

**ASHE COUNTY  
NORTH CAROLINA  
AUDIT REPORT  
JUNE 30, 2017**

***Priscilla L. Norris, CPA***

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ASHE COUNTY, NORTH CAROLINA  
TABLE OF CONTENTS  
JUNE 30, 2017

FINANCIAL SECTION

EXHIBIT

**Independent Auditor's Report**

**Management's Discussion and Analysis**

**Basic Financial Statements:**

Government-wide Financial Statements:

Statement of Net Position 1

Statement of Activities 2

Fund Financial Statements:

Balance Sheet - Governmental Funds 3

Statements of Revenues, Expenditures, and Changes in Fund  
Balances - Governmental Funds 4

Statement of Revenues, Expenditures, and Changes in Fund  
Balances - Budget and Actual - General Fund 5

Statement of Net Position - Proprietary Funds 6

Statement of Revenues, Expenses, and Changes in Fund  
Net Assets - Proprietary Funds 7

Statements of Cash Flows - Proprietary Funds 8

Statement of Fiduciary Net Position - Fiduciary Funds 9

Notes to the Financial Statements

**Required Supplemental Financial Data:**

Other Postemployment Benefits - Schedule of Funding Progress A-1

Other Postemployment Benefits - Schedule of Employer Contributions A-2

ASHE COUNTY, NORTH CAROLINA  
TABLE OF CONTENTS  
JUNE 30, 2017

Schedule of the Proportionate Share of the Net Pension Liability (Asset) Local Government Employees' Retirement System	A-3
Schedule of Pension Contributions - Local Government Employees' Retirement System	A-4
Schedule of the Proportionate Share of Net Pension Liability (Asset) Register of Deeds Supplemental Pension Fund	A-5
Schedule of Pension Contribution - Register of Deeds	A-6
Schedule of Changes in Total Pension Liability - Law Enforcement Special Separation Allowance	A-7
Schedule of Total Pension Liability as a Percentage of Covered - Employee Payroll - Law Enforcement	A-8

**Combining and Individual Fund Statements and Schedules:**

**Major Governmental Funds**

General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	B-1
Revaluation Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	B -2
Ashe County Schools Capital Projects Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	B-3

**Nonmajor Governmental Funds**

Combining Balance Sheet	C-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	

**Special Revenue Funds**

Emergency Telephone System Fund (E911)	C-3
--	-----

ASHE COUNTY, NORTH CAROLINA

TABLE OF CONTENTS

JUNE 30, 2017

4 - H Program Activities Fund (E911) C-4

4 - H Program Afterschool Fund C-5

Capital Project Funds

CDBG Capital Projects Fund C-6

Government Buildings Capital Projects Fund C-7

Economic Development Capital Projects Fund C-8

**Enterprise Fund**

Schedule of Revenues and Expenditures - Budget and Actual  
(Non - GAAP) D-1

Landfill Closure and Postclosure Reserve Fund - Schedule  
of Revenues and Expenditures - Budget and Actual (Non - GAAP) D-2

**Combining Statement of Fiduciary Assets and Liabilities -  
Agency Funds E-1**

**Other Schedules**

Analysis of Current Tax Levy F-1

Schedule of Ad Valorem Taxes Receivable F-2

**Compliance Section**

Report on Internal Control Over Financial Reporting and on Compliance and  
other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

Report on Compliance For Each Major Federal Program and Report on Internal  
Control Over Compliance; In Accordance with OMB Uniform Guidance  
and the State Audit Implementation Act

Report on Compliance For Each Major State Program and Report on Internal  
Control Over Compliance; In Accordance with OMB Uniform Guidance  
and the State Single Audit Implementation Act

Schedule of Findings and Questioned Costs

Schedule of Expenditures of Federal and State Awards

## **ASHE COUNTY, NORTH CAROLINA**

### **BOARD OF COUNTY COMMISSIONERS**

William Sands - Chairman

Paula Perry - Vice -Chairman

Jeff Rose

Gary Roark

Larry Rhodes

### **COUNTY OFFICIALS**

Sam Yearick

County Manager

Sandra Long

Director of Finance

John Kilby

County Attorney

Deaett Roten

Register of Deeds

Chris Lambert

Tax Administrator

# *Priscilla L. Norris, CPA*

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## **Independent Auditor's Report**

To the Board of County Commissioners  
Ashe County, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ashe County, North Carolina, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Ashe 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ashe County 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 Management's Discussion and Analysis, the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, and the Register of

Asset and County Contributions the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as Percentage of Covered Payroll respectively, be presented to supplement the basic financial statement. 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists 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 Ashe County's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules 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 January 30, 2018, on our consideration of Ashe County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Ashe County's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Priscilla L. Norris".

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Priscilla L. Norris, CPA

Jefferson, NC

January 30, 2018



**ASHE COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

As management of Ashe County, we offer readers of Ashe County's financial statements this narrative overview and analysis of the financial activities of Ashe 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.

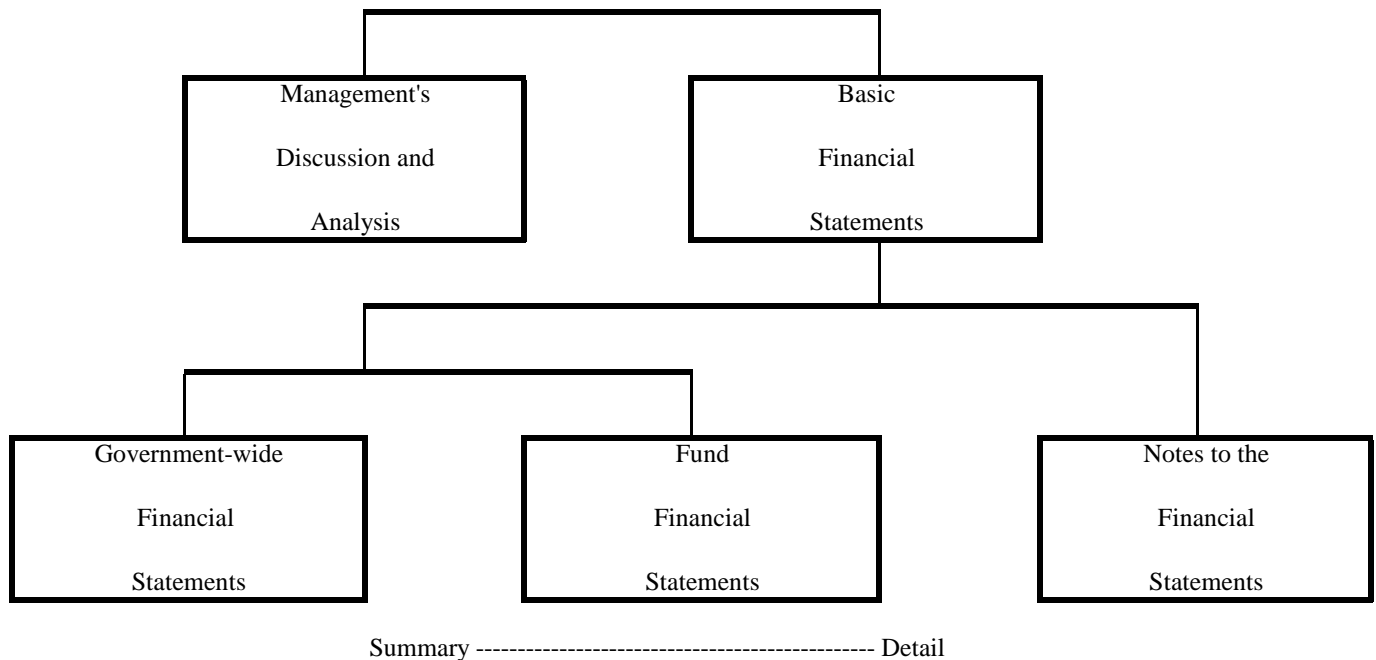
**Financial Highlights**

- \* The assets and deferred outflows of resources of Ashe County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$53,998,801 (net position).
- \* The government's total net position increased by \$4,148,196, primarily due to increased net position in the General Fund.
- \* As of the close of the current fiscal year, Ashe County's governmental funds reported combined ending fund balances of \$16,988,373 an increase of \$1,042,018 in comparison with the prior year. Approximately 48.01 percent of this total amount, or \$8,156,623 is available for spending at the government's discretion (*unassigned fund balance*), beyond amounts assigned for subsequent year's expenditures. Approximately 28.19 percent, or \$4,788,270, is restricted or non-spendable.
- \* At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,156,623 or 26.32 percent of total general fund expenditures for the fiscal year.
- \* Ashe County's total debt decreased by \$1,864,335 (16.5%) during the current fiscal year. The key factors in this decrease are principal payments on debt of \$2,458,934 less new debt of \$594,600.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Ashe 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 Ashe County.

**Required Components of Annual Financial Report  
Figure 1**



**ASHE COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Basic Financial Statements**

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major 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 to the 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 County's total 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 two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, human services, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the landfill and environmental services offered by Ashe County.

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

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Ashe 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 Ashe County can be divided into two categories: governmental funds and proprietary funds.

**ASHE COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**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 government 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.

Ashe 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, balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** - Ashe 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. Ashe County uses enterprise funds to account for its landfill and environmental services 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. Ashe County has three fiduciary funds, all of which are agency funds.

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

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Ashe County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Exhibit A - 1 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, if any) of Ashe County exceeded liabilities (and deferred inflows of resources) by \$53,998,801 as of June 30, 2017. One of the largest portions, \$37,535,645 (69.51%), reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Ashe County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Ashe 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 Ashe County's net position, \$4,854,772 (8.99%) represents resources that are subject to external restrictions on how they may be used.

**ASHE COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Ashe County's Net Position  
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 20,892,110	\$20,414,341	\$ 4,434,389	\$ 3,694,592	\$25,326,499	\$24,108,933
Capital assets	39,892,607	38,518,716	5,512,529	5,319,985	45,405,136	43,838,701
Total assets	<u>\$ 60,784,717</u>	<u>\$58,933,057</u>	<u>\$ 9,946,918</u>	<u>\$ 9,014,577</u>	<u>\$70,731,635</u>	<u>\$67,947,634</u>
Deferred outflows of resources	<u>\$ 2,494,629</u>	<u>\$ 638,856</u>	<u>\$ 168,459</u>	<u>\$ 43,758</u>	<u>\$ 2,663,088</u>	<u>\$ 682,614</u>
Long-term liabilities	14,253,640	13,228,113	3,914,435	3,609,096	18,168,075	16,837,209
Other liabilities	880,328	1,343,155	94,063	48,486	974,391	1,391,641
Total liabilities	<u>\$ 15,133,968</u>	<u>\$14,571,268</u>	<u>\$ 4,008,498</u>	<u>\$ 3,657,582</u>	<u>\$19,142,466</u>	<u>\$18,228,850</u>
Deferred inflows of resources	<u>\$ 246,785</u>	<u>\$ 429,099</u>	<u>\$ 6,671</u>	<u>\$ 21,694</u>	<u>\$ 253,456</u>	<u>\$ 450,793</u>
Net position						
Net investment in capital assets	32,805,107	29,956,215	4,730,538	4,507,355	37,535,645	34,463,570
Restricted	4,854,772	4,765,881			4,854,772	4,765,881
Unrestricted	10,238,714	9,749,450	1,369,670	871,704	11,608,384	10,621,154
Total net position	<u>\$ 47,898,593</u>	<u>\$44,471,546</u>	<u>\$ 6,100,208</u>	<u>\$ 5,379,059</u>	<u>\$53,998,801</u>	<u>\$49,850,605</u>

Several particular aspects of the County's financial operations positively influenced the total unrestricted governmental net position:

- \* Continued due diligence in the collection of property taxes by increasing its collection percentage from 95.46% to 95.92%
- \* Overall Ad Valorem Tax collections of \$16,487,593 were approximately \$340,000 more than the prior year.
- \* The County ended the year with an increase over the prior year for sales tax collections of approximately \$764,000.
- \* Runway expansion work continued at the County airport, funded mostly by state and federal grants.

**ASHE COUNTY, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

**Ashe County Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,701,693	\$ 1,508,370	\$ 2,675,266	\$ 2,565,998	\$ 4,376,959	\$ 4,074,368
Operating grants and contributions	6,882,240	7,748,088	237,238	101,247	7,119,478	7,849,335
Capital grants and contributions	2,770,174	714,908	-		2,770,174	714,908
General revenues:						
Property taxes	17,356,373	16,877,507			17,356,373	16,877,507
Other taxes	6,982,389	6,225,295			6,982,389	6,225,295
Grants and contributions not restricted to specific programs						
Other	67,823	28,736	10,453	5,161	78,276	33,897
Total revenues	<u>\$35,760,692</u>	<u>\$ 33,102,904</u>	<u>\$ 2,922,957</u>	<u>\$ 2,672,406</u>	<u>\$38,683,649</u>	<u>35,775,310</u>
Expenses:						
General government	4,656,452	4,272,650			4,656,452	4,272,650
Public safety	7,273,000	6,988,570			7,273,000	6,988,570
Transportation	591,815	483,331			591,815	483,331
Economic and physical development	871,643	1,533,277			871,643	1,533,277
Human services	10,911,926	10,666,228			10,911,926	10,666,228
Cultural and recreation	1,471,153	1,443,357			1,471,153	1,443,357
Education	5,838,763	5,517,816			5,838,763	5,517,816
Interest on long-term debt	317,514	356,559			317,514	356,559
Environmental services			2,201,808	2,159,388	2,201,808	2,159,388
Total expenses	<u>\$31,932,266</u>	<u>\$ 31,261,788</u>	<u>\$ 2,201,808</u>	<u>\$ 2,159,388</u>	<u>\$34,134,074</u>	<u>33,421,176</u>
Increase (decrease) in net position before transfers and special items	3,828,426	1,841,116	721,149	513,018	4,549,575	2,354,134
Gain/Loss on sale of assets				22,385		22,385
Increase in net position	<u>3,828,426</u>	<u>1,841,116</u>	<u>721,149</u>	<u>535,403</u>	<u>4,549,575</u>	<u>2,376,519</u>
Net position, beg previously reported	44,471,546	42,630,430	5,379,059	4,843,656	49,850,605	47,474,086
Prior period adjustment						
Restatement	(401,379)				(401,379)	
Net position, beg restated	<u>44,070,167</u>	<u>42,630,430</u>	<u>5,379,059</u>	<u>4,843,656</u>	<u>49,449,226</u>	<u>47,474,086</u>
Net position, ending	<u>\$47,898,593</u>	<u>\$ 44,471,546</u>	<u>\$ 6,100,208</u>	<u>\$ 5,379,059</u>	<u>\$53,998,801</u>	<u>49,850,605</u>

**Governmental activities:** Governmental activities increased the County's net position by \$3,828,426. There was also a negative restatement of the beginning net position of \$401,379 due to implementation of GASB 73.

**Business-type activities:** Business-type activities increased Ashe County's net position by \$721,149.

**ASHE COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Financial Analysis of the County's Funds**

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

**Governmental Funds.** The focus of Ashe County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Ashe 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 Ashe County. At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$11,094,043 while total fund balance was \$13,131,028. It is recommended that the County maintain an available fund balance of at least 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 26.32% of General Fund expenditures, while total fund balance represents 42.37% of that same amount. Of the total fund balance, the amount that was unassigned at year end was \$8,156,623.

At June 30, 2017, the governmental funds of Ashe County reported a combined fund balance of \$16,988,373, a 6.53 percent increase from last year.

**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 budget increased revenues by \$390,366. There was no change in the appropriation of fund balance.

**Proprietary Funds:** Ashe County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Environmental Services Fund at the end of the fiscal year amounted to \$1,369,670, an increase of \$497,966 which is due mainly to an increase in revenues.

**Capital Asset and Debt Administration**

**Capital Assets:** Ashe County's capital assets for its governmental and business-type activities as of June 30, 2017, totals \$45,405,136 (net of accumulated depreciation). These assets include buildings, airport, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- \* Purchase of various vehicles and equipment for several departments.
- \* Continued construction of airport runway extension.

**ASHE COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Ashe County's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	4,405,840	4,506,872	128,198	128,198	4,534,038	4,635,070
Buildings and system	23,994,097	24,632,367	3,299,861	3,298,358	27,293,958	27,930,725
Improvements other than bldgs.	2,570,863	2,749,861			2,570,863	2,749,861
Machinery and equip.	772,999	863,294	2,084,470	1,893,427	2,857,469	2,756,721
Infrastructure	7,804,546	5,477,592			7,804,546	5,477,592
Vehicles and motorized equip.	344,262	288,731			344,262	288,731
Construction in progress	-	-			-	-
Total	39,892,607	38,518,717	5,512,529	5,319,983	45,405,136	43,838,700

Additional information on the County's capital assets can be found in note IV.A.5 and 6 of the Basic Financial Statements.

**Long-term Debt:** As of June 30, 2017, Ashe County had no general obligation bonds outstanding.

Ashe County's total debt decreased by \$1,864,335 during the past fiscal year, primarily due to principal payments on debt.

Additional information regarding Ashe County's long-term debt can be found in note IV.B.7 of this audited financial report.

**Economic Factors**

**The following factors affected the economic outlook for Ashe County in 2016-2017.**

- \* Ashe County ended the fiscal year (June 2017) with an unemployment rate of 3.8% (not seasonally adjusted) compared with 4.9% from June 2016. This rate is down 1.1% from June 2016. The state unemployment rate for the same period was 4.2% for June 2017. Thankfully, Ashe County's unemployment rate continues to drop from the double digit levels from four years ago. In June of 2017, all 100 counties unemployment rates were less than 8 percent with almost one third of them having less than 4%. Ashe County's unemployment rate remains cyclical, due in part to seasonal tourism, the Christmas tree and other agricultural industry. The labor markets which are affecting Ashe County's drop in the unemployment rate this year are attributed to growth in the Professional & Business Services, Education and Health Services, Leisure & Services, Government, Trade, and, Transportation & Utility Services in that order.
- \* Ashe County's Economic Development focus continues to be on locating and bringing suitable business and industry to Ashe County along with providing assistance with grants, relocations, expansions and training to grow and enhance existing businesses and industry in Ashe County. GE Aviation and AEV, two of Ashe County's top ten employers continue to do well during the current economy. Both are continuing to expand and just recently the Economic Development Director announced that one existing industry is looking at another expansion project known as "Project Creekside" which will add upwards of 30 jobs in Ashe County with an average annual wage of \$48,000.

**ASHE COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

- \* Ashe Memorial Hospital's (AMH ) renovation to their Emergency Room department has been completed and AMH continues their efforts to recruit specialized services and physicians to Ashe County. The Article 46 sales tax referendum which was approved in the November 2014 election provided the funds for the final year of the three committed to AMH to help stabilize their bottom line. During the FY2018 budget process, the Board of Commissioners raised the Ad Valorem tax rate by 1 cent. This one cent was designated to Ashe Memorial Hospital to help offset their losses and keep them operational in the future.
- \* The County allocation for Ashe County Schools current expense was increased by approximately 3% which will assist the Board of Education in offsetting education funding reductions from state and federal sources. The County has secured the property for the site of the new middle school. Funds from Article 40, 42, and 46 sales tax will be used toward the debt service of this building. The loan for Ashe County High School was paid off in FY16 and the loan for Westwood Elementary School was paid off in FY17 freeing up statutorily required sales tax dollars to be used for the proposed new middle school. During FY18, the County will purchase \$200,000 of Chromebooks and carts for the school system and continue the debt service on the property for the middle school which will be paid off over a three year period. By FY2020 enough sales tax dollars will be unencumbered so construction can begin on the new middle school.
- \* The tax rate in FY2016-2017 remained 43.3 cents and will increase by 1 cent to 44.3 cents for FY18. Ashe County's ad valorem tax rate remains one of the ten lowest counties in the state. Due in part to sales tax base of taxable services being expanded by the General Assembly, sales tax collections continue to increase. This increase is expected to continue during the next fiscal year barring no unexpected state or national crises. Sales tax and ad valorem tax are the County's two largest revenue sources. An increased focus on delinquent ad valorem tax collections should also add to the County's revenue stream.
- \* Ashe County Schools, the Wilkes Community College/Ashe Campus, and the Board of Commissioners continue to work together in a joint effort with other community leaders to enhance and strengthen educational opportunities for Ashe County students.

**Next year's budgets and rates**

- \* The tax rate which had remained unchanged at 43.3 cents since the revaluation in 2015 will be increased by 1 cent for FY2018 with the additional cent designated by the Board of Commissioners to go to Ashe Memorial Hospital indefinitely as long as they continue independent operation. The quarter cent sales tax (Article 46 redistrib.) that was recently adopted by the voters of Ashe County brought in an excess of \$500,000 which covered the committed third and final payment to Ashe Memorial Hospital for FY2017. For FY 2018, funds from Article 46, along with a new redistribution of sales tax, which is designated by State Statute for Public Schools, Community Colleges, and Economic Development, is being placed in a reserve fund and will be used for debt service payments for a new middle school and the expansion of Wilkes Community College.
- \* Other taxes, licenses and permits, and sales and services revenues are continuing to increase moderately. NC State Misdemeanant jail inmate revenues continue to hold steady and will replace some of the loss of inmate revenues received from other counties during previous years. Again, the County does not expect to use a significant amount of budgeted fund balance to balance the General Fund budget for FY2018. More than \$2.5 million budgeted for expenditures remained unspent in the General Fund at June 30th and revenues should meet or exceed expenditures, when this audit is finalized.
- \* The Paving and Lighting Project of the runway at Ashe County airport has been completed allowing, larger/heavier planes to land at the airport. This 3.5 million dollar project was accomplished with 90/10% grant monies from NC Department of Transportation, Division of Aviation. A contracted fuel truck has been added to allow for single-point pressurized re-fueling of larger jets, which can be accommodated, that will make Ashe County a more desirable refueling point on the eastern coast. Additional fuel revenues are expected with the addition of this service.



**ASHE COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

- \* The debt on Ashe County High School was retired during FY16 and Westwood Elementary School was retired in August 2017. Debt Service on the library will be paid off in 2018 and the jail in 2028. The QSCB loan is being paid off with funds from the NC Education Lottery. A site for a new Ashe County Middle School has been purchased and plans are being made to break ground on the project as soon as the 3 year loan for the property purchase is paid off . The County plans to carry out this capital project with monies received from Article 40, 42, 44 (redistr.) and 46 sales taxes.

**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, Ashe County, 150 Government Circle, Suite 2500, Jefferson, NC 28640. You can also call (336) 846-5501 or visit our website at [www.ashecountygov.com](http://www.ashecountygov.com) for more information.

ASHE COUNTY, NORTH CAROLINA  
STATEMENT OF NET POSITION  
JUNE 30 2017

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 12,986,109	\$ 3,537,360	\$ 16,523,469
Restricted cash	2,434,356		2,434,356
Receivables (net)	3,155,284	852,561	4,007,845
Due from other governments	2,249,859	44,468	2,294,327
Net pension asset - ROD	66,502	-	66,502
Subtotal	20,892,110	4,434,389	25,326,499
Capital assets:			
Land, improvements, and construction in progress	4,405,840	128,198	4,534,038
Other capital assets, net of depreciation	35,486,767	5,384,331	40,871,098
Total capital assets	39,892,607	5,512,529	45,405,136
Total assets	\$ 60,784,717	\$ 9,946,918	\$ 70,731,635
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferrals	\$ 2,494,629	\$ 168,459	\$ 2,663,088
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	754,401	85,534	839,935
Accrued interest payable	125,927	8,529	134,456
Long-term liabilities:			
Net pension liabilities - LGERS	2,781,009	190,389	2,971,398
Total pension liabilities - LEOSSA	432,049		432,049
Due within one year	1,534,494	358,995	1,893,489
Due in more than one year	9,506,088	3,365,051	12,871,139
Total liabilities	\$ 15,133,968	\$ 4,008,498	\$ 19,142,466
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	\$ 110,085	\$ 6,671	\$ 116,756
Prepaid taxes	136,700	-	136,700
Total deferred inflows of resources	\$ 246,785	\$ 6,671	\$ 253,456
<b>NET POSITION</b>			
Net investment in capital assets	32,805,107	4,730,538	37,535,645
Restricted for:			
Capital projects (education)	1,670,900		1,670,900
Public safety	261,691		261,691
Human services	252,307		252,307
Register of deeds	144,363		144,363
Register of deeds pension plan	66,502		66,502
Stabilization by State statute	2,459,009		2,459,009
Unrestricted	10,238,714	1,369,670	11,608,384
Total net position	\$ 47,898,593	\$ 6,100,208	\$ 53,998,801

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

EXHIBIT 2

ASHE COUNTY, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Primary government:</b>							
Governmental Activities							
General government	\$ 4,656,452	\$ 463,660	\$ -	\$ -	\$ (4,192,792)	\$ -	\$ (4,192,792)
Public safety	7,273,000	1,011,150	776,430		(5,485,420)		(5,485,420)
Transportation	591,815	100,907	1,160	2,455,071	1,965,323		1,965,323
Economic and physical development	871,643	2,174	47,676		(821,793)		(821,793)
Human services	10,911,926	65,863	6,051,813		(4,794,250)		(4,794,250)
Cultural and recreation	1,471,153	57,939			(1,413,214)		(1,413,214)
Education	5,838,763		5,161	315,103	(5,518,499)		(5,518,499)
Interest on long-term debt	317,514				(317,514)		(317,514)
Total governmental activities	31,932,266	1,701,693	6,882,240	2,770,174	(20,578,159)		(20,578,159)
Business-type Activities:							
Environmental services	2,201,808	2,675,266	237,238			710,696	710,696
Total business-type activities	2,201,808	2,675,266	237,238			710,696	710,696
Totals	\$ 34,134,074	\$ 4,376,959	\$ 7,119,478	\$ 2,770,174	\$ (20,578,159)	\$ 710,696	\$ (19,867,463)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					17,356,373		17,356,373
Local Option Sales tax					6,486,703		6,486,703
Other taxes and licenses					495,686		495,686
Grants and contributions not restricted to specific programs							
Investment earnings, unrestricted					28,100	10,453	38,553
Miscellaneous, unrestricted					39,723		39,723
Gain on sale of assets							-
Total general revenues, special items, and transfers					24,406,585	10,453	24,417,038
Change in net position					3,828,426	721,149	4,549,575
Net position - beginning, previously reported					44,471,546	5,379,059	49,850,605
Restatement					(401,379)	-	(401,379)
Net position - beginning, restated					\$ 44,070,167	\$ 5,379,059	\$ 49,449,226
Net position - ending					\$ 47,898,593	\$ 6,100,208	\$ 53,998,801

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

ASHE COUNTY, NORTH CAROLINAEXHIBIT 3BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>Major Governmental Funds</u>		<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>School Capital</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
<b>Assets</b>				
Cash & Investments	\$ 11,685,313	\$ -	\$ 1,300,796	\$ 12,986,109
Restricted Cash	246,922	1,670,900	516,534	2,434,356
Due from Other Funds				
Receivables (Net):				
Taxes	2,285,537			2,285,537
Accounts	209,150			209,150
Due from Other Governments	1,827,835		422,024	2,249,859
Total Assets	<u>\$ 16,254,757</u>	<u>\$ 1,670,900</u>	<u>\$ 2,239,354</u>	<u>\$ 20,165,011</u>
<b>Liabilities</b>				
Accounts Payable & Accrued Liabilities	\$ 701,492	\$ -	\$ 52,909	\$ 754,401
Total Liabilities	<u>\$ 701,492</u>	<u>\$ -</u>	<u>\$ 52,909</u>	<u>\$ 754,401</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Receivable	\$ 2,285,537	\$ -	\$ -	\$ 2,285,537
Prepaid Taxes	136,700			136,700
Total Deferred Inflows of Resources	<u>\$ 2,422,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,422,237</u>
<b>Fund Balances</b>				
Restricted for:				
Stabilization by State Statute	\$ 2,036,985	\$ -	\$ 422,024	\$ 2,459,009
Register of Deeds	144,363			144,363
Human Services	16,116			16,116
School Capital Outlay		1,670,900		1,670,900
Public Safety			261,691	261,691
4-H (Human Services)			236,191	236,191
Committed for:				
Tax Revaluation	102,560			102,560
Human Services	18,244			18,244
Public Safety	126,075			126,075
Capital Projects			1,266,539	1,266,539
Assigned:				
Subsequent Year's Expenditures	2,530,062			2,530,062
Unassigned:	8,156,623			8,156,623
Total Fund Balance	<u>\$ 13,131,028</u>	<u>\$ 1,670,900</u>	<u>\$ 2,186,445</u>	<u>\$ 16,988,373</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u>\$ 16,254,757</u>	<u>\$ 1,670,900</u>	<u>\$ 2,239,354</u>	

ASHE COUNTY, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

EXHIBIT 3

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 39,892,607
Net pension asset - ROD	66,502
Deferred outflows of resources on the Statement of Net Position related to pensions	2,494,629
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds, such as accrued interest receivable on taxes.	660,597
Deferred inflows of resources for taxes receivable	2,285,537
Deferred inflows of resources on the Statement of Net Position related to pensions	(110,085)
Some liabilities, including debt payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in funds.	(11,166,509)
Net pension liability - LGERS	(2,781,009)
Total pension liability - LEOSSA	<u>(432,049)</u>
Total difference	\$ 30,910,220
Total fund balance	\$ 16,988,373
Net position of governmental activities	<u><u>\$ 47,898,593</u></u>

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

ASHE COUNTY, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	School Capital Projects		
<b>Revenues</b>				
Ad Valorem Taxes	\$ 17,487,087	\$ -	\$ -	\$ 17,487,087
Local Option Sales Tax	6,486,703			6,486,703
Other Taxes	495,686			495,686
Unrestricted Intergovernmental Revenues	5,161			5,161
Restricted Intergovernmental Revenues	6,291,236	315,103	2,997,208	9,603,547
Licenses & Permits	365,430			365,430
Sales & Services	1,423,542		51,324	1,474,866
Investment Earnings	28,100			28,100
Miscellaneous	132,131		63,727	195,858
<b>Total Revenue</b>	<b>\$ 32,715,076</b>	<b>\$ 315,103</b>	<b>\$ 3,112,259</b>	<b>\$ 36,142,438</b>
<b>Expenditures</b>				
General Government	\$ 4,294,062	\$ -	\$ -	\$ 4,294,062
Public Safety	6,644,534		386,625	7,031,159
Transportation	179,975			179,975
Economic & Physical Development	834,657		2,518	837,175
Human Services	10,420,543		391,815	10,812,358
Cultural & Recreational	1,208,479			1,208,479
Educational	5,278,750			5,278,750
Capital Outlay		486,400	2,727,856	3,214,256
Debt Services:				
Principal Retirement	1,780,455	283,176		2,063,631
Interest	352,498	58,078		410,576
<b>Total Expenditures</b>	<b>\$ 30,993,953</b>	<b>\$ 827,654</b>	<b>\$ 3,508,814</b>	<b>\$ 35,330,421</b>
Revenues Over (Under) Expenditures	\$ 1,721,123	\$ (512,551)	\$ (396,555)	\$ 812,017
<b>Other Financing Sources (Uses)</b>				
Loan Proceeds		230,000		230,000
Operating Transfer - In	100,000	1,201,333	695,234	1,996,567
Operating Transfer - Out	(1,546,567)		(450,000)	(1,996,567)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,446,567)</b>	<b>\$ 1,431,333</b>	<b>\$ 245,234</b>	<b>\$ 230,000</b>
Excess of Revenue & Other Sources Over (Under) Expenditures & Other Uses	\$ 274,556	\$ 918,782	\$ (151,321)	\$ 1,042,017
<b>Fund Balances:</b>				
Beginning of Year, July 1	\$ 12,856,472	\$ 752,118	\$ 2,337,766	\$ 15,946,356
End of Year, June 30	<u>\$ 13,131,028</u>	<u>\$ 1,670,900</u>	<u>\$ 2,186,445</u>	<u>\$ 16,988,373</u>

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

ASHE COUNTY, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 1,042,017
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	1,495,247
Cost of capital assets disposed of during the year, not recognized on modified accrual basis.	(121,357)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	639,544
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	12,930
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,833,630
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Decrease in interest expense between fund statements and government-wide statements	6,480
Decrease in Compensated Absences	118,902
Increase in Other Post Employment Benefits	(267,375)
County's portion of collective pension expense	(800,878)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Decrease in deferred inflows for taxes receivable at year end	(110,699)
Decrease in accrued tax interest receivable at end of year	(20,015)
Total change in net position of governmental activities	<u>\$ 3,828,426</u>

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

ASHE COUNTY, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 17,023,635	\$ 17,038,635	\$ 17,487,087	\$ 448,452
Local option sales tax	6,228,000	6,228,000	6,486,703	258,703
Other taxes	383,300	518,300	495,686	(22,614)
Unrestricted intergovernmental			5,161	5,161
Restricted intergovernmental	6,518,605	6,748,355	6,291,236	(457,119)
Licenses & Permits	378,000	378,000	365,430	(12,570)
Sales and services	1,030,271	1,040,887	1,423,542	382,655
Investment earnings	20,350	20,350	28,100	7,750
Miscellaneous	-	-	132,131	132,131
Total Revenues	\$ 31,582,161	\$ 31,972,527	\$ 32,715,076	\$ 742,549
Expenditures				
Current:				
General government	4,603,703	4,673,503	4,294,062	379,441
Public safety	7,094,202	7,178,166	6,644,534	533,632
Transportation	270,174	270,174	179,975	90,199
Economic and physical development	925,841	945,841	834,657	111,184
Human services	11,013,264	11,462,789	10,420,543	1,042,246
Cultural and recreational	1,250,653	1,291,153	1,208,479	82,674
Intergovernmental				
Education	5,280,640	5,280,640	5,278,750	1,890
Debt service:				
Principal retirement	2,180,455	1,780,455	1,780,455	-
Interest and other charges	352,687	352,687	352,498	189
Contingency fund	275,976	186,342		186,342
Total expenditures	33,247,595	33,421,750	30,993,953	2,427,797
Revenues over (under) expenditures	\$ (1,665,434)	\$ (1,449,223)	\$ 1,721,123	\$ 3,170,346
Other financing sources (uses):				
Transfer to other funds	(1,075,340)	(1,550,340)	(1,546,567)	3,773
Transfer from other funds	100,000	100,000	100,000	-
Appropriated fund balance	2,640,774	2,899,563		(2,899,563)
Total other financing sources (uses)	1,665,434	1,449,223	(1,446,567)	(2,895,790)
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 274,556	\$ 274,556
Fund balances:				
Beginning of year July 1			12,753,912	
End of year June 30			\$ 13,028,468	
A legally budgeted Tax Revaluation fund is consolidated into the General Fund for reporting purposes:				
Transfer out to General Fund			\$ -	
Expenditures			-	
Fund Balance, Beginning			102,559	
Fund Balance, Ending, Combined (Exhibit 4)			13,131,027	

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



ASHE COUNTY, NORTH CAROLINA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

Environmental Services Fund

**Assets**

Current Assets:

Cash & Investments	\$ 3,537,360
Receivables (Net):	
SWDF	804,562
Accounts	47,999
Due From Other Governments	44,468

Total Current Assets	\$ 4,434,389
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Non Current Assets:

Capital Assets, Net of Depreciation	5,512,529
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Total Noncurrent Assets	\$ 5,512,529
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Total Assets	\$ 9,946,918
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**Deferred Outflows of Resources**

Pension Deferrals	\$ 168,459
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**Liabilities and Net Position**

Current Liabilities:

Accounts Payable	85,534
Accrued Interest Payable	8,529
Current Portion of Notes Payable	358,995

Total Current Liabilities	\$ 453,058
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Noncurrent Liabilities:

Net Pension Liabilities	\$ 190,389
Compensated Absences Payable	54,112
Other Post - Employment Benefits Payable	99,140
Accrued Landfill Closure and Postclosure Care Costs	2,788,803
Noncurrent Portion of Notes Payable	422,996

Total Noncurrent Liabilities	3,555,440
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Total Liabilities	\$ 4,008,498
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**Deferred Inflows of Resources**

Pension Deferrals	\$ 6,671
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**Net Position**

Net Investment in Capital Assets	\$ 4,730,538
Unrestricted	1,369,670

Total Net Position	\$ 6,100,208
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The notes to the financial statements are an integral part of this statement.

ASHE COUNTY, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Enterprise Fund</u>
	<u>Environmental Services</u>
	<u>Fund</u>
Operating Revenues:	
SWDF - Household Fees	\$ 2,067,139
SWDF - Commercial Fees	497,066
Recycling Revenues	106,881
Miscellaneous Revenue	4,180
Total Operating Revenues	<u>\$ 2,675,266</u>
Operating Expenses:	
Environmental Services - Collections	\$ 1,056,804
Environmental Services - Disposal	629,167
Depreciation	299,722
Landfill Closure and Postclosure Care Costs	188,688
Total Operating Expenses	<u>\$ 2,174,381</u>
Operating Income (Net)	<u>\$ 500,885</u>
Non-Operating Revenues and Expenses	
Contributions From Other Governments	\$ 6,000
Solid Waste Disposal Tax	20,241
Scrap Tire Disposal Tax and Grant	68,379
White Goods Disposal Tax and Grant	25,210
Other DEHNR Grants	115,380
Electronics Management Distr.	2,028
Investment Earnings	10,453
Interest on Long - Term Debt	(27,427)
Total Non-Operating Revenues and Expenses	<u>220,264</u>
Change in Net Position	\$ 721,149
Total Net Position, Beginning, Previously Reported	<u>\$ 5,379,059</u>
Total Net Position, Ending	<u><u>\$ 6,100,208</u></u>

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

EXHIBIT 8

ASHE COUNTY, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 2,645,932
Cash paid for goods and services	(604,752)
Cash paid to employees for services	(1,024,726)
Net cash provided (used) by operating activities	<u>\$ 1,016,454</u>
Cash flows from non-capital financing activities:	
Contributions from other governments	\$ 6,000
Disposal tax and grants	220,133
Transfer-in from General Fund	
Net cash provided (used) by non-capital financing activities	<u>\$ 226,133</u>
Cash flows from capital and related financing activities:	
Proceeds from Sale of Fixed Assets	\$ -
Acquisition of capital assets	(492,266)
Proceeds from Loan	364,600
Principal paid on loan	(395,239)
Loan interest paid	(30,779)
Net cash provided (used) by capital and related financing activities	<u>(553,684)</u>
Cash flows from investing activities:	
Interest on investments	\$ 10,453
Net cash provided (used) by investing activities	<u>\$ 10,453</u>
Net increase (decrease) in cash and cash equivalents	\$ 699,356
Cash and cash equivalents, July 1	2,838,004
Cash and cash equivalents, June 30	<u><u>\$ 3,537,360</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 500,885
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	299,722
Pension Expense	52,506
Landfill closure and post closure care costs	188,688
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(29,335)
Increase (decrease) in accounts payable	48,929
Increase (decrease) in compensated absences payable	73
Increase (decrease) in OPEB liabilities	(1,435)
Current Year Contribution to Pension	(43,579)
Net cash provided (used) by operating activities	<u><u>\$ 1,016,454</u></u>

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

EXHIBIT 9

ASHE COUNTY, NORTH CAROLINA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash & Investments	\$ 89,896
Fire Taxes Receivable	<u>223,936</u>
<b>Total Assets</b>	<b><u>\$ 313,832</u></b>
 <b><u>Liabilities &amp; Net Position</u></b>	
Liabilities	
Accounts Payable	\$ 46,836
Due to Individuals	43,060
Reserve for Taxes Receivable	<u>223,936</u>
<b>Total Liabilities &amp; Net Position</b>	<b><u>\$ 313,832</u></b>

\* The notes to the financial statements are an integral part of this statement.

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**I. Summary of Significant Accounting Policies**

The accounting policies of Ashe County 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.

Discretely Presented Component Units

Ashe County Industrial Facility and Pollution Control Financing Authority

Ashe 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 is governed by a five-member board of commissioners, all of whom are appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Authority does not issue separate financial statements.

**B. Basis of Presentation, Basis of Accounting**

**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 ( the County ). 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 charges 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 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. 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The County reports the following major governmental funds:

*General Fund.* This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

*Ashe County Schools Capital Projects Fund.* This fund accounts for capital outlay for Ashe County Schools.

The County reports the following major enterprise fund:

*Environmental Services Fund.* This fund accounts for the operation, maintenance, and development of landfills and disposal sites.

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 three Agency Funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals, and the Fire Districts Fund, which the County is required to remit to the various fire departments; and the Jail Commissary Fund, which holds monetary assets of the County's inmates.

*Nonmajor Funds* . The County maintains six legally budgeted funds. The Emergency Telephone System Fund, the 4-H Activities Fund, and the 4-H Afterschool Fund are reported as nonmajor special revenue funds. The Government Buildings Capital Projects Fund, the Economic Development Capital Projects Fund, and the CDBG Fund are reported as capital projects funds.

### **Measurement Focus, Basis of Accounting**

In accordance with North Carolina Statutes, all funds of the 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 fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Governmental Fund Financial Statements* . Governmental funds are reported using the current financial resources 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 acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 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 all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax collected and held by the State at year end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 general revenues.

**C. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue (excluding the capital reserve fund), and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund, the Capital Reserve Special Revenue Fund, and the Enterprise Capital Projects Fund, which is consolidated with the enterprise operating fund 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 the general fund, at the departmental level for the special revenue and enterprise funds, and at the project level for the capital projects funds. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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.

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity**

**1. 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 Super NOW 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 County's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

**2. 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 essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Money in the Register of Deeds Automation Fund is classified as restricted assets since its use is restricted by North Carolina General Statutes.

Ashe County Restricted Cash

Governmental Activities		
General Fund	Tax Revaluation	\$ 102,560
General Fund	Register of Deeds	144,363
Capital Projects Fund	Education	1,670,900
Special Revenue Fund	Public Safety	279,794
Special Revenue Fund	Human Services	236,740
Total Governmental Activities		<u>\$ 2,434,357</u>
Business-Type Activities		
None		
Total Restricted Cash		<u>\$ 2,434,357</u>

**4. Ad Valorem Taxes Receivable**

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



ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**5. Allowances for Doubtful Accounts**

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

**6. Inventories**

The inventories of the County's General Fund and enterprise fund consists of expendable supplies that are recorded as expenditures when purchased.

**7. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value as the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. Minimum capitalization costs are as follows: land, all; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$100,000; furniture and equipment, \$5,000; computer software, \$5,000; and vehicles, \$5,000. 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 Ashe 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 cost. 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 Ashe County Board of Education.

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

	<u>Years</u>
Buildings and plant assets	50
Improvements	25
Furniture and equipment	10
Vehicles	5
Computer equipment	3
Environmental services heavy equipment	25
Computer Software	5

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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 currently has several 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 financial 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 several items that meet the criterion for this category - prepaid taxes, and other pension related deferrals.

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**9. Long-term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

**10. Compensated Absences**

The vacation policies of the County provide for the accumulation of up to thirty 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. Time in excess of thirty days rolls over to sick leave at June 30.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the entity has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**11. Net Position / Fund Balances**

**Net Position**

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents 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:

**Nonspendable 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. Nonspendable Fund Balance at year end was zero.

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

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

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

Restricted for Human Services - portion of fund balance that is restricted by revenue source for human services purposes.

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Restricted for School Capital Outlay - portion of fund balance that can only be used for School Capital Outlay per G.S. 159-18-22.

Restricted for Public Safety - portion of fund balance restricted by North Carolina General Statutes for specific purposes in the provision of 911 services.

Restricted for 4-H - portion of fund balance restricted by revenue source for 4-H Human Services expenditures.

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

Committed for Tax Revaluation - portion of fund balance that can only be used for Tax Revaluation.

Committed for Human Services - portion of fund balance that has been committed for farm preservation.

Committed for Public Safety - portion of fund balance committed for E911 operations.

Committed for Capital Projects - portion of fund balance that can only be used for capital expenditures.

Assigned Fund Balance - portion of fund balance that the Ashe County governing board has budgeted.

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

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

Ashe County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local 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 Officer has the authority to deviate from this policy if it's in the best interest of the County.

## **12. 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 Register of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefits 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.

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**E. Reconciliation of Government-wide and Fund Financial Statements**

**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes a reconciliation between fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$30,910,220 consists of the following:

<b>Description</b>	<b>Amount</b>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 60,447,229
Less accumulated depreciation	(20,554,622)
Net capital assets	\$ 39,892,607
 Net pension asset - ROD	 66,502
 Deferred outflows of resources related to pensions	 2,494,629
 Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	 660,597
 Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide. (Taxes)	 2,285,537
 Deferred inflows of resources related to pensions	 (110,085)
 Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
 Bonds, leases, and installment financing	 (8,654,436)
 Compensated absences	 (519,813)
 Accrued interest payable	 (125,927)
 Other postemployment benefits payable	 (1,866,333)
 Net pension liability - LGERS	 (2,781,009)
 Net pension liability - LEO	 (432,049)
 Total adjustment	 \$ 30,910,220

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statements of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances include a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$3,587,530 is comprised of the following:

<b>Description</b>	<b>Amount</b>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,069,094
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,573,847)
Cost of capital assets disposed of during the year, not recognized on modified accrual basis.	(121,357)
New debt issued during the year is recorded as a source of funds on the fund statements. It has no effect on the Statement of Activities.	(230,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	2,063,630
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	639,544
Benefit payments and pension administration cost for LEOSSA are deferred outflows of resources on the Statement of Net Position.	12,930
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:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	6,480
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources (Increase) Decrease in compensated absences payable.	118,902
Other postemployment benefits are accrued in the government-wide statements but not on the fund statements. (Increase) Decrease in OPEB liability	(267,375)
County's portion of collective pension expense	(800,878)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
(Increase) Decrease in deferred inflows - taxes receivable - at year end	(110,699)
(Increase) Decrease in accrued interest receivable on taxes at year end	(20,015)
Total adjustment	<u><u>\$ 2,786,409</u></u>

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**II. Stewardship, Compliance, and Accountability**

There were no instances of material matters of noncompliance with federal and state general statute requirements.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agents in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by its agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no policy regarding custodial credit risk for deposits.

At June 30, 2017, the County's deposits had a carrying amount of \$4,471,127 and a bank balance of \$5,061,845. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$4,561,845 in interest bearing deposits were covered by collateral held under the Pooling Method. At June 30, 2017, Ashe County had \$2,795 cash on hand.

**2. Investments**

At June 30, 2017 the County's investments consisted of \$14,573,640 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAA by Standard and Poor's. The County has no policy on credit risk.

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

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

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2013-14	\$ 1,853,446	\$ 607,004	\$ 2,460,450
2014-15	1,863,682	442,624	2,306,306
2015-16	1,743,056	257,101	2,000,157
2016-17	1,814,863	104,355	1,919,218
Total	<u>\$ 7,275,047</u>	<u>\$ 1,411,084</u>	<u>\$ 8,686,131</u>

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**4. Receivables**

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

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Due from Other Funds	Total
Governmental Activities:					
General	\$ 209,150	\$ 3,857,134	\$ 1,827,835	\$ -	\$ 5,894,119
Other Governmental			422,024		422,024
Total receivables	209,150	3,857,134	2,249,859		6,316,143
Allowance for doubtful accounts		(911,000)			(911,000)
Total-governmental activities	\$ 209,150	\$ 2,946,134	\$ 2,249,859	\$ -	\$ 5,405,143

Business-type Activities

Environmental Services	852,561		44,468		897,029
Total receivables	852,561		44,468		897,029
Allowance for doubtful accounts					
Total-business-type activities	\$ 852,561	\$ -	\$ 44,468	\$ -	\$ 897,029

The due from other governments that is owed to the County consists of the following:

Local option sales tax	\$ 1,052,155
Sales tax and gas tax refund receivable	274,154
Scrap Tire and White Goods Disposal Tax	32,014
Restricted intergovernmental grants	936,004
Total	<u>\$ 2,294,327</u>

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**5. Capital Assets**

**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 4,506,872	\$ -	\$ 101,032	\$ 4,405,840
Construction in Progress				-
Total cap assets not being depreciated	4,506,872	-	101,032	4,405,840
<b>Capital assets being depreciated:</b>				
Buildings	33,842,952		169,050	33,673,902
Other improvements	6,501,009		9,731	6,491,278
Infrastructure	7,447,081	2,727,856		10,174,937
Equipment	3,237,347	115,126	108,509	3,243,964
Vehicles and motor equipment	2,334,035	226,112	102,839	2,457,308
Total capital assets being depreciated	53,362,424	3,069,094	390,129	56,041,389
Less accumulated depreciation for:				
Buildings	9,210,585	638,270	169,050	9,679,805
Other improvements	3,751,148	178,998	9,731	3,920,415
Infrastructure	1,969,489	400,902		2,370,391
Equipment	2,374,053	185,096	88,184	2,470,965
Vehicles and motor equipment	2,045,304	170,581	102,839	2,113,046
Total accumulated depreciation	19,350,579	1,573,847	369,804	20,554,622
Total capital assets being depreciated, net	34,011,845			35,486,767
<b>Governmental activity capital assets, net</b>	<b>\$ 38,518,717</b>			<b>\$ 39,892,607</b>

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

General government	\$ 323,652
Public safety	493,231
Transportation	408,362
Economic and physical development	19,308
Human services	87,879
Cultural and recreational	241,415
Total depreciation expense	<u>\$ 1,573,847</u>



ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Environmental Services</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 128,198	\$ -	\$ -	\$ 128,198
Construction in Progress				
Total cap assets not being depreciated	<u>\$ 128,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,198</u>
<b>Capital assets being depreciated:</b>				
Building	207,958			207,958
Plant and distribution systems	4,252,293	100,529		4,352,822
Equipment	3,635,062	391,737		4,026,799
Total capital assets being depreciated	<u>8,095,313</u>	<u>492,266</u>	<u>-</u>	<u>8,587,579</u>
Less accumulated depreciation for:				
Building	77,866	4,160		82,026
Plant and distribution systems	1,084,027	94,868		1,178,895
Equipment	1,741,635	200,694		1,942,329
Total accumulated depreciation	<u>2,903,528</u>	<u>299,722</u>	<u>-</u>	<u>3,203,250</u>
Total cap assets being depreciated, net	<u>\$ 5,191,785</u>			<u>\$ 5,384,329</u>
<b>Environmental services capital assets, net</b>	<u>\$ 5,319,983</u>			<u>\$ 5,512,527</u>

**Construction commitments**

Ashe County has active construction projects as of June 30, 2017, which includes the Airport Runway Strengthening Project. At year-end, the County's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Airport Runway Strengthening Project	\$ 2,630,246	\$ 483,632
Total	<u>\$ 2,630,246</u>	<u>\$ 483,632</u>

**B. Liabilities**

**1. Payables**

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

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
<b>Governmental Activities:</b>					
General	\$ 701,492	\$ -	\$ 98,434	\$ -	\$ 799,926
Other Governmental	52,909		27,493		80,402
Total-governmental activities	<u>\$ 754,401</u>	<u>\$ -</u>	<u>\$ 125,927</u>	<u>\$ -</u>	<u>\$ 880,328</u>
<b>Business-type Activities</b>					
Environmental services	\$ 85,534	\$ -	\$ 8,529	\$ -	\$ 94,063
Total-business-type activities	<u>\$ 85,534</u>	<u>\$ -</u>	<u>\$ 8,529</u>	<u>\$ -</u>	<u>\$ 94,063</u>

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**2. Pension Plan and Other Postemployment Obligations**

**a. Local Government Employees' Retirement System**

*Plan Description.* The County is a participating employer in the statewide 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 the Office of the State Controller, 1410 Mail Services Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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. The 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 contractually required contribution rate for the year ended June 30, 2017, was 8% of compensation for law enforcement officers and 7.340% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year. Contributions to the pension plan from the County were \$680,014 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

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2017, the County reported an liability of \$2,971,481 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 0.14001% which was a decrease of 0.00351% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$822,794. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,829	\$ 104,124
Changes of assumptions	203,520	
Net difference between projected and actual earnings on pension plan investments	1,642,855	
Changes in proportion and differences between County contributions and proportionate share of contributions	46,994	
County contributions subsequent to the measurement date	680,014	
 Total	 <u><u>\$ 2,629,212</u></u>	 <u><u>\$ 104,124</u></u>

The \$680,014 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2018	\$ 293,304
2019	293,394
2020	785,622
2021	472,758
2022	
Thereafter	
Total	<u><u>\$ 1,845,078</u></u>

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

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

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

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

<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 2015 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%. All rates of return and inflation are annualized.

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

*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 contribution from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County 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 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 one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Discount Rate</u> <u>(7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
County's proportionate share of the net pension liability (asset)	\$ 7,052,711	\$ 2,971,481	\$ (437,465)

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

**b. Law Enforcement Officers Special Separation Allowance**

**1. *Plan Description***

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

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

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>28</u>
Total	<u><u>30</u></u>

**2. *Summary of Significant Accounting Policies***

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

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**3. Actuarial Assumptions**

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

Inflation	3.0 percent
Salary increases	3.5 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2014 mortality base rates projected to the valuation date using MP-2015 projected forward generationally from the valuation date using MP-2015.

**4. Contributions**

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation allowance are financed through investment earnings. The County paid \$1,442 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 \$432,049. 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 \$41,926.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions		9,615
County benefit payments and plan administrative expense made subsequent to the measurement date	12,930	
Total	\$ 12,930	\$ 9,615

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The \$12,930 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 1,594
2019	1,594
2020	1,594
2021	1,594
2022	1,594
Thereafter	1,645

The \$12,930 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 471,998	\$ 432,049	\$ 395,680

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

	2017
Beginning balance	\$ 401,379
Service cost	29,018
Interest on the total pension liability	14,303
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumption or other inputs	(11,209)
Benefit payments	(1,442)
Other changes	-
ending balance of total pension liability	<u>\$ 432,049</u>

The plan currently uses mortality tables that are vary by age, and health statues (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.

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The County contributes to the Supplemental Retirement Income 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 GAS. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Non-law enforcement employees can also participate. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions by the County for the year ended June 30, 2017 were \$66,459 for law enforcement officers and \$156,174 for non-law enforcement employees. No amounts were forfeited.

**d. Deferred Compensation Plan**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The County has no obligation to contribute to this plan. At June 30, 2017, the plan held assets of \$762,139 that were payable to the plan participants.

**e. Registers of Deeds' Supplemental Pension Fund**

*Plan Description.* Ashe County also contributes to the Register of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, 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 benefits 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 Register 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. Register of Deeds do not contribute.



ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$2,984 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$66,503 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 0.35570% which was an increase of 0.00471% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$3,287. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71	\$ 861
Changes in assumptions	17,717	
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion and difference between County contributions and proportionate share of contributions	113	2,159
County contributions subsequent to the measurement date	2,984	
Total	<u>\$ 20,885</u>	<u>\$ 3,020</u>

The \$2,984 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expenses as follows:

**Year ended June 30:**

2018	\$ 5,647
2019	6,997
2020	2,982
2021	(745)
2022	
Thereafter	
Total	<u>\$ 14,881</u>

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

*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, included inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markers 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 expectation 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 years 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:

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (53,622)	\$ (66,502)	\$ (77,322)

*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.

**f. Other Post Employment Benefits**

Healthcare Benefits

*Plan Description .* The County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the County provided they participate in the North Carolina Local Governmental Employee's Retirement System (System) and have at least twenty-five (25) years of creditable service with the County; or who through disability retirement have five (5) years of creditable service under age 65. Healthcare and prescription drugs are provided in the County's retiree healthcare plan. The County pays the full cost of coverage for these benefits through private insurers. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	8	
Terminated plan members entitled to but not yet receiving benefits		
Active plan members	163	28
Total	<u>171</u>	<u>28</u>

*Funding Policy.* The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees. Dependent coverage must be paid in full by the retiree. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 3.64% of annual covered payroll. For the current year, the County contributed \$226,021 or 2.47% of annual covered payroll. The County obtains healthcare coverage through private insurers. There were no contributions made by employees, except for dependent coverage. The County's obligation to contribute to HCB Plan is established and may be amended by the Commissioners.

*Summary of Significant Accounting Policies.* Postemployment 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 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:

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Annual required contribution	\$ 488,923
Interest on net OPEB obligation	67,981
Adjustment to annual required contribution	(64,943)
Annual OPEB cost (expense)	491,961
Contributions made	(226,021)
Increase (decrease) in net OPEB obligation	265,940
Net OPEB obligation, beginning of year	1,699,533
Net OPEB obligation, end of year	<u>\$ 1,965,473</u>

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:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 491,961	45.9%	\$ 1,965,473
2016	\$ 324,337	34.3%	\$ 1,699,533
2015	\$ 323,903	25.0%	\$ 1,486,500

*Funded 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 liability (UAAL) was \$4,982,931. The covered payroll (annual payroll of active employees covered by the plan) was \$8,626,036 and the ratio of the UAAL to the covered payroll was 57.8 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent 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 5.00 percent annually. The investment rate included a 3.00 percent 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 projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 30 years.

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**g. 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 (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because 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 considers these contributions to be immaterial.

**3. Closure and Post Closure Care Costs - Ashe County Landfill Facility**

State and federal laws and regulations require the County to place a final cover on its Ashe County Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as a operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,788,803 reported as landfill closure and post closure care liability at June 30, 2017 represents a cumulative amount reported to-date based on the current use of 3.7 percent of the total estimated capacity of the landfill per year. The County will recognize \$2,310,879 (for a total of \$5,099,682), as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2016. The County expects to close the Ashe County facility in the year 2039, until a new cell is completed. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and post closure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and post closure care costs.

**4. Deferred Outflows and Inflows of Resources**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience	\$ 55,900	\$ 104,985
Pensions - difference between projected and actual investment earnings	1,642,968	-
Pension - chg in proportion & difference between employer contr & proportionate share of contr	47,055	2,156
Pensions - change in assumptions	221,237	9,615
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	682,998	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	12,930	-
Prepaid taxes not yet earned		136,700
Totals for Statement Net Position (Exhibit 1)	<u>\$ 2,663,088</u>	<u>\$ 253,456</u>
Reconciliation to Governmental Funds:		
Taxes receivable (net)		2,285,537
Less pension deferrals	(2,663,088)	(116,756)
Totals for Governmental funds	<u>\$ -</u>	<u>\$ 2,422,237</u>

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**5. 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 purchases a Worker's Compensation package to cover its employees through a private provider, Key Risk Insurance Company, with coverage up to the statutory limit of \$2,000,000. Through a private insurance provider, Employers Mutual Casualty Company (EMC), the County obtains property coverage equal to replacement cost values of owned property subject to a blanket limit of \$73,850,406; general, auto, professional, and employment practices liability coverage of \$2 million per occurrence; auto physical damage coverage for owned autos at actual cash value; and crime coverage of \$250,000 per occurrence. The County provides health insurance to employees through the State Health Plan which is operated by the State of North Carolina and governed by G.S 135-48.1 Article 3-B. The State currently contracts with Blue Cross Blue Shield of North Carolina. There is no maximum stop loss in this plan. There is an unlimited lifetime maximum. Dental insurance is provided to employees through a private provider, Delta Dental.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because many areas in the county are in an area of the State that has been mapped and designated a floodplain by the Federal Emergency Management Agency (FEMA), the County is eligible to purchase coverage of \$500,000 per structure through NFIP. The County has purchased commercial flood insurance for \$500,000 of coverage for the applicable structures.

In accordance with G. S. 159-29, the County employees who have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Director of Finance and Tax Collector are individually bonded for \$500,000 each. The remaining employees who have access to funds are bonded under a blanket bond for \$250,000.

The County carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years.

**6. Contingent Liabilities**

At June 30, 2017, the County was 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.

**7. Long-Term Obligations**

**a. Installment Purchases**

The County is obligated under the following installment purchase contracts:

**Serviced by the General Fund:**

- a. Ashe County entered into an installment financing contract for \$9,700,000 dated August 16, 2002 with BB&T Government Finance to enable the County to construct Westwood Elementary School (collateral) in order to consolidate two older elementary schools. On November 1, 2004, the County refinanced the balance of \$8,994,545 in order to reduce the interest rate to 4.09%. The County shall repay this balance in 51 quarterly payments of \$176,363.63 plus interest beginning February 16, 2005. The balance at June 30, 2017 was
- \$ 176,364

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

b. Ashe County entered into an installment financing contract for \$9,900,000 dated December 18, 2007 with PNC Bank to enable the County to construct a jail and law enforcement center (collateral). The County shall repay this balance in 40 semiannual payments of \$247,500 plus interest at 4.03% beginning February 28, 2008. The balance at June 30, 2017 was	5,197,500
c. Ashe County entered into an installment financing contract for \$3,600,000 dated January 30, 2008 with PNC Bank to enable the County to further construction on a law enforcement center (collateral). The County shall repay this balance in 40 semiannual payments of \$90,000 plus interest at 4.03% beginning February 28, 2008. The balance at June 30, 2017 was	1,890,000
d. Ashe County entered into an installment financing contract for \$4,000,000 dated May 28, 2008 with Bank of America to enable the County to construct an addition to the library (collateral). The County shall repay this balance in 20 semiannual payments of \$ 200,000 plus interest at 3.059% beginning November 28, 2008. The balance at June 30, 2017 was	400,000
e. Ashe County entered into an installment financing contract for \$2,896,202 dated November 22, 2010 with BB&T Government Finance to enable the County to undertake replacement of a roof at two school locations plus classroom expansion for the Ashe County Schools. This obligation qualifies as a Qualified School Construction Bond. The County shall repay this balance in 13 annual payments of \$206,871.57 plus interest at 5.37% beginning November 22, 2011. The balance at June 30, 2017 was	836,876
f. Ashe County entered into an installment financing contract for \$594,600 dated September 14, 2016 with First Citizens Bank. Of this amount, \$230,000 is to enable the County to supply the Ashe County Schools with Chromebooks. The County shall repay this balance in 6 semiannual payments of \$39,166 including interest at 1.54% beginning December 1, 2016. The balance at June 30, 2017 was	153,696
Total	<u>\$ 8,654,436</u>

**Serviced by the Environmental Services Fund:**

a. Ashe County entered into an installment financing contract for \$2,000,000 dated December 15, 2009 with Bank of America to enable the County to construct a new lined landfill cell at Ashe County Landfill. The County shall repay this balance in 20 semiannual payments of \$100,000 plus interest at 3.824% beginning June 15, 2010. The balance at June 30, 2017 was	\$ 500,000
b. Ashe County entered into an installment financing contract for \$221,501 dated September 17, 2014 with Yadkin Bank in order to purchase a New Garbage Truck for Environmental Services. The County shall repay this balance in 6 semiannual payments of \$38,404, including interest at 2.25% beginning March 17, 2015. The balance at June 30, 2017 was	37,936
c. Ashe County entered into an installment financing contract for \$594,600 dated September 14, 2016 with First Citizens Bank. Of this amount, \$166,097.65 is to enable the County to purchase a new Roll-off Truck for Environmental Services. The County shall repay this balance in 6 semiannual payments of \$28,325 including int. at 1.54% beginning December 1, 2016. The balance at June 30, 2017 was	111,153
d. Ashe County entered into an installment financing contract for \$594,600 dated September 14, 2016 with First Citizens Bank. Of this amount, \$198,501.95 is to enable the County to purchase a new Excavator for Environmental Services. The County shall repay this balance in 6 semiannual payments of \$33,851 including interest at 1.54% beginning December 1, 2016. The balance at June 30, 2017 was	132,838
Total	<u>\$ 781,927</u>

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The future minimum payments as of June 30, 2017 for the County's installment purchases, including interest are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,534,494	\$ 336,820	\$ 358,995	\$ 20,927
2019	959,309	286,440	322,931	10,982
2020	881,872	247,143	100,000	1,912
2021	881,872	208,831		
2022	684,390	170,520		
2023-2027	3,375,000	442,041		
2028-2032	337,500	6,801		
Total Principal Payments	\$ 8,654,437		\$ 781,926	
Total Interest Payments		\$ 1,698,596		\$ 33,821

**b. Debt Related to Capital Activities**

Of the total Governmental Activities debt listed, only \$7,087,501 relates to assets the County holds title. Unspent restricted cash related to this debt amounts to \$0.

**c. Long-Term Obligation Activities**

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

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance
<u>Governmental activities:</u>					
Installment purchases	\$ 10,488,067	\$ 230,000	\$ 2,063,631	\$ 8,654,436	\$ 1,534,494
Compensated absences	638,715	302,724	421,626	519,813	
Net pension liab. (LGERS)	602,374	2,178,635		2,781,009	
Net pension liab. (LEO)		432,049		432,049	
Other postemployment benefits	1,598,958	458,364	190,989	1,866,333	
Total govern. activities	\$ 13,328,114	\$ 3,601,772	\$ 2,676,246	\$ 14,253,640	\$ 1,534,494
<u>Business-type activities:</u>					
Installment Purchases	\$ 812,630	\$ 364,600	\$ 395,304	\$ 781,926	\$ 358,995
Accrued landfill closure and post closure care costs	2,600,114	188,688		2,788,802	
Compensated absences	54,039	33,786	33,713	54,112	
Net pension liab. (LGERS)	41,738	148,651		190,389	
Other postemployment benefits	100,575	33,597	35,032	99,140	
Total bus-type activities	\$ 3,609,096	\$ 769,322	\$ 464,049	\$ 3,914,369	\$ 358,995



ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**d. Conduit Debt Obligations**

Ashe County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses 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.

**C. Interfund Balances and Activities**

**Transfer to / from other funds**

Transfers to / from other funds at June 30, 2017, consists of the following:

From the General Fund to the Economic Development Capital Projects Fund for Capital Projects	\$ 185,025
To the General Fund from the Economic Development Capital Projects Fund for Operating Exp.	100,000
To Govt. Buildings Capital Projects Fund from the Economic Develop. Fund for Airport Const.	350,000
From the General Fund to the Government Buildings Capital Project Fund for Airport Const.	160,209
From the General Fund to the School Capital Projects Fund for School Capital Projects/Debt Svc	1,201,333
Total	<u>\$ 1,996,567</u>

Reimbursements From Emergency Telephone System Fund to General Fund for Public Safety Exp.	<u>\$ 150,000</u>
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**D. Net Investment in Capital Assets**

Net investment in capital assets is calculated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Total capital assets net of depreciation	\$ 39,892,607	\$ 5,512,529
Debt for assets to which the County holds title	(7,087,500)	(781,991)
Net investment in capital assets	<u>\$ 32,805,107</u>	<u>\$ 4,730,538</u>

**E. Fund Balance**

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	\$ 13,131,028
Less:	
Stabilization by State Statute	2,036,985
Appropriated Fund Balance in 2018 budget	2,530,062
Register of Deeds	144,363
Tax Revaluation	102,560
Human Services	34,360
Public Safety	126,075
Remaining Fund Balance	<u>\$ 8,156,623</u>

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**IV. Volunteer Fire Departments**

The County is not responsible for any debts of the volunteer fire departments, is not obligated to finance deficits and is not entitled to any surpluses of the departments. Fire district tax levies were made for twelve volunteer fire department in the County during the fiscal year ended June 30, 2017. These special fire district taxes were collected by the County and remitted to the twelve volunteer fire departments. These taxes are accounted for in a separate agency fund. The County Commissioners appoint Fire Protection District Commissions which report to the County regarding the expenditure of the tax monies.

The County makes an appropriation to each volunteer fire department in the County; some of the expenditures are made directly to vendors for obligations of the fire departments which are submitted to and approved by the County Finance Officer; in other instances direct payments are made to the fire departments in order for them to make note or installment contract payments. The County does not exercise control over facilities or property of the fire departments nor is there asset ownership by the County.

**V. Joint Ventures**

The County participates in a joint venture to operate Appalachian Regional Library with three other local governments. Each participating government appoints one board member to the six member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$429,150 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 148 Library Drive, West Jefferson, North Carolina 28694.

The County also participates in a joint venture to operate the Appalachian District Health Department with three other local governments. Each participating government appoints one board member to the member board of the Health Department. The County has an ongoing financial responsibility for the joint venture because the Health Department continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Health Department, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$439,068 to the Center's to supplement its activities. Complete financial statements for the Health Department can be obtained from the Department's offices at P.O. Box 309, Sparta, NC 28675.

The County also participates in a joint venture to operate the Smoky Mountain Center with fifteen other local governments. Each participating government appoints one at-large member and one county commissioner member to the board of the Center. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments have an equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$184,480 to the Center to supplement its activities. Complete financial statements for Smoky Mountain Center can be obtained from the Center's offices at 895 State Farm Road, Suite 507, Boone, NC 28607. More information can be found at Note VIII.

The County, in conjunction with the State of North Carolina and the Ashe County Board of Education, participates in a joint venture to operate the Wilkes Community College. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the Ashe County Facilities of the community college and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

community college's facilities. The County contributed \$393,665 to the community college for operating purposes, and \$22,000 for Capital Outlay during the fiscal year ended June 30, 2017. The participating governments do not have any equity interest in the joint venture; therefore no equity interest has been reflected in the County's financial statements at June 30, 2017. Complete financial statements for the community college may be obtained from the community college's administrative offices at Collegiate Drive, Wilkesboro, NC 28697.

**VI. Jointly Governed Organization**

**High Country Council of Governments**

The High Country Council of Governments is a voluntary association of seven County governments. The Council was established as a joint venture among the participating Counties to coordinate funding from federal and State agencies. The participating Counties and their percent of support provided to the Council are as follows: Ashe - 13%; Allegheny - 6%; Avery - 9%; Mitchell - 9%; Watauga - 19%; Wilkes - 35%; Yancey - 9%.

Each County appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The County paid for membership fees of \$13,877 to the Council during the year ended June 30, 2017.

**VII. Benefit Payments Issued by the State**

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. This additional aid to County recipients is disclosed in the amounts below 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>
Temporary Assistance to Needy Families and AS, AA & AD	\$ 105,207	\$ -
Medicaid	27,106,319	14,711,177
NC Health Choice	839,427	7,024
Food Stamp Program	5,271,808	
Title IV-E, Foster Care	272,698	283,951
Title IV-E, Adoption Assistance		74,333
Adult Assistance		285,112
Women, Infants, and Children	368,126	
Independent Living	2,088	
Refugee Assistance	1,991	
Total	<u>\$ 33,967,664</u>	<u>\$ 15,361,597</u>

**VIII. Summary Disclosure of Significant Commitments and Contingencies**

**Federal and State Assisted Programs**

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

ASHE COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**IX. Subsequent Events**

Subsequent events have been evaluated through the date these financial statements were available to be issued, January 30, 2018.

**X. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 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 the governmental activities decreased \$401,379.

## **Required Supplemental Financial Data**

- \* Schedule of Funding Progress for the Other Postemployment Benefits Plan
- \* Schedule of Employer Contributions for the Other Postemployment Benefits Plan
- \* Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- \* Schedule of Contributions to Local Government Employees' Retirement System
- \* Schedule of Proportionate Share of Net Pension Asset for Register of Deeds Supplemental Pension Fund
- \* Schedule of Contributions to Register of Deeds Supplemental Pension Fund
- \* Schedule of Changes in Total Pension Liability Law Enforcement Special Separation Allowance
- \* Schedule of Total Pension Liability as a Percentage of Covered Employee Payroll for Law Enforcement

ASHE COUNTY, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS  
FOR THE FISCAL YEAR JUNE 30, 2017

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 2,696,321	\$ 2,696,321	0%	\$ 6,692,598	40.3%
12/31/2011	\$ -	\$ 2,510,165	\$ 2,510,165	0%	\$ 7,898,624	31.8%
12/31/2014	\$ -	\$ 3,283,972	\$ 3,283,972	0%	\$ 8,510,779	38.6%
6/30/2016	\$ -	\$ 4,982,931	\$ 4,982,931	0%	\$ 8,626,036	57.8%

ASHE COUNTY, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE FISCAL YEAR JUNE 30, 2017

<u>Year Ended</u> <u>June 30</u>	<u>Annual OPEB</u> <u>Cost (AOC)</u>	<u>Percentage</u> <u>Contributed</u>
2015	\$ 323,903	25.0%
2016	\$ 324,337	34.3%
2017	\$ 491,961	45.9%

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**Notes to the Required Schedules:**

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as 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	3.00%

ASHE COUNTY, NORTH CAROLINA  
SCHEDULE OF COUNTY PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (LGERS)  
LAST FOUR FISCAL YEARS\*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2017</u> <u>(6/30/16)</u>	<u>2016</u> <u>(6/30/15)</u>	<u>2015</u> <u>(6/30/14)</u>	<u>2014</u> <u>(6/30/13)</u>
Ashe County's proportion of the net pension liability (asset) (%)	0.14001%	0.14352%	0.14383%	0.14100%
Ashe County's proportion of the net pension liability (asset) (\$)	\$ 2,971,481	\$ 644,109	\$ (793,824)	\$ 1,699,591
Ashe County's covered-employee payroll	\$ 9,000,974	\$8,680,657	\$ 8,468,587	\$ 8,145,582
Ashe County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	33.01%	7.42%	(9.37%)	20.87%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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



ASHE COUNTY, NORTH CAROLINA  
SCHEDULE OF COUNTY PENSION CONTRIBUTIONS (LGERS)  
LAST FOUR FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 680,014	\$ 613,647	\$ 617,984	\$ 601,325
Contributions in relation to the contractually required contribution	<u>680,014</u>	<u>613,647</u>	<u>617,984</u>	<u>601,325</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ashe County's covered-employee payroll	\$ 9,144,990	\$ 9,000,974	\$ 8,680,657	\$ 8,468,587
Contributions as a percentage of covered-employee payroll	7.44%	6.82%	7.12%	7.10%

ASHE COUNTY, NORTH CAROLINA  
SCHEDULE OF COUNTY PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (ROD)  
LAST FOUR FISCAL YEARS\*

REGISTER OF DEEDS SUPPLEMENTAL PENSION FUND

	<u>2017</u> <u>6/30/2016</u>	<u>2016</u> <u>(6/30/15)</u>	<u>2015</u> <u>(6/30/14)</u>	<u>2014</u> <u>(6/30/13)</u>
Ashe County's proportion of the net pension liability (asset) (%)	0.35570%	0.35099%	0.33547%	0.33261%
Ashe County's proportion of the net pension liability (asset) (\$)	\$ (66,502)	\$ (81,338)	\$ (76,038)	\$ (71,045)
Ashe County's covered-employee payroll	\$ 62,166	\$ 60,066	\$ 59,469	\$ 63,300
Ashe County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	106.97%	135.41%	(127.86%)	(112.24%)
Plan fiduciary net position as a percentage of the total pension liability	106.17%	197.29%	193.88%	190.50%

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

ASHE COUNTY, NORTH CAROLINA  
SCHEDULE OF COUNTY PENSION CONTRIBUTIONS (ROD)  
LAST FOUR FISCAL YEARS

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,984	\$ 2,906	\$ 2,809	\$ 2,739
Contributions in relation to the contractually required contribution	<u>2,984</u>	<u>2,906</u>	<u>2,809</u>	<u>2,739</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ashe County's covered-employee payroll	\$ 63,411	\$ 62,166	\$ 60,066	\$ 59,469
Contributions as a percentage of covered-employee payroll	4.71%	4.67%	4.68%	4.61%

ASHE COUNTY, NORTH CAROLINA  
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Beginning Balance	\$ 401,379
Service Cost	29,018
Interest On The Total Pension Liability	14,303
Changes of Benefit Terms	-
Differences Between Expected And Actual Experience In The Measurement Of The Total Pension Liability	-
Changes Of Assumptions Or Other Inputs	(11,209)
Benefit Payments	(1,442)
Other Changes	-
Ending Balance Of The Total Pension Liability	<u>\$ 432,049</u>

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

ASHE 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

	<u>2017</u>
Total Pension Liability	\$ 432,049
Covered Payroll	\$ 1,131,985
Total Pension Liability as a Percentage of Covered Payroll	38.17%

Notes to the schedules:

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

ASHE COUNTY, NORTH CAROLINA

EXHIBIT B - 1

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Ad Valorem Taxes</b>			
Current Year	\$ -	\$ 16,257,488	\$ -
Prior Years		760,244	
Penalties & Interest		469,355	
Total	<u>\$ 17,038,635</u>	<u>\$ 17,487,087</u>	<u>\$ 448,452</u>
<b>Local Option Sales Taxes:</b>			
Article 39	\$ -	\$ 2,423,811	\$ -
Article 44		471,692	
Article 40 One-Half of One Percent		1,676,409	
Article 42 One-Half of One Percent		1,284,818	
Article 46 One-Fourth of One Percent		629,973	
Total	<u>\$ 6,228,000</u>	<u>\$ 6,486,703</u>	<u>\$ 258,703</u>
<b>Other Taxes</b>			
Video Programming Distribution	\$ -	\$ 85,497	\$ -
Gross Receipts Auto Tax		2,207	
Occupancy Tax		254,278	
Deed Stamp Excise Tax		153,704	
Medicaid Hold Harmless			
Total	<u>\$ 518,300</u>	<u>\$ 495,686</u>	<u>\$ (22,614)</u>
<b>Unrestricted Intergovernmental Revenues</b>			
Payments in Lieu of Taxes	\$ -	\$ 5,161	\$ -
Total	<u>\$ -</u>	<u>\$ 5,161</u>	<u>\$ 5,161</u>
<b>Restricted Intergovernmental Revenues</b>			
State Grants	\$ -	\$ 1,537,125	\$ -
Federal Grants		4,719,881	
Controlled Substance Tax		7,581	
Court Facility Fees		21,535	
ABC Profits for Law Enforcement		5,114	
Total	<u>\$ 6,748,355</u>	<u>\$ 6,291,236</u>	<u>\$ (457,119)</u>
<b>Licenses &amp; Permits</b>			
Gun Permits	\$ -	\$ 17,605	\$ -
Planning Department Fees		700	
Sheriff Department Fees and Reimb		11,709	
Building Permits/Inspection Fees		159,021	
Privilege Licenses		1,275	
Road Signs		1,474	
Animal License & Adoption Fee		8,863	
Register of Deeds		164,783	
Total	<u>\$ 378,000</u>	<u>\$ 365,430</u>	<u>\$ (12,570)</u>

ASHE COUNTY, NORTH CAROLINA

EXHIBIT B - 1

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Sales &amp; Services</b>			
DSS Fees and Other Sales	\$ -	\$ 14,539	\$ -
Sheriff Dept Sales & Services		23,618	
Sheriff Dept & SRO Program from BOE		81,674	
Rents & Concessions		150,176	
Court Costs		46,007	
Jail Fees & Inmate Reimb. From other Counties		649,298	
Drug Fines & Forfeitures		479	
Recreational Department		57,939	
Airport Revenues		100,907	
DMV Fees		117,733	
Tax Collection Fees		12,866	
Copy Fees & Other Sales		18,073	
E911 Special Revenue Reimb		150,000	
Town Election Reimb		-	
Emerg. Mgmt./Hazmat Reimbursement		204	
Candidate Filing Fee		29	
Total	<u>\$ 1,040,887</u>	<u>\$ 1,423,542</u>	<u>\$ 382,655</u>
<b>Investment Earnings</b>			
Investment Earnings	\$ -	\$ 28,100	\$ -
Total	<u>\$ 20,350</u>	<u>\$ 28,100</u>	<u>\$ 7,750</u>
<b>Miscellaneous</b>			
Insurance Proceeds	\$ -	\$ 59,848	\$ -
Sale of Assets & Materials		70,769	
Other Grants & Donations		1,514	
Total	<u>\$ -</u>	<u>\$ 132,131</u>	<u>\$ 132,131</u>
<b>TOTAL REVENUES</b>	<u><b>\$ 31,972,527</b></u>	<u><b>\$ 32,715,076</b></u>	<u><b>\$ 742,549</b></u>
<b>EXPENDITURES</b>			
<b>General Government</b>			
Governing Body			
Salaries & Employee Benefits	\$ -	\$ 108,921	\$ -
Operating Expenses		93,379	
Capital Outlay			
Total	<u>\$ 218,747</u>	<u>\$ 202,300</u>	<u>\$ 16,447</u>
Administration			
Salaries & Employee Benefits	\$ -	\$ 213,638	\$ -
Operating Expenses		32,365	
Capital Outlay			
Total	<u>\$ 250,280</u>	<u>\$ 246,003</u>	<u>\$ 4,277</u>
Finance			
Salaries & Employee Benefits	\$ -	\$ 301,556	\$ -
Operating Expenses		52,249	
Capital Outlay			
Total	<u>\$ 375,517</u>	<u>\$ 353,805</u>	<u>\$ 21,712</u>

ASHE COUNTY, NORTH CAROLINA

EXHIBIT B - 1

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Tax Administration			
Salaries & Employee Benefits	\$ -	\$ 825,334	\$ -
Operating Expenses		156,182	
Capital Outlay		-	
Total	<u>\$ 1,138,109</u>	<u>\$ 981,516</u>	<u>\$ 156,593</u>
Elections			
Salaries & Employee Benefits	\$ -	\$ 115,419	\$ -
Operating Expenses		82,567	
Capital Outlay			
Total	<u>\$ 253,312</u>	<u>\$ 197,986</u>	<u>\$ 55,326</u>
Register of Deeds			
Salaries & Employee Benefits	\$ -	\$ 336,277	\$ -
Operating Expenses		86,716	
Capital Outlay			
Total	<u>\$ 446,703</u>	<u>\$ 422,993</u>	<u>\$ 23,710</u>
Legal			
Contracted Services	\$ -	\$ 273,366	\$ -
Total	<u>\$ 216,500</u>	<u>\$ 273,366</u>	<u>\$ (56,866)</u>
Data Processing (IT)			
Salaries & Employee Benefits	\$ -	\$ 237,113	\$ -
Operating Expenses		102,959	
Capital Outlay		20,738	
Total	<u>\$ 437,266</u>	<u>\$ 360,810</u>	<u>\$ 76,456</u>
Courts			
Operating Expenses	\$ -	\$ 15,329	\$ -
Capital Outlay			
Total	<u>\$ 63,500</u>	<u>\$ 15,329</u>	<u>\$ 48,171</u>
Public Buildings			
Salaries & Employee Benefits	\$ -	\$ 287,743	\$ -
Operating Expenses		931,546	
Capital Outlay		20,665	
Total	<u>\$ 1,273,569</u>	<u>\$ 1,239,954</u>	<u>\$ 33,615</u>
<i>Total General Government</i>	<u><i>\$ 4,673,503</i></u>	<u><i>\$ 4,294,062</i></u>	<u><i>\$ 379,441</i></u>
<b>Public Safety</b>			
Law Enforcement			
Salaries & Employees Benefits	\$ -	\$ 1,978,429	\$ -
Operating Expenses		277,802	
Capital Outlay		155,796	
Total	<u>\$ 2,510,481</u>	<u>\$ 2,412,027</u>	<u>\$ 98,454</u>



ASHE COUNTY, NORTH CAROLINA

EXHIBIT B - 1

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Corrections			
Salaries & Employee Benefits	\$ -	\$ 1,118,631	\$ -
Operating Expenses		623,013	
Capital Outlay			
Total	<u>\$ 1,898,752</u>	<u>\$ 1,741,644</u>	<u>\$ 157,108</u>
Ambulance & Rescue			
Ambulance Service - Contracted	\$ -	\$ 950,827	\$ -
Donation to Community Ambulance Services		25,000	
Rescue Unit		49,000	
Total	<u>\$ 1,024,827</u>	<u>\$ 1,024,827</u>	<u>\$ -</u>
Emergency Management			
Salaries & Employee Benefits	\$ -	\$ 114,971	\$ -
Operating Expenses		34,855	
Capital Outlay			
Total	<u>\$ 175,522</u>	<u>\$ 149,826</u>	<u>\$ 25,696</u>
Inspections			
Salaries & Employee Benefits	\$ -	\$ 259,478	\$ -
Operating Expenses		25,092	
Capital Outlay		28,184	
Total	<u>\$ 348,960</u>	<u>\$ 312,754</u>	<u>\$ 36,206</u>
Animal Control			
Salaries & Employee Benefits	\$ -	\$ 168,477	\$ -
Operating Expenses		36,813	
Capital Outlay			
Total	<u>\$ 226,339</u>	<u>\$ 205,290</u>	<u>\$ 21,049</u>
Fire			
Professional Services	\$ -	\$ 81,904	\$ -
Contributions to Volunteer Fire Department		79,103	
Total	<u>\$ 206,368</u>	<u>\$ 161,007</u>	<u>\$ 45,361</u>
E911 Coordinator			
Salaries & Employee Benefits	\$ -	\$ 54,695	\$ -
Operating Expenses		3,900	
Capital Outlay			
Total	<u>\$ 64,363</u>	<u>\$ 58,595</u>	<u>\$ 5,768</u>
Medical Examiner			
Contracted Services	\$ -	\$ 23,400	\$ -
Total	<u>\$ 27,000</u>	<u>\$ 23,400</u>	<u>\$ 3,600</u>
Communications			
Salaries & Employee Benefits	\$ -	\$ 447,457	\$ -
Operating Expenses		54,844	
Capital Outlay			
Total	<u>\$ 513,268</u>	<u>\$ 502,301</u>	<u>\$ 10,967</u>

ASHE COUNTY, NORTH CAROLINA

EXHIBIT B - 1

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
E-911 Operations			
Operating Expenses	\$ -	\$ 47,072	\$ -
Capital Outlay		5,791	
Total	<u>\$ 182,286</u>	<u>\$ 52,863</u>	<u>\$ 129,423</u>
<i>Total Public Safety</i>	<u>\$ 7,178,166</u>	<u>\$ 6,644,534</u>	<u>\$ 533,632</u>
<b>Transportation</b>			
Airport			
Salaries & Employee Benefits	\$ -	\$ 69,186	\$ -
Operating Expenses		110,789	
Capital Outlay			
<i>Total Transportation</i>	<u>\$ 270,174</u>	<u>\$ 179,975</u>	<u>\$ 90,199</u>
<b>Economic &amp; Physical Development</b>			
Planning & Zoning			
Salaries & Employee Benefits	\$ -	\$ 117,637	\$ -
Operating Expenses		16,048	
Capital Outlay			
Total	<u>\$ 154,603</u>	<u>\$ 133,685</u>	<u>\$ 20,918</u>
Economic Development			
Salaries & Employee Benefits	\$ -	\$ 72,206	\$ -
Operating Expenses		44,398	
Capital Outlay			
Total	<u>\$ 159,300</u>	<u>\$ 116,604</u>	<u>\$ 42,696</u>
Cooperative Extension			
Salaries & Employee Benefits	\$ -	\$ 40,997	\$ -
Contracts		229,283	
Operating Expenses		54,937	
Capital Outlay			
Total	<u>\$ 360,444</u>	<u>\$ 325,217</u>	<u>\$ 35,227</u>
Soil Conservation			
Salaries & Employee Benefits	\$ -	\$ 112,875	\$ -
Operating Expenses		12,000	
Capital Outlay			
Total	<u>\$ 125,494</u>	<u>\$ 124,875</u>	<u>\$ 619</u>
Donations & Subsidies			
Industry Incentives	\$ -	\$ 50,000	\$ -
Ashe County Chamber of Commerce		84,276	
Total	<u>\$ 146,000</u>	<u>\$ 134,276</u>	<u>\$ 11,724</u>
<i>Total Economic &amp; Physical Development</i>	<u>\$ 945,841</u>	<u>\$ 834,657</u>	<u>\$ 111,184</u>

ASHE COUNTY, NORTH CAROLINA

EXHIBIT B - 1

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Human Services</b>			
Health			
Contribution to District Health Dept.	\$ 439,068	\$ 439,068	\$ -
Mental Health			
ABC Rehab Tax Distribution	\$ -	\$ 5,086	\$ -
Professional Services		7,815	
District Mental Health Dept.		184,480	
Total	\$ 197,566	\$ 197,381	\$ 185
Social Services			
Administration			
Salaries & Employee Benefits	\$ -	\$ 4,635,605	\$ -
Operating Expenses		437,861	
Capital Outlay		78,239	
		5,151,705	
Aid to the Blind		\$ 731	
Food Stamp Issuance Cost		7,280	
Special Assistance to Adults		285,112	
Medicaid Transportation		467,762	
Day Care Contracted Services		976,754	
Foster Care & Boarding Home		762,187	
Crisis Intervention Payments		122,764	
Adult Day Care		47,193	
Adoption Expenditures		40,910	
Work First & TNF Expenditures		61,636	
Low Income Energy Assistance Payments		132,700	
Other 100% County SS Expense		110,519	
Total Social Services	\$ 9,176,676	\$ 8,167,253	\$ 1,009,423
Veterans Service Officer			
Salaries & Employee Benefits	\$ -	\$ 53,023	\$ -
Operating Expenses		2,320	
Capital Outlay			
Total	\$ 64,955	\$ 55,343	\$ 9,612
Donations and Subsidies			
Juvenile Medication Program	\$ -	\$ 16,468	\$ -
Project Challenge		21,120	
JCPC Operational		5,720	
CIS - Pairs		57,091	
A Safe Home for Everyone		10,000	
Ashe Co. Transportation Auth.		148,720	
Adult Developmental Activities Program		74,153	
Ashe Developmental Day School		12,000	
Blue Ridge Opportunity Commission		3,700	
Project Graduation		5,000	
New River Senior Services		20,000	
Mountain Farm Life Museum		180	
AMH/ Healthy Carolinas		500,000	
Hospitality House		10,000	

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Wilkes Vocational Workshop		2,700	
Ashe Services for Aging		450,000	
National Guard Armory		121	
VFW DAV of Ashe Co. Chapter		1,500	
ACPC/USDA Loan		223,025	
Total	<u>\$ 1,584,524</u>	<u>\$ 1,561,498</u>	<u>\$ 23,026</u>
<i>Total Human Services</i>	<u>\$ 11,462,789</u>	<u>\$ 10,420,543</u>	<u>\$ 1,042,246</u>
<b>Cultural and Recreational</b>			
Parks & Recreation			
Salaries & Employee Benefits	\$ -	\$ 340,448	\$ -
Operating Expenses		250,329	
Capital Outlay			
Total	<u>\$ 640,003</u>	<u>\$ 590,777</u>	<u>\$ 49,226</u>
Contributions			
Contribution to Northern Park Trail		\$ 22,000	
Contributions to Regional Library		429,150	-
Contribution to Ashe Civic Center		68,276	
Contribution to 1904 Courthouse		68,276	
Contributions to Ashe Co. Arts Council		30,000	
Total	<u>\$ 651,150</u>	<u>\$ 617,702</u>	<u>\$ 33,448</u>
<i>Total Cultural and Recreational</i>	<u>\$ 1,291,153</u>	<u>\$ 1,208,479</u>	<u>\$ 82,674</u>
<b>Education</b>			
Public Schools - Current Expense	\$ -	\$ 4,641,903	\$ -
Public Schools - Pool R&M		3,210	
Public Schools - Capital Outlay		100,000	
Public School - Equipment/Technology		117,972	
Wilkes Comm. College - One Time Operation Supply		17,465	
Wilkes Comm. College - Current Expense		376,200	
Wilkes Comm. College - Capital Outlay		22,000	
<i>Total Education</i>	<u>\$ 5,280,640</u>	<u>\$ 5,278,750</u>	<u>\$ 1,890</u>
<b>Debt Service</b>			
Principal - Education	\$ -	\$ 705,455	\$ -
Interest - Education		25,246	
Principal - Public Buildings		1,075,000	
Interest - Public Buildings		327,252	
<i>Total Debt Service</i>	<u>\$ 2,133,142</u>	<u>\$ 2,132,953</u>	<u>\$ 189</u>
<i>Contingency</i>	<u>\$ 186,342</u>	<u>\$ -</u>	<u>\$ 186,342</u>
<b>TOTAL EXPENDITURES</b>	<u><b>\$ 33,421,750</b></u>	<u><b>\$ 30,993,953</b></u>	<u><b>\$ 2,427,797</b></u>
<b>Revenues Over (Under) Expenditures</b>	<u><b>\$ (1,449,223)</b></u>	<u><b>\$ 1,721,123</b></u>	<u><b>\$ 3,170,346</b></u>

ASHE COUNTY, NORTH CAROLINAEXHIBIT B - 1GENERAL FUNDSTATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers - In (Out):			
From Econ. Dev. Cap. Project Fund	100,000	100,000	
To Cap. Project Fund	(160,210)	(160,209)	1
To Econ. Dev. Capital Project Fund	(185,025)	(185,025)	-
To School Capital Project Fund	(1,205,105)	(1,201,333)	3,772
Appropriated Fund Balance	2,899,563		(2,899,563)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 1,449,223</u>	<u>\$ (1,446,567)</u>	<u>\$ (2,895,790)</u>
<b>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other (Uses)</b>	<u>\$ -</u>	<u>\$ 274,556</u>	<u>\$ 274,556</u>
<b>Fund Balance</b>			
Beginning of Year, July 1		<u>12,753,912</u>	
End of Year, June 30		<u>\$ 13,028,468</u>	

EXHIBIT B-2

ASHE COUNTY, NORTH CAROLINA  
REVALUATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Investment Earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>Expenditures</b>			
General Government			
Tax Administration			
Salaries & Employee Benefits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues Over (Under)			
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Other Financing Sources(Uses)			
Transfer Out-General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Excess of Revenues & Other			
Sources Over (Under)			
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund Balance, July 1		<u>\$ 102,559</u>	
 Fund Balance, June 30		<u>\$ 102,559</u>	

ASHE COUNTY, NORTH CAROLINA  
ASHE COUNTY SCHOOLS CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Restricted Intergovernmental Revenue			
Public School Building Capital Fund			
Lottery Funds	\$ 262,921	\$ 262,921	\$ -
IRS Reimbursement of QSCB Interest	52,126	52,182	56
Investment Earnings			
<b>Total Revenues</b>	<u>\$ 315,047</u>	<u>\$ 315,103</u>	<u>\$ 56</u>
<b>Expenditures:</b>			
Capital Outlay:			
Construction Projects	\$ -	\$ 256,400	\$ -
Technology Equipment		230,000	
Total	<u>\$ 3,060,881</u>	<u>\$ 486,400</u>	<u>\$ 2,574,481</u>
Debt Services:			
QSCB Principal	\$ -	\$ 206,872	\$ -
QSCB Interest		56,049	
CPL Principal		76,304	
CPL Interest		2,029	
Total	<u>\$ 989,971</u>	<u>\$ 341,254</u>	<u>\$ 648,717</u>
<b>Total Expenditures</b>	<u>\$ 4,050,852</u>	<u>\$ 827,654</u>	<u>\$ 3,223,198</u>
Revenues Over (Under) Expenditures	<u>\$ (3,735,805)</u>	<u>\$ (512,551)</u>	<u>\$ 3,223,254</u>
<b>Other Financing Sources &amp; Uses</b>			
Loan Proceeds	\$ 1,965,000	\$ 230,000	(1,735,000)
Transfer from General Fund	1,205,104	1,201,333	(3,771)
Fund Balance Appropriated	565,701		(565,701)
<b>Total Other Financing Sources &amp; Uses</b>	<u>\$ 3,735,805</u>	<u>\$ 1,431,333</u>	<u>\$ (2,304,472)</u>
Revenues and Other Sources			
Over (Under) Expenditures & Other Uses	<u>\$ -</u>	\$ 918,782	<u>\$ 918,782</u>
Fund Balance, July 1		<u>\$ 752,118</u>	
Fund Balance, June 30		<u>\$ 1,670,900</u>	

## **COMBINING STATEMENTS FOR NON-MAJOR FUNDS - ASHE COUNTY**

### *Special Revenue Funds*

- \* Emergency Telephone System Fund - This fund accounts for the 911 revenues collected by the telephone industry to fund the 911 emergency system
- \* 4-H Program Activities Fund - This fund accounts for revenues and expenses of various 4 - H programs.
- \* 4 - H Program Afterschool Fund - This fund accounts for revenues and expenses of the 4- H afterschool program.

### *Capital Projects Funds*

- \* CDBG Capital Projects Fund - The County uses this fund to account for capital outlay funded by the Community Development Block Grant.
- \* County Government Capital Projects Fund - The County uses this fund to account for the purchase or construction of governmental capital assets.
- \* Economic Development Capital Projects Fund- The County uses this fund to account for future economic development capital outlay.



ASHE COUNTY, NORTH CAROLINA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017

	Special Revenue Funds			Total Nonmajor Special Revenues Funds	Capital Projects Funds			Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	4-H Program Activities Fund	4-H Program Afterschool Fund		CDBG Fund	Government Building Fund	Economic Development Fund		
<b>Assets</b>									
Cash & Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 638,686	\$ 662,105	1,300,796	1,300,796
Restricted Cash	279,794	212,268	24,472	516,534				-	516,534
Accounts Receivable				-				-	-
Due from Other Governments	21,374			21,374		400,650		400,650	422,024
<b>Total Assets</b>	<u>\$ 301,168</u>	<u>\$ 212,268</u>	<u>\$ 24,472</u>	<u>\$ 537,908</u>	<u>\$ 5</u>	<u>\$ 1,039,336</u>	<u>\$ 662,105</u>	<u>\$ 1,701,446</u>	<u>\$ 2,239,354</u>
<b>Liabilities &amp; Fund Balance</b>									
Accounts Payable	\$ 18,103	\$ 549	\$ -	\$ 18,652	\$ 5	\$ 34,252	\$ -	\$ 34,257	\$ 52,909
Due to Other Funds									
<b>Total Liabilities</b>	<u>\$ 18,103</u>	<u>\$ 549</u>	<u>\$ -</u>	<u>\$ 18,652</u>	<u>\$ 5</u>	<u>\$ 34,252</u>	<u>\$ -</u>	<u>\$ 34,257</u>	<u>\$ 52,909</u>
Fund Balance									
Restricted									
Restricted by State Statute	\$ 21,374	\$ -	\$ -	\$ 21,374	\$ -	\$ 400,650	\$ -	\$ 400,650	\$ 422,024
Restricted for E911	261,691			261,691					261,691
Restricted for 4-H		211,719	24,472	236,191					236,191
Committed:									
For Capital Projects						604,434	662,105	1,266,539	1,266,539
Unassigned									
<b>Total Fund Balance</b>	<u>\$ 283,065</u>	<u>\$ 211,719</u>	<u>\$ 24,472</u>	<u>\$ 519,256</u>	<u>\$ -</u>	<u>\$ 1,005,084</u>	<u>\$ 662,105</u>	<u>\$ 1,667,189</u>	<u>\$ 2,186,445</u>
<b>Total Liabilities &amp; Fund Balance</b>	<u>\$ 301,168</u>	<u>\$ 212,268</u>	<u>\$ 24,472</u>	<u>\$ 537,908</u>	<u>\$ 5</u>	<u>\$ 1,039,336</u>	<u>\$ 662,105</u>	<u>\$ 1,701,446</u>	<u>\$ 2,239,354</u>

ASHE COUNTY, NORTH CAROLINA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Capital Projects Funds			Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	4-H Program Activities Fund	4-H Program Afterschool Fund		CDBG Fund	Government Buildings Fund	Economic Development Fund		
<b>Revenues</b>									
Investment Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Intergovern- mental Revenues	256,483	283,136		539,619	2,518	2,455,071		2,457,589	2,997,208
Local Fund Raising & Other Revenues		63,727		63,727					63,727
Sales & Service		51,324		51,324					51,324
Other Taxes & Licenses									
<b>Total Revenues</b>	<u>\$ 256,483</u>	<u>\$ 398,187</u>	<u>\$ -</u>	<u>\$ 654,670</u>	<u>\$ 2,518</u>	<u>\$ 2,455,071</u>	<u>\$ -</u>	<u>\$ 2,457,589</u>	<u>\$ 3,112,259</u>
<b>Expenditures</b>									
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	386,625			386,625					386,625
Human Services		391,815		391,815					391,815
Capital Outlay						2,727,856		2,727,856	2,727,856
Economic Development					2,518			2,518	2,518
<b>Total Expenditures</b>	<u>\$ 386,625</u>	<u>\$ 391,815</u>	<u>\$ -</u>	<u>\$ 778,440</u>	<u>\$ 2,518</u>	<u>\$ 2,727,856</u>	<u>\$ -</u>	<u>\$ 2,730,374</u>	<u>\$ 3,508,814</u>
Revenues Over (Under) Expenditures	\$ (130,142)	\$ 6,372	\$ -	\$ (123,770)	\$ -	\$ (272,785)	\$ -	\$ (272,785)	\$ (396,555)
Other Financing Sources									
Transfer-In						510,209	185,025	695,234	695,234
Transfer-Out							(450,000)	(450,000)	(450,000)
Loan Proceeds									
Revenues & Other Sources Over (Under) Expenditures	(130,142)	6,372	-	(123,770)		237,424	(264,975)	(27,551)	(151,321)
Fund Balance, July 1	413,207	205,347	24,472	643,026		767,660	927,080	1,694,740	2,337,766
Fund Balance, June 30	<u>\$ 283,065</u>	<u>\$ 211,719</u>	<u>\$ 24,472</u>	<u>\$ 519,256</u>	<u>\$ -</u>	<u>\$ 1,005,084</u>	<u>\$ 662,105</u>	<u>\$ 1,667,189</u>	<u>\$ 2,186,445</u>

ASHE COUNTY, NORTH CAROLINA  
EMERGENCY TELEPHONE SYSTEM FUND (E911)  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Restricted Intergovernmental:			
E911 Wireless Surcharge	\$ 256,483	\$ 256,483	\$ -
<b>Total Revenues</b>	<u>\$ 256,483</u>	<u>\$ 256,483</u>	<u>\$ -</u>
<b>Expenditures</b>			
<u>Public Safety :</u>			
Wireless E911 Communications:			
Operating Expenses	\$ -	\$ 354,800	\$ -
Capital Outlay		31,825	
<b>Total Expenditures</b>	<u>\$ 537,745</u>	<u>\$ 386,625</u>	<u>\$ 151,120</u>
Excess of Revenues Over (Under)			
Expenditures	\$ (281,262)	\$ (130,142)	\$ 151,120
Other Financing Sources (Uses)			
Appropriated Fund Balance	<u>281,262</u>		<u>(281,262)</u>
Excess of Revenues & Other			
Sources Over (Under)			
Expenditures	<u>\$ -</u>	\$ (130,142)	<u>\$ (130,142)</u>
 Fund Balance, July 1		413,207	
Fund Balance, June 30		<u>283,065</u>	

ASHE COUNTY, NORTH CAROLINA  
4-H PROGRAM ACTIVITIES FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Restricted Intergovernmental Revenue:</u></b>			
State Grants	\$ -	\$ 4,313	\$ -
Federal Grants		277,637	
Title XX - TRAC		1,186	
Total	<u>\$ 438,600</u>	<u>\$ 283,136</u>	<u>\$ (155,464)</u>
<b><u>Sales and Service:</u></b>			
Program Fees	\$ -	\$ 51,324	\$ -
Total	<u>\$ 108,600</u>	<u>\$ 51,324</u>	<u>\$ (57,276)</u>
<b><u>Other Revenues:</u></b>			
Donations	\$ -	\$ 17,139	\$ -
Total	<u>\$ 59,514</u>	<u>\$ 17,139</u>	<u>\$ (42,375)</u>
<b><u>Miscellaneous Revenues:</u></b>			
4-H General	\$ -	\$ 38,023	\$ -
4-H AG Expo		3	
Children's Trust		7,690	
4-H LEADS		872	
Total	<u>\$ 88,070</u>	<u>\$ 46,588</u>	<u>\$ (41,482)</u>
<b>Total Revenues</b>	<u>\$ 694,784</u>	<u>\$ 398,187</u>	<u>\$ (296,597)</u>
<b><u>Expenditures</u></b>			
General 4-H			
Salaries & Employee Benefits	\$ -	\$ -	\$ -
Operating Expenses		54,592	
Capital Outlay			
Total		<u>\$ 54,592</u>	
4-H BRCC			
Salaries & Employee Benefits		\$ -	
Operating Expenses		7,513	
Capital Outlay			
Total		<u>\$ 7,513</u>	
4-H LEADS General			
Salaries & Employee Benefits		\$ 296	
Operating Expenses		31,115	
Capital Outlay			
Total		<u>\$ 31,411</u>	

ASHE COUNTY, NORTH CAROLINA  
4-H PROGRAM ACTIVITIES FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Children's Trust Program			
Salaries & Employee Benefits		\$ -	
Operating Expenses		16,202	
Capital Outlay			
Total		<u>\$ 16,202</u>	
4-H Link General			
Salaries & Employee Benefits		\$ -	
Operating Expenses		4,253	
Capital Outlay			
Total		<u>\$ 4,253</u>	
4-H LEADS Grant			
Salaries & Employee Benefits		\$ 225,459	
Operating Expenses		52,385	
Capital Outlay			
Total		<u>\$ 277,844</u>	
<b>Total Expenditures</b>	<u>\$ 694,784</u>	<u>\$ 391,815</u>	<u>\$ 302,969</u>
Revenues Over (Under) Expenditures	\$ -	\$ 6,372	\$ 6,372
Other Financing Sources			
Fund Balance Appropriated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues & Other Sources Over (Under) Expenditures	<u>\$ -</u>	\$ 6,372	<u>\$ 6,372</u>
Fund Balance, July 1		<u>\$ 205,347</u>	
Fund Balance, June 30		<u><u>\$ 211,719</u></u>	

ASHE COUNTY, NORTH CAROLINA  
4-H AFTER SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Restricted Intergovernmental Revenues:</u></b>			
Title XX	\$ -	\$ -	\$ -
Total	\$ 7,443	\$ -	\$ (7,443)
 <b><u>Sales and Service:</u></b>			
Parent Fees	\$ -	\$ -	\$ -
Total	\$ 12,030	\$ -	\$ (12,030)
 <b><u>Other Revenues</u></b>			
Miscellaneous	\$ -	\$ -	\$ -
Total	\$ 5,000	\$ -	\$ (5,000)
 <b>Total Revenues</b>	 \$ 24,473	 \$ -	 \$ (24,473)
 <b><u>Expenditures:</u></b>			
Blue Ridge Elementary			
Salaries & Fringe Benefits	\$ -	\$ -	\$ -
Operating Expenses			
Capital Outlay			
Total		\$ -	
 Mountain View Elementary			
Salaries & Fringe Benefits		\$ -	
Operating Expenses			
Capital Outlay			
Total		\$ -	
 Westwood Elementary			
Salaries & Fringe Benefits		\$ -	
Operating Expenses			
Capital Outlay			
Total		\$ -	
 <b>Total Expenditures</b>	 \$ 24,473	 \$ -	 \$ 24,473

ASHE COUNTY, NORTH CAROLINA  
4-H AFTER SCHOOL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -
Other Financing Sources			
Fund Balance Appropriated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Sources			
Over (Under) Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Fund Balance, July 1		<u>\$ 24,472</u>	
Fund Balance, June 30		<u><u>\$ 24,472</u></u>	

ASHE COUNTY, NORTH CAROLINA  
CDBG CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
<b>Revenues</b>					
<b>Restricted Intergovernmental Revenues:</b>					
CBDG Commerce Fellows Grant Grant # 02-D-2678	\$ 27,476	\$ 21,000	\$ 2,518	\$ 23,518	\$ (3,958)
<b>Total Revenues</b>	<u>\$ 27,476</u>	<u>\$ 21,000</u>	<u>\$ 2,518</u>	<u>\$ 23,518</u>	<u>\$ (3,958)</u>
<b>Expenditures</b>					
Community Development:					
Training/Employee Education	\$ 27,476	\$ 21,000	\$ 2,518	\$ 23,518	\$ 3,958
<b>Total Expenditures</b>	<u>\$ 27,476</u>	<u>\$ 21,000</u>	<u>\$ 2,518</u>	<u>\$ 23,518</u>	<u>\$ 3,958</u>
Revenue Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Other Financing Sources</b>					
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Other Financing Sources</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenue and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, July 1			<u>\$ -</u>		
Fund Balance, June 30			<u>\$ -</u>		



ASHE COUNTY, NORTH CAROLINA  
GOVERNMENT BUILDINGS CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget	Actual Current Year	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Restricted Intergovernmental Rev Federal Grants	\$ 3,150,000	\$ 2,455,071	\$ (694,929)
<b>Total Revenues</b>	<u>\$ 3,150,000</u>	<u>\$ 2,455,071</u>	<u>\$ (694,929)</u>
<b>Expenditures</b>			
Transportation Capital Outlay Airport	\$ -	\$ 2,727,856	\$ -
<b>Total Expenditures</b>	<u>\$ 3,660,210</u>	<u>\$ 2,727,856</u>	<u>932,354</u>
Revenues Over (Under) Expenditures	<u>\$ (510,210)</u>	<u>\$ (272,785)</u>	<u>\$ (237,425)</u>
<b>Other Financing Sources</b>			
Transfers In Fund Balance Appropriated	\$ 510,210 -	\$ 510,209	\$ (1) -
<b>Total Other Financing Sources</b>	<u>\$ 510,210</u>	<u>\$ 510,209</u>	<u>\$ (1)</u>
Revenue and Other Sources Over (Under) Expenditures	<u>\$ -</u>	\$ 237,424	<u>\$ 237,424</u>
Fund Balance, July 1		<u>\$ 767,660</u>	
Fund Balance, June 30		<u><u>\$ 1,005,084</u></u>	

ASHE COUNTY, NORTH CAROLINA  
ECONOMIC DEVELOPMENT CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Investment Earnings	\$ -	\$ -	\$ -
<b>Expenditures</b>			
Economic Development:			
Capital Outlay Related	\$ -	\$ -	\$ -
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -
<b>Other Financing Sources &amp; Uses</b>			
Operating Transfers - In (From General Fund)	\$ 185,025	\$ 185,025	\$ -
Operating Transfers - Out (To General Fund)	(100,000)	(100,000)	-
Operating Transfers- Out (To Capital Projects Fund)	(350,000)	(350,000)	-
Fund Balance Appropriated	<u>264,975</u>	<u></u>	<u>(264,975)</u>
<b>Total Other Fin. Sources &amp; Uses</b>	\$ -	\$ (264,975)	\$ (264,975)
Revenues & Other Sources Over (Under)			
Expenditures & Other Uses	<u>\$ -</u>	\$ (264,975)	<u>\$ (264,975)</u>
Fund Balance, July 1		<u>\$ 927,080</u>	
Fund Balance, June 30		<u>\$ 662,105</u>	

## **STATEMENTS FOR ENTERPRISE FUNDS**

### *Enterprise Funds*

- \* Environmental Services Fund - accounts for the County's solid waste activities, including the Landfill Closure and Postclosure Fund to account for funds needed at such time the Landfill operation is closed and the subsequent monitoring that will be needed.

ASHE COUNTY, NORTH CAROLINA  
ENVIRONMENTAL SERVICES FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON - GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating Revenues:			
Charges for Services:			
SWDF - Household Fees	\$ -	\$ 2,067,139	\$ -
SWDF - Commercial Fees		497,066	
Recycling Revenues		106,881	
Miscellaneous Revenue		4,180	
Total Operating Revenues	<u>\$ 2,550,000</u>	<u>\$ 2,675,266</u>	<u>\$ 125,266</u>
Non-Operating Revenue:			
Investment Earnings	<u>\$ 4,000</u>	<u>\$ 10,453</u>	<u>\$ 6,453</u>
Total Revenues	<u>\$ 2,554,000</u>	<u>\$ 2,685,719</u>	<u>\$ 131,719</u>
Expenditures:			
Environmental Services-Collections			
Salaries & Employee Benefits	\$ -	\$ 722,180	\$ -
Operating Expenses		326,751	
Capital Outlay		279,718	
Total Environmental Services-Collections	<u>\$ 1,413,916</u>	<u>\$ 1,328,649</u>	<u>\$ 85,267</u>
Environmental Services-Disposal			
Salaries & Employee Benefits	\$ -	\$ 302,546	\$ -
Operating Expenses		326,930	
Capital Outlay		212,548	
Total Environmental Services-Disposal	<u>\$ 1,097,370</u>	<u>\$ 842,024</u>	<u>\$ 255,346</u>
Debt Service			
Principal		\$ 395,239	\$ -
Interest		30,779	
Total Debt Service	<u>\$ 436,214</u>	<u>\$ 426,018</u>	<u>\$ 10,196</u>
Total Expenditures	<u>\$ 2,947,500</u>	<u>\$ 2,596,691</u>	<u>\$ 350,809</u>
Revenues Over (Under) Expenditures	<u>\$ (393,500)</u>	<u>\$ 89,028</u>	<u>\$ 482,528</u>
Other Financing Sources (Uses)			
Contribution From Other Governments	\$ 6,000	\$ 6,000	\$ -
Solid Waste Disposal Tax	19,500	20,241	741
Scrap Tire Disposal Tax and Grant	64,000	68,379	4,379
White Goods Disposal Tax and Grant	8,500	25,210	16,710
Electronics Mgmt Distr.	2,500	2,028	(472)
Other DEHNR Grant	-	115,380	115,380
Proceeds from Sale of Fixed Assets	20,000	-	(20,000)
Proceeds from Loan	373,000	364,600	(8,400)
Transfer Out - Landfill Capital Reserve	(100,000)	(100,000)	-
Fund Balance Appropriated			
Total	<u>\$ 393,500</u>	<u>\$ 501,838</u>	<u>\$ 108,338</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 590,866</u>	<u>\$ 590,866</u>

ASHE COUNTY, NORTH CAROLINA  
ENVIRONMENTAL SERVICES FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON - GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Reconciliation to Accrual Basis

Excess of Revenues and Other Expenditures	
Over (Under) Expenditures	\$ 590,866
Debt Principal	395,239
Decrease (Increase) in Interest Payable	3,352
Capital Outlay	492,266
Depreciation	(299,722)
Landfill Closure and Postclosure Care Costs	(188,688)
Transfers Out - Landfill Capital Reserve	100,000
Decrease (Increase) in Accrued Vacation Pay	(73)
Decrease (Increase) in OPEB Liability	1,435
Deferred Outflows of Resources for Contributions made to	
Pension Plan in current fiscal year	43,579
Pension Expense	(52,505)
Proceeds from Loan	(364,600)
Change in Net Position	\$ 721,149

LANDFILL CLOSURE & POST CLOSURE - RESERVE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON - GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Investment Earnings	\$ -	\$ -	\$ -
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:			
Landfill Cell Construction	\$ -	\$ -	\$ -
Landfill Closure and Post Closure			
Total Expenditures	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Revenues Over (Under) Expenditures	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Other Financing Sources (Uses):			
Transfers In - Environmental Services	\$ 100,000	\$ 100,000	\$ -
Transfers Out- Environmental Services			
Fund Balance Appropriated			-
Total	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures	<u><u>\$ -</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 100,000</u></u>

ASHE COUNTY, NORTH CAROLINA  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND  
LIABILITIES - AGENCY FUNDS  
JUNE 30, 2017

	Balance 7/01/2016	Additions	Deductions	Balance 6/30/2017
<b><u>Social Services</u></b>				
Assets:				
Cash & Investments	\$ 35,241	\$ 336,716	\$ 327,553	\$ 44,404
Liabilities:				
Accounts Payable	\$ 1,586	\$ 2,875	\$ 3,117	\$ 1,344
Due to Individuals	33,655	333,841	324,436	43,060
Total Liabilities	\$ 35,241	\$ 336,716	\$ 327,553	\$ 44,404
<b><u>Fire Districts</u></b>				
Assets:				
Cash & Investments	\$ 8,033	\$ 1,419,081	\$ 1,418,322	\$ 8,792
Taxes Receivable	227,389	1,361,108	1,364,561	223,936
Total Assets	\$ 235,422	\$ 2,780,189	\$ 2,782,883	\$ 232,728
Liabilities & Reserves:				
Accounts Payable	\$ 8,033	\$ 1,419,081	\$ 1,418,322	\$ 8,792
Reserve for Taxes Rec.	227,389	1,361,108	1,364,561	223,936
Total Liabilities	\$ 235,422	\$ 2,780,189	\$ 2,782,883	\$ 232,728
<b><u>Jail Commissary</u></b>				
Assets:	\$ 84,292	\$ 205,148	\$ 252,740	\$ 36,700
Cash & Investments				
Liabilities:				
Accounts Payable	\$ 84,292	\$ 205,148	\$ 252,740	\$ 36,700
<b><u>Totals-All Agency Funds</u></b>				
Assets:				
Cash & Investments	\$ 127,566	\$ 1,960,945	\$ 1,998,615	\$ 89,896
Taxes Receivable	227,389	1,361,108	1,364,561	223,936
Total Assets	\$ 354,955	\$ 3,322,053	\$ 3,363,176	\$ 313,832
Liabilities & Reserves:				
Accounts Payable	\$ 93,911	\$ 1,627,104	\$ 1,674,179	\$ 46,836
Due to Individuals	33,655	333,841	324,436	43,060
Reserve for Taxes Rec.	227,389	1,361,108	1,364,561	223,936
Total Liabilities & Reserves	\$ 354,955	\$ 3,322,053	\$ 3,363,176	\$ 313,832

ASHE COUNTY, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$ 3,948,291,840	.433	\$ 17,096,118	\$ 15,938,638	\$ 1,157,480
Discoveries					
Current year taxes	<u>\$ 57,738,384</u>	.433	<u>\$ 247,987</u>	<u>\$ 247,987</u>	<u>\$ -</u>
Total	<u>\$ 4,006,030,224</u>		<u>\$ 17,344,105</u>	<u>\$ 16,186,625</u>	<u>\$ 1,157,480</u>
Abatements	<u>\$ (35,711,480)</u>	.433	<u>\$ (154,630)</u>	<u>\$ (154,630)</u>	<u>\$ -</u>
Total property valuation	<u><u>\$ 3,970,318,744</u></u>				
Net levy			\$ 17,189,475	\$ 16,031,995	\$ 1,157,480
Uncollected taxes at June 30, 2017			<u>(701,882)</u>	<u>(701,882)</u>	
Current year's taxes collected			<u>\$ 16,487,593</u>	<u>\$ 15,330,113</u>	<u>\$ 1,157,480</u>
Current levy collection percentage			95.92%	95.62%	100.00%



ASHE COUNTY, NORTH CAROLINA  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-17	\$ -	\$ 17,189,475	\$ 16,487,593	701,882
2015-16	767,806		271,112	496,694
2014-15	508,118		117,961	390,157
2013-14	396,754		60,049	336,705
2012-13	350,623		54,967	295,656
2011-12	304,460		44,369	260,091
2010-11	266,760		42,644	224,116
2009-10	224,082		29,629	194,453
2008-09	190,658		22,807	167,851
2007-08	153,086		24,154	128,932
2006-07	148,889		148,889	-
	<u>\$ 3,311,236</u>	<u>\$ 17,189,475</u>	<u>\$ 17,304,174</u>	<u>\$ 3,196,537</u>

Less Allowance for Uncollectible Ad Valorem Taxes Receivable	<u>\$ 911,000</u>
Ad Valorem Taxes Receivable (Net)	<u>\$ 2,285,537</u>

Reconciliation with Revenues	
Taxes - Ad Valorem - General Fund	\$ 17,487,087
Discount Allowed	137,122
Amounts Written Off Per Statute of Limitation	56,178
Adjustments	93,142
Interest Collected	<u>(469,355)</u>
Total Collections & Credits	<u>\$ 17,304,174</u>

# *Priscilla L. Norris, CPA*

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

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

To the Board of County Commissioners  
Ashe County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, each major fund, and the aggregate remaining fund information of Ashe County, North Carolina, as of and for the year ended June 30, 2017, and the notes to the financial statements, which collectively comprises Ashe County's basic financial statements, and have issued our report thereon dated January 30, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ashe 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ashe County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

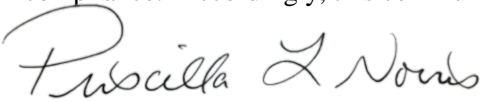
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ashe 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, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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Priscilla L. Norris, CPA

Jefferson, NC

January 30, 2018

# *Priscilla L. Norris, CPA*

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**Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance;  
In Accordance with OMB Uniform Guidance;  
and the State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Board of County Commissioners  
Ashe County, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Ashe County, North Carolina, 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 Ashe County's major federal programs for the year ended June 30, 2017. Ashe County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

## **Report on Internal Control Over Compliance**

Management of Ashe 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 Ashe 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 the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of 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.

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

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



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Priscilla L. Norris, CPA

Jefferson, NC

January 30, 2018

# *Priscilla L. Norris, CPA*

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**Report on Compliance For Each Major State Program;  
Report on Internal Control Over Compliance;  
In Accordance with OMB Uniform Guidance;  
and the State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Board of County Commissioners  
Ashe County, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Ashe County, North Carolina, 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 Ashe County's major state programs for the year ended June 30, 2017. Ashe County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major State Program**

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

### **Report on Internal Control Over Compliance**

Management of Ashe 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 Ashe 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 Ashe County's internal control over compliance.

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

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

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



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Priscilla L. Norris, CPA

Jefferson, NC

January 3, 2018

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

**I. Summary of Auditor's Results**

**Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies(s) identified that are not considered to be material weaknesses \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted \_\_\_\_\_ yes   X   no

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies(s) identified that are not considered to be material weaknesses \_\_\_\_\_ yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? \_\_\_\_\_ yes   X   no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
93.778	Title XIX - Medicaid
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B Programs \$ 1,057,435

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no

**State Awards**

Internal control over major State programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies(s) identified that are not considered to be material weaknesses \_\_\_\_\_ yes   X   none reported



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

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

Any audit findings disclosed that are required  
to be reported in accordance with the State

Single Audit Implementation Act

\_\_\_\_\_ yes

  X   no

Identification of major State programs:

Program Name

Title XIX Medicaid

**II. Financial Statement Findings**

None Reported.

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

None Reported.

**IV. State Awards Findings and Questioned Cost**

None Reported.

**V. Corrective Action Plan for the Following Sections:**

**Section II - Financial Statement Findings**

None Reported.

**Section III - Federal Award Findings and Questioned Costs**

None Reported.

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

None Reported.

**VI. Summary of Prior Audit Findings**

None Reported

ASHE COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed through to Subrecipients	Local Expenditures
<b>FEDERAL AWARDS:</b>					
<b><u>U.S. Department of Health and Human Services:</u></b>					
<i><u>Administration for Children and Families</u></i>					
Passed-through the N.C. Dept. of Health and Human Serv:					
Division of Child Development:					
Subsidized Child Care (Note 2):					
<u>Child Care Development Fund Cluster</u>					
Division of Social Services					
Child Care Development Fund - Administration	93.596	\$ 80,000	\$ -	\$ -	\$ -
Division of Child Development					
Child Care and Development Fund--Discretionary	93.575	280,000			
Child Care and Development Fund--Mandatory	93.596	109,093			
Child Care and Development Fund--Match	93.596	175,195	70,130		
Total Child Care Development Fund Cluster		644,288	70,130	-	-
Temporary Assistance for Needy Families					
Foster Care Title IV-E	93.658	9,524	4,762		
Smart Start			114		
State Appropriations			136,094		
TANF-MOE			99,224		
Total Subsidized Child Care Cluster		746,429	310,324	-	-
Division of Social Services:					
<u>Foster Care and Adoption Cluster (Note 2):</u>					
Title IV-E Foster Care	93.658	153,973	9,520		167,781
Foster Care - Direct Benefit Payments	93.658	272,698	283,951		283,317
Title IV - E - Adoption	93.659	320			320
Adoption Assistance - Direct Benefit Payments	93.659		74,333		7,291
Total Foster Care and Adoption Cluster		426,991	367,804	-	458,709
<u>Temporary Assistance for Needy Families Cluster</u>					
TANF/Work First	93.558	235,503	-		459,787
Temporary Assistance for Needy Families-Direct Benefit Payments	93.558	105,207			
Total TANF Cluster		340,710	-	-	459,787
Child Support Enforcement					
Refugee Assistance - Admin.	93.563	504,791			260,042
Refugee Assistance - Direct Benefits	93.566	2,535			
Refugee Assistance - Direct Benefits	93.566	1,991			
Low Income Home Energy Assistance Block Grant:	93.568	273,262			
Child Welfare Services	93.645	7,314	24,048		2,438
Promoting Safe and Stable Families	93.556	6,384			
Social Services Block Grant - Adult Services	93.667	234,166	28,179		45,621
Independent Living Grant - Admin.	93.674	2,736	684		
Independent Living Grant - Direct Benefit Payments	93.674	2,088			
<i>Total Administration for Children and Families</i>		<u>\$ 2,549,397</u>	<u>\$ 731,039</u>	<u>\$ -</u>	<u>\$ 1,226,597</u>
<u>Health Care Financing Administration</u>					
Passed-through the N.C. Dept. of Health and Human Serv:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	\$ 27,106,319	\$ 14,711,177	\$ -	\$ -
NC Health Choice	93.767	839,427	7,024		
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	1,485,918	11,677		632,687
NC Health Choice	93.767	63,362	79		99
<i>Total Healthcare Financing Administration</i>		<u>\$ 29,495,026</u>	<u>\$ 14,729,957</u>	<u>\$ -</u>	<u>\$ 632,786</u>

ASHE COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed through to Subrecipients	Local Expenditures
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 32,044,423</b>	<b>\$ 15,460,996</b>	<b>\$ -</b>	<b>\$ 1,859,383</b>
<b><u>U.S. Department of Education:</u></b>					
Passed-through N.C. Dept. of Public Instruction: 21st Century Community Learning Center	84.287	\$ 277,637	\$ -	\$ -	\$ -
<b>Total U.S. Department of Education</b>		<b>\$ 277,637</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>U.S. Dept. of Agriculture</u></b>					
<b><u>Food and Nutrition Services</u></b>					
Passed-through the N.C. Dept. of Health and Human Serv: Division of Social Services: Administration: Supplemental Nutrition Assist. Program Cluster Administration	10.561	\$ 415,973	\$ -	\$ -	\$ 415,973
<b>Total U.S. Dept. of Agriculture</b>		<b>\$ 415,973</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 415,973</b>
<b><u>U.S. Department of Justice</u></b>					
Passed-Through N.C. Dept. of Public Safety: Byrne Justice Assistance Grant (Interview Room Upgrades)	16.738	10,879			\$ -
<b>Total U.S. Department of Justice</b>		<b>\$ 10,879</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>U.S. Dept. of Transportation</u></b>					
Passed - through NC Dept. of Transportation:					
Airport Improvements Program (36237.21.15.1)	20.106	\$ 2,811	\$ -	\$ -	\$ 312
Airport Improvements Program (36237.21.13.1)	20.106	67,363			7,485
Airport Improvements Program (36237.21.13.2)	20.106	2,384,897			264,989
<b>Total U.S. Dept. of Transportation</b>		<b>\$ 2,455,071</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 272,786</b>
<b><u>U.S. Dept. of Homeland Security</u></b>					
Passed - through NC Dept. of Public Safety:					
Emergency Management	97.042	\$ 38,584	\$ -		\$ -
Homeland Security Grant	97.067	5,250			
<b>Total U.S. Dept. of Homeland Security</b>		<b>\$ 43,834</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Federal Awards (and state and local match)</b>		<b>\$ 35,247,817</b>	<b>\$ 15,460,996</b>	<b>\$ -</b>	<b>\$ 2,548,142</b>
<b>STATE AWARDS:</b>					
<b><u>N.C. Dept. of Health and Human Services</u></b>					
Division of Social Services:					
State/County Special Assistance for Adults - Direct Benefits Smart Start		\$ -	\$ 285,112 5,701		\$ 285,112
<b><u>N.C. Dept. of Transportation</u></b>					
Rural Operating Assistance Program (EDTAP)			57,856		
Rural Operating Assistance Program (Employment Transportation)			8,505		
Rural Operating Assistance Program (RGP)			62,124		
<b><u>N.C. Dept. of Environmental Quality</u></b>					
Scrap Tire Grant			31,782		
White Goods			14,463		
Capital Improvement Grant			115,380		
Electronics Management Fund			2,028		

ASHE COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed through to Subrecipients	Local Expenditures
<b><u>Administrative Office of the Courts</u></b>					
Safe Roads Act Funds			1,160		
<b><u>N. C. Dept. of Corrections</u></b>					
Statewide Misdemeanant Confinement Program			449,675		
<b><u>N.C. Dept. of Public Safety</u></b>					
Tier II Universal Grant			1,000		
<b><u>N.C. Dept. of Agriculture</u></b>					
Soil Technicians Grant			38,908		
<b><u>N.C. Dept. of Administration</u></b>					
DMVA Community County Grant			2,130		
<b><u>N.C. Dept. of Commerce</u></b>					
CDBG Commerce Fellows Grant (#02-D-2678)			2,518		
<b><u>Office of Juvenile Justice</u></b>					
Juvenile Crime Prevention			87,518		
<b><u>N.C. Community Foundation, Inc.</u></b>					
4-H Children's Trust Fund			4,320		
<b><u>N.C. Dept. of Public Instruction</u></b>					
Public School Building Capital Fund - Lottery Proceeds			262,921	262,921	
<b>Total State Awards and local match</b>		<b>\$ -</b>	<b>\$ 1,433,101</b>	<b>\$ 262,921</b>	<b>\$ 285,112</b>
<b>Total Federal and State Awards</b>		<b>\$ 35,247,817</b>	<b>\$ 16,894,097</b>	<b>\$ 262,921</b>	<b>\$ 2,833,254</b>

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 Ashe 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 schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principles and Audit Requirements, for Federal Awards, and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Ashe County, it is not intended to and does not present the financial position, changes in net position or cash flows of Ashe 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 reimbursements.

3. Cluster of Programs

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