	<u>-</u>	<u>(275,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 245,409</u>	<u>\$ 245,409</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 245,409	
Reconciling items:			
Capital outlay		143,188	
Depreciation		(97,909)	
Transfer out-project		41,885	
Compensated absences		(2,065)	
Other post-employment benefits		(16,081)	
Increase in deferred outflows of resources - pensions		109,383	
Increase in net pension liability		(128,131)	
Decrease in deferred inflows of resources - pensions		9,493	
Change in net position		<u>\$ 305,172</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, 2017

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Expenditures:</b>				
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)
<b>Other Financing Sources (Uses) :</b>				
Transfers in:				
Solid Waste Fund	<u>641,195</u>	<u>568,220</u>	<u>41,885</u>	<u>610,105</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (41,885)</u>	<u>\$ 41,885</u>	<u>\$ -</u>

## HOKE COUNTY, NORTH CAROLINA

AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2017</u>
<b>Social Services Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 32,435	\$ 214,877	\$ 231,305	\$ 16,007
<b>Liabilities:</b>				
Accounts payable	\$ 32,435	\$ 214,877	\$ 231,305	\$ 16,007
<b>Sheriff Execution Fund</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 98	\$ 28,248	\$ 28,248	\$ 98
<b>Liabilities:</b>				
Accounts payable	\$ 98	\$ 28,248	\$ 28,248	\$ 98
<b>Jail Inmate/Welfare Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 40,765	\$ 98,432	\$ 130,648	\$ 8,549
<b>Liabilities:</b>				
Accounts payable	\$ 40,765	\$ 170,552	\$ 202,768	\$ 8,549
<b>Municipal Tax Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 13,522	\$ 168,088	\$ 181,610	\$ -
Accounts receivable	53,638	15,670	21,183	48,125
Total assets	\$ 67,160	\$ 183,758	\$ 202,793	\$ 48,125
<b>Liabilities:</b>				
Accounts payable	\$ 26,273	\$ 157,250	\$ 170,448	\$ 13,075
Other liabilities	40,887	-	5,837	35,050
Total liabilities	\$ 67,160	\$ 157,250	\$ 176,285	\$ 48,125
<b>Total - All Agency Funds:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 86,820	\$ 509,645	\$ 571,811	\$ 24,654
Accounts receivable	53,638	15,670	21,183	48,125
Total assets	\$ 140,458	\$ 525,315	\$ 592,994	\$ 72,779
<b>Liabilities:</b>				
Accounts payable	\$ 99,571	\$ 570,927	\$ 632,769	\$ 37,729
Other liabilities	40,887	-	5,837	35,050
Total liabilities	\$ 140,458	\$ 570,927	\$ 638,606	\$ 72,779

**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2017**

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2017	\$ -	\$ 26,174,659	\$ 24,986,984	\$ 1,187,675
2016	1,272,848	-	717,851	554,997
2015	489,616	-	107,310	382,306
2014	278,245	-	64,283	213,962
2013	276,483	-	39,662	236,821
2012	210,887	-	22,888	187,999
2011	158,081	-	12,951	145,130
2010	136,113	-	8,423	127,690
2009	135,520	-	6,553	128,967
2008	132,839	-	6,171	126,668
2007	136,771	-	136,771	-
Total	<u>\$ 3,227,403</u>	<u>\$ 26,174,659</u>	<u>\$ 26,109,847</u>	3,292,215
Less: allowance for uncollectible accounts				<u>(677,000)</u>
Ad valorem taxes receivable, net				<u>\$ 2,615,215</u>
<b>Reconciliation with Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
General Fund				<u>\$ 25,736,218</u>
Reconciling items:				
Interest collected				(167,542)
Discounts allowed				344,818
Taxes written off				136,771
Other				<u>59,582</u>
Total reconciling items				<u>373,629</u>
Total collections and credits				<u>\$ 26,109,847</u>

## HOKE COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2017

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 3,484,191,733	\$ 0.0075	\$ 26,131,438	\$ 23,167,006	\$ 2,964,432
Interest and penalties	8,351,333	0.0075	62,635	41,960	20,675
Total	<u>3,492,543,067</u>		<u>26,194,073</u>	<u>23,208,966</u>	<u>2,985,107</u>
<b>Discoveries:</b>					
Current year's taxes	718,533		5,389	5,389	-
Prior year's taxes and rollbacks	<u>512,400</u>		<u>3,843</u>	<u>3,843</u>	-
Total	<u>1,230,933</u>		<u>9,232</u>	<u>9,232</u>	-
<b>Abatements</b>	<u>(3,819,467)</u>		<u>(28,646)</u>	<u>(28,646)</u>	-
Total property valuation	<u>\$ 3,489,954,533</u>				
<b>Net Levy</b>			26,174,659	23,189,552	2,985,107
Uncollected taxes at June 30, 2017			<u>1,187,675</u>	<u>968,044</u>	<u>219,631</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 24,986,984</u>	<u>\$ 22,221,508</u>	<u>\$ 2,765,476</u>
<b>Current Levy Collection Percentage</b>			<u>95.46%</u>	<u>95.83%</u>	<u>92.64%</u>

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

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

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

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

To the Board of 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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 22, 2018. 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. 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 did identify certain deficiencies in internal controls that we consider to be material weaknesses: 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, and 2017-011.

### **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 2017-003, 2017-004, 2017-005, 2017-006, 2017-008, 2017-009, 2017-010, and 2017-011.

### **County's Responses to Findings**

Hoke County's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. 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  
May 22, 2018

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

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

## **Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With 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, 2017. 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, 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of Hoke County's compliance.

### **Basis for Qualified Opinion on CFDA# 93.778 Medicaid Cluster**

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, Hoke County did not comply with requirements regarding CFDA# 93.778 Medicaid Cluster as described in finding number 2017-012 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# 93.778 Medicaid Cluster**

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 the Medicaid Cluster for the year ended June 30, 2017.

### **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, 2017.

### **Other Matters**

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 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 have not been 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2017-012 and 2017-013 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2017-014 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  
May 22, 2018

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

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

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With the 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, 2017. 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; and applicable sections of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about 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 qualified and unmodified opinions on compliance for major State programs. However, our audit does not provide a legal determination of Hoke County's compliance.

### **Basis for Qualified Opinion on Medicaid Cluster**

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, Hoke County did not comply with requirements regarding the Medicaid Cluster as described in finding number 2017-012 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 Medicaid Cluster**

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 the Medicaid Cluster for the year ended June 30, 2017.

### **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, 2017.

### **Other Matters**

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 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 have not been 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 2017-012 and 2017-013 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2017-014 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  
May 22, 2018

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**HOKE COUNTY, NORTH CAROLINA**

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

**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor 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 major federal programs except for Medicaid Cluster, 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
Child Care Development Fund Cluster	93.575, 93.596
Adoption Assistance	93.659
Foster Care Title IV-E	93.658

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

\$1,597,957

Auditee qualified as low-risk auditee?

No

**HOKE COUNTY, NORTH CAROLINA**

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

**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 major State programs except for Medicaid Cluster, 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
- Subsidized Child Care Cluster
- Foster Care and Adoption Cluster

# HOKE COUNTY, NORTH CAROLINA

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

### Section II – Financial Statement Findings

#### Material Weakness

##### **Finding 2017-001**

**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, 2016-001.

**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, 2017

### Section II – Financial Statement Findings (Continued)

#### Material Weakness

##### **Finding 2017-002**

**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, 2016-002.

**Cause:** The general ledger is not reconciled to subsidiary ledgers on a regular basis, and year-end journal entries are not booked prior to providing the auditors a final trial balance.

**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, 2017

### Section II – Financial Statement Findings (Continued)

#### Material Weakness, Non-Compliance

##### **Finding 2017-003**

**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 is overexpenditure in two 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 project budget amounts.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-003, modified.

**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, 2017

### Section II – Financial Statement Findings (Continued)

#### Material Weakness, Non-Compliance

##### **Finding 2017-004**

**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:** Two funds were operating in a deficit. A detailed note of the deficit fund balances is found in the notes to the financial statements of Hoke County's audit report.

**Effect:** The County has funds with deficit fund balances.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-004.

**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, 2017

### Section II – Financial Statement Findings (Continued)

#### Material Weakness, Non-Compliance

##### **Finding 2017-005**

**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 are deposited in an agency trust fund and spent from that trust fund.

**Effect:** Due to the nature of the fund (agency fund), County monies accounted for in this fund may not be following the proper budgeting and spending requirements.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-005, modified.

**Cause:** Vendor deposits and disbursements are being processed through the inmate trust fund account rather than the General Fund.

**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, 2017

### Section II – Financial Statement Findings (Continued)

#### Material Weakness, Non-Compliance

##### **Finding 2017-006**

**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, 2016-006.

**Cause:** Budgets are not keyed into the accounting system.

**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, 2017

### Section II – Financial Statement Findings (Continued)

#### Material Weakness

##### **Finding 2017-007**

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

**Condition:** There is a lack of controls and segregation of duties over cash collections at the Tax Department. During our walkthrough of internal controls, we noted that cash drawers do not lock and are often shared between employees; monies remaining in a drawer at the end of the day is not counted on a regular basis; the key to the safe is not safeguarded with limited access; all employees can make adjustments to customer accounts, which are not being monitored and approved.

**Effect:** Lack of proper implementation of internal controls and segregation of duties greatly increases the risk of fraudulent activity and can result in improper financial reporting.

**Cause:** There is no control or segregation of duties implemented at the Tax Department to safeguard cash collections.

**Recommendation:** Management should assess the controls over collections at the Tax Department and implement policies and procedures to address those concerns noted above.

**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, 2017

### Section II – Financial Statement Findings (Continued)

#### Material Weakness, Non-Compliance

##### **Finding 2017-008**

**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 monies 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 one annual special revenue fund prior to the beginning of the fiscal year.

**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, 2016-008, modified.

**Cause:** A budget was not adopted for a special revenue fund in a timely manner.

**Recommendation:** Management should adopt a budget for annual funds according to State statute. Management should review and monitor the general ledger and ongoing transactions 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, 2017

### Section II – Financial Statement Findings (Continued)

#### Material Weakness, Non-Compliance

##### **Finding 2016-009**

**Criteria:** N.C. General Statute 159-33 requires all units of local governments in North Carolina to submit a semi-annual Cash and Investment Report (LGC-203) to the Local Government Commission by January 25<sup>th</sup> and July 25<sup>th</sup> of each year. The Local Government Commission also requires the Annual Financial Information Report (AFIR) to be submitted within four months of the fiscal year end, which was October 31, 2017.

**Condition:** Filings of the LGC-203 and the AFIR to the Local Government Commission were not made as required by State Statute for the current fiscal year.

**Effect:** LGC-203 and the AFIR were not filed on a timely basis.

**Cause:** The County did not file and submit the June 30<sup>th</sup> LGC-203 until September 2017. The AFIR cannot be filed until the audit is completed.

**Recommendation:** Management should assist with the preparation of the required filings or follow up with County personnel to ensure filings are being made when the due date nears.

**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, 2017

#### 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.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-010.

**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.

# HOKE COUNTY, NORTH CAROLINA

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

### Section II – Financial Statement Findings (Continued)

#### Material Weakness, Non-Compliance

##### Finding 2017-011

**Criteria:** N.C. General Statutes 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.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-011.

**Cause:** See condition above.

**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, 2017

### 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: Medicaid Cluster

CFDA # 93.778

Grant Number: DMA 2017, XIX-MAP17

#### Finding 2017-012

##### Material Weakness, Material Non-Compliance

##### Eligibility

**Criteria:** In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific eligibility standards, and documentation must be maintained to support those determinations. In accordance with 2 CFR 200, management should have an adequate system of internal control procedures in place to ensure that active cases are eligible for benefits and that closed casefiles are terminated or redetermined timely, to properly review and assess the eligibility of individuals to ensure the accuracy of benefits being provided is within program requirements, and to ensure an applicant's eligibility determination may only be overridden and forced for approval of benefits with proper supporting documentation or as a result of NC FAST job aide correspondence. Management must monitor activities under federal awards to assure compliance with federal requirements.

**Condition:** Three participants had changes in SSI benefits but continued to receive Medicaid benefits after their SSI benefits terminated. Each case was not redetermined in a timely manner using SSI termination reports, causing the continued benefits. Upon further review, one participant was determined to be ineligible, and two participants were eligible.

The County Department of Social Services was unable to provide evidence supporting the information entered in NC Fast for eight participants. The total amount for countable resources was not entered accurately in NC Fast. Upon further review, two cases were ineligible due to lack of supporting evidence, and six were eligible.

The County Department of Social Services failed to provide evidence of documentation of authorization to force applicant eligibility for two participants. No helpdesk tickets were provided nor were there supervisor approvals for these forced cases. Upon further review, one participant was determined to be ineligible, while one participant was still eligible for benefits based on recalculation.

The County Department of Social Services was unable to provide evidence of documentation of total countable income calculated for one participant. The total amount used for countable income was not fully documented in the casefile. Upon further review, the participant was eligible to receive Medicaid benefits.

# HOKE COUNTY, NORTH CAROLINA

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

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

**Context:** Of the 2,965 casefiles, we examined 80 and determined that the above conditions applied to 14 participants (18%). Three participants (4%) had been terminated from SSI, but the County did not process SSI termination reports timely so the participants continued to receive benefits while one of the three was ineligible. Eight participants (10%) had countable resources in casefiles that did not match total resources entered in NC Fast. Two (3%) of the eight were ineligible. Two participants (3%) received benefits during the fiscal year having been provided forced eligibility without the caseworker obtaining and retaining adequate supporting documentation of approval to force the eligibility. One (1%) of the two was ineligible. One participant's (1%) countable income was not documented adequately during eligibility determination, but the County was ultimately able to substantiate eligibility.

**Effect:** Participants could receive benefits they are not eligible for due to change in SSI benefits. Countable resources and income in NC Fast were incorrect which could allow benefits to be provided to individuals who are not eligible or allow benefits to be denied to individuals who were eligible. Casefiles were missing the required supporting documentation of authorization to force eligibility approval which could allow benefits to be provided to individuals who are not eligible.

**Indication of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-012 and 2016-013, modified.

**Cause:** Caseworkers did not have proper documentation of the eligibility in the casefile for the authorization period tested. Supervisor did not assign the SSI termination reports to be worked in a timely manner nor did the caseworker process NC Fast task notifications in a timely manner. Caseworkers failed to obtain and retain evidence of documentation of authorization to force eligibility approval.

**Questioned Costs:** \$9,623.51 is the amount provided by the NC DHHS as the total amount of benefits paid out for the ineligible cases noted above. In accordance with 2 CFR 200, auditors must report known questioned costs when likely question costs are greater than \$25,000. Therefore, the overpayment of \$9,623.51 (federal share \$6,340.75) is being questioned.

**Recommendation:** Caseworkers should review the status of SSI cases from SSI termination reports and ensure documentation of SSI terminations are contained in the casefile. Termination reports and NC Fast task notifications should be reviewed promptly when received to determine if the case should be redetermined or terminated for benefits. Caseworkers should review their eligibility determinations and ensure required information is documented correctly and retained. Caseworkers should obtain proper documentation, such as NC FAST job aide correspondence and supervisor approval, before forcing eligibility approvals for applicants. Evidence of authorization should be retained in the casefile.

**View of Responsible Officials and Planned Corrective Actions:** See Corrective Action Plan submitted with this report.

# HOKE COUNTY, NORTH CAROLINA

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

### 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: Medicaid Cluster

CFDA # 93.778

Grant Number: DMA 2017, XIX-MAP17

Program Name: CCDF/Subsidized Childcare

CFDA # 93.596, 93.575

Grant Numbers: DSS 2017, 563151, 536145, 536148

#### Finding 2017-013

##### Material Weakness

**Criteria:** In accordance with 2 CFR 200, management should have an adequate system of internal control procedures in place to properly review and assess the eligibility determination of individuals to ensure the accuracy of the benefits being provided is within program requirements. Management must monitor activities under federal awards to assure compliance with federal requirements.

**Condition:** The County Department of Social Services did not have adequate review controls in place to ensure the proper eligibility determinations were being made and documented.

**Context:** There was no evidence that the County performed second party reviews for the entire period under audit or consistently during the year. The County's policy indicates that second party reviews are performed monthly by program supervisors. Furthermore, the County could not provide documentation supporting the review of casefiles for the quarter ending June 30, 2017 for the Medicaid program, as submitted to the Department of Health and Human Services Division of Medical Assistance.

**Effect:** Casefiles could be missing the required eligibility determination documentation, which would allow benefits to be provided to individuals who are not eligible.

**Cause:** Weakness in implementation of controls over second party review procedures.

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

**Recommendation:** Management should adhere to the County's policy, and any other agency's policies applicable, in performing second party reviews. Evidence of documentation of reviews should be retained and include signatures of all parties involved during the review. Furthermore, if deficiencies are noted during a review, timely follow up and documentation of the correction should take place.

**View of Responsible Officials and Planned Corrective Actions:** See Corrective Action Plan submitted with this report.

# HOKE COUNTY, NORTH CAROLINA

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

### 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: Medicaid Cluster

CFDA # 93.778

Grant Number: DMA 2017, XIX-MAP17

Program Name: CCDF/Subsidized Childcare

CFDA # 93.596, 93.575

Grant Numbers: DSS 2017, 563151, 536145, 536148

#### Finding 2017-014

##### Significant Deficiency

**Criteria:** In accordance with 2 CFR 200, management must have an adequate system of internal control procedures in place to adequately safeguard confidential information from unauthorized use in compliance with applicable laws and regulations. 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 workstation of a DSS employee was logged onto the State network without anyone attending to the work station.

**Context:** During a surprise walkthrough, we observed two unattended workstations and determined that one (50%) workstation was not properly secured. The workstation was logged on with participant data visible on the screen.

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

**Cause:** Lack of proper internal controls over data security.

**Indication of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-015.

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

**Recommendation:** Require the County Data Processing Department to implement procedures to require logout of 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:** See Corrective Action Plan submitted with this report.

# HOKE COUNTY, NORTH CAROLINA

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

### Section IV – State Award Findings and Questioned Costs

#### NC Dept. of Health and Human Services

Program Name: Medicaid Cluster

**Finding: 2017-012** - In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific eligibility standards, and documentation must be maintained to support those determinations. In accordance with 2 CFR 200, management should have an adequate system of internal control procedures in place to ensure that active cases are eligible for benefits and that closed casefiles are terminated or redetermined timely, to properly review and assess the eligibility of individuals to ensure the accuracy of benefits being provided is within program requirements, and to ensure an applicant's eligibility determination may only be overridden and forced for approval of benefits with proper supporting documentation or as a result of NC FAST job aide correspondence. Management must monitor activities under federal awards to assure compliance with federal requirements. See more details at Finding 2017-012 in Section III – Federal Award Findings and Questioned Costs.

#### NC Dept. of Health and Human Services

Program Name: Medicaid Cluster

Program Name: CCDF/Subsidized Child Care Cluster

**Finding: 2017-013** - In accordance with 2 CFR 200, management should have an adequate system of internal control procedures in place to properly review and assess the eligibility determination of individuals to ensure the accuracy of the benefits being provided is within program requirements. Management must monitor activities under federal awards to assure compliance with federal requirements. See more details at Finding 2017-013 in Section III – Federal Award Findings and Questioned Costs.

**Finding: 2017-014** - In accordance with 2 CFR 200, management must have an adequate system of internal control procedures in place to adequately safeguard confidential information from unauthorized use in compliance with applicable laws and regulations. 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 2017-014 in Section III – Federal Award Findings and Questioned Costs.

**James Leach**  
Chairman

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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

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statements Findings**

**Finding: 2017-001**

**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. Finance Director and Assistant Finance Director will diligently review financial data. Finance Director requested an additional position in the FY19 budget to assist with preparation for the year-end audit and review of financial data.

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

**Finding: 2017-002**

**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. While the number of adjusting entries required by the auditors decreased in FY17 further improvement is needed. The following procedures are being implemented to resolve this issue: Assistant Finance Director and Finance Specialist will review end of year payables and receivables accounts, in addition to revenue and expense accounts to ensure all accruals and reversals have been made prior to providing the preliminary trial balance to the auditors. Adjusting Journal entries will be prepared by the Assistant Finance Director, approved by the Finance Director and posted by the Accounting Technician. Assistant Finance Director and or Finance Specialist will reconcile grant revenue and expenditures to confirmations provided by grantors and or reports submitted for reimbursement.

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

**Finding: 2017-003**

**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 will note remaining budget balance on invoice prior to review by Finance Director and payment. Completed Capital Projects from prior years remained on the books with deficit balances at year end. These old projects will be closed prior to the end of the FY 18 which should correct the issue going forward.

**James Leach**  
Chairman

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Commissioner



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Clerk to the Board

**CORRECTIVE ACTION PLAN (continued)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statements Findings (continued)**

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

**Finding: 2017-004**

**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. Several completed Capital Projects remained on the books with deficit balances at year end. These old projects will be closed prior to the end of FY 18 which should correct the issue going forward.

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

**Finding: 2017-005**

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

**Corrective Action/Management’s Response:** Inmate Welfare account activity was moved to the General Fund last year and budgeted for in the General Fund. 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. The software used by the service provider maintained the balances correctly for each inmate’s account which were then reflected in the general ledger accounts, however commissions and charges were made by the vendor to the trust bank account. We are requesting the vendor use a separate bank account for commissions and charges and this activity has been reflected and budgeted in the General Fund rather than the Inmate Trust fund.

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

**Finding: 2017-006**

**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. Closing old completed projects should eliminate this finding.

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Chairman

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Clerk to the Board

**CORRECTIVE ACTION PLAN (continued)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statements Findings (continued)**

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

**Finding: 2017-007**

**Name of Contact Person:** Daphne Dudley, Tax Collector

**Corrective Action/Management's Response:** Cash drawers now have individual locks. Tax Collector will start the close out process between 4pm and 5pm each day. The Tax Collector and the clerk will count the money in each drawer leaving only \$200 in the drawer at the end of the day. The clerk will prepare the deposit slip placing the funds to be deposited in a locking bank bag. The key to the bank bag will be placed in the safe and the bag will be deposited in the bank's night depository each afternoon. A clerk will go to the bank the next morning with the key to make the deposit. Cash drawers are locked and placed in the safe at the end of the day. A new safe has been purchased with a combination lock. Cameras are strategically located to cover the clerks at the front and the entrance to the Manager's office that houses the safe. The settlement and deposit slip is reviewed by the supervisor or another employee each day. Manager reviews daily reports and approves account adjustments made by clerks each day.

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

**Finding: 2017-008**

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

**Corrective Action/Management's Response:** 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. A budget ordinance was not adopted timely for one Special Revenue fund during FY 17. The finance department will ensure the Special Revenue fund is included in the budget in the future.

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

**Finding: 2017-009**

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

**James Leach**  
Chairman

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Vice Chairman

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Commissioner



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Clerk to the Board

**CORRECTIVE ACTION PLAN (continued)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statements Findings (continued)**

**Corrective Action/Management’s Response:** Due to turnover in the Finance department emails from the LGC were not being received by the Finance Director. The LGC 203 was filed as soon as the Finance Director was made aware that it was late. Management contacted the LGC to ensure all future email correspondence will be directed to the Finance Director. Failure to obtain necessary OPEB and LEO actuarial reports also contributed to the audit report being late. Management will ensure applications and data are submitted well in advance to ensure these reports are received timely in the future. Management will ensure the yearly audit is completed on time in the future so that the AFIR can be timely filed.

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

**Finding: 2017-010**

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

**Corrective Action/Management’s Response:** Management has assigned this task to an Accounting Specialist and significant progress was made during FY 17. The escheats are currently caught up and next report is not due until November 2018.

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

**Finding: 2017-011**

**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. The required OPEB and LEO actuarial reports will be requested in advance. Finance staff will prepare year end adjusting entries prior to the start of the audit.

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

BECKY MORROW  
INTERIM DIRECTOR



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### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2017

#### Section III – Federal Award Findings and Questioned Costs

##### Finding: 2017-012

**Name of Contact Person:** Becky Morrow, Interim DSS Director

**View of Responsible Officials and Planned Corrective Actions:** Management concurs with the condition, context and recommendations. The agency has identified an Adult Medicaid caseworker who will review and work the SSI termination reports to ensure that documentation of the SSI termination is contained in the case file. Once report is worked, caseworker will submit copy of worked report to Supervisor for verification of completion.

Caseworkers will review their eligibility determinations and ensure required information is documented correctly and retained. Supervisor and lead workers will 2nd party review randomly pulled cases per month to ensure caseworkers are following eligibility policy in determining client eligibility. Supervisor will provide documentation of cases pulled for review to Program Manager monthly to ensure cases are being reviewed. Supervisor and/or Leadworker will review with staff any NC Fast job aides and policy pertaining to forced eligibility to ensure these errors do not continue to occur. Worker must have supervisor approval prior to using forced eligibility on any case. Evidence of Supervisor's authorization will be retained in the case file.

**Proposed Completion Date:** Management and the Board will implement the above procedure immediately. The County will follow the guidelines set by North Carolina DHHS Division of Medical Assistance (DMA) in reference to questioned costs. Management and the Board will implement the above procedure regarding SSI termination reports immediately. The County will immediately make any adjustments needed once the audit is finalized and DMA has determined the amount of the questionable costs which should be passed on to the County. The County will follow the appropriate protocol set by DMA to ensure any funds are repaid within 30 days.

##### Finding: 2017-013

**Name of Contact Person:** Becky Morrow, Interim DSS Director

**Corrective Action/Management's Response:** Management concurs with the condition, context and recommendations. Protocol is in place to ensure that the evidence of documentation of reviews are retained by the Program Manager. Adult Medicaid and Family and Children's Medicaid Supervisors will conduct a combined minimum total of one hundred thirty-two (132) second party reviews per quarter to include both applications and re-certifications. Caseworkers will correct any findings found on cases during second party review within three to five business days. Childcare supervisor will do a minimum of twenty-four (24) second party reviews per year.

BECKY MORROW  
INTERIM DIRECTOR

**County of Hoke**  
**Department of Social Services**

P.O. Box 340  
RAEFORD, NC 28376-0340

TELEPHONE  
(910) 875-8725

FAX  
(910) 875-1068

**CORRECTIVE ACTION PLAN (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

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

**Finding: 2017-014**

**Name of Contact Person:** Becky Morrow, Interim DSS Director

**Corrective Action/Management's Response:** Management concurs with the condition, context and recommendations. The agency will implement a new policy for the automatic locking of the computer when an employee walks away from the terminal. The terminals will lock within one minute and 30 seconds as a security procedure for protecting personal identifiable information.

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

**Section IV – State Award Findings and Questioned Costs**

**Finding: 2017-012**

See Finding 2017-012 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

**Finding: 2017-013**

See Finding 2017-013 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

**Finding: 2017-014**

See Finding 2017-014 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, 2017**

**Finding: 2016-001**

Status: Repeated as 2017-001

**Finding: 2016-002**

Status: Repeated as 2017-002

**Finding: 2016-003**

Status: Repeated as 2017-003

**Finding: 2016-004**

Status: Repeated as 2017-004

**Finding: 2016-005**

Status: Modified and repeated as 2017-005

**Finding: 2016-006**

Status: Repeated as 2017-006

**Finding: 2016-007**

Status: Corrected

**Finding: 2016-008**

Status: Modified and repeated as 2017-008

**Finding: 2016-009**

Status: Corrected

**Finding: 2016-010**

Status: Repeated as 2017-010

**Finding: 2016-011**

Status: Modified and repeated as 2017-011

**HOKE COUNTY, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Finding: 2016-012**

Status: Condition and context modified and repeated as 2017-012. The individual casefiles from 2016 were corrected based on follow up.

**Finding: 2016-013**

Status: Condition and context modified and repeated as 2017-012. One of the individual casefiles from 2016 was corrected and concluded that there was no questioned cost. The other casefile is still currently in investigation with Department of Medical Assistance to determine if benefits will have to be repaid.

**Finding: 2016-014**

Status: The individual casefile from 2016 was closed in November 2016 and it was concluded that benefits will have to be repaid. However, the amount has yet to be determined by Department of Medical Assistance.

**Finding: 2016-015**

Status: Repeated as 2017-014

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<b>FEDERAL AWARDS:</b>					
<b><u>U.S. Department of Agriculture</u></b>					
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 - Fraud Administration	10.561	175NC406S2514	\$ 489,626	\$ -	\$ -
Total Supplemental Nutrition Assistance Program Cluster			489,626	-	-
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Woman, Infants, & Children	10.557	13A25403GH47	346,660	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Woman, Infants, & Children	10.557	5NC700705	920,777	-	-
Total Women, Infants, & Children			1,267,437	-	-
<u>Water and Waste Program Cluster:</u>					
Direct Programs:					
Water and Waste Disposal Systems for Rural Communities (grant)	10.760	Grant #13	131,327	-	-
Total Water and Waste Program Cluster			131,327	-	-
<b>Total U.S. Department of Agriculture</b>			<b>1,888,390</b>	<b>-</b>	<b>-</b>
<b><u>U. S. Department of Transportation</u></b>					
Passed-through NC Department of Transportation:					
Formula Grants for Rural Areas:					
WBS - Admin 36233.51.16.1	20.509	WBS36233.51.16.1	21,896	21,386	-
WBS - Capital 36233.51.17.1	20.509	WBS36233.51.17.1	176,458	44,115	-
WBS - Admin 36233.51.17.1	20.509	WBS36233.51.17.1	65,859	64,327	-
Total for N.C. Department of Transportation			264,213	129,828	-
Passed-through Federal Transit Administration:					
Public Transportation Emergency Relief Program	20.527	WBS51092.6.1.2	10,005	-	-
<b>Total U.S. Department of Transportation</b>			<b>274,218</b>	<b>129,828</b>	<b>-</b>
<b><u>U.S. Department of Health and Human Services</u></b>					
<b>Centers for Medicare and Medicaid Services</b>					
Passed through NC Dept. of Health and Human Services					
<u>Medicaid Cluster:</u>					
Division of Medical Assistance:					
Administration:					
Medical Assistance Program	93.778	XIX-MAP17	978,137	1,688	-
Direct Benefit Payments:					
Medical Assistance Program	93.778	DMA 2017	45,389,805	24,004,160	-
Total Medicaid Cluster			46,367,942	24,005,848	-
<b>Centers for Disease Control and Prevention</b>					
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	12642680EX47	29,379	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1460272BNF47	50	-	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	1175B837DH47	634	-	-
Immunization Cooperative Agreements	93.268	1331631DEJ47	5,965	-	-

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	1331627CVP47	8,445	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	1320310EJS47	3,825	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	12615503PF47	26,708	-	-
<u>HIV Cluster:</u>					
Prevention Health Services Sexually Transmitted Diseases Control Grants	93.977	1311462DNB47	988	-	-
HIV Prevention Activities Health Department Based	93.940	1311981FHV47	3,000	-	-
Total HIV Cluster (Note 3)			3,988	-	-
Total Centers for Disease Control and Prevention			78,994	-	-
<b>Health Resources and Services Administration</b>					
Passed through NC Dept. of Health and Human Services					
Division of Public Health:					
Maternal and Child Health Services Block Grant to the States	93.994	12715745AP47	58,664	44,003	-
<b>Administration of Children and Families</b>					
Passed through NC Dept. of Health and Human Services					
<u>Subsidized Child Care (Note 3)</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	DSS 2017	90,758	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575	563151	821,258	-	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory	93.596	536145	310,731	-	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Matching	93.596	536148	331,289	112,386	-
Total Child Care Development Fund Cluster			1,554,036	112,386	-
Temporary Assistance For Needy Families	93.558	536150	259,636	-	-
Foster Care Title IV-E	93.658	536153	26,783	13,343	-
Smart Start		536142	-	1,111	-
State Appropriations		536142	-	98,462	-
TANF - MOE		536142/536146	-	230,902	-
Total Subsidized Child Care Cluster (Note 3)			1,840,455	456,204	-
Passed through NC Dept. of Health and Human Services					
Division of Social Services:					
<u>Foster Care and Adoption Cluster:</u>					
Administration:					
Foster Care Title IV-E	93.658	17021NCFOST	126,334	41,135	-
Adoption Assistance	93.659	1701NCADPT	15,079	-	-
Direct Benefit Payments:					
Foster Care Title IV-E	93.658	17021NCFOST	51,192	14,827	-
Adoption Assistance	93.659	1701NCADPT	157,027	39,732	-
Total Foster Care and Adoption Cluster (Note 3)			349,632	95,694	-
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	13A15151T247	8,986	-	-
Temporary Assistance for Needy Families (TANF)/Work First	93.558	G1701NCTANF	59,635	-	-
Direct Benefit Payments:					
Temporary Assistance for Needy Families	93.558	G1701NCTANF	213,225	-	-
Total TANF Cluster			281,846	-	-

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
Passed through NC Dept. of Health and Human Services					
Division of Social Services					
Low-Income Home Energy Assistance	93.568	G17B1NCLIEA	435,928	-	-
Total Low-Income Home Energy Assistance			435,928	-	-
Division of Social Services					
Administration:					
Chafee Foster Care Independence Program	93.674	G1701NC1420	5,657	1,414	-
Social Services Block Grant	93.667	G1701NCSOSR	140,505	4,273	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G1701NCCWSS	13,356	-	-
Child Support Enforcement	93.563	G1704NC4005	437,385	-	-
<u>Special Children Adoption Fund Cluster:</u>					
Promoting Safe and Stable Families	93.556	G1701NCFPSS	19,599	-	-
Total Special Children Adoption Fund Cluster (Note 3)			19,599	-	-
Total			616,502	5,687	-
Passed through NC Dept. of Health and Human Services					
Division of Medical Assistance					
Administration:					
Children's Health Insurance Program	93.767	CHIP17	14,754	23	-
Direct Benefits:					
Children's Health Insurance Program	93.767	DMA 2017	694,427	5,099	-
Total Children's Health Insurance Program - NC Health Choice			709,181	5,122	-
<b>Office of Population Affairs</b>					
Passed through NC Dept. of Health and Human Services					
Office of Population Affairs:					
Family Planning Services	93.217	13A1592BFP47	32,904	-	-
<b>Administration for Community Living</b>					
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 Services	93.045	ZGA370-A-YTD 047 Hoke	66,514	-	-
Home-Delivered Nutrition Services	93.045	ZGA370-A-YTD 047 Hoke	50,701	-	-
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers:					
In-Home and Support Services	93.044	ZGA370-A-YTD 047 Hoke	99,003	-	-
Access Services	93.044	ZGA370-A-YTD 047 Hoke	69,093	-	-
Total Aging Cluster			285,311	-	-
<b>Total U.S. Department of Health and Human Services</b>			51,057,359	24,612,558	-
<b><u>U.S. Department of Homeland Security</u></b>					
Passed-through the N.C. Emergency Management Agency					
Emergency Management Performance Grants	97.042	EMPG 37093	26,003	-	-
<b><u>U.S. Department of Treasury</u></b>					
Direct Program:					
Equitable Sharing Program	21.000	NC0470000	19,290	-	-
<b>TOTAL FEDERAL AWARDS</b>			53,265,260	24,742,386	-

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<b>STATE AWARDS:</b>					
<b>N.C. Dept of Administration</b>					
Veterans Service			-	2,130	-
<b>N.C. Dept of Health and Human Services</b>					
Division of Social Services					
Administration:					
DCD Smart Start			-	48,000	-
ST Child Welfare/CPS/CS LD			-	27,035	-
Energy Assistance Private Grants			-	3,171	-
AFDC Incentive/Program Integrity			-	617	-
Direct benefits:					
CWS Adop Subsidy & Vendor/Adopt, Vendor, Guard			-	117,283	-
F/C at risk Maximization			-	1,036	-
Foster Care At Risk			-	1,360	-
SAA/SAD HB 1030			-	12,631	-
SC/SA Domiciliary Care			-	248,481	-
SFHF Maximization			-	18,796	-
State Foster Home			-	13,353	-
Total Division of Social Services			-	491,763	-
Division of Public Health					
Food and Lodging			-	5,341	-
General Aid to Counties			-	99,340	-
General Communicable Disease Control			-	3,652	-
Breast & Cervical Cancer Program			-	7,204	-
Child Health			-	1,741	-
HMHC-Family Planning			-	3,139	-
Maternal Health (HMHC)			-	12,896	-
HIV/STD State			-	100	-
Sexually Transmitted Diseases			-	897	-
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			-	70,670	-
Total Division of Public Health			-	383,661	-
Office of Rural Health and Community Care					
Medication Assistance Program			-	17,939	-
<b>Total N.C. Dept of Health and Human Services</b>			-	893,363	-
<b>N.C. Dept of Transportation</b>					
Rural Operating Assistance Program (ROAP) Cluster					
ROAP Elderly and Disabled Transportation Assistance Program	DOT-16CL	36220.10.7.1	-	60,411	-
ROAP Rural General Public Program	DOT-16CL	36228.22.7.1	-	55,723	-
ROAP Employment	DOT-16CL	36236.11.6.1	-	13,337	-
Total ROAP Cluster			-	129,471	-
Stonewall Volunteer Fire Department	DOT-18	44804	-	21,800	-
<b>Total N.C. Dept of Transportation</b>			-	151,271	-
<b>N.C. Dept of Public Safety</b>					
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Council Program			-	134,559	-
<b>N.C. Dept of Insurance</b>					
SHIIP Grant			-	4,198	-

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<b>N.C. Dept of Environmental Quality</b>					
Division of Waste Management					
Scrap Tire Program			-	68,656	-
Solid Waste Disposal Tax			-	39,381	-
<b>Total N.C. Dept of Environmental Quality</b>			-	108,037	-
<b>N.C. Housing Finance Agency</b>					
NC Housing Trust Fund/Urgent Repair Program					
Urgent Home Repair 2015		URP-15	-	43,085	-
<b>N.C. Rural Economic Development Center, Inc.</b>					
Rural Center Grant - Water Capital Project (401 Water Improvements)			-	9,128	-
<b>Golden Leaf Foundation</b>					
Special Incentives - 401 Water Improvements			-	-	-
<b>TOTAL STATE ASSISTANCE</b>			-	1,345,771	-
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>			\$ 53,265,260	\$ 26,088,157	\$ -

**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, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Hoke County, it is not intended to and does not present the net 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. Hoke County has elected not to use the 10-percent de minimis 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, Foster Care and Adoption, Special Children Adoption Fund, and HIV Clusters.

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