

**HERTFORD COUNTY  
WINTON, NORTH CAROLINA  
FINANCIAL STATEMENTS  
JUNE 30, 2014**



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**JUNE 30, 2014**

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## **FINANCIAL SECTION**

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## Independent Auditor's Report

To the Board of County Commissioners  
Hertford County, North Carolina

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hertford County's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hertford County Public Health Authority, the Hertford County ABC Board or the Hertford County Economic Development Commission. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hertford County Public Health Authority, the Hertford County ABC Board, and the Hertford County Economic Development Commission is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Hertford County ABC Board and the Hertford County Economic Development Commission were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County as of June 30, 2014, 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 conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Postemployment Benefits' Schedule of Funding Progress and Employer Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Hertford County, North Carolina. The combining and individual nonmajor fund financial statements, budgetary schedules and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Implementation Act*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, on our consideration of Hertford 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 the 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 Hertford County's internal control over financial reporting and compliance.

## **Winston, Williams, Creech, Evans & Company, LLP**

Winston, Williams, Creech, Evans & Company, LLP  
Certified Public Accountants  
Oxford, NC  
November 20, 2014

## **Management's Discussion and Analysis**

As management of the County, we offer readers of Hertford County's financial statements this narrative overview and analysis of the financial activities of Hertford County for the fiscal year ended June 30, 2014. 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 Hertford County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,650,874 (*net position*).
- The government's total net position increased by \$2,914,058, primarily due to increased net position in the Government and Business Type Activities.
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$16,490,206 a decrease of \$4,166,368 in comparison with the prior year. Approximately 49.92 percent of this total amount or \$8,232,631 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,572,311 or 19.70% of total general fund expenditures for the fiscal year.
- Hertford County's total debt decreased by \$572,020 (23.31%) during the current fiscal year. The key factor in this decrease is the principal payments on debt.

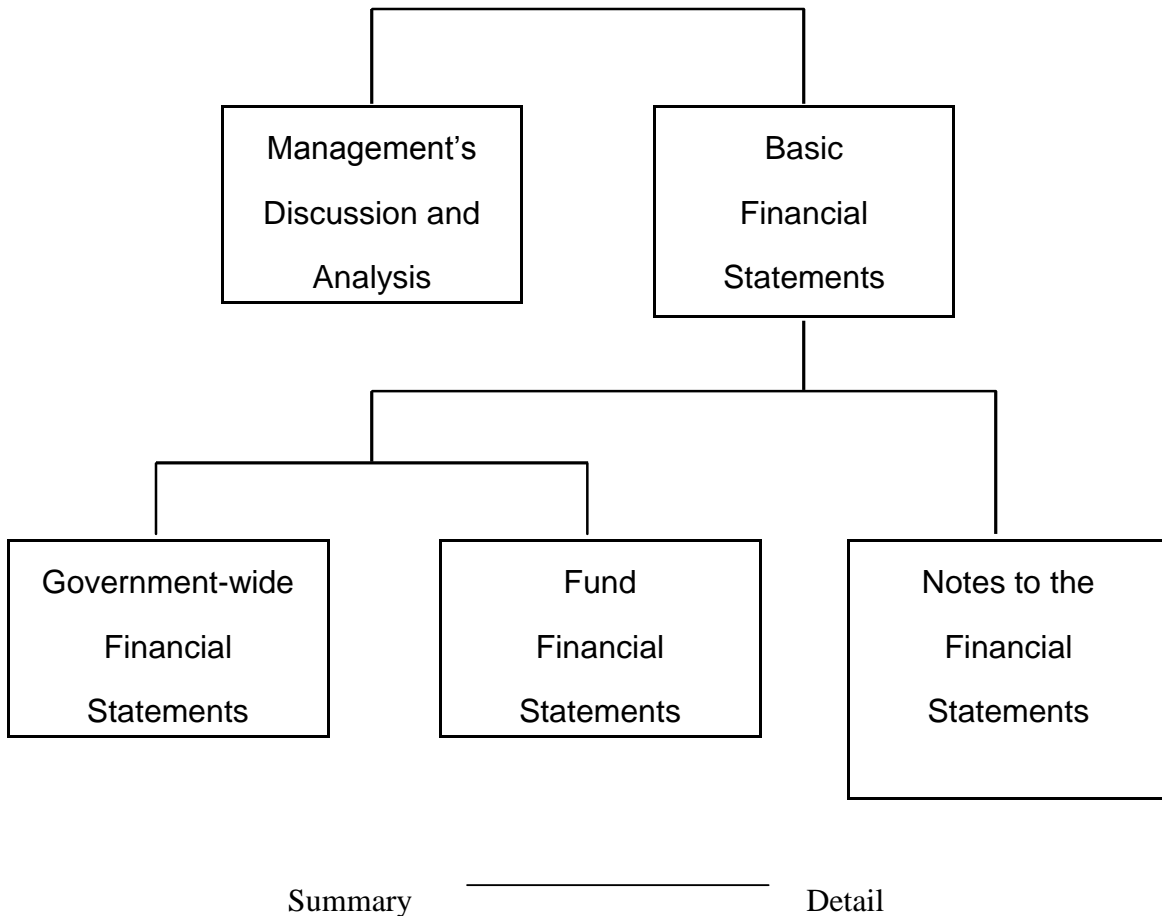
### **Overview of the Financial Statements**

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



## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service 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 other postemployment benefits.

### **Government-wide Financial Statements**

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

The two government-wide statements report the County's net position and how it has [changed](#). [Net](#) position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and 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 water and sewer and solid waste services offered by Hertford County. The final category is the component units. Although legally separate, component units are important because the County is financially accountable for these entities. The County has three component units including the Economic Development Commission, the Hertford County ABC Board and Hertford County Health Authority that are reported as discretely presented component units.

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

### **Fund Financial Statements**

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

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

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

inmates held by the County for their personal expenses; the Fines and Forfeitures Fund for funds collected by the County and remitted to the Hertford County Board of Education; and the Tax Fund which accounts for taxes and fees collected by the County for the municipalities and special districts located within the county.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 30 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. Hertford County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$19,650,874 as of June 30, 2014. The County's net position increased by \$2,914,058 for the fiscal year ended June 30, 2014. One of the largest portions, \$9,891,864 (50.34%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Hertford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hertford 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 Hertford County's net position \$8,232,631(41.89%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,526,379 is unrestricted.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 18,615,517	\$ 23,000,774	\$ 2,520,200	\$ 2,485,952	\$ 21,135,717	\$ 25,486,726
Capital assets	11,171,679	5,774,260	12,638,307	11,439,749	23,809,986	17,214,009
Total assets	29,787,196	28,775,034	15,158,507	13,925,701	44,945,703	42,700,735
Long-term liabilities outstanding	16,516,492	16,851,524	7,446,499	7,683,487	23,962,991	24,535,011
Other liabilities	1,045,222	1,132,448	194,518	187,659	1,239,740	1,320,107
Total liabilities	17,561,714	17,983,972	7,641,017	7,871,146	25,202,731	25,855,118
Deferred inflows of resources	92,098	84,325	-	24,474	92,098	108,799
Net position:						
Net investment in capital assets	4,380,557	3,776,105	5,511,307	4,358,249	9,891,864	8,134,354
Restricted	8,232,631	13,231,591	-	-	8,232,631	13,231,591
Unrestricted	(479,804)	(6,300,959)	2,006,183	1,671,832	1,526,379	(4,629,127)
Total net position	\$ 12,133,384	\$ 10,706,737	\$ 7,517,490	\$ 6,030,081	\$ 19,650,874	\$ 16,736,818

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

- ☐ Continued recognition of OPEB liability;
- ☐ Continued leadership of the County's Board of Commissioners;
- ☐ Approval of the County's proposed annual budget;
- ☐ A secure tax base;
- ☐ Interest earnings rates decreased;

**Hertford County Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,640,314	\$ 2,016,394	\$ 2,362,197	\$ 2,315,412	\$ 4,002,511	\$ 4,331,806
Operating grants and contributions	4,345,833	4,455,978	-	-	4,345,833	4,455,978
Capital grants and contributions	270,000	567,342	1,315,822	-	1,585,822	567,342
General revenues:						
Property taxes	13,631,930	12,589,043	-	-	13,631,930	12,589,043
Local option sales tax	4,015,162	3,923,201	-	-	4,015,162	3,923,201
Other taxes	90,327	201,069	-	-	90,327	201,069
Unrestricted grants and contributions	106,415	-	-	-	106,415	-
Investment Earnings	11,080	9,662	316	365	11,396	10,027
Miscellaneous	260,286	246,084	90,431	18,712	350,717	264,796
Total Revenues	24,371,347	24,008,773	3,768,766	2,334,489	28,140,113	26,343,262
Expenses:						
General government	3,527,055	3,575,935	-	-	3,527,055	3,575,935
Public safety	6,337,408	6,253,730	-	-	6,337,408	6,253,730
Transportation	28,300	32,468	-	-	28,300	32,468
Economic and physical development	660,133	990,407	-	-	660,133	990,407
Human services	6,632,838	6,921,948	-	-	6,632,838	6,921,948
Cultural and recreation	95,970	91,821	-	-	95,970	91,821
Education	5,145,031	5,424,285	-	-	5,145,031	5,424,285
Interest on long-term debt	569,091	41,640	-	-	569,091	41,640
Sanitation	-	-	973,699	992,529	973,699	992,529
Water and sewer	-	-	1,256,530	1,216,304	1,256,530	1,216,304
Total Expenses	22,995,826	23,332,234	2,230,229	2,208,833	25,226,055	25,541,067
Increase in net position before transfers	1,375,521	676,539	1,538,537	125,656	2,914,058	802,195
Transfers	51,126	(28,959)	(51,126)	28,959	-	-
Increase in net position	1,426,647	647,580	1,487,411	154,615	2,914,058	802,195
Net position, July 1	10,706,737	10,059,157	6,030,079	5,875,464	16,736,816	15,934,621
Net position, June 30	\$ 12,133,384	\$ 10,706,737	\$ 7,517,490	\$ 6,030,079	\$ 19,650,874	\$ 16,736,816

**Governmental activities.** Governmental activities increased the County's net position by \$1,426,647 accounting for 48.96% of the total gain in the net position of Hertford County. Key elements of this increase are as follows:

- ☐ Property Tax revenue increased by \$1,042,887, representing a 8.3% increase over the prior year.
- ☐ Grants and other contribution revenue decreased \$301,072 or 5.9% decrease compared to the prior year.
- ☐ Charges for services decreased by \$376,080 or a 18.65% decrease compared to the prior year.

**Business-type activities.** Business-type activities increased Hertford County's net position by 51.04% or \$1,487,411 over the prior year. The change in net position for business-type activities increased from the prior year by \$1,332,796. The key elements of this increase are as follows:

- ☐ Operating expenses decreased in the Sanitation Fund due to less capital outlay.
- ☐ Water and sewer charges increased due to a rate increase during the year for commercial customers.

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

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

**Governmental Funds.** The focus of Hertford County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Hertford 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 Hertford County. At the end of the current fiscal year, Hertford County's fund balance available in the General Fund was \$8,333,176 while total fund balance reached \$10,393,029. The Governing Body of Hertford County has determined that the county should maintain an available fund balance of 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 36.15% of general fund expenditures, while total fund balance represents 44.5% of that same amount.

At June 30, 2014, the governmental funds of Hertford County reported a combined fund balance of \$16,490,206, a 20.17% percent decrease over last year. The primary reason for this decrease is expenditures in the Hertford County Judicial Center.

There were variances reflected in the governmental fund financial statements for 2014.

- Our 2014 overall collection rate is 95.03%, lower than the state and higher than the prior year rate of 93.89%.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased the budget by \$1,094,247 or 4.49 percent.

**Proprietary Funds.** Hertford 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 Sanitation Fund at the end of the fiscal year amounted to \$307,522 and those for the Water and Sewer Districts equaled \$1,698,661. Other factors concerning the finances of these funds have already been addressed in the discussion of Hertford County's business-type activities.

### **Capital Asset and Debt Administration**

**Capital assets.** Hertford County's capital assets for its governmental and business –type activities as of June 30, 2014 totals \$23,809,986 (net of accumulated depreciation). These assets include buildings, water lines, land, machinery and equipment, facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of additional vehicles
- Judicial Center Capital Project
- E911 Communications Center Capital Project
- Southern Water District System Improvements
- Tunis Sewer District Capital Project

**Capital Assets (net of depreciation)**

Figure 4

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land and Improvements \$	462,083	\$ 462,083	\$ 44,317	\$ 44,317	\$ 506,400	\$ 506,400
Construction in Progress	6,631,234	1,422,277	1,666,478	140,878	8,297,712	1,563,155
Buildings and Improvements	2,817,195	2,851,036	-	-	2,817,195	2,851,036
Plant and distribution systems	-	-	10,612,367	10,916,075	10,612,367	10,916,075
Equipment	810,419	794,736	196,998	241,085	1,011,417	1,035,821
Vehicle and Motor Equipment	450,748	244,128	118,147	97,394	568,895	341,522
<b>Total</b>	<b>\$ 11,171,679</b>	<b>\$ 5,774,260</b>	<b>\$ 12,638,307</b>	<b>\$ 11,439,749</b>	<b>\$ 23,809,986</b>	<b>\$ 17,214,009</b>

Additional information on capital assets can be found in Note 3(a)(5) on pages 43-45.

**Long-term Debt.** As of June 30, 2014, Hertford County had total debt outstanding of \$23,962,991 of which \$19,097,000 is bonded debt backed by the full faith and credit of the County.

**Hertford County's Outstanding Debt**

Figure 5

	<b>Governmental Activities</b>		<b>Business-like Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General Obligation Bonds	\$ 11,970,000	\$ 12,595,000	\$ 7,127,000	\$ 7,081,500	\$ 19,097,000	\$ 19,676,500
Installment Purchases	652,994	608,755	-	307,000	652,994	915,755
Compensated Absences	505,416	531,429	24,474	22,446	529,890	553,875
Other Postemployment Benefits	3,388,082	3,116,340	295,025	272,541	3,683,107	3,388,881
<b>Total Long-Term Debt</b>	<b>\$ 16,516,492</b>	<b>\$ 16,851,524</b>	<b>\$ 7,446,499</b>	<b>\$ 7,683,487</b>	<b>\$ 23,962,991</b>	<b>\$ 24,535,011</b>

During the past fiscal year, Hertford County's total debt decreased by \$572,020 or 2.33 percent. General obligation debt of \$625,000 was retired in governmental activities and \$585,500 was retired in business-type activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Hertford County is \$107,574,654.

Additional information regarding Hertford County's long-term debt can be found in Note III B-7 beginning on page 53 of this audited financial report.



## **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the current conditions of the County.

- ☐ Sales and service revenue increased due to new collection methods and additional contracts.
- ☐ The tax rate remained the same.
- ☐ The local economy grew due to the expansion of a correctional facility, Wackenhut, which is the largest taxpayer and a major employer in the area. ☐ There was an increase in property even though the economy is in the midst of economic recession recovery.
- ☐ The County continues to maintain a balanced budget.

### **Budget Highlights for the Fiscal Year Ending June 30, 2015**

**Governmental Activities:** The County adopted a budget for fiscal year 2015 with a minimal increase in General Fund expenditures. The tax rate remained the same as the prior year.

**Business-type Activities:** The water and sewer rates in the County will remain the same for fiscal year 2015 for residential and commercial customers.

### **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 Robbin Stephenson, Director of Finance, Hertford County, P.O. Box 116, Winton, NC 27986.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities	Business-type Activities	Total	Component Units		
				Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority
<b>ASSETS</b>						
Cash and cash equivalents	\$ 7,327,356	\$ 2,317,148	\$ 9,644,504	\$ 159,186	\$ 235,699	\$ 728,806
Taxes receivable	1,321,786	-	1,321,786	-	-	-
Accrued interest receivable on taxes	235,167	-	235,167	-	-	-
Accounts receivable (net)	1,733,837	449,464	2,183,301	-	-	9,300
Due from other governments	-	-	-	-	-	88,712
Inventories	-	-	-	-	254,546	-
Prepaid expenses	-	-	-	-	-	64,092
Internal balances	339,459	(339,459)	-	-	-	-
Restricted cash and cash equivalents	7,657,912	93,047	7,750,959	-	-	-
Capital assets:						
Land, improvements, and construction in progress	7,093,317	1,710,795	8,804,112	-	24,220	-
Other capital assets, net of depreciation	4,078,362	10,927,512	15,005,874	-	354,764	134,759
Total capital assets	11,171,679	12,638,307	23,809,986	-	378,984	134,759
 Total Assets	 \$ 29,787,196	 \$ 15,158,507	 \$ 44,945,703	 \$ 159,186	 \$ 869,229	 \$ 1,025,669
<b>LIABILITIES</b>						
Accounts payable & accrued liabilities	\$ 476,260	\$ 66,944	\$ 543,204	\$ 956	\$ 113,110	\$ 71,378
Customer deposits	-	97,783	97,783	-	-	-
Accrued interest payable	122,713	29,791	152,504	-	-	-
Premium on bonds	446,249	-	446,249	-	-	-
Long-term liabilities						
Due within one year	866,241	275,119	1,141,360	-	-	181,026
Due in more than one year	15,650,251	7,171,380	22,821,631	-	126,525	1,316,269
Total long-term liabilities	16,516,492	7,446,499	23,962,991	-	126,525	1,497,295
Total liabilities	17,561,714	7,641,017	25,202,731	956	239,635	1,568,673
 DEFERRED INFLOWS OF RESOURCES	 92,098	 -	 92,098	 -	 -	 -
<b>NET POSITION</b>						
Net investment in capital assets	4,380,557	5,511,307	9,891,864	-	378,984	134,759
Restricted for:						
Stabilization by State Statute	2,098,210	-	2,098,210	-	-	162,104
Register of Deeds	10,703	-	10,703	-	-	-
Public Safety	6,123,718	-	6,123,718	-	-	-
Working Capital	-	-	-	-	67,602	-
Capital Improvements	-	-	-	-	-	-
Unrestricted (deficit)	(479,804)	2,006,183	1,526,379	158,230	183,008	(839,867)
Total net position	\$ 12,133,384	\$ 7,517,490	\$ 19,650,874	\$ 158,230	\$ 629,594	\$ (543,004)

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position					
	Charges for Expenses	Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-Type Activities	Total	Hertford County Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority
Primary Government:										
Governmental Activities:										
General government	\$ 3,527,055	\$ 545,238	\$ -	\$ -	\$ (2,981,817)	\$ -	\$ (2,981,817)	\$ -	\$ -	\$ -
Public safety	6,337,408	1,084,265	140,477	-	(5,112,666)	-	(5,112,666)	-	-	-
Transportation	28,300	-	132,029	-	103,729	-	103,729	-	-	-
Economic and physical development	660,133	10,811	32,683	270,000	(346,639)	-	(346,639)	-	-	-
Human services	6,632,838	-	4,040,644	-	(2,592,194)	-	(2,592,194)	-	-	-
Cultural and recreation	95,970	-	-	-	(95,970)	-	(95,970)	-	-	-
Education	5,145,031	-	-	-	(5,145,031)	-	(5,145,031)	-	-	-
Interest on long-term debt	569,091	-	-	-	(569,091)	-	(569,091)	-	-	-
Total governmental activities	22,995,826	1,640,314	4,345,833	270,000	(16,739,679)	-	(16,739,679)	-	-	-
Business-type activities:										
Sanitation	973,699	873,529	-	-	-	(100,170)	-	-	-	-
Water and Sewer	1,256,530	1,488,668	-	1,315,822	-	1,547,960	-	-	-	-
Total business-type activities	2,230,229	2,362,197	-	1,315,822	-	1,447,790	-	-	-	-
Total primary government	\$ 25,226,055	\$ 4,002,511	\$ 4,345,833	\$ 1,585,822	\$ (16,739,679)	\$ 1,447,790	\$ (15,291,889)	\$ -	\$ -	\$ -
Component units:										
Economic Development Commission	\$ 19,012	\$ -	\$ 15,000	\$ -				\$ (4,012)	\$ -	\$ -
ABC Board	2,256,790	2,291,648	-	-				-	34,858	-
Public Health Authority	4,020,816	2,043,702	1,171,247	-				-	-	(805,867)
Total component units	\$ 6,296,618	\$ 4,335,350	\$ 1,186,247	\$ -				\$ (4,012)	\$ 34,858	\$ (805,867)
General revenues:										
Taxes:										
Property taxes, levied for general purpose					\$ 13,631,930	\$ -	\$ 13,631,930	\$ -	\$ -	\$ -
Local option sales tax					4,015,162	-	4,015,162	-	-	-
Other taxes					90,327	-	90,327	-	-	-
Grants and contributions not restricted to specific programs					106,415	-	106,415	-	-	364,397
Investment earnings, unrestricted					11,080	316	11,396	435	294	1,070
Miscellaneous, unrestricted					260,286	90,431	350,717	-	-	18,191
Transfers					51,126	(51,126)	-	-	-	-
Total general revenues, special items and transfers					18,166,326	39,621	18,205,947	435	294	383,658
Change in net position					1,426,647	1,487,411	2,914,058	(3,577)	35,152	(422,209)
Net position, beginning					10,706,737	6,030,079	16,736,816	161,807	594,442	(120,795)
Net position, ending					\$ 12,133,384	\$ 7,517,490	\$ 19,650,874	\$ 158,230	\$ 629,594	\$ (543,004)

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

**FUND  
FINANCIAL STATEMENTS**

**HERTFORD COUNTY, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	Major		Nonmajor	Total
	General	Hertford	Other	Governmental
	Fund	County	Governmental	Funds
		Judicial Center	Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,914,914		\$ 412,442	\$ 7,327,356
Restricted cash	1,929,791		-	7,657,912
Taxes receivable	1,318,140	\$ -	3,646	1,321,786
Accounts receivables, net	1,694,777	5,728,121	12,786	1,733,837
Due from other funds	364,373	26,274	-	364,373
Total Assets	\$ 12,221,995	\$ 5,754,395	\$ 428,874	\$ 18,405,264
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable & accrued liabilities	\$ 418,728	\$ 9,085	\$ 48,447	\$ 476,260
Due to other funds	-	-	24,914	24,914
Total Liabilities	418,728	9,085	73,361	501,174
Deferred Inflows of Resources:	1,410,238	-	3,646	1,413,884
Fund balances:				
Restricted				
Stabilization by State Statute	2,059,150	26,274	12,786	2,098,210
Register of Deeds	10,703	-	-	10,703
Public Safety	-	5,719,036	404,682	6,123,718
Committed:				
Revaluation	165,407	-	-	165,407
Capital Reserve	1,753,681	-	-	1,753,681
Assigned:				
Subsequent year's expenditures				
General Fund	2,484,777	-	-	2,484,777
Uassigned:				
General Fund	3,919,311	-	-	3,919,311
Capital projects funds	-	-	(65,601)	(65,601)
Total Fund Balances	10,393,029	5,745,310	351,867	16,490,206
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,221,995	\$ 5,754,395	\$ 428,874	\$ 18,405,264

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

**HERTFORD COUNTY, NORTH CAROLINA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

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

Total equity and other credits (Exhibit 3)	\$ 16,490,206
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	11,171,679
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	235,167
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	1,321,786
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the fund statements	(17,085,454)
Net position of governmental activities (Exhibit 1)	<u>\$ 12,133,384</u>

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



**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Major		Nonmajor	Total
	General	Hertford	Other	Total
	Fund	County	Governmental	Governmental
		Judicial Center	Funds	Funds
<b>REVENUES</b>				
Ad valorem taxes	\$ 13,608,224	\$ -	\$ 96,664	\$ 13,704,888
Local option sales taxes	3,990,268	-	24,894	4,015,162
Other taxes and licenses	93,892	-	-	93,892
Unrestricted intergovernmental	106,415	-	-	106,415
Restricted intergovernmental	4,571,870	-	362,271	4,934,141
Permits and fees	187,870	-	-	187,870
Sales and services	1,234,944	-	-	1,234,944
Investment earnings	10,578	921	150	11,649
Miscellaneous	130,890	26,274	-	157,164
Total Revenues	23,934,951	27,195	483,979	24,446,125
<b>EXPENDITURES</b>				
Current:				
General government	3,603,813	-	-	3,603,813
Public safety	6,226,248	-	228,644	6,454,892
Transportation	28,300	-	-	28,300
Economic and physical development	374,002	-	270,000	644,002
Human services	6,545,150	-	-	6,545,150
Cultural and recreational	95,970	-	-	95,970
Education	5,145,031	-	-	5,145,031
Capital outlay	-	5,052,367	65,601	5,117,968
Debt service:				
Principal	686,667	-	-	686,667
Interest and other charges	501,486	-	-	501,486
Total Expenditures	23,206,667	5,052,367	564,245	28,823,279
Excess (deficiency) of revenues over expenditures	728,284	(5,025,172)	(80,266)	(4,377,154)

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

**HERTFORD COUNTY, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Major		Nonmajor	Total
	General	Hertford	Other	Total
	Fund	County	Governmental	Governmental
		Judicial Center	Funds	Funds
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from other funds	55,826	-	-	55,826
Transfers out to other funds	(4,700)	-	-	(4,700)
Proceeds from debt	159,660	-	-	159,660
Total Other Financing Sources (Uses)	210,786	-	-	210,786
Net change in fund balance	939,070	(5,025,172)	(80,266)	(4,166,368)
Fund Balance - July 1	9,453,959	10,770,482	432,133	20,656,574
Fund Balance - June 30	\$ 10,393,029	\$ 5,745,310	\$ 351,867	\$ 16,490,206

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Amounts reported for governmental activities in the statement of activities on Exhibit 2 are different because:

Net change in fund balances - total governmental funds (Exhibit 4)	\$ (4,166,368)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over the life of the asset.	5,812,667
The allocation of the costs of assets over the life of the assets through depreciation is not a current financial use in the funds; therefore, depreciation expense is not recorded in these statements.	(413,997)
Cost of assets sold and disposed of not recorded in the fund statements	(1,251)
The issuance of long-term debt (e.g., bonds and installment 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, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	580,761
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 current financial resources and, therefore, are not reported as expenditures in governmental funds	(336,429)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	(48,736)
Total changes in net position of governmental activities	\$ 1,426,647

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 12,529,480	\$ 12,883,174	\$ 13,608,224	\$ 725,050
Local option sales taxes	3,295,505	3,375,245	3,509,367	134,122
Other taxes and licenses	86,850	86,850	93,892	7,042
Unrestricted intergovernmental	66,000	99,000	106,415	7,415
Restricted intergovernmental	4,646,697	4,845,595	4,571,870	(273,725)
Permits and fees	216,200	216,200	187,870	(28,330)
Sales and services	1,134,050	1,135,310	1,234,944	99,634
Investment earnings	3,000	3,000	10,578	7,578
Miscellaneous	31,750	91,416	130,890	39,474
Total revenues	22,009,532	22,735,790	23,454,050	718,260
<b>EXPENDITURES</b>				
Current:				
General government	3,482,584	3,886,751	3,603,813	282,938
Public safety	5,931,370	6,408,346	6,226,248	182,098
Transportation	28,300	28,300	28,300	-
Economic and physical development	446,548	473,075	374,002	99,073
Human services	6,886,568	7,250,546	6,545,150	705,396
Cultural and recreational	97,161	95,970	95,970	-
Education	5,271,363	5,152,363	5,145,031	7,332
Debt service	1,170,394	1,188,744	1,188,153	591
Contingency	160,000	-	-	-
Total Expenditures	23,474,288	24,484,095	23,206,667	1,277,428
Revenues Over (Under) Expenditures	(1,464,756)	(1,748,305)	247,383	1,995,688

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

**HERTFORD COUNTY, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers to other funds	(919,505)	(1,003,945)	(1,013,626)	(9,681)
Transfers from other funds	975,488	998,314	998,314	-
Proceeds from debt	55,000	159,665	159,660	(5)
Appropriated fund balance	1,353,773	1,594,271	-	(1,594,271)
Total other financing sources (uses)	1,464,756	1,748,305	144,348	(1,603,957)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ -	391,731	\$ 391,731
Fund Balance - July 1			8,082,210	
Fund Balance - June 30			\$ 8,473,941	
A legally budgeted School Capital Reserve Fund, Capital Reserve Fund, and Revaluation Fund were consolidated into the General Fund for reporting purposes:				
Sales tax			\$ 480,901	
Transfers to General Fund			(942,488)	
Transfers from General Fund			1,008,926	
Fund Balance, Beginning			1,371,749	
Fund Balance, Ending (Exhibit 4)			\$ 10,393,029	

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	Major Funds			Nonmajor Fund	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 512,842	\$ 1,561,496	\$ -	\$ 242,810	\$ 2,317,148
Restricted cash and cash equivalents	-	-	93,047	-	93,047
Receivables (net)	21,124	96,781	33,158	298,401	449,464
Total Current Assets	533,966	1,658,277	126,205	541,211	2,859,659
Noncurrent Assets:					
Capital assets:					
Land, improvements, and construction in progress	-	10,000	1,677,749	23,046	1,710,795
Other capital assets, net of depreciation	3,263,686	7,388,384	-	275,442	10,927,512
Total Capital Assets	3,263,686	7,398,384	1,677,749	298,488	12,638,307
Total non-current assets	3,263,686	7,398,384	1,677,749	298,488	12,638,307
Total Assets	\$ 3,797,652	\$ 9,056,661	\$ 1,803,954	\$ 839,699	\$ 15,497,966
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 553	\$ 2,600	\$ 15,274	\$ 48,517	\$ 66,944
Customer deposits	30,913	66,870	-	-	97,783
Accrued interest payable	8,734	19,188	1,869	-	29,791
Due to other funds	112,151	227,308	-	-	339,459
Compensated absences	1,822	2,210	-	2,087	6,119
General obligation bonds payable	57,000	212,000	-	-	269,000
Total Current Liabilities	211,173	530,176	17,143	50,604	809,096
Noncurrent Liabilities:					
Compensated absences	5,465	6,630	-	6,260	18,355
General obligation bonds payable	2,093,000	4,458,000	307,000	-	6,858,000
OPEB obligation	49,613	68,587	-	176,825	295,025
Total Noncurrent Liabilities	2,148,078	4,533,217	307,000	183,085	7,171,380
Total Liabilities	2,359,251	5,063,393	324,143	233,689	7,980,476
<b>NET POSITION</b>					
Net investment in capital assets	1,113,686	2,728,384	1,370,749	298,488	5,511,307
Unrestricted	324,715	1,264,884	109,062	307,522	2,006,183
Total Net Position	\$ 1,438,401	\$ 3,993,268	\$ 1,479,811	\$ 606,010	\$ 7,517,490

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Major Funds			Nonmajor Fund	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 451,924	\$ 964,151	\$ -	\$ 873,529	\$ 2,289,604
Tap on fees	21,710	50,683	200	-	72,593
Miscellaneous	11,534	15,907	33,158	29,832	90,431
Total operating revenues	485,168	1,030,741	33,358	903,361	2,452,628
<b>OPERATING EXPENSES</b>					
Administration and Operations	239,714	345,100	-	950,173	1,534,987
Depreciation	101,041	223,113	-	23,526	347,680
Total Operating Expenses	340,755	568,213	-	973,699	1,882,667
<b>OPERATING INCOME (LOSS)</b>	144,413	462,528	33,358	(70,338)	569,961
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	-	-	132	184	316
Interest paid	(107,270)	(240,292)	-	-	(347,562)
Total Nonoperating Revenues (Expenses) - Net	(107,270)	(240,292)	132	184	(347,246)
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	37,143	222,236	33,490	(70,154)	222,715
Capital Contributions	-	-	1,315,822	-	1,315,822
Transfer to other funds	-	(49,000)	-	(10,245)	(59,245)
Transfer from other funds	3,883	2,377	-	1,859	8,119
Total	3,883	(46,623)	1,315,822	(8,386)	1,264,696
<b>CHANGE IN NET POSITION</b>	41,026	175,613	1,349,312	(78,540)	1,487,411
<b>TOTAL NET POSITION, BEGINNING</b>	1,397,375	3,817,655	130,499	684,550	6,030,079
<b>TOTAL NET POSITION, ENDING</b>	\$ 1,438,401	\$ 3,993,268	\$ 1,479,811	\$ 606,010	\$ 7,517,490

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Major Funds			Nonmajor Fund	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 475,690	\$ 1,011,781	\$ (32,958)	\$ 843,705	\$ 2,298,218
Cash paid for goods and services	(150,094)	(229,905)	134,275	(550,919)	(796,643)
Cash paid to employees for services	(95,205)	(118,641)	(118,639)	(375,257)	(707,742)
Other operating revenue	11,534	15,907	33,158	29,832	90,431
Net cash provided by (used) by operating activities	241,925	679,142	15,836	(52,639)	884,264
Cash flows from noncapital financing activities:					
Due to other funds	(20,000)	(100,000)	-	-	(120,000)
Receipt of non operating grants	-	-	1,315,822	-	1,315,822
Transfers (to) from other funds	3,883	(46,623)	-	(8,386)	(51,126)
Net cash provided (used) by noncapital financing activities	(16,117)	(146,623)	1,315,822	(8,386)	1,144,696
Cash flows from capital and related financing activities:					
Proceeds from sale of fixed assets	-	-	-	3,700	3,700
Purchase of capital assets	(24,022)	(24,022)	(1,525,600)	-	(1,573,644)
Principal paid on bond maturities	(55,000)	(206,500)	(307,000)	-	(568,500)
Interest paid on bond maturities	(107,270)	(240,292)	-	-	(347,562)
Net cash provided by capital and related financing activities	(186,292)	(470,814)	(1,832,600)	3,700	(2,486,006)
Cash flows from investing activities:					
Proceeds from loan	-	-	307,000	-	307,000
Interest on investments	-	-	132	184	316
Net cash provided by investing activities	-	-	307,132	184	307,316
Net increase (decrease) in cash and cash equivalents	39,516	61,705	(193,810)	(57,141)	(149,730)
Cash and cash equivalents, July 1	473,326	1,499,791	286,857	299,951	2,559,925
Cash and cash equivalents, June 30	\$ 512,842	\$ 1,561,496	\$ 93,047	\$ 242,810	\$ 2,410,195
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 144,413	\$ 462,528	\$ 33,358	\$ (70,338)	\$ 569,961
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	101,041	223,113	-	23,526	347,680
Gain on sale of assets	-	-	-	23,706	23,706
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	2,056	(3,053)	(33,158)	(29,824)	(63,979)
Increase (decrease) in accounts payable and accrued liabilities	(2,699)	1,768	15,274	(7,837)	6,506
Increase (decrease) in customer deposits	50	1,075	-	-	1,125
Increase (decrease) in accrued interest payable	(223)	(912)	362	-	(773)
Increase (decrease) in deferred revenue	(9,460)	(15,014)	-	-	(24,474)
Increase (decrease) in compensated absences	1,398	2,029	-	(1,398)	2,029
Increase (decrease) in other postemployment benefits	5,349	7,608	-	9,526	22,483
Total adjustments	97,512	216,614	(17,522)	17,699	314,303
Net cash provided by operating activities	\$ 241,925	\$ 679,142	\$ 15,836	\$ (52,639)	\$ 884,264

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



**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

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	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 153,711
LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous liabilities	\$ 153,711

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

**NOTES TO THE BASIC FINANCIAL  
STATEMENTS**

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units; legally separate entities for which the County is financially accountable. Hertford County Northern and Southern Water Districts (the *Districts*) exist to provide and maintain water systems for the County residents within the districts. The Districts are reported as enterprise funds in the County's financial statements. Hertford County Economic Development Commission (the *Commission*) exists for economic development purposes. Hertford County Public Health Authority (The Authority) exists to provide health services to County residents. The Commission and Authority, which have June 30 year-ends, and the Hertford County ABC Board (the *Board*), which has a June 30 year-end, are presented as if they are separate proprietary funds of the County (discrete presentation). The blended presentation method presents component units as a department or unit of the County, and offers no separate presentation as with the discrete method.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Hertford County Northern Water District	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing Board for the District.	None issued.
Hertford County Southern Water District	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing Board for the District.	None issued.
Hertford County Tunis Sewer District	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing Board for the District.	None issued.
Hertford County Economic Development Commission	Discrete	The Commission is governed by a nine-member Board of Commissioners that is appointed by the County Commissioners. The County can remove any commissioner of the Commission with or without cause.	Hertford County Economic Development Commission King Street Winton, NC 27986
Hertford County ABC Board	Discrete	The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.	Hertford County ABC Board US 13 South Ahoskie, NC 27910
Hertford County Public Health Authority	Discrete	The members of the Public Health Authority's governing board are appointed by the County. The County is financially accountable to the Authority.	Hertford County Public Health Authority Winton, NC 27986

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**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 net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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 of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental 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 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.

**Hertford County Judicial Center Fund.** This fund is used to account for the judicial center capital project.

The County reports the following major enterprise funds.

**Northern Water District Fund.** This fund is used to account for the operation of the Northern Water District within the County.

**Southern Water District Fund.** This fund is used to account for the operations of the Southern Water District within the County.

**Tunis Sewer District Fund.** This fund is used to account for the operation of the Tunis Sewer District within the County.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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The County reports the following fund type:

**Agency Funds** – Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund and DMV Interest Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Hertford County Board of Education and interest collected and three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Tax Fund, which accounts for funds that are billed and collected by the county for various municipalities and special districts within the County but that are not revenues to the County; and the Inmates Money Fund, which accounts for monies of inmates that are held by the County for their personal expenses.

**Non-major Funds** – The County maintains seven legally budgeted funds. The Emergency Telephone System Fund, the Fire District Fund, and the EDC Infrastructure Project Fund are reported as non-major special revenue funds. The E911 Communications Project Fund is reported as a non-major capital projects fund. The School Capital Reserve Fund, Revaluation Fund, and Capital Reserve are consolidated in the General Fund in accordance with GASB Statement No. 54.

**C. Measurement Focus and Basis of Accounting**

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

**Government-wide, Proprietary 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 in which all eligibility requirements have been satisfied.

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

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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

The County considers all revenues available if they are collected within 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 the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

**D. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone System Fund, the School Capital Reserve Fund, the Capital Reserve Fund, the Fire District Fund, the Revaluation Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Judicial Center Fund, the EDC Infrastructure Project Fund, the E911 Communications Project Fund and the Enterprise Capital Projects Funds, which are consolidated with the enterprise operating funds for reporting purposes.

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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**1. Deposits and Investments**

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

State Law [G.S. 159-30(c)] authorizes the County, the Economic Development Commission, Authority, and the ABC Board 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, the Economic Development Commission, Authority, and the ABC Board's investments with maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

**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. The ABC Board considers demand deposits and investments purchased with an original maturity of three months or less and which are not limited as to use to be cash and cash equivalents. Hertford County Economic Development Commission has only demand deposits, which are considered cash.

**3. Restricted Assets**

The unexpended bond proceeds of the District's Serial Bonds are classified as restricted assets within the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. At June 30, 2014, there were no unexpended bond proceeds of the District's Serial Bonds. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund and Capital Reserve Fund and money reserved for Register of Deeds is also classified as restricted assets because its use is restricted per North Carolina General Statute 153-A-150.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b><u>Hertford County Restricted Cash</u></b>		
Governmental Activities		
General Fund	Tax Revaluation	\$ 165,407
General Fund	Capital Reserve	1,753,681
General Fund	Register of Deeds	10,703
Hertford County Judicial Center	Unexpended Bond Proceeds	<u>5,728,121</u>
Total Governmental Activities		<u>7,657,912</u>
Business-type Activities		
Tunis Sewer District	Unexpended Grant Proceeds	93,047
Total Restricted Cash		<u>\$ 7,750,959</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, 2013. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowance for Doubtful Accounts**

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

**6. Inventory**

The inventories of the ABC Board are valued at cost (first-in, first-out) which approximates market. The costs of any consumable materials and supplies on hand are not significant to the financial statements; therefore, the County has chosen to report these items as expenditures/expenses at the time of purchase.

**7. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: land \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; computer equipment, furniture and equipment, \$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 Hertford County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education after 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 Hertford County Board of Education.

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



**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	<u>Years</u>
Buildings	25-50
Improvements	7-15
Furniture and equipment	5-20
Vehicles	3-15
Computer equipment	3

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Buildings	25-33
Furniture/equipment	5-10
Vehicles	7
Leasehold Improvements	3-5

Capital assets of the Authority are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Leasehold Improvement	40
Equipment and furniture	7
Vehicles	5

At June 30, 2014, the Economic Development Commission has no capital assets.

**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.

In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows or 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 be recognized as revenue until then. The County has only one item that meet the criterion for this category – prepaid taxes.

**9. Long-Term Obligations**

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

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

**10. Compensated Absences**

The vacation policies of the County, the ABC Board and the Authority provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The vacation policies of the County provide for an unlimited accumulation of earned vacation leave with

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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such leave being fully vested when earned. For the County's government-wide and proprietary funds and the Authority, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County, the Authority, and the ABC Board 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 none of the entities have any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made by the County or its component units.

The Economic Development Commission had no [employees](#).

#### **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 four 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:

**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 Public Safety – portion of fund balance that is restricted by revenue source for emergency telephone system expenditures.

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

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

Committed for Capital Reserve – portion of fund balance that can only be used for Capital Reserve.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Assigned Fund Balance** – portion of fund balance that the Hertford 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 appropriations.

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

**F. 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 reconciliation between total 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 \$(4,356,822) consists of the following:

<u>Description</u>	<u>Amount</u>
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)	\$ 17,153,504
Less Accumulated Depreciation	<u>5,981,825</u>
Net capital assets	<u>11,171,679</u>
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	235,167
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	1,321,786
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases, and installment financing	(13,069,243)
Compensated absences	(505,416)
Other postemployment benefits	(3,388,082)
Accrued interest payable	<u>(122,713)</u>
Total adjustment	<u>\$ (4,356,822)</u>

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

The government fund statement of revenues, expenditures, and changes in fund balances includes 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 \$5,593,015 is comprised of the following:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 5,812,667
Cost of disposed capital asset not recorded in the fund statements	(1,251)
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	(413,997)
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 – it affects only the government-wide statement of net position.	(159,660)
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.	740,421
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)	(90,700)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	26,013
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(271,742)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Increase in accrued interest receivable	(569)
Reversal of deferred tax revenue recorded at 7-1-13	(1,399,772)
Recording of tax receipts deferred in the fund statements as of 6-30-14	1,321,786
Increase in accrued taxes receivable for year ended 6-30-14	5,028
Amortization of bond premium	<u>24,791</u>
Total adjustment	<u>\$ 5,593,015</u>

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

**A. Deficit Fund Balance or Net Position of Individual Funds**

In Exhibit C-1, the E911 Communications Project Fund had a deficit fund of \$65,601. This deficit fund balance resulted from incurring expenses prior to receipt of grant funding.

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2014, the expenditures made in the General Fund for transfers to other funds exceeded the authorized appropriations made by the governing board for \$9,681. This over-expenditure occurred because of unanticipated sales tax revenue received that had to be moved to the School Capital Reserve Fund. In the Emergency Telephone System Fund, expenditures for public safety

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exceeded the budget by \$2,987. These expenditures will be monitored more closely in the future to ensure budget amendments are made timely for additional expenditures.

**III. Detail Notes on All Funds**

**a. Assets**

**1. Deposits**

All of the County's, the Economic Development Commission's, the Public Health Authority's, and the ABC Board'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, the Economic Development Commission's, the Public Health Authority's, or the ABC Boards agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the Economic Development Commission, the Public Health Authority, and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Economic Development Commission, the Public Health Authority, or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Economic Development Commission, the Public Health Authority, or the ABC Board 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County, the Economic Development Commission, the Public Health Authority, and the ABC Board rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Economic Development Commission has no formal policy regarding custodial credit risk for deposits.

At June 30, 2014, the County's deposits had a carrying amount of \$12,397,581 and a bank balance of \$13,056,032. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2014, Hertford County had \$1,175 cash on hand.

At June 30, 2014, the carrying amount of deposits for Hertford County ABC Board was \$235,699 and the bank balance was \$285,922. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was covered by collateral held under the pooling method.

At June 30, 2014, the carrying amount of deposits for the Economic Development Commission was \$159,186 and a bank balance of \$159,186. All of the bank balance was covered by federal depository insurance.

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At June 30, 2014, the carrying amount of deposits for the Public Health Authority was \$683,549 and a bank balance of \$809,567. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$559,567 was covered by collateral held under the pooling method.

**2. Investments**

At June 30, 2014, the County's investments consisted of \$5,150,418 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

At June 30, 2014, the Public Health Authority invested \$45,257 with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Authority does not have a formal policy for managing interest rate risk or credit rate risk.

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

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at present-use value as opposed to market value. When the property loses its eligibility for use-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.

Year Levied	Total Taxes	Interest	Total
2011	\$ 711,657	\$ 232,529	\$ 944,186
2012	907,915	214,719	1,122,634
2013	889,499	130,969	1,020,468
2014	903,490	51,888	955,378
Totals	\$ 3,412,561	\$ 630,105	\$ 4,042,666

**4. Receivables**

Receivables at the government-wide level at June 30, 2014, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from other governments	Total
Governmental Activities:				
General	\$ 2,133,923	\$ 1,703,307	\$ 736,223	\$ 4,573,453
Hertford County Judicial Center	26,274	-	-	26,274
Other Governmental	12,786	3,646	-	16,432
Total	2,172,983	1,706,953	736,223	4,616,159
Allowance for doubtful accounts	(1,175,369)	(150,000)	-	(1,325,369)
Total-governmental activities	\$ 997,614	\$ 1,556,953	\$ 736,223	\$ 3,290,790
Business-type Activities:				
Northern Water District	\$ 42,707	\$ -	\$ -	\$ 42,707
Southern Water District	140,452	-	-	140,452
Tunis Sewer District	33,158	-	-	33,158
Sanitation	286,744	-	11,989	298,733
Total	503,061	-	11,989	515,050
Allowance for doubtful accounts	(65,586)	-	-	(65,586)
Total-business-type activities	\$ 437,475	\$ -	\$ 11,989	\$ 449,464

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

Local option sales tax	\$	655,889
Sales tax refund		80,334
Scrap tire tax		7,542
White goods tax		1,852
Solid waste disposal tax		2,595
Total	\$	<u>748,212</u>

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 462,083	\$ -	\$ -	\$ 462,083
Construction in progress	1,422,277	5,301,646	92,689	6,631,234
Total capital assets not being Depreciated	1,884,360	5,301,646	92,689	7,093,317
Capital assets being depreciated:				
Buildings	5,923,709	92,689	-	6,016,398
Equipment	1,877,767	157,753	23,395	2,012,125
Vehicles and motor equipment	1,964,675	353,268	286,278	2,031,664
Total capital assets being Depreciated	9,766,151	603,709	309,673	10,060,187
Less accumulated depreciation for:				
Buildings	3,072,673	126,530	-	3,199,203
Equipment	1,083,031	141,820	23,145	1,201,706
Vehicles and motor equipment	1,720,547	145,647	285,278	1,580,916
Total accumulated depreciation	5,876,251	\$ 413,997	\$ 308,423	5,981,825
Total capital assets being depreciated, net	3,889,900			4,078,362
Governmental activity capital assets, net	\$ 5,774,260			\$ 11,171,679

**Business-type activities:**

**Northern Water District**

Capital assets being depreciated:				
Plant and distribution systems	\$ 4,579,543	\$ -	\$ -	\$ 4,579,543
Vehicles and motor equipment	49,050	24,022	-	73,072
Total capital assets being Depreciated	4,628,593	24,022	-	4,652,615
Less accumulated depreciation for:				
Plant and distribution systems	1,273,890	91,591	-	1,365,481
Vehicles and motor equipment	13,998	9,450	-	23,448
Total accumulated depreciation	1,287,888	\$ 101,041	\$ -	1,388,929
Total capital assets being depreciated, net	3,340,705			3,263,686
Northern Water District capital assets, net	\$ 3,340,705			\$ 3,263,686

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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Southern Water District</b>				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets not being Depreciated	10,000	-	-	10,000
Capital assets being depreciated:				
Plant and distribution systems	10,213,751	-	-	10,213,751
Machinery and equipment	46,551	-	-	46,551
Vehicles and motor equipment	88,088	24,022	13,077	99,033
Total capital assets being Depreciated	10,348,390	24,022	13,077	10,359,335
Less accumulated depreciation for:				
Plant and distribution systems	2,685,978	208,649	-	2,894,627
Machinery and equipment	36,147	434	-	36,581
Vehicles and motor equipment	38,790	14,030	13,077	39,743
Total accumulated depreciation	2,760,915	\$ 223,113	\$ 13,077	2,970,951
Total capital assets being depreciated, net	7,587,475			7,388,384
Southern Water District capital assets, net	\$ 7,597,475			\$ 7,398,384
<b>Tunis Sewer District</b>				
Capital assets not being depreciated:				
Land	\$ 11,271	\$ -	\$ -	\$ 11,271
Construction in progress	140,878	1,525,600	-	1,666,478
Total capital assets not being Depreciated	152,149	\$ 1,525,600	\$ -	1,677,749
Tunis Sewer District capital assets, net	\$ 152,149			\$ 1,677,749
<b>Sanitation</b>				
Land	\$ 23,046	\$ -	\$ -	\$ 23,046
Total capital assets not being Depreciated	23,046	-	-	23,046
Capital assets being depreciated:				
Plant and distribution systems	133,050	-	-	133,050
Machinery and equipment	345,561	-	64,808	284,753
Vehicles and motor equipment	97,718	-	-	97,718
Total capital assets being depreciated	576,329	-	64,808	511,521
Less accumulated depreciation for:				
Plant and distribution systems	50,401	3,468	-	53,869
Machinery and equipment	114,880	16,247	37,402	93,725
Vehicles and motor equipment	84,674	3,811	-	88,485
Total accumulated depreciation	249,955	\$ 23,526	\$ 37,402	236,079
Total capital assets being depreciated, net	326,374			275,442
Other business-type capital assets, net	\$ 349,420			\$ 298,488
Business-type activities capital assets, net	\$ 11,439,749			\$ 12,638,307



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

General Government	\$ 83,102
Public Safety	318,521
Human Services	7,931
Economic and Physical Development	4,443
Total Depreciation expense	<u>\$ 413,997</u>

**Discretely presented component units**

Capital assets at June 30, 2014 for the ABC Board were as

follows: Capital assets not being depreciated:

Land	\$ 24,220
Capital assets being depreciated:	
Buildings, improvements	492,497
Furniture and equipment	106,788
Vehicles	29,801
Total capital assets being depreciated	<u>629,086</u>
Less accumulated depreciation for:	
Buildings, improvements	138,791
Furniture and equipment	105,730
Vehicles	29,801
Total accumulated depreciation	<u>274,322</u>
Total capital assets being depreciated, net	<u>354,764</u>
ABC Board capital assets, net	<u>\$ 378,984</u>

Activity for the Public Health Authority for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Land improvements	\$ 7,500	\$ -	\$ -	\$ 7,500
Leasehold improvements	95,252	-	-	95,252
Equipment and furniture	126,839	38,426	-	165,265
Vehicles	193,362	-	-	193,362
Total Capital Assets being depreciated	<u>422,953</u>	<u>38,426</u>	<u>-</u>	<u>461,379</u>
Less accumulated depreciation				
Land improvements	7,500	-	-	7,500
Leasehold improvements	37,865	5,163	-	43,028
Equipment and furniture	112,748	16,049	-	128,797
Vehicles	130,509	16,786	-	147,295
Total accumulated depreciation	<u>288,622</u>	<u>\$ 37,998</u>	<u>\$ -</u>	<u>326,620</u>
Public Health Authority capital assets, net	<u>\$ 134,331</u>			<u>\$ 134,759</u>

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**b. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2014, were as follows:

	Vendors	Accrued Interest	Other	Total
Governmental Activities:				
General	\$ 418,728	\$ 122,713	\$ -	\$ 541,441
Hertford County Judicial Center	9,085	-	-	9,085
Other governmental	48,447	-	-	48,447
Total-governmental activities	\$ 476,260	\$ 122,713	\$ -	\$ 598,973
Business-type Activities:				
Northern Water District	\$ 553	\$ 8,734	\$ -	\$ 9,287
Southern Water District	2,600	19,188	-	21,788
Sanitation	48,517	-	-	48,517
Tunis Sewer District	15,274	1,869	-	17,143
Total-business-type activities	\$ 66,944	\$ 29,791	\$ -	\$ 96,735

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

**Local Governmental Employees' Retirement System**

*Plan Description* – Hertford County contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy* – Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.074% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of Hertford County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$419,854, \$409,919 and \$419,162 respectively. The contributions made by the County equaled the required contributions for each year.

**b. Defined Contribution Plans**

Hertford County has two defined contribution plans: a 457 deferred compensation plan and a 401K plan. Hertford County does not match employee contributions.

Hertford County has a 401K plan that is administered by NC 401K. Eligibility for 401K is generally to actively participate in the LGERS, Teacher and State Employees Retirement,

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Consolidated Judicial System or Legislative Retirement System. Employees can choose the traditional or Roth 401K plan. Contributions for 401K totaled \$30,123.

Hertford County also has a 457 deferred compensation plan that is sponsored by the National Association of Counties (NACO) and administered by Nationwide Retirement Solutions Inc. NACO is a way to save money for retirement, while reducing taxable income. A 457 plan allows employees to defer portions of their salaries in hopes of gaining an investment return. Contributions for NACO totaled \$23,320.

**c. Law Enforcement Officer's Special Separation Allowance**

**1. Plan Description**

Hertford County administers a public employee retirement system (*the Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The County chooses to fund this plan on a pay-as-you-go basis. Actuarial valuations are obtained to help the County plan for the future needs of the retirement plan.

All full-time County law enforcement officers are covered by the Separation Allowance. At June 30, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>21</u>
Total	<u>22</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.

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

**3. Contributions**

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by the County or employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. No actuarial study has been performed on the law enforcement officers' special separation allowance.

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

*Plan Description* – The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of 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 for the year ended June 30, 2014 were \$75,029, which consisted of \$44,906 from the County and \$30,123 from the law enforcement officers.

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

*Plan Description* – Hertford County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds that is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy* – On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administer the Fund. For the fiscal year ended June 30, 2014, the County's required and actual contributions were \$1,290.

**e. Other Postemployment Benefits**

**Healthcare Benefits**

*Plan Description* –Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (HCB Plan). As of August 1, 2007, this plan provides postemployment healthcare benefits to retirees of the County, provided they participate

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in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the County. Prior to August 1, 2007, employees qualified for similar level benefits after at least ten years of creditable service and aged 65 with the County. 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. The County Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	25	1
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	157	21
Total	182	22

*Funding Policy* – The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the County Board of Commissioners. The County doesn't offer the option for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 8.39% of annual covered payroll as of December 31, 2012. For the current year, the County contributed \$173,080 or 3.15% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 3.55% and 0.82% of covered payroll, respectively. The County's obligation to contribute to HCB Plan is established and may be amended by the County Board of 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 other postemployment benefit (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 postemployment healthcare benefits:

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Annual required contribution	\$ 461,247
Interest on net OPEB obligation	135,555
Adjustment to annual required contribution	(129,497)
Annual OPEB cost (expense)	467,305
Contributions made	173,080
Increase (decrease) in net OPEB obligation	294,225
Net OPEB obligation, beginning of year	3,388,881
Net OPEB obligation, end of year	<u>\$ 3,683,106</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2014 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 467,305	37.0%	\$ 3,683,106
2013	578,075	25.8%	3,388,881
2012	560,639	24.9%	2,959,874

*Funded Status and Funding Process* – As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$5,813,655. The covered payroll (annual payroll of active employees covered by the plan) was \$5,497,375, and the ratio of the UAAL to the covered payroll was 105.8 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 cost trend. 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 process, 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 to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 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 Pre-Medicare 8.50% - 5.00% percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, in any, was determined using techniques that spread the effects of short-term volatility in the

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market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

**f. 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

For the fiscal year ended June 30, 2014 the County made contributions to the State for death benefits of \$0. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
Less than 10	1	2014
10-20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. Hertford County will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

**g. Hertford County Public Health Authority Pension Plan**

Please see the separately issued financial report of Hertford County Public Health Authority for a complete description of the Authority's pension plan.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	-	\$ 92,098
Taxes receivable, net (General)	1,318,140	-
Taxes receivable, net (Special Revenue)	<u>3,646</u>	<u>-</u>
Total	<u>\$ 1,321,786</u>	<u>\$ 92,098</u>

**4. Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners' Joint Risk Management Agency. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers. Through the captive, the Liability and Property Pool is reinsure for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial crime coverage with a \$250,000 occurrence limit. The Director of Finance and tax collector are each individually bonded for \$50,000 and \$25,000, respectively. The Register of Deeds and the Sheriff are each bonded for \$5,000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years. The County has purchased flood insurance.

The Economic Development Commission, the Public Health Authority, and the ABC Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Economic Development commission is covered under Hertford County's insurance policies. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Public Health Authority carries commercial insurance for all risks of loss. For the ABC Board and Public Health Authority, settled claims have not exceeded coverage in any of the past three fiscal years.

**5. Contingent Liabilities**

At June 30, 2013, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.



**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**6. Operating Lease Commitments**

The County leases certain equipment under operating leases that expire over the next four years. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2014:

<u>For Year Ending June 30</u>	<u>Amount</u>
2015	\$ 151,494
2016	192,921
2017	143,210
Total minimum payments required	<u>\$ 487,625</u>

Total rent paid during the fiscal year ended June 30, 2014 was approximately \$69,770.

The Public Health Authority leases facilities with remaining commitments of two years. Total operating lease expense for these facilities during the fiscal year ended June 30, 2014 was \$50,100.

For the Authority, future minimum rental payments for these facilities as of June 30, 2014 are as follows:

<u>For Year Ending June 30</u>	<u>Amount</u>
2015	\$ 49,500
2016	7,975
Total	<u>\$ 57,475</u>

**7. Long-Term Obligations**

**a. Installment Purchases**

In October 2006, the County entered into an installment purchase contract to construct an EMS Building. The contract requires fifteen annual principal payments of \$61,667 plus 4.08% interest.

In January 2011, the County entered into an installment purchase contract to purchase a security system. The contract requires four annual payments of \$53,755 plus 3.19% interest.

In October 2013, the County entered into an installment purchase contract to purchase vehicles. The contract requires three annual payments of \$53,220 plus 1.49% interest.

The future minimum payments of the installment purchases as of June 30, 2014, including \$95,336 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 114,887	\$ 22,507
2016	114,887	19,198
2017	114,887	15,891
2018	61,667	12,580
2019	61,667	10,064
2020-2022	185,000	15,096
Total	<u>\$ 652,995</u>	<u>\$ 95,336</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**b. General Obligation Indebtedness**

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

The County's general obligation bonds payable at June 30, 2014 are comprised of the following individual issues:

Serviced by the County's General Fund:

<b>\$1,750,000</b> 2000 Community College Improvement Serial Bonds due in annual installments of \$100,000 beginning February 1, 2003 through February 1, 2017 with the last two installments of \$125,000 each due in 2018 and 2019; interest at 5.3%, which increases to 5.4% in 2017.	\$ 550,000
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<b>\$11,945,000</b> 2013 Limited Obligation Bonds due in annual installments of \$525,000 to \$635,000 beginning April 1, 2014 through April 1, 2033; interest varying from 2.0 percent to 5.0 percent.	<u>11,420,000</u>
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Total	<u>\$ 11,970,000</u>
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Serviced by the County's Southern Water District:

<b>\$3,474,000</b> 1997 Water Serial Bonds due in annual installments of \$35,000 to \$140,000 through June 1, 2037; interest at 5.0 percent.	\$ 2,715,500
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<b>\$1,400,000</b> 1996 Water Serial Bonds due in annual installments of \$25,000 to \$100,000 through June 1, 2016; interest at 5.7 percent.	125,000
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<b>\$1,740,000</b> 2001 Water Serial Bonds due in annual installments of \$18,000 to \$72,000 through June 1, 2041; interest at 4.75 percent.	1,461,500
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<b>\$435,000</b> 2001 Water Serial Bonds due in annual installments of \$4,500 to \$18,000 through June 1, 2041; interest at 4.875 percent.	368,000
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Serviced by the County's Northern Water District:

<b>\$2,750,000</b> 1997 Water Serial Bonds due in annual installments of \$29,000 to \$116,000 through June 1, 2037; interest at 4.875 percent.	2,150,000
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Serviced by the County's Tunis Sewer District:

<b>\$307,000</b> 2014 USDA Sanitary Sewer Bonds due in monthly installments of \$5,500 to \$12,000 through June 1, 2054; interest at 2.375%.	<u>307,000</u>
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<b>Total</b>	<u>\$ 7,127,000</u>
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**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Annual debt service requirements to maturity for the County's General Fund and Northern, Southern and Tunis District's general obligation bonds and water and sewer bonds are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 625,000	\$ 410,869	\$ 269,000	\$ 341,926
2016	625,000	395,069	202,500	328,373
2017	625,000	379,269	191,500	318,239
2018	625,000	358,219	201,500	308,981
2019	625,000	336,469	211,000	299,234
2020-2024	3,145,000	1,319,844	1,211,000	1,333,349
2025-2029	3,175,000	717,569	1,527,000	1,009,728
2030-2034	2,525,000	212,794	1,722,500	615,481
2035-2039	-	-	1,258,500	204,386
2040-2044	-	-	226,000	28,864
2045-2049	-	-	51,500	10,260
2050-2054	-	-	55,000	3,848
Total	\$11,970,000	\$ 4,130,102	\$ 7,127,000	\$ 4,802,669

At June 30, 2014, Hertford County had a legal debt margin of \$107,574,654.

**c. Bond Anticipation Notes**

The Tunis Sewer District within Hertford County has issued bond anticipation notes, in order to finance various sewer improvements.

Serviced by the County's Tunis Sewer District:

**\$307,000** 2013 Sanitary Sewer Bond Anticipation Notes due in an annual installment of \$307,000 on February 26, 2014; interest at 2.0 percent. This loan was paid off in the current fiscal year.

\$ \_\_\_\_\_ -

**d. Long Term Obligation Activity**

The following is a summary of changes in the County's long-term debt for the year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
<b>Governmental Activities:</b>					
General obligation debt	\$12,595,000	\$ -	\$ 625,000	\$11,970,000	\$ 625,000
Installment purchases	608,755	159,660	115,421	652,994	114,887
Compensated absences	531,429	505,416	531,429	505,416	126,354
Other Postemployment Benefits	3,116,340	271,742	-	3,388,082	-
Total	\$16,851,524	\$ 936,818	\$ 1,271,850	\$16,516,492	\$ 866,241
<b>Business-type Activities:</b>					
General obligation debt	\$ 7,081,500	\$ 307,000	\$ 261,500	\$ 7,127,000	\$ 269,000
BANs	307,000	-	307,000	-	-
Compensated absences	22,446	24,474	22,446	24,474	6,119
Other Postemployment Benefits	272,541	22,484	-	295,025	-
Total	\$ 7,683,487	\$ 353,958	\$ 283,946	\$ 7,446,499	\$ 275,119

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

The following is a summary of changes in the Hertford County Public Health Authority's long-term obligations for the fiscal year ended June 30, 2014:

	Balance July 1, 2013		Increases		Decreases		Balance June 30, 2014
<b>Governmental activities:</b>							
Compensated absences	\$ 133,647	\$	134,734	\$	138,863	\$	129,518
Other postemployment benefits	1,094,274		325,011		51,508		1,367,777
Total	<u>\$ 1,227,921</u>	\$	<u>459,745</u>	\$	<u>190,371</u>	\$	<u>1,497,295</u>

**d. Interfund Balances and Activity**

From	To	Amount	Reason
<b>Transfers From/To Other Funds:</b>			
<u>Special Revenue Funds</u>			
Capital Reserve Fund	General Fund	\$ 942,488	To pay debt service for Courthouse
<u>General Fund</u>			
General Fund	School Capital Reserve Fund	\$ 868,926	To transfer restricted sales tax
General Fund	Revaluation Fund	40,000	To contribute money for next revaluation
General Fund	Capital Reserve Fund	100,000	To set money aside for capital purposes
General Fund	Sanitation Fund	1,859	To provide employee bonuses
General Fund	Northern Water District Fund	1,696	To provide employee bonuses
General Fund	Southern Water District Fund	1,145	To provide employee bonuses
		<u>\$ 1,013,626</u>	
<u>Enterprise Funds</u>			
Sanitation Fund	General Fund	\$ 6,826	To provide additional funding
Southern Water District Fund	General Fund	49,000	To supplement costs for upfit of building
Sanitation Fund	Southern Water District Fund	1,232	To provide additional funding
Sanitation Fund	Northern Water District Fund	2,187	To provide additional funding
		<u>\$ 59,245</u>	
<b>Due From/To Other Funds:</b>			
<u>Capital Project Fund</u>			
E911 Communications Project Fund	General Fund	\$ 24,914	Loan for startup of project
<u>Enterprise Fund</u>			
Northern Water District Fund	General Fund	112,151	Loan from startup of water system
Southern Water District Fund	General Fund	227,308	Loan from startup of water system
		<u>\$ 364,373</u>	

**e. Fund Balance**

The following schedule provided management and citizens with information on the portion of General fund balance that is available for appropriation:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Total Fund Balance – General Fund</b>	<b>\$10,393,029</b>
Less :	
Stabilization by State Statute	2,059,150
Register of Deeds	10,703
Revaluation	165,407
Capital Reserve	1,753,681
Appropriated Fund Balance in 2015 budget	1,831,777
Remaining Fund Balance	\$ 4,572,311

**IV. Joint Ventures**

The County participates in a joint venture to operate Albemarle Regional Library with four other local governments. Each Participating government appoints three board members to the twelve 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 government's 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, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$94,018 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at Winton, NC.

The County, in conjunction with the State of North Carolina and the Hertford County Board of Education, participates in a joint venture to operate the Roanoke Chowan Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex-officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriation for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$550,000 in debt is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$878,839 to the community college for operating purposes, respectively during the fiscal year ended June 30, 2014. In addition, the County made debt service payments of \$134,700 during the fiscal year on general obligation bonds issued for community college capital facilities. 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, 2014. Complete financial statements for the community college may be obtained from the community college's administrative offices.

The County also participates in a joint venture to operate Roanoke Chowan Human Services which serves a four county mental health district. Hertford County appoints seven members to the twenty-four member board of the mental health district. 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 has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$88,584 to the Center to supplement its activities. Complete financial statements for the Center can be obtained from the Center's office at Route 3, Box 22-A, Ahoskie, NC 27910.

The County also participates in a joint venture to operate Choanoke Public Transportation Authority with three other counties. The County appoints two members to the nine member board. The County has an

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$10,300 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office in Rich Square, NC.

The County also participates in a joint venture to operate Tri-County Airport Authority with two other counties. The County appoints three members to the nine member board of the Authority. The County has an ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$18,000 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office at Route 1, Aulander, NC 27805.

**V. Jointly Governed Organization**

The County, in conjunction with five other counties and thirty-two municipalities, established the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the commission's governing board. The County paid membership fees of \$7,092 to the Commission during the fiscal year ended June 30, 2014. The County was a subrecipient of various grants and other sources totaling \$288,522 that was passed through the Commission.

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

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

	Federal	State
Medicaid	\$ 27,396,032	\$ 15,616,369
Health Choice	286,927	90,514
Temporary Assistance to Needy Families	197,848	(125)
CWS Adoption Subsidy	-	47,224
Adoption Assistance	67,081	17,611
State/County Special Assistance	-	479,439
F/C At Risk Maximization	-	172
Foster Care	10,734	2,882
SFHF Maximization	-	100
State Foster Home	-	3,427
Totals	\$ 27,958,622	\$ 16,257,613

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**VII. 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 moneys 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 moneys.

**VIII. Significant Effects of Subsequent Events**

The County has evaluated events and transactions that occurred between June 30, 2014 and November 20, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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This section contains additional information required by generally accepted accounting principles.

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- ☐ Schedule of Funding Progress for Other Postemployment Benefits
- ☐ Schedule of Employer Contributions for Other Postemployment Benefits
- ☐ Notes to Required Schedules for Other Postemployment Benefits



**HERTFORD COUNTY, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ -	\$ 7,969,564	\$ 7,969,564	0.00%	\$ 5,324,929	149.70%
12/31/2010	-	6,231,017	6,231,017	0.00%	5,945,009	104.80%
12/31/2012	-	5,813,655	5,813,655	0.00%	5,497,375	105.80%

**HERTFORD COUNTY, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30		Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$	461,247	37.52%	\$ 3,683,106
2013		572,784	26.03%	3,388,881
2012		560,639	24.90%	2,959,874
2011		982,239	12.60%	2,538,716
2010		914,362	8.58%	1,680,390

**Notes to the Required Schedules:**

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Amortization Factor	26.1695
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	8.5% - 5.00 %
Year of Ultimate trend rate	2018

\*Includes inflation at 3.00% percent.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## MAJOR GOVERNMENTAL FUNDS

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- ☐ **General Fund:** This fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.
  
- ☐ **School Capital Reserve Fund:** This fund was established in accordance with North Carolina law to account for the accumulation of resources to be used for construction projects of the Board of Education. Funds are periodically transferred to the General Fund and disbursed to the Board of Education for this purpose.
  
- ☐ **Revaluation Fund:** This fund accounts for the accumulation of resources to be used for the octennial revaluation of real property.
  
- ☐ **Capital Reserve Fund:** This fund accounts for the accumulation of resources to be set aside for capital purposes in the future.
  
- ☐ **Hertford County Judicial Center:** This fund is used to account for the judicial center capital project.

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
<b><u>REVENUES</u></b>				
Ad Valorem Taxes:				
Taxes		\$ 13,396,282		\$ 12,453,706
Penalties and interest		211,942		185,096
Total	\$ 12,883,174	13,608,224	\$ 725,050	12,638,802
Local Option Sales Taxes:				
Article 39 and 44		1,513,647		1,474,736
Article 40 one-half of one percent		1,129,227		1,112,470
Article 42 one-half of one percent		866,493		839,380
Total	3,375,245	3,509,367	134,122	3,426,586
Other taxes and licenses:				
CATV franchise		39,858		41,147
Gas tax refund		3,565		3,618
Occupancy tax		46,927		48,852
Privilege licenses		3,542		3,441
Total	86,850	93,892	7,042	97,058
Unrestricted intergovernmental:				
ABC profit distribution		39,545		46,045
Beer and wine tax		66,870		61,584
Total	99,000	106,415	7,415	107,629
Restricted intergovernmental:				
Social service grants and fees		3,313,757		3,295,118
Federal and State grants		931,371		1,048,973
Court facility fees		53,084		51,866
ABC bottles taxes		8,434		8,037
Miscellaneous		265,224		256,596
Total	4,845,595	4,571,870	(273,725)	4,660,590

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
Permits and fees:				
Building and inspection fees		68,878		93,124
Planning and zoning		4,920		6,025
Register of deeds		114,072		121,185
Total	216,200	187,870	(28,330)	220,334
Sales and services:				
Rents, concessions, and fees		93,242		88,542
Jail Fees		198,333		304,499
Ambulance and rescue squad fees		695,252		994,643
EMS medicaid reimbursement		110,264		161,269
Internship program		-		5,000
Vehicle tax collection fees		137,853		81,677
Total	1,135,310	1,234,944	99,634	1,635,630
Investment earnings	3,000	10,578	7,578	9,327
Miscellaneous Revenues				
Sale of materials		11,100		12,700
Other		119,790		97,012
Total	91,416	130,890	39,474	109,712
Total Revenues	22,735,790	23,454,050	718,260	22,905,668
<b>EXPENDITURES</b>				
<b>General Government</b>				
Governing Body:				
Salaries and employee benefits		68,948		68,588
Other operating expenditures		28,568		27,299
Total	98,189	97,516	673	95,887
Administration:				
Salaries and employee benefits		258,004		292,241
Other operating expenditures		55,098		25,835
Total	318,807	313,102	5,705	318,076

**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
Human Resources:				
Salaries and employee benefits		279,750		-
Other operating expenditures		24,202		-
Total	352,141	303,952	48,189	-
Elections:				
Salaries and employee benefits		87,126		96,197
Other operating expenditures		52,488		51,888
Total	163,409	139,614	23,795	148,085
Finance:				
Salaries and employee benefits		177,406		296,489
Other operating expenditures		86,311		75,537
Capital outlay		-		6,563
Total	269,646	263,717	5,929	378,589
Taxes:				
Salaries and employee benefits		417,775		397,540
Other operating expenditures		253,423		140,667
Total	754,724	671,198	83,526	538,207
Legal:				
Contracted services	72,000	67,539	4,461	55,614
Register of Deeds:				
Salaries and employee benefits		127,845		144,038
Other operating expenditures		35,244		32,490
Total	167,812	163,089	4,723	176,528
Public Buildings:				
Salaries and employee benefits		301,757		305,106
Other operating expenditures		399,652		277,545
Capital outlay		-		60,864
Total	742,933	701,409	41,524	643,515

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
Land Records:				
Salaries and employee benefits		94,024		92,304
Other operating expenditures		22,702		26,716
Total	126,848	116,726	10,122	119,020
Data Center:				
Data processing contract services		184,440		179,074
Total	184,440	184,440	-	179,074
Court Facilities:				
Operating expenditures		85,979		64,636
Total	92,387	85,979	6,408	64,636
Central Services:				
Operating expenditures		421,720		412,886
Capital outlay		73,812		422,584
Total	543,415	495,532	47,883	835,470
Total General Government	3,886,751	3,603,813	282,938	3,552,701
Public Safety				
Sheriff:				
Salaries and employee benefits		1,419,370		1,407,726
Other operating expenditures		342,517		364,762
Capital outlay		229,269		85,421
Total	1,987,885	1,991,156	(3,271)	1,857,909
Jail:				
Salaries and employee benefits		1,198,128		1,246,621
Other operating expenditures		732,026		650,760
Capital outlay		48,834		-
Total	2,112,314	1,978,988	133,326	1,897,381



**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
Emergency communications:				
Salaries and employee benefits		194,266		178,241
Other operating expenditures		21,173		54,428
Total	212,745	215,439	(2,694)	232,669
Emergency management:				
Salaries and employee benefits		121,334		120,552
Other operating expenditures		71,352		97,134
Capital outlay		19,637		-
Total	222,824	212,323	10,501	217,686
Fire:				
Contribution to forest service		78,901		69,075
Assistance to local fire departments		276,464		269,560
Total	368,957	355,365	13,592	338,635
Inspections:				
Salaries and employee benefits		130,652		112,230
Other Operating expenditures		19,518		22,547
Total	153,038	150,170	2,868	134,777
Rescue units:				
Salaries and employee benefits		857,037		833,472
Other operating expenditures		230,294		259,048
Capital outlay		123,999		-
Total	1,233,011	1,211,330	21,681	1,092,520
Animal Control:				
Salaries and employee benefits		76,147		57,418
Other operating expenditures		26,780		24,914
Total	105,072	102,927	2,145	82,332

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
Medical examiner:				
Contracted services		8,550		9,600
Total	12,500	8,550	3,950	9,600
Total Public Safety	6,408,346	6,226,248	182,098	5,863,509
<u>Transportation</u>				
Contribution to transit authority		10,300		10,300
Contribution to regional airport		18,000		22,168
Total transportation	28,300	28,300	-	32,468
<u>Economic and physical development</u>				
Planning and zoning				
Other operating expenditures		2,782		2,175
Total	4,972	2,782	2,190	2,175
Economic Development:				
Salaries and employee benefits		128,054		126,423
Other operating expenditures		18,098		13,000
Total	146,211	146,152	59	139,423
Agricultural extension:				
Salaries and employee benefits		79,197		93,442
Other operating expenditures		24,122		32,634
Total	168,797	103,319	65,478	126,076

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
Soil and water conservation:				
Salaries and employee benefits		108,028		106,851
Other operating expenditures		13,721		9,107
Total	142,995	121,749	21,246	115,958
Total Economic and Physical Development	473,075	374,002	99,073	383,632
<u>Human Services</u>				
Health:				
Administration:				
Contribution to health department		263,250		230,250
Other operating expenditures		21,558		21,268
Total	287,802	284,808	2,994	251,518
Aid to aging:				
Salaries and employee benefits		278,354		286,277
Other operating expenditures		48,420		40,626
Total	341,532	326,774	14,758	326,903
Respite:				
Other operating expenditures		292,744		293,678
Total	299,604	292,744	6,860	293,678
Mental Health:				
Adminstration:				
Other operating expenditures		88,584		87,187
Total	86,774	88,584	(1,810)	87,187
Social Services:				
Administration:				
Salaries and employee benefits		2,431,832		2,623,115
Other operating expenditures		725,636		1,055,161
Total	3,517,519	3,157,468	360,051	3,678,276

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
Public Assistance				
Work first:				
Operating expenditures		1,828,689		1,599,681
Foster care:				
Operating expenditures		31,782		32,733
Total	2,099,198	1,860,471	238,727	1,632,414
Elderly handicapped:				
Operating expenditures	161,220	134,724	26,496	104,016
CJPP day reporting				
Salaries and employee benefits		-		4,463
Other operating expenditures		-		118
Total	-	-	-	4,581
Community based alternatives:				
Other operating expenditures		119,263		116,691
Total	119,742	119,263	479	116,691
Veterans service office:				
Salaries and employee benefits		31,982		27,440
Other operating expenditures		7,311		2,324
Total	47,168	39,293	7,875	29,764
Other programs:				
Other appropriations/contributions		241,021		227,471
Total	289,987	241,021	48,966	227,471
Total Human Services	7,250,546	6,545,150	705,396	6,752,499

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Cultural and Recreational</u>				
Library and recreation:				
Operating expenditures		1,952		2,800
Contribution to regional library		94,018		89,021
Total Cultural and Recreational	95,970	95,970	-	91,821
Education:				
Public schools-current expense		4,173,524		4,173,524
Public schools-capital outlay		-		471,922
Community college- current		878,839		778,839
Community college- capital outlay		92,668		-
Total Education	5,152,363	5,145,031	7,332	5,424,285
Debt Service:				
Principal retirement		686,667		161,667
Interest and other charges		501,486		65,750
Total debt services	1,188,744	1,188,153	591	227,417
Contingency	-	-	-	-
Total Expenditures	24,484,095	23,206,667	1,277,428	22,328,332
Revenues Over (Under) Expenditures	(1,748,305)	247,383	1,995,688	577,336

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers to other funds:				
School Capital Reserve Fund		(868,926)		(684,577)
Emergency Telephone System Fund		-		(594)
Revaluation Fund		(40,000)		(40,000)
EDC Infrastructure Project Fund		-		(6,203)
Hertford County Judicial Center Fund		-		(65,000)
Capital Reserve Fund		(100,000)		(100,000)
Tunis Project Fund		-		(20,000)
Sanitation Fund		(1,859)		(3,024)
Northern Water District Fund		(1,696)		(2,452)
Southern Water District Fund		(1,145)		(3,483)
Total	(1,003,945)	(1,013,626)	(9,681)	(925,333)
Transfers from other funds:				
Capital Reserve Fund		942,488		-
School Capital Reserve Fund		-		471,922
Sanitation Fund		6,826		-
Southern Water District Fund		49,000		-
Total	998,314	998,314	-	471,922
Proceeds from debt	159,665	159,660	(5)	-
Appropriated fund balance	1,594,271	-	(1,594,271)	-
Total other financing sources (uses)	1,748,305	144,348	(1,603,957)	(453,411)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	391,731	\$ 391,731	123,925
Fund Balance-July 1		8,082,210		7,958,285
Fund Balance-June 30		\$ 8,473,941		\$ 8,082,210

**HERTFORD COUNTY, NORTH CAROLINA  
SCHOOL CAPITAL RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Education				
Capital outlay	-	-	-	-
Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in				
General fund	859,245	868,926	9,681	684,577
Operating transfer out				
General fund	(859,245)	-	859,245	(471,922)
Total	-	868,926	868,926	212,655
Revenues over expenditures and other uses	\$ -	868,926	\$ 868,926	212,655
Fund Balance - July 1		212,655		-
Fund Balance - June 30		\$ 1,081,581		\$ 212,655

**HERTFORD COUNTY, NORTH CAROLINA  
REVALUATION FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Current:				
General government				
Tax listings:	40,000	-	40,000	-
Revenues Over (Under) Expenditures	(40,000)	-	40,000	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from (to) other funds				
General Fund	40,000	40,000	-	40,000
Total	40,000	40,000	-	40,000
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	40,000	\$ 40,000	40,000
Fund Balance - July 1		125,407		85,407
Fund Balance - June 30		\$ 165,407		\$ 125,407



**HERTFORD COUNTY, NORTH CAROLINA**  
**CAPITAL RESERVE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Local option sales tax	\$ 450,000	\$ 480,901	\$ 30,901	\$ 471,668
<b>EXPENDITURES</b>				
Capital outlay	550,000	-	550,000	-
Revenues Over (Under) Expenditures	(100,000)	480,901	580,901	471,668
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from (to) other funds				
General Fund	100,000	100,000	-	100,000
General Fund	(942,488)	(942,488)	-	-
Appropriated fund balance	942,488	-	(942,488)	-
Total	100,000	(842,488)	(942,488)	100,000
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	(361,587)	\$ (361,587)	571,668
Fund Balance - July 1		1,033,687		462,019
Fund Balance - June 30		\$ 672,100		\$ 1,033,687

**HERTFORD COUNTY, NORTH CAROLINA  
HERTFORD COUNTY JUDICIAL CENTER  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

		Actual			Variance
	Project	Prior	Current	Total to	Positive
	Authorization	Year	Year	Date	(Negative)
<b>REVENUES</b>					
Restricted intergovernmental revenue					
Investment earnings	\$ 1,400	\$ 1,480	\$ 921	\$ 2,401	\$ 1,001
Miscellaneous	-	-	26,274	26,274	26,274
Total	1,400	1,480	27,195	28,675	27,275
<b>EXPENDITURES</b>					
Capital outlay					
Construction Cost		690,964	4,776,191	5,467,155	
Furnishing and Equipment		-	-	-	
Design Fees & Expense		711,568	109,345	820,913	
Geotechnical Survey		1,900	87,877	89,777	
Materials/Testing/Special Inspection		18,396	77,913	96,309	
Contingency		-	1,041	1,041	
Fund Reserve		-	-	-	
Land		70,052	-	70,052	
Debt Service					
Bond Issuance Costs		338,045	-	338,045	
Total	12,507,230	1,830,925	5,052,367	6,883,292	5,623,938
Revenues Over (Under) Expenditures	(12,505,830)	(1,829,445)	(5,025,172)	(6,854,617)	5,651,213
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from the General Fund	65,000	159,095	-	159,095	94,095
Debt Proceeds	11,944,998	11,945,000	-	11,945,000	2
Premium on Debt Proceeds	495,832	495,832	-	495,832	-
Total	12,505,830	12,599,927	-	12,599,927	94,097
Excess of Revenues and Other					
Sources Over (Under) Expenditures	\$ -	\$ 10,770,482	(5,025,172)	\$ 5,745,310	\$ 5,745,310
Fund Balance - July 1			10,770,482		
Fund Balance - June 30			\$ 5,745,310		

## NONMAJOR GOVERNMENTAL FUNDS

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### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

- ☐ **Emergency Telephone System Fund:** This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.
- ☐ **Fire District Fund:** This fund accounts for the ad valorem tax levies of the two fire districts in Hertford County.
- ☐ **EDC Infrastructure Project Fund:** This fund is used to account for EDC infrastructure grants. The projects will be financed primarily with federal and State grants.

### **Capital Project Funds**

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities and equipment.

- ☐ **E911 Communications Center Project Fund:** This fund is used to account for the construction of the E911 Communication Center. This project will be financed primarily with grants.

**HERTFORD COUNTY, NORTH CAROLINA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Special Revenue Funds			Capital Projects Fund		
	Emergency Telephone System Fund	Fire District Fund	EDC Infrastructure Project Fund	E911 Communications Project Fund	Total Nonmajor Governmental Funds	
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 363,402	\$ 49,040	\$ -	\$ -	\$	412,442
Accounts receivable, net	7,689	5,097	-	-	-	12,786
Taxes receivable, net	-	3,646	-	-	-	3,646
Total assets	\$ 371,091	\$ 57,783	\$ -	\$ -	\$	428,874
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 7,760	\$ -	\$ 40,687	\$	48,447
Due to other funds	-	-	-	24,914	-	24,914
Total liabilities	-	7,760	-	65,601	-	73,361
Deferred inflows of resources	-	3,646	-	-	-	3,646
Fund Balances:						
Restricted						
Stabilization by State Statute	7,689	5,097	-	-	-	12,786
Public Safety	363,402	41,280	-	-	-	404,682
Unassigned	-	-	-	(65,601)	-	(65,601)
Total fund balances	371,091	46,377	-	(65,601)	-	351,867
Total liabilities, deferred Inflows of resources, and fund balances	\$ 371,091	\$ 57,783	\$ -	\$ -	\$	428,874

**HERTFORD COUNTY, NORTH CAROLINA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds			Capital Projects Fund		
	Emergency Telephone System Fund	Fire District Fund	EDC Infrastructure Project Fund	E911 Communications Center Project Fund	Total Nonmajor Governmental Funds	
<b>REVENUES</b>						
Ad valorem taxes	\$ -	\$ 96,664	\$ -	\$ -	\$ -	\$ 96,664
Local option sales taxes	-	24,894	-	-	-	24,894
Restricted intergovernmental	92,271	-	270,000	-	-	362,271
Investment earnings	150	-	-	-	-	150
Total Revenues	92,421	121,558	270,000	-	-	483,979
<b>EXPENDITURES</b>						
Current:						
Public safety	104,858	123,786	-	-	-	228,644
Economic development	-	-	270,000	-	-	270,000
Capital outlay	-	-	-	65,601	-	65,601
Total expenditures	104,858	123,786	270,000	65,601	-	564,245
Revenues Over (Under)						
Expenditures	(12,437)	(2,228)	-	(65,601)	-	(80,266)
Fund Balance - July 1	383,528	48,605	-	-	-	432,133
Fund Balance - June 30	\$ 371,091	\$ 46,377	\$ -	\$ (65,601)	\$ -	\$ 351,867

**HERTFORD COUNTY, NORTH CAROLINA  
EMERGENCY TELEPHONE SYSTEM FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		2013	
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Restricted intergovernmental revenue				
Wireless 911 funds		\$ 92,271		\$ 103,850
Investment earnings		150		173
Total	\$ 92,271	92,421	\$ 150	104,023
<b>EXPENDITURES</b>				
Public safety	101,871	104,858	(2,987)	73,188
Revenues Over (Under) Expenditures	(9,600)	(12,437)	(2,837)	30,835
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated fund balance	9,600	-	(9,600)	-
Operating transfer in General Fund	-	-	-	594
Total Other Financing Sources (Uses)	9,600	-	9,600	594
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	(12,437)	\$ (12,437)	31,429
Fund Balance - July 1		383,528		352,099
Fund Balance - June 30		\$ 371,091		\$ 383,528

Amounts reported above are in agreement with the PSAP Revenue-Expenditure report.

**HERTFORD COUNTY, NORTH CAROLINA  
FIRE DISTRICT FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		2013	
	Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Ad Valorem taxes: Taxes	\$ 103,999	\$ 96,664	\$ (7,335)	\$ 88,725
Other taxes and licenses	21,415	24,894	3,479	24,947
Total revenues	125,414	121,558	(3,856)	113,672
<b>EXPENDITURES</b>				
Current:				
Public safety				
Woodland Fire District		4,016		3,041
Union Fire District		8,510		8,053
Ahoskie Fire District		111,260		99,777
Total expenditures	125,414	123,786	1,628	110,871
Revenues Over (Under) Expenditures	\$ -	(2,228)	\$ (2,228)	2,801
Fund Balance - July 1		48,605		45,804
Fund Balance - June 30		\$ 46,377		\$ 48,605

**HERTFORD COUNTY, NORTH CAROLINA**  
**EDC INFRASTRUCTURE PROJECT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

		Actual			Variance
	Project Authorization	Prior Year	Current Year	Total to Date	Positive (Negative)
REVENUES					
Restricted intergovernmental revenue					
Dept. of Commerce - One NC grant	\$ 270,000	\$ -	\$ 270,000	\$ 270,000	\$ -
Total	270,000	-	270,000	270,000	-
EXPENDITURES					
Economic development					
Enviva Reimbursement	270,000	-	270,000	270,000	-
Total	270,000	-	270,000	270,000	-
Revenues Over (Under) Expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund Balance - July 1			-		
Fund Balance - June 30			\$ -		



**HERTFORD COUNTY, NORTH CAROLINA  
E911 COMMUNICATIONS CENTER PROJECT  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

		Actual			Variance
	Project Authorization	Prior Year	Current Year	Total to Date	Positive (Negative)
<u>REVENUES</u>					
Restricted intergovernmental revenue					
Grant	\$ 4,250,000	\$ -	\$ -	\$ -	\$ (4,250,000)
Total	4,250,000	-	-	-	(4,250,000)
<u>EXPENDITURES</u>					
Capital outlay					
Permitting		-	-	-	
Material Testing		-	-	-	
Design Fee/Expense		-	65,601	65,601	
Furnishing and Equipment		-	-	-	
Construction		-	-	-	
Communications		-	-	-	
Water and Sewer Connection		-	-	-	
Escalation		-	-	-	
Contingency		-	-	-	
Total	4,250,000	-	65,601	65,601	4,184,399
Revenues Over (Under) Expenditures	\$ -	\$ -	(65,601)	\$ (65,601)	\$ (65,601)
Fund Balance - July 1			-		
Fund Balance - June 30			\$ (65,601)		

# ENTERPRISE FUNDS

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Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's council is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; where the government's council has decided that the periodic determination of net income is appropriate for accountability purposes.

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## Major Enterprise Funds

- ☐ **Northern Water District Fund:** This fund accounts for the activities of the County's Northern Water District.
- ☐ **Southern Water District Fund:** This fund accounts for the activities of the County's Southern Water District.
- ☐ **Tunis Sewer District Fund:** This fund accounts for the activities of the County's Tunis Sewer District, including the associated Capital Project Fund that is used to record Capital expenditures for this District.

## Non-major Enterprise Funds

- ☐ **Sanitation Fund:** This fund accounts for the operation, maintenance and development of various refuse disposal sites.

**HERTFORD COUNTY, NORTH CAROLINA**  
**NORTHERN WATER DISTRICT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		Variance	2013
	Budget	Actual	Positive (Negative)	Actual
<b>REVENUES</b>				
Operating Revenues				
Charges for services	\$ 501,700	\$ 451,924	\$ (49,776)	\$ 436,138
Tap-on fees	21,800	21,710	(90)	22,600
Other	3,200	11,534	8,334	4,878
Total Operating Revenues	526,700	485,168	(41,532)	463,616
Total Revenues	526,700	485,168	(41,532)	463,616
<b>EXPENDITURES</b>				
Administration and operations		232,967		218,829
Capital Outlay		24,022		25,067
Debt Service:				
Interest and fees		107,493		110,029
Debt principal		55,000		52,000
Total Expenditures	565,583	419,482	146,101	405,925
Revenues Over (Under) Expenditures	(38,883)	65,686	104,569	57,691
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) other funds				
General Fund	1,696	1,696	-	2,452
Sanitation Fund	2,187	2,187	-	-
Fund balance appropriated	35,000	-	(35,000)	-
Total Other Financing Sources (Uses)	38,883	3,883	(35,000)	2,452
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	\$ -	\$ 69,569	\$ 69,569	\$ 60,143

**RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL**

Excess of revenues over (under) expenditures	\$ 69,569	\$ 60,143
Debt principal	55,000	52,000
Depreciation	(101,041)	(92,442)
Capital outlay	24,022	25,067
(Increase) decrease in bond interest accrued	223	211
(Increase) decrease in vacation pay	(1,398)	(1,811)
(Increase) decrease in OPEB obligation	(5,349)	(6,052)
Total reconciling items	(28,543)	(23,027)
Change in net position	\$ 41,026	\$ 37,116

**HERTFORD COUNTY, NORTH CAROLINA**  
**SOUTHERN WATER DISTRICT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Operating Revenues				
Charges for services	\$ 1,001,150	\$ 964,151	\$ (36,999)	\$ 946,822
Tap-on fees	55,850	50,683	(5,167)	57,226
Other	29,500	15,907	(13,593)	22,814
Total Operating Revenues	1,086,500	1,030,741	(42,166)	1,026,862
Total Revenues	1,086,500	1,030,741	(42,166)	1,026,862
<b>EXPENDITURES</b>				
Administration and operations		335,463		318,587
Capital Outlay		24,022		50,133
Debt Service:				
Interest and fees		241,204		251,900
Debt principal		206,500		201,500
Total Expenditures	1,088,877	807,189	281,688	822,120
Revenues Over (Under) Expenditures	(2,377)	223,552	225,929	204,742
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) other funds				
General Fund	(49,000)	(49,000)	-	-
General Fund	1,145	1,145	-	3,483
Sanitation Fund	1,232	1,232	-	-
Fund balance appropriated	49,000	-	(49,000)	-
Total Other Financing Sources (Uses)	2,377	(46,623)	(49,000)	3,483
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ 176,929	\$ 176,929	\$ 208,225

**RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL**

Excess of revenues over (under) expenditures	\$ 176,929	\$ 208,225
Debt principal	206,500	201,500
Depreciation	(223,113)	(209,917)
Capital outlay	24,022	50,133
(Increase) decrease in bond interest accrued	912	891
(Increase) decrease in vacation pay	(2,029)	1,076
(Increase) decrease in OPEB obligation	(7,608)	(8,915)
Total reconciling items	(1,316)	34,768
Change in net position	\$ 175,613	\$ 242,993

**HERTFORD COUNTY, NORTH CAROLINA**  
**TUNIS SEWER DISTRICT CAPITAL PROJECT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	Actual				Variance
	Project Authorization	Prior Year	Current Year	Total to Date	Positive (Negative)
<b>REVENUES</b>					
Restricted intergovernmental revenue					
USDA Rural Utilities Services grant (initial)	\$ 1,255,000	\$ -	\$ 1,255,000	\$ 1,255,000	\$ -
USDA Rural Utilities Services grant (subsequent)	73,937	-	60,822	60,822	(13,115)
Rural Center supplemental grant	500,000	-	-	-	(500,000)
Tap on fees	4,600	13,000	200	13,200	8,600
Investment earnings	-	-	132	132	132
Miscellaneous	-	-	33,158	33,158	33,158
Total	1,833,537	13,000	1,349,312	1,362,312	(471,225)
<b>EXPENDITURES</b>					
Capital outlay					
Contingency		-	-	-	
Administrative Cost		44,012	15,923	59,935	
Capitalized Interest		306	7,935	8,241	
Contract services-construction		-	1,400,039	1,400,039	
Contract services-engineering		108,536	101,703	210,239	
Fund reserve		-	-	-	
Debt Service		-	307,000	307,000	
Total	2,160,537	152,854	1,832,600	1,985,454	175,083
Revenues Over (Under) Expenditures	(327,000)	(139,854)	(483,288)	(623,142)	(296,142)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from General Fund	20,000	118,204	-	118,204	98,204
USDA Loan Proceeds	-	-	307,000	307,000	307,000
Bond Anticipation Notes	307,000	307,000	-	307,000	-
Total	327,000	425,204	307,000	732,204	405,204
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 285,350	\$ (176,288)	\$ 109,062	\$ 109,062

**RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL**

Excess of revenues over (under) expenditures	\$	(176,288)
Reconciling items		
Capital outlay		1,525,600
Principal payments		307,000
Debt proceeds		(307,000)
Total reconciling items		1,525,600
Change in net position	\$	1,349,312

**HERTFORD COUNTY, NORTH CAROLINA**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		Variance	2013
	Budget	Actual	Positive (Negative)	Actual
<b>REVENUES</b>				
Operating Revenues				
Charges for services	\$ 881,654	\$ 873,529	\$ (8,125)	\$ 852,226
Other	49,800	29,832	(19,968)	(8,980)
Total Operating Revenues	931,454	903,361	(28,093)	843,246
Nonoperating Revenues				
Interest Earnings	300	184	(116)	365
Total Nonoperating Revenues	300	184	(116)	365
Total Revenues	931,754	903,545	(28,209)	843,611
<b>EXPENDITURES</b>				
Landfill:				
Administration and operations		413,231		384,579
Contract services		528,814		567,636
Capital Outlay		-		272,421
Total Expenditures	964,500	942,045	22,455	1,224,636
Revenues Over (Under) Expenditures	(32,746)	(38,500)	(5,754)	(381,025)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) other funds				
General Fund	1,859	1,859	-	3,024
General Fund	(6,826)	(6,826)	-	-
Northern Water District Fund	(2,187)	(2,187)	-	-
Southern Water District Fund	(1,232)	(1,232)	-	-
Fund balance appropriated	41,132	-	(41,132)	-
Total Other Financing Sources (Uses)	32,746	(8,386)	(41,132)	3,024
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	\$ -	\$ (46,886)	\$ (46,886)	\$ (378,001)
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL</b>				
Excess of revenues over (under) expenditures	\$	(46,886)	\$	(378,001)
Depreciation		(23,526)		(16,774)
Capital outlay		-		272,421
(Increase) decrease in vacation pay		1,398		(3,557)
(Increase) decrease OPEB obligation		(9,526)		(19,983)
Total reconciling items		(31,654)		232,107
Change in net position	\$	(78,540)	\$	(145,894)

## AGENCY FUNDS

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Agency funds are used to account for assets held by the County as an agent for individuals and local governments.

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- ☐ **Social Services Fund:** This fund accounts for moneys held by the Social Services Department for the benefit of certain individuals in the County.
- ☐ **Inmates Money Fund:** This fund accounts for moneys of inmates that are held by the County for their personal expenses.
- ☐ **Fines and Forfeitures and DMV Interest Fund:** This fund accounts for fines and forfeitures collected by the County that are required to be turned over to the Hertford County Board of Education and interest collected that is required to be turned over to the NC DMV.
- ☐ **Tax Fund:** This fund accounts for taxes and fees that are billed and collected by the County for various municipalities within the County.

**HERTFORD COUNTY, NORTH CAROLINA**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Social Services</b>				
Assets				
Cash	\$ 34,657	\$ 45,046	\$ 43,382	\$ 36,321
Liabilities				
Miscellaneous liabilities	\$ 34,657	\$ 45,046	\$ 43,382	\$ 36,321
<b>Inmates Money</b>				
Assets				
Cash	\$ 109,243	\$ 68,010	\$ 59,863	\$ 117,390
Liabilities				
Intergovernmental payable	\$ 109,243	\$ 68,010	\$ 59,863	\$ 117,390
<b>Fines and Forfeitures and DMV Interest</b>				
Assets				
Cash	\$ 1,433	\$ 136,061	\$ 137,494	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 136,061	\$ 136,061	\$ -
Due to DMV	1,433	-	1,433	-
	\$ 1,433	\$ 136,061	\$ 137,494	\$ -
<b>Tax Fund</b>				
Assets				
Cash	\$ -	\$ 3,946,240	\$ 3,946,240	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 3,946,240	\$ 3,946,240	\$ -
<b>Totals - All Agency Funds</b>				
Assets				
Cash	\$ 145,333	\$ 4,195,357	\$ 4,186,979	\$ 153,711
Liabilities				
Miscellaneous liabilities	\$ 145,333	\$ 4,195,357	\$ 4,186,979	\$ 153,711



## **OTHER SCHEDULES**

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This schedule contains additional information required on property taxes.

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- ☐ Schedule of Ad Valorem Taxes Receivable
- ☐ Analysis of Current Tax Levy – County-Wide Levy
- ☐ Schedule of Ten Largest Taxpayers

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2014**

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Adjustments	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 13,503,801	\$ 12,834,810	\$ 668,991
2012-2013	774,603	-	550,525	224,078
2011-2012	221,386	-	88,655	132,731
2010-2011	120,928	-	29,725	91,203
2009-2010	89,273	-	12,397	76,876
2008-2009	75,081	-	5,824	69,257
2007-2008	62,397	-	2,933	59,464
2006-2007	55,418	-	1,727	53,691
2005-2006	52,656	-	1,954	50,702
2004-2005	46,396	-	1,603	44,793
2003-2004	51,634	-	51,634	-
<b>\$</b>	<b>1,549,772</b>	<b>\$ 13,503,801</b>	<b>\$ 13,581,787</b>	<b>1,471,786</b>
Less: allowance for uncollectible accounts				<u>(150,000)</u>
				<u><b>\$ 1,321,786</b></u>
<b>Reconciliation with revenues:</b>				
Ad valorem taxes - General Fund			\$ 13,608,224	
Interest and discounts			<u>(59,127)</u>	
				13,549,097
<b>Reconciling items:</b>				
Amounts written off for 2003-2004 levy				<u>32,690</u>
Total Reconciling Items				<u><u>32,690</u></u>
Total Collections and Credits				<u><u>\$ 13,581,787</u></u>

**HERTFORD COUNTY, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
JUNE 30, 2014**

	County-wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,492,199,412	0.840	\$ 12,534,475	\$ 10,840,618	\$ 1,693,857
Dog tax	-		7,160	7,160	-
Fire Districts	-		76,843	76,843	-
Total Original Levy	1,492,199,412		12,618,478	10,924,621	1,693,857
Discoveries	108,268,929	0.840	909,459	909,459	-
Abatements	(8,910,238)	0.840	(74,846)	(29,174)	(45,672)
Total Property Valuation	\$ 1,591,558,103				
Net Levy			13,453,091	11,804,906	1,648,185
Uncollected taxes at June 30, 2014			(668,991)	(536,195)	(132,796)
Current year's taxes collected			\$ 12,784,100	\$ 11,268,711	\$ 1,515,389
Current levy collection percentage			95.03%	95.46%	91.94%

**HERTFORD COUNTY, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
JUNE 30, 2014**

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Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 1,243,562,765
Personal Property	347,344,971
Public Service Companies	650,367
Total Assessed Valuation	1,591,558,103
Tax Rate per \$100	0.84
Levy (includes discoveries, releases and abatements)	\$ 13,453,091

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

Fire Protection Districts	\$ 76,843
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**HERTFORD COUNTY, NORTH CAROLINA  
TOP TEN TAXPAYERS  
JUNE 30, 2014**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Wackenhut Corrections Corp	Correctional Facility	\$ 56,459,465	3.55%
Enviva Pellets Ahoskie, LLC	Manufacturing	54,605,000	3.43%
Nucor Corporation	Manufacturing	41,619,830	2.62%
Perdue Grain and Oil Seed, LLC	Manufacturing	17,864,555	1.12%
Kerr Group LLC	Manufacturing	16,955,910	1.07%
Carroll's Foods of Virginia, Inc.	Livestock	14,226,975	0.89%
Wal-Mart Real Estate Bus Trust	Retail	10,589,935	0.67%
Ahoskie Center LLC	Shopping Center	8,099,202	0.51%
FIATP Timber LLC	Timber sales	5,735,920	0.36%
Air Liquide Large Ind US LP	Retail	4,918,813	0.31%
		<u>\$ 231,075,605</u>	<u>14.52%</u>

## **COMPLIANCE SECTION**

# Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA  
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Cathy E. McKinley, CPA  
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K. Jamison Crampton, 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  
Hertford County, North Carolina

We have audited, in accordance with the audited 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprises Hertford County's basic financial statements, and have issued our report thereon dated November 20, 2013. Our report includes a reference to other auditors who audited the financial statements of the Hertford County Public Health Authority, the Hertford County ABC Board or the Hertford County Economic Development Commission, as described in our report on Hertford County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of Hertford County ABC Board and the Hertford County Economic Development Commission were not audited in accordance with *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hertford County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hertford County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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

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severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hertford 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

We noted certain matters that we reported to management of the Hertford County, in a separate letter dated November 20, 2014.

### **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.

### ***Winston, Williams, Creech, Evans & Company, LLP***

Winston, Williams, Creech, Evans & Company,  
LLP Oxford, NC  
November 20, 2014



# Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

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Cathy E. McKinley, CPA  
Tara H. Roberson, CPA  
K. Jamison Crampton, CPA

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## Report On Compliance with Requirements Applicable To Each Major Federal Program and Internal Control over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

### Independent Auditor's Report

To the Board of County Commissioners  
Hertford County, North Carolina

### Report on Compliance for Each Major Federal Program

We have audited Hertford County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 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 Hertford County's major federal programs for the year ended June 30, 2014. Hertford 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 Hertford 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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 Hertford 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 Hertford County's compliance.

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### **Basis for Qualified Opinion on Medical Assistance Program**

As described in the accompanying schedule of findings and questioned costs, Hertford County did not comply with requirements regarding the CFDA 93.778 Medical Assistance Program as described in finding numbers 14-1, 14-2, 14-3 and 14-4 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Hertford County to comply with the requirements applicable to that program.

### **Qualified Opinion on Medical Assistance Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hertford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2014.

### **Unmodified Opinion on the Other Major Federal Program**

In our opinion, Hertford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

### **Other matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 14-1, 14-2, 14-3 and 14-4. Our opinion on each major federal program is not modified with respect to these matters.

Hertford County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Hertford County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of Hertford 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 Hertford County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 14-1, 14-2 and 14-4 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 14-3 to be a significant deficiency.

Hertford County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Hertford County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***Winston, Williams, Creech, Evans & Company, LLP***

Winston, Williams, Creech, Evans & Company, LLP  
Oxford, NC  
November 20, 2014

# Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA  
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Cathy E. McKinley, CPA  
Tara H. Roberson, CPA  
K. Jamison Crampton, CPA

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## Report On Compliance with Requirements Applicable To Each Major State Program and Internal Control over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

### Independent Auditor's Report

To the Board of County Commissioners  
Hertford County, North Carolina

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

We have audited Hertford 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 Hertford County's major state programs for the year ended June 30, 2014. Hertford 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 Hertford 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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 Hertford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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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 on Hertford County's compliance.

### **Basis for Qualified Opinion on the Medical Assistance Program**

As described in the accompanying schedule of findings and questioned costs, Hertford County did not comply with requirements regarding CFDA 93.778 Medical Assistance Program as described in finding numbers 14-1, 14-2, 14-3 and 14-4 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Hertford County to comply with the requirements applicable to that program.

### **Qualified Opinion on the Medical Assistance Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hertford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 14-1, 14-2, 14-3, and 14-4. Our opinion on each major state program is not modified with respect to these matters.

Hertford County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Hertford County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of Hertford 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 Hertford 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 OMB Circular A-133, 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.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 14-1, 14-2 and 14-4 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 14-3 to be a significant deficiency.

Hertford County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Hertford County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***Winston, Williams, Creech, Evans & Company, LLP***

Winston, Williams, Creech, Evans & Company, LLP  
Oxford, NC  
November 20, 2014

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

☐ Material weakness(es) identified? \_\_\_\_\_ yes X no

☐ Significant Deficiency(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? X yes \_\_\_\_\_ no

☐ Significant Deficiency(s) identified  
that are not considered to be  
material weaknesses X yes none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified, for all federal programs except for Medical Assistance Program, which was modified.

Any audit findings disclosed that are  
required to be reported in accordance  
with Section 510(a) of Circular A-133 X yes \_\_\_\_\_ no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
93.778	Medical Assistance Program
10.781	USDA Rural Utilities Services

Dollar threshold used to distinguish  
between Type A and Type B Programs \$ 980,535

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

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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State Awards

Internal control over major State programs:

- ☐ Material weakness(es) identified? Xyes \_\_\_\_no
- ☐ Significant Deficiency(s) identified  
that are not considered to be  
material weaknesses Xyes \_\_\_\_none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with the State  
Single Audit Implementation Act Xyes \_\_\_\_no

Identification of major State programs:

Program Name  
Medical Assistance

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**Section II – Financial Statement Findings**

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**None noted.**

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

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**US Department of Health and Human Services**

**Centers for Medicare and Medicaid Services**

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance

Program Name: Medical Assistance Program

CFDA #: 93.778

**Finding: 14-1**

**MATERIAL WEAKNESS**

**MATERIAL NONCOMPLIANCE**

Income Verification and Budget Calculations for Eligibility

Criteria: Case files should contain income verification such as pay stubs, wage verification form, award letters for benefits, etc. Earned income is converted to a monthly amount for comparison to income limits for assistance. Unearned income must also be verified. On-line Verifications (OLV) are required to be run at every certification and recertification and any hits documented and determined whether they are included in budget/eligibility determination. Total monthly income from a completed budget is then compared to and must be lower than the State provided maintenance amount for the respective Medicaid program.

Condition: Eight cases had errors concerning the budget and profile sheets. Three files used the incorrect State provided maintenance amount. One case had performed a budget based on OLV and



**COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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client statement and did not go back and re-determine eligibility once the wage verification and check stubs were provided. One case included unearned income on the profile sheet but it could not be traced back to any source. One case did not run a new OLV for the recertification to determine/investigate any hits generated. One case picked up the increased Social Security period while still in the COLA disregard period. One case misread the self-employed applicants form and did not include one month's income on the budget.

**Questioned Costs:** There were no questioned costs on these cases as all applicants were still eligible for the benefits received.

**Context:** Out of the 60 cases, three used the incorrect maintenance amount due to incorrect needs unit sizes or using the amount from the wrong program, one case did not verify employment information that had changed, one case included unearned income on the profile sheet but this amount could not be traced back to a source, one file did not contain an updated OLV for one of the children on the case and there was no documentation that it was run and whether there were any hits, another case used the new COLA amount for Social Security during the mandated COLA disregard period, and one case file calculated self-employed income incorrectly by improperly excluding one month's income.

**Effect:** Cases did not have a correct budget calculation or comparison to State provided maintenance amounts for Medicaid eligibility. It is possible that these errors could lead to incorrectly approving or denying an applicant benefits. Benefits can be paid to ineligible applicants.

**Cause:** The County has had turnover during the year in leadership and by moving caseworkers around among the different programs (universal caseworker). Ineffective case review process for caseworkers new to the programs and due to caseload. Workers did not document properly in case files and maintain support for services, budget amounts, etc. Ineffective record keeping policies for Medicaid files.

**Recommendation:** Files should be reviewed internally to ensure proper documentation is in place for eligibility. Workers should be retrained on what files should contain, what constitutes income for each program and the acceptable deductions from income, and the importance of complete and accurate record keeping stressed. The County should implement a record-keeping policy for all of its award programs to ensure that required documentation is clearly identified and a consistent manner of filing the information is instituted.

**Views of responsible officials and planned corrective actions:** The County agrees with the finding and will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility. Training of employees will take place to ensure they are aware of what information is required to be kept in files, how to calculate income and the appropriate deductions.

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**US Department of Health and Human Services  
Centers for Medicare and Medicaid Services**

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance

Program Name: Medical Assistance Program

CFDA #: 93.778

**Finding 14-2**

**MATERIAL WEAKNESS**

**MATERIAL NONCOMPLIANCE**

Liquid Assets and Reserve Calculations for Eligibility

Criteria: Case records should contain verification that liquid assets were verified and whether countable or non-countable for purposes for determining eligibility. Liquid assets include cash, bank accounts, certificates of deposit, securities, or any asset which can be converted to cash. Trust funds and life insurance policies are also considered to be liquid assets. MA-2230 also states: "When a resource is apparently owned by an individual who has applied for Medicaid, determine whether it may not be actually available to him because of a legally binding agreement or resulting trust." The countable reserves are then compared to and must be below the State-provided reserve limits for the particular Medicaid program.

Condition: There were three errors noted in the calculation and verification of liquid assets for the cases that require resource limits on liquid assets.

Questioned Costs: There were no questioned costs on these cases as all applicants were still eligible for the benefits received.

Context: There were 38 total cases selected for testing reserves. Reserve limits are not applicable to Medicaid for Infants and Children and Medicaid for Pregnant Women. There were a total of three errors involving the decision to exclude vehicles from the liquid asset calculation. Cars were indicated during the automated match with DOT records however there was no documentation that the car had been junked, sold, or was no longer in the applicant's possession. A view was incorrectly applied that if there was not an active registration (tags) on the car or the client did not include the car on the application, then it was not countable.

Effect: Files are incomplete/incorrect and do not support reserve calculations.

Cause: Ineffective case review process, incomplete documentation, and incorrect application of rules for what is countable or non-countable for purposes of determining eligibility.

Recommendation: Files should be reviewed internally to ensure proper documentation is in place for eligibility. Workers should be retrained on what files should contain and the importance of complete and accurate record keeping stressed. Workers should also be retrained on what is countable and non-countable for purposes of determining eligibility with regards to reserve / liquid asset calculations. If vehicles are not in a client's possession but there are hits on the OLV, documentation should be obtained from the client that car was junked, in someone else's possession, etc and that statement signed by client.

Views of responsible officials and planned corrective actions: While the County agrees with the finding, the Supervisor does wish to get clarity from a State representative on whether cars that no longer have active tags and appear to be junk cars should be counted as liquid assets. Lead Workers will perform second party reviews to ensure proper documentation is contained in files to support eligibility determinations. Workers will be retrained on what information should be maintained in case files, the importance of complete and accurate record keeping, and reserve calculations.

**COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**US Department of Health and Human Services**  
**Centers for Medicare and Medicaid Services**

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance

Program Name: Medical Assistance Program

CFDA #: 93.778

**Finding 14-3**

**SIGNIFICANT DEFICIENCY**  
**SIGNIFICANT NONCOMPLIANCE**  
**Medicaid Transportation**

Criteria: Case records should contain a request for transportation that includes notation from the caseworker that the applicant was eligible for transportation services.

Condition: There were a total of 3 transportation trip requests that contained errors. 1 case file could not be located by the County. 2 trips did not contain the required DSS 5024 Transportation Assessment Notification.

Questioned Costs: There were no questioned costs on these cases as all applicants were still eligible for the benefits received.

Context: There were 60 Medicaid transportation cases selected for testing. Testing consisted of ensuring person was eligible for transportation services and that the case file contained a request for transportation.

Effect: Files are incomplete when request is not available to show service requested and that the person is eligible to receive the service.

Cause: Ineffective case review process and ineffective filing process.

Recommendation: Workers should be retrained on what files should contain and the importance of complete and accurate record keeping stressed.

Views of responsible officials and planned corrective actions: The County agrees with the finding.

**US Department of Health and Human Services**  
**Centers for Medicare and Medicaid Services**

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance

Program Name: Medical Assistance Program

CFDA #: 93.778

**Finding 14-4**

**MATERIAL WEAKNESS**  
**MATERIAL NONCOMPLIANCE**  
**Program Internal Control**

Criteria: Local departments of Social Services (DSS) play an important role in determining eligibility for the Medical Assistance Program. Under authority of 42 CFR 431.1 and G.S. 108A, DSS has the responsibility to determine financial eligibility for families and non-SSI beneficiaries to be covered by the NC Medicaid Program. Internal Controls are in place as a safeguard to determine eligibility and to double check files for fraud and errors. With all of the changes in the eligibility rules,

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

computer systems utilized, introduction of a universal caseworker and required changes by the Affordable Care Act, strong internal controls should be in place.

Condition: The internal controls for 2<sup>nd</sup> party reviews and training are weak. Due to new systems, rule changes and higher caseloads, the morale of workers has decreased.

Questioned Costs: There are no questioned costs.

Context: A key internal control for eligibility is the second party review process. The idea behind this is to spot check a randomly selected sample of files for accuracy. After the files have been reviewed the idea is to retrain workers in any ineffective areas and take corrective action on any cases found with errors. All programs should have a formal system for 2nd party reviews. No second party reviews have taken place with NC Fast. About 2 cases per worker are reviewed in the EIS system. Supervisors would like to see this number increase but since the implementation of NC Fast created a backlog, it's hard to keep the reviews going. Supervisors are spending time answering questions about policy and reviewing new workers cases that there is little time to do 2nd party reviews.

The Affordable Care Act, NC Fast, and the universal caseworker idea have impacted DSS negatively. With cases coming down from the marketplace, DSS had to increase the caseload for workers causing the morale among workers to decrease. With a caseload of approximately 300 for Adult and approximately 600 for Family and Children, workers feel stressed and over worked. When morale is low, workers are less dedicated to the assigned duties for a given day. With the pressure to clear backlog and to keep their ongoing cases, workers are more likely to do just enough to get each task done. The risk of errors also increases with the decrease in morale. With no incentive for overtime (and sometimes no approval for overtime), workers are not completing the task effectively in the given time frame.

With NC Fast being a new system, workers have to be trained on the system. Proper training has not taken place with workers. With technology changing daily, it is hard for workers to keep up with all the changes and handle their caseload each day. Workers are making errors due to changes in the system or not being able to understand the technology.

The introduction of the universal caseworker has also highlighted issues in training. Many caseworkers are now handling Medicaid cases that did not receive adequate training of the Medicaid's complicated rules for eligibility. If a worker had been hired as a new employee, the training and supervision of that employee is different than that worker that came over from Food Stamps or another area of DSS. The lack of knowledge/training of the Medicaid criteria for income especially proves to be an issue since this is different depending on the program being considered.

Effect: Applicants that have been approved to receive benefits may actually not be eligible and those that were denied may actually be eligible due to errors made in determining eligibility. Stressed and/or overworked workers may seek other employment and thus increase the turnover rate at DSS. The risk of fraud increases as morale decreases.

Cause: Overwhelming changes from the Affordable Care Act, the implementation of NC Fast and NC Tracks, the introduction of the universal caseworkers, turnover in DSS staff and budget pressures.

Recommendation: More second party reviews need to take place to ensure that eligibility is determined correctly and timely. Group training sessions should be held on the new systems to allow time for team members to share best practices or tricks learned. Consider the additional role for quality control reviewer or internal audit to assist in second party reviews so supervisors can spend more time training and supervising workers. Morale boosters should be sought out. These do not

have to be monetary, but some manner/means to make worker(s) feel appreciated for the work that they do.

Views of responsible officials and planned corrective actions: The County agrees with the finding.

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

See Findings 14-1, 14-2, 14-3, and 14-4.

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**HERTFORD COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Section II – Financial Statement Findings**

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None reported.

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

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**Finding: 14-1**

Name of contact person: Brenda Brown, Director of Social Services

Corrective Action: The Agency agrees with the finding and will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility. Training of employees will take place to ensure they are aware of what information is required to be kept in files, how to calculate income and the appropriate deductions.

Proposed Completion Date: June 30, 2015

**Finding: 14-2**

Name of Contact Person: Brenda Brown, Director of Social Services

Corrective Action: Lead workers will perform second party reviews to ensure proper documentation is contained in files to support eligibility determinations. Workers will be retrained on what information should be maintained in the case files, the importance of complete and accurate record keeping and reserve calculations.

Proposed Completion Date: June 30, 2015

**Finding: 14-3**

Name of Contact Person: Brenda Brown, Director of Social Services

Corrective Action: Lead workers will perform second party reviews to ensure proper documentation is contained in files. Workers will be retrained on what files should contain and the importance of complete and accurate record keeping stressed.

Proposed Completion Date: June 30, 2015

**HERTFORD COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Finding: 14-4**

Name of Contact Person: Brenda Brown, Director of Social Services

Corrective Action: In response to section 14-4 page 4 paragraphs 2, 3, and 4 the agency continues to take advantage of any one on one or other local trainings to prepare staff for their duties. The agency has also provided each staff with two monitors to assist them with making their job easier in allowing them to view their job aides while entering information in the NCFAST system. We have knowledgeable staff that are able to train and the staff is asked to read their policies. Case loads are reorganized as needed to help workers with their large case loads; we are currently reorganizing caseloads at this time and forming an intake unit to lessen work on the employees.

The agency continues to praise staff, recognize staff in agency meetings, overtime is available, activities within the agency and business casual Fridays are implemented periodically to boost morale.

Lead workers will conduct second party reviews. The Income Maintenance Caseworkers are currently fully staffed. Supervisors will research for more training in NCFAST for staff and schedule their staff to attend.

Proposed Completion Date: January 31, 2014

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

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See Findings 14-1, 14-2, 14-3, and 14-4

**HERTFORD COUNTY, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Finding: 13-1**

Status: Policies have been updated and clarified. Importance of following the policy continues to be stressed to employee, especially as the rules around eligibility and the eligibility calculations change.

**Finding: 13-2**

Status: Workers have been retrained on what constitutes income, how to calculate / convert income as required for the budget, and what items can be excluded from income. As rules around income calculations and what is included in income, workers continue to receive training. Second party reviews continue to take place but due to caseload, these are not at the level we would like. We will continue working to increase the percentage of second party reviews that are done.

**Finding: 13-3**

Status: Training and coaching has been provided. We will continue to provide training on all types of liquid assets.

**Finding: 13-4**

Status: Corrected.

**Finding: 13-3**

Status: Training and coaching has been provided. We will continue to provide training on all types of liquid assets.

**Finding: 12-1**

Status: The record-keeping policy continues to be clarified and the importance of complete and accurate files continues to be stressed to employees.



**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<b>FEDERAL AWARDS:</b>			
U.S. Dept. of Agriculture			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services			
<u>Food Stamp Cluster:</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 340,136	\$ -
Direct Program:			
<u>Rural Utilities Service</u>			
Water and Waste Disposal Systems for Rural Communities - ARRA loan	10.781	307,000	-
Water and Waste Disposal Systems for Rural Communities - ARRA grant	10.781	1,255,000	-
Water and Waste Disposal Systems for Rural Communities	10.760	60,822	-
Total Rural Development		1,622,822	
Total U.S. Dept. of Agriculture		1,962,958	-
U.S. Dept of Homeland Security			
Passed-through N.C. Dept. of Public Safety:			
Homeland Security Grant	97.067	9,860	-
Emergency Management Performance Grant	97.042	35,317	-
Total U.S. Dept of Homeland Security		45,177	-
U.S. Department of Justice:			
Passed-through N.C. Dept. of Public Safety:			
Recovery Act-Edward Byrne Memorial Justice Asst. Grant	16.804	3,029	-
Total U.S. Dept of Justice			
U.S. Dept. of Health & Human Services			
<u>Division of Aging and Adult Services</u>			
Passed-through Mid-East Commission:			
<u>Aging Cluster:</u>			
Special Programs for the Aging-Title III B Grants for Supporting Services and Senior Centers	93.044	117,877	150,026
Nutrition Services Incentive Program	93.053	21,118	-
Total Aging Cluster		138,995	150,026
Administration for Children and Families			
Passed-through the N.C. Dept. of Health and Human Services, Division of Child Development:			
<u>Subsidized Child Care Cluster:</u>			
Child Care and Development Fund- Discretionary	93.575	300,748	-
Child Care Development Fund-Administration (Passed through the Division of Social Services)	93.596	79,975	-
Child Care and Development Fund-Mandatory	93.596	162,780	-
Child Care and Development Fund-Match	93.596	122,992	43,715
TANF	93.558	153,023	-
Foster Care Title IV-E	93.658	7,820	4,096
State Appropriations	n/a	-	29,962
TANF-Maintenance-of-Effort	n/a	-	123,942
Total Subsidized Child Care Cluster		827,338	201,715

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL (DIRECT & PASS- CFDA NUMBER	FEDERAL THROUGH) EXPENDITURES	STATE EXPENDITURES
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services: Foster Care and Adoption Cluster:			
Foster Care-Title IV-E	93.658	58,962	1,458
Adoption Assistance-Title IV-E	93.659	7,196	-
Foster Care - Title IV-E Direct Benefit Payments	93.658	10,734	2,882
Adoption Assistance - Title IV-E Direct Benefit Payments	93.659	67,081	17,612
Total Foster Care and Adoption Cluster		143,973	21,952
Temporary Assistance for Needy Families (TANF)	93.558	293,098	-
TANF - Direct Benefit Payments	93.558	197,848	(125)
N.C. Child Support Enforcement Section	93.563	252,762	-
Refugee and Entrant Assistance - State Administered Programs	93.566	62	-
Low-Income Home Energy Assistance Program:			
Crisis Intervention	93.568	130,894	-
Energy Assistance-Direct Benefit Payments	93.568	206,200	-
Administration	93.568	26,334	-
Stephanie Tubbs Jones Child Welfare Services:			
Permanency Planning-Families for Kids	93.645	1,064	-
Social Services Block Grant -Other Services and Training	93.667	172,380	29,479
Chafee Foster Care Independence Program	93.674	3,794	949
Total		1,284,436	30,303
<u>Centers for Medicare and Medicaid Services</u>			
Passed-through the N.C. Dept. of Health and Human Services, Division of Medical Assistance:			
Direct Benefit Payments:			
Medical Assistance Program	93.778	27,396,032	15,616,369
Health Choice	93.767	286,927	90,514
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	580,027	54,535
Children's Health Insurance Program - N.C. Health Choice	93.767	9,970	498
Passed-through the N.C. Dept. of Insurance, Division of SHIIP			
Centers for Medicare and Medicaid Services Research, Demonstrations, and E	93.779	3,901	-
<u>Administration for Community Living</u>			
Passed-through the N.C. Dept. of Insurance, Division of SHIIP			
Medicare Enrollment and Assistance Program	93.071	1,739	-
Total U.S. Dept. of Health and Human Services		30,673,338	16,165,912
Total federal awards		32,684,502	16,165,912

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<b>STATE AWARDS:</b>			
<u>N.C. Dept. of Health and Human Services</u>			
Division of Aging and Adult Services:			
Division of Social Services:			
State/County Special Assistance for Adults - Direct Benefit Payments		-	479,439
Incent/Program Integrity		-	533
State Foster Home-Direct Benefit Payments		-	3,427
CWS Adoption Subsidy-Direct Benefit Payments		-	47,225
Smart Start		-	3,391
Foster Care at Risk Maximization-Direct Benefit Payments		-	172
State Foster Home Maximization-Direct Benefit Payments		-	100
Total N.C. Dept. of Health and Human Services		-	534,287
<u>N.C. Dept. of Agriculture and Consumer Services</u>			
Division of Soil and Water Conservation			
SWS-Administration		-	3,600
Soil Technician Grant		-	26,583
Total N.C. Dept. of Agriculture and Consumer Services		-	30,183
<u>N.C. Division of Aging and Adult Services</u>			
Passed-through Mid-East Commission:			
Senior Center General Purpose		-	11,680
<u>N.C. Dept. of Public Safety</u>			
JCPC Admin		-	8,232
Success Academy		-	32,250
MHFC Vocational & Educational Program		-	40,716
Project Challenge		-	27,000
Total N.C. Dept. of Public Safety		-	108,198
<u>N.C. Dept. of Environmental and Natural Resources</u>			
Division of Waste Management			
Scrap Tire Program		-	14,270
Total N.C. Dept. of Environmental and Natural Resources		-	14,270
<u>N.C. Dept. of Transportation</u>			
Rural Operating Assistance Program (ROAP) Cluster			
ROAP Elderly and Disabled Transportation Assistance Program		-	55,856
ROAP Rural General Public Program		-	64,339
ROAP Work First Transitional-Employment		-	11,834
Total N.C. Dept. of Transportation		-	132,029
<u>N.C. Dept. of Administration</u>			
Veteran Services Officer		-	1,452
<u>N.C. Dept. of Commerce</u>			
One NC Grant		-	270,000
Total State awards		-	1,102,099
Total federal and State awards	\$	32,684,502	\$ 17,268,011

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**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 includes the federal and State grant activity of Hertford County, North Carolina, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133. Audits of State, Local Governments, and Non-Profit Organizations and State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statement. Benefit payments are paid directly to recipients and are not included in the basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. Loans Outstanding

Hertford County had the following loan balances outstanding at June 30, 2014. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	CFDA Number	Amount Outstanding
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	\$ 307,000

3. Subrecipients

Of the federal and State expenditures presented in this schedule, Hertford County provided federal and State awards to subrecipients as follows:

Program Title	CFDA #	Federal Expenditures	State Expenditures
ROAP-Rural General Public Program	-	-	\$ 64,338
Project Challenge	-	\$ -	\$ 27,000
Success Academy	-	-	32,250
Certification Division Program	-	-	8,232
Vocational Job & Educational Program	-	-	40,716

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