

HERTFORD COUNTY, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2018

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Hertford County
Whiteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hertford County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise Hertford County 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.

Auditors' 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 thereon 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 of material misstatement. The financial statements of the Hertford County ABC Board and the Hertford County Economic Development Commission were not audited in accordance with *Governmental 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 auditors' 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.

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

Opinions

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presents component units, each major fund, and the aggregate remaining fund information Hertford County, North Carolina as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered payroll, and the Schedule of Changes in the Net OPEB Liability and Related Ratios on pages 4 through 11 and 64 through 70, respectively, 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 fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and related 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 January 16, 2019, on our consideration of Hertford County 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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hertford County's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
January 16, 2019

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, 2018. 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.

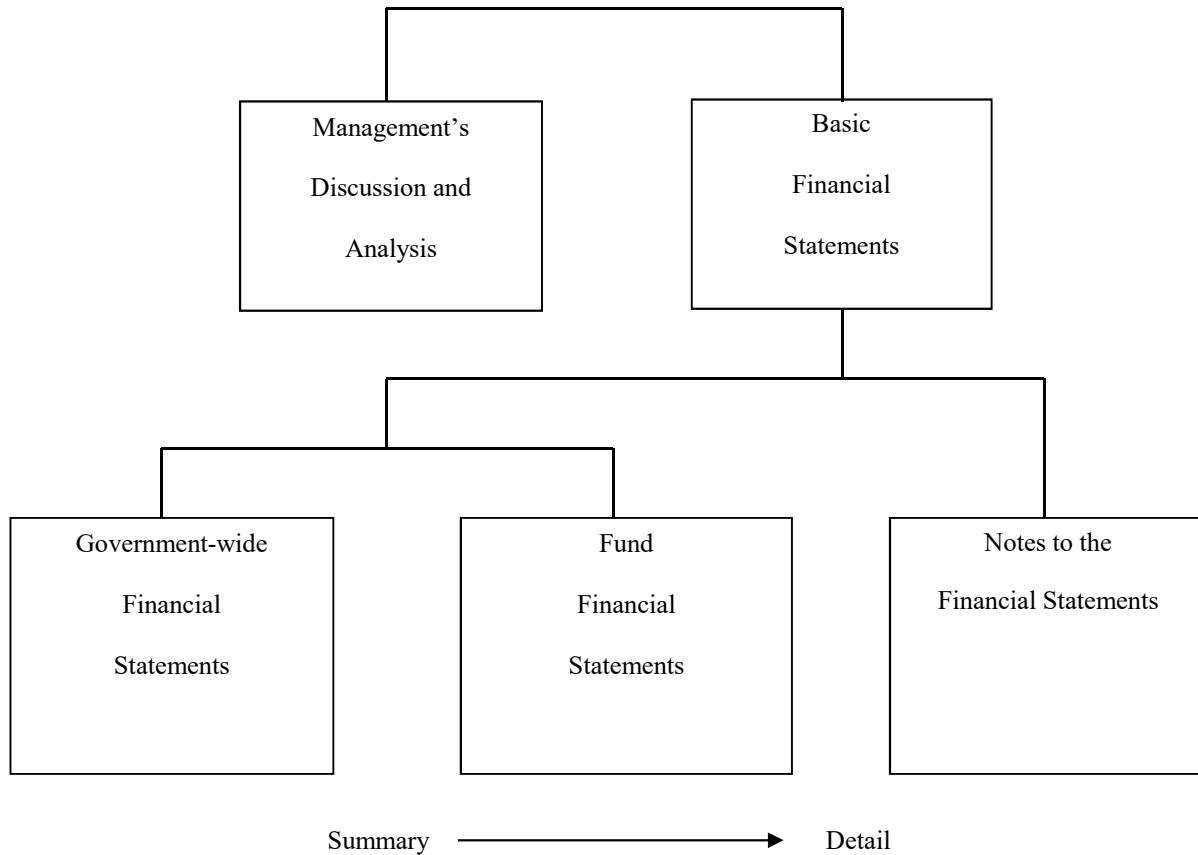
Financial Highlights

- 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 \$19,048,002 (net position).
- The government's total net position decreased by \$206,733, primarily due to a decreased net position in the Governmental Activities of \$719,645 and an increase in the Business-Type Activities of \$512,912.
- The County recorded a restatement of fund balance as a result of the adoption of GASB 75. This restatement resulted in a decrease in net position of \$5,491,127 and \$152,760 in the governmental activities and business-type activities, respectively.
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$10,271,2932 a decrease of \$1,280,399 in comparison with the prior year. Approximately 31.71 percent of this total amount, or \$3,256,579, is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,859,017 or 14.53 percent of total general fund expenditures for the fiscal year.
- Hertford County's total debt decreased by \$1,048,647 during the current fiscal year. The key factor is due largely to debt service payments exceeding debt proceeds for the year.

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 gage 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 two component units including the Hertford County ABC Board and the 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, 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 funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between 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 funds. *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 24 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 \$19,184,808 as of June 30, 2018. One of the largest portions, \$16,531,712 (86.17%) reflects the County's net investment in its capital assets (e.g. land, buildings, machinery, and equipment). Hertford County uses these capital assets to provided 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 \$3,256,579 (16.97%) represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of (\$603,483) is unrestricted.

HERTFORD COUNTY'S NET POSITION

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 12,189,249	\$ 14,147,328	\$ 4,269,548	\$ 3,745,074	\$ 16,458,797	\$ 17,892,402
Capital assets	23,912,127	23,378,152	11,762,117	12,130,424	35,674,244	35,508,576
Total assets	36,101,376	37,525,480	16,031,665	15,875,498	52,133,041	53,400,978
Deferred outflows of resources	1,561,411	1,849,104	73,717	89,896	1,635,128	1,939,000
Long-term liabilities outstanding	25,235,391	18,616,420	7,116,065	7,287,369	32,351,456	25,903,789
Other liabilities	949,052	3,938,377	208,657	305,281	1,157,709	4,243,658
Total liabilities	26,184,443	22,554,797	7,324,722	7,592,650	33,509,165	30,147,447
Total deferred inflows of resources	1,022,761	153,432	51,435	3,671	1,074,196	157,103
Net position:						
Net investment in capital assets	11,095,410	9,996,673	5,436,302	5,445,724	16,531,712	15,442,397
Restricted	3,256,579	3,333,152	-	-	3,256,579	3,333,152
Unrestricted	(3,896,406)	3,336,530	3,292,923	2,923,349	(603,483)	6,259,879
Total net position	\$ 10,455,583	\$ 16,666,355	\$ 8,729,225	\$ 8,369,073	\$ 19,184,808	\$ 25,035,428

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

- Decrease in tax collection percentages;
- Continued recognition of OPEB liability, including adoption of GASB 75;
- Implementation of pension standards;

HERTFORD COUNTY'S CHANGES IN NET POSITION
Figure 3

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,535,806	\$ 2,125,736	\$ 2,573,699	\$ 2,563,172	\$ 5,109,505	\$ 4,688,908
Operating grants and contributions	3,737,708	4,983,590	-	-	3,737,708	4,983,590
Capital grants and contributions	-	862,539	-	-	-	862,539
General revenues:						
Property taxes	13,434,075	13,726,781	-	-	13,434,075	13,726,781
Local option sales tax	4,829,161	5,137,076	-	-	4,829,161	5,137,076
Other taxes	233,038	86,083	-	-	233,038	86,083
Unrestricted grants and contributions	250,386	115,616	-	-	250,386	115,616
Investment Earnings	68,539	44,694	29,649	9,615	98,188	54,309
Miscellaneous	35,256	177,809	135,449	83,315	170,705	261,124
Total revenues	25,123,969	27,259,924	2,738,797	2,656,102	27,862,766	29,916,026
Expenses:						
General government	4,594,726	4,389,246	-	-	4,594,726	4,389,246
Public safety	7,620,413	7,211,589	-	-	7,620,413	7,211,589
Transportation	30,300	28,300	-	-	30,300	28,300
Economic and physical development	373,474	551,712	-	-	373,474	551,712
Human services	6,111,361	7,088,278	-	-	6,111,361	7,088,278
Cultural and recreation	110,810	106,964	-	-	110,810	106,964
Education	6,789,459	6,944,883	-	-	6,789,459	6,944,883
Interest on long-term debt	418,658	418,299	-	-	418,658	418,299
Sanitation	-	-	1,014,287	1,124,000	1,014,287	1,124,000
Water and sewer	-	-	1,211,598	1,356,982	1,211,598	1,356,982
Total expenses	26,049,201	26,739,271	2,225,885	2,480,982	28,275,086	29,220,253
Increase in net position before transfers and special items	(925,232)	520,653	512,912	175,120	(412,320)	695,773
Special Items	205,587	-	-	-	205,587	-
Transfers	-	118,204	-	(118,204)	-	-
Increase in net position	(719,645)	638,857	512,912	56,916	(206,733)	695,773
Net position, July 1	16,666,355	15,594,396	8,369,073	8,312,157	25,035,428	23,906,553
Restatement	(5,491,127)	433,102	(152,760)	-	(5,643,887)	433,102
Net position, July 1, as restated	11,175,228	16,027,498	8,216,313	8,312,157	19,391,541	24,339,655
Net position, June 30	\$ 10,455,583	\$ 16,666,355	\$ 8,729,225	\$ 8,369,073	\$ 19,184,808	\$ 25,035,428

Governmental activities. Governmental activities decreased the County's net position by \$719,645. Key elements of this decrease are as follows:

- Charges for services increased by \$410,070 and property taxes and local option sales tax decreased in the amounts of \$292,706 and \$307,915, respectively.

Business-type activities. Business-type activities increased Hertford County's net position by \$512,912 over the prior year. The key elements of this increase are as follows.

- Charges for services increased by \$10,527. In addition, expenditures declined by \$255,097.

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 \$7,014,750, while total fund balance reached \$9,411,403. 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 26.42% of general fund expenditures, while total fund balance represents 35.45% of that same amount.

At June 30, 2018, the governmental funds of Hertford County reported a combined fund balance of \$10,271,293, a 11.08% decrease from last year. The primary reasons for this decrease was decreases in ad valorem and local option sales tax revenue, and a significant increase in expenditures for public safety.

There were other variances reflected in the governmental fund financial statements for 2018.

- Our 2018 overall collection rate is 96.19%, lower than the state average and the prior year rate of 96.46%

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 \$814,307 or 2.81 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 \$138,069 and those for the Water and Sewer Districts equaled \$3,154,854. 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, 2018, totals \$35,674,244 (net of accumulated depreciation). These assets include buildings, water lines, land, machinery and equipment, facilities, and vehicles.

Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and Improvements	\$ 482,083	\$ 462,083	\$ 44,317	\$ 44,317	\$ 526,400	\$ 506,400
Construction in Progress	494,556	2,939,434	-	-	494,556	2,939,434
Buildings and Improvements	20,246,049	17,608,838	324,536	303,016	20,570,585	17,911,854
Plant and Distribution Systems	2,036,369	1,878,165	11,197,839	11,536,945	13,234,208	13,415,110
Equipment	653,070	489,632	161,199	180,154	814,269	669,786
Vehicle and Motor Equipment	-	-	34,226	65,992	34,226	65,992
Total	\$ 23,912,127	\$ 23,378,152	\$ 11,762,117	\$ 12,130,424	\$ 35,674,244	\$ 35,508,576

Additional information on the County's capital assets can be found in Note II(a)(5) on pages 37-40.

Long-term Debt. As of June 30, 2018, Hertford County had total debt outstanding of \$32,351,456 of which \$16,142,896 is bonded debt backed by the full faith and credit of the County.

Hertford County's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 9,817,081	\$ 10,466,873	\$ 6,325,815	\$ 6,684,700	\$ 16,142,896	\$ 17,151,573
Installment Purchases	3,124,636	3,164,606	-	-	3,124,636	3,164,606
Compensated Absences	603,838	601,644	37,066	35,094	640,904	636,738
Net pension liability (LGERs)	1,543,473	2,024,496	76,372	100,174	1,619,845	2,124,670
Total pension liability (LEOSSA)	663,501	586,384	-	-	663,501	586,384
Landfill closure payable	-	-	149,786	171,547	149,786	171,547
Net OPEB liability	9,482,862	4,383,297	527,026	396,027	10,009,888	4,779,324
Total Long-Term Debt	\$ 25,235,391	\$ 21,227,300	\$ 7,116,065	\$ 7,387,542	\$ 32,351,456	\$ 28,614,842

During the past fiscal year, Hertford County's total debt increased but \$3,736,614 or 13.06 percent. General obligation debt of \$649,792 was retired in governmental activities and \$358,885 in the 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. Hertford County's debt limit is \$118,292,650.

Additional information regarding Hertford County's long-term debt can be found in Note III(b)(8) beginning on page 56 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.

- The County's top ten taxpayers have an assessed valuation of \$241,199,373, which makes up 16% of the total assessed value.
- These top ten taxpayers remained steady and experienced only modest growth (one percent).
- In light of these factors, the County has managed to maintain the same level of service and funding for key agencies such as schools, health department & community college, doing so while maintaining a fund balance above what is recommended by the Local Government Commission.
- The County strives to keep revenues and expenditures closely aligned, and maintain a balanced budget.

Budget Highlights for Fiscal Year Ending June 30, 2019

Government Activities: The County adopted a budget for Fiscal Year 2019 with a \$3,554,286 decrease in General Fund expenditures due largely in part to the completion of capital projects within the Public Safety (Detention Facility) and Education functions, an overall decrease in capital equipment purchases and the privatization of certain human services programming to better align revenue and expenditures.

Business-type Activities: The rates for residential and commercial customers in the County's Water and Sewer Funds will remain unchanged for FY 2019; however, Tipping Fees for Commercial customers in the Sanitation Fund increased due to increased operational costs.

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 Sandy Pittman, Director of Finance, Hertford County Government Center 115 Justice Drive, Suite 1, Winton, North Carolina 27986.

**BASIC
FINANCIAL STATEMENTS**

Hertford County, North Carolina
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Hertford County ABC Board</u>	<u>Hertford County Public Health Authority</u>
ASSETS					
Cash and cash investments	\$ 6,830,058	\$ 3,667,768	\$ 10,497,826	\$ 261,852	\$ 120,855
Taxes receivable	849,466	-	849,466	-	-
Accrued interest receivable on taxes	106,705	-	106,705	-	-
Accounts receivables (net)	2,396,653	471,931	2,868,584	-	69,146
Internal balances	-	-	-	-	-
Due from component units	136,806	-	-	-	-
Net pension asset	30,470	-	30,470	-	-
Inventory	-	24,744	24,744	283,581	-
Prepaid expenses	-	-	-	6,000	675
Restricted cash and cash equivalents	1,839,091	105,105	1,944,196	-	-
Capital assets:					
Land, improvements, and construction in progress	976,639	34,317	1,010,956	24,220	-
Other capital assets, net of depreciation	22,935,488	11,727,800	34,663,288	275,482	-
Total capital assets	23,912,127	11,762,117	35,674,244	299,702	-
Total assets	36,101,376	16,031,665	51,996,235	851,135	190,676
DEFERRED OUTFLOWS OF RESOURCES	1,561,411	73,717	1,635,128	40,184	-
LIABILITIES					
Accounts payable & accrued liabilities	809,345	76,251	885,596	61,170	53,870
Customer deposits	39,400	105,105	144,505	-	-
Accrued interest payable	100,307	27,301	127,608	-	-
Due to primary government	-	-	-	-	136,806
Long-term liabilities:					
Due within one year	1,826,351	377,340	2,203,691	-	-
Due in more than one year	23,409,041	6,738,725	30,147,766	427,633	-
Total long-term liabilities	25,235,391	7,116,065	32,351,456	427,633	-
Total liabilities	26,184,443	7,324,722	33,509,165	488,803	190,676
DEFERRED INFLOWS OF RESOURCES	1,022,761	51,435	1,074,196	35,306	-
NET POSITION					
Net investment in capital assets	11,095,410	5,436,302	16,531,712	299,702	-
Restricted for:					
Stabalization by State Statute	2,396,653	-	2,396,653	-	-
Register of Deeds	36	-	36	-	-
Public Safety	-	-	-	-	-
Human Services	859,890	-	859,890	-	-
Working Capital	-	-	-	70,482	-
Unrestricted (deficit)	(3,896,406)	3,292,923	(740,289)	(2,974)	-
Total net position	\$ 10,455,583	\$ 8,729,225	\$ 19,048,002	\$ 367,210	\$ -

**Hertford County, North Carolina
Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Hertford County ABC Board	Hertford County Public Health Authority
Primary government:									
Governmental Activities:									
General government	\$ 4,594,726	\$ 555,992	\$ 25,000	\$ -	\$ (4,013,734)	\$ -	\$ (4,013,734)	\$ -	\$ -
Public safety	7,620,413	1,855,299	247,683	-	(5,517,431)	-	(5,517,431)	-	-
Transportation	30,300	-	-	-	(30,300)	-	(30,300)	-	-
Economic and physical development	373,474	4,250	30,150	-	(339,074)	-	(339,074)	-	-
Human services	6,111,361	120,265	3,434,875	-	(2,556,221)	-	(2,556,221)	-	-
Cultural and recreation	110,810	-	-	-	(110,810)	-	(110,810)	-	-
Education	6,789,459	-	-	-	(6,789,459)	-	(6,789,459)	-	-
Interest on long-term debt	418,658	-	-	-	(418,658)	-	(418,658)	-	-
Total governmental activities	<u>26,049,201</u>	<u>2,535,806</u>	<u>3,737,708</u>	<u>-</u>	<u>(19,775,687)</u>	<u>-</u>	<u>(19,775,687)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Sanitation	1,014,287	909,279	-	-	-	(105,008)	(105,008)	-	-
Water and Sewer	1,211,598	1,664,420	-	-	-	452,822	452,822	-	-
Total business-type activities	<u>2,225,885</u>	<u>2,573,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,814</u>	<u>347,814</u>	<u>-</u>	<u>-</u>
Total primary government	<u>28,275,086</u>	<u>5,109,505</u>	<u>3,737,708</u>	<u>-</u>	<u>(19,775,687)</u>	<u>347,814</u>	<u>(19,427,873)</u>	<u>-</u>	<u>-</u>
Component Units:									
ABC Board	2,413,052	2,373,614	-	-	-	-	-	(39,438)	-
Public Health Authority	2,814,489	792,262	1,178,049	-	-	-	-	-	(844,178)
Total component units	<u>\$ 5,227,541</u>	<u>\$ 3,165,876</u>	<u>\$ 1,178,049</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,438)</u>	<u>(844,178)</u>
General revenues:									
Taxes:									
Property taxes, levied for general purpose					13,434,075	-	13,434,075	-	-
Local option sales tax					4,829,161	-	4,829,161	-	-
Other taxes					233,038	-	233,038	-	-
Grants and contributions, not restricted to specific programs					250,386	-	250,386	-	584,962
Investment earnings, unrestricted					68,539	29,649	98,188	668	803
Sale of Assets					-	-	-	-	134,500
Miscellaneous, unrestricted					35,256	135,449	170,705	-	55,505
Special item - dissolution of Public Health Authority					205,587	-	205,587	-	3,076,965
Transfers					-	-	-	-	-
Total general revenues, special items, and transfers					<u>19,056,042</u>	<u>165,098</u>	<u>19,221,140</u>	<u>668</u>	<u>3,852,735</u>
Change in net position					(719,645)	512,912	(206,733)	(38,770)	3,008,557
Net position, beginning					16,666,355	8,369,073	23,906,553	604,579	(1,972,794)
Restatement					(5,491,127)	(152,760)	(5,643,887)	(198,599)	(1,035,763)
Net position, beginning, as restated					<u>11,175,228</u>	<u>8,216,313</u>	<u>18,262,666</u>	<u>405,980</u>	<u>(3,008,557)</u>
Net position, ending					<u>\$ 10,455,583</u>	<u>\$ 8,729,225</u>	<u>\$ 18,055,933</u>	<u>\$ 367,210</u>	<u>\$ -</u>

FUND
FINANCIAL STATEMENTS

Hertford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

	<u>Major</u>	<u>Non-Major</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,955,958	\$ 874,100	\$ 6,830,058
Restricted cash	1,839,091	-	1,839,091
Taxes receivable	839,321	10,145	849,466
Accounts receivable, net	2,395,542	1,111	2,396,653
Due from other funds	1,111	-	1,111
Due from component units	136,806	-	136,806
	<u>11,167,829</u>	<u>885,356</u>	<u>12,053,185</u>
Total assets	<u>\$ 11,167,829</u>	<u>\$ 885,356</u>	<u>\$ 12,053,185</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 795,135	\$ 14,210	\$ 809,345
Due to other funds	-	1,111	1,111
Deposits	39,400	-	39,400
Total liabilities	<u>834,535</u>	<u>15,321</u>	<u>849,856</u>
Deferred Inflows of Resources:	<u>921,891</u>	<u>10,145</u>	<u>932,036</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	2,396,653	-	2,396,653
Register of Deeds	36	-	36
Public Safety	-	859,890	859,890
Committed:			
Revaluation	178,020	-	178,020
Capital Reserve	1,602,800	-	1,602,800
Assigned:			
Subsequent year's expenditures			
General Fund	1,374,877	-	1,374,877
Unassigned:			
General Fund	3,859,017	-	3,859,017
Total fund balances	<u>9,411,403</u>	<u>859,890</u>	<u>10,271,293</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,167,829</u>	<u>\$ 885,356</u>	<u>\$ 12,053,185</u>

Hertford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

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

Total equity and other credits (Exhibit 3)	\$ 10,271,293
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,912,127
Net Pension Asset	30,470
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	513,969
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	197,330
Deferred outflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	830,100
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	20,012
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	106,705
Net pension liability	(1,543,473)
Net OPEB liability	(9,482,862)
Total pension liability	(663,501)
Deferred inflows of resources for taxes receivable	849,466
Pension related deferrals	(55,456)
OPEB related deferrals	(884,735)
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	(13,645,862)
Net position of governmental activities (Exhibit 1)	\$ 10,455,583

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	<u>Major</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 13,645,522	\$ 94,551	\$ 13,740,073
Local option sales taxes	4,799,057	30,105	4,829,162
Other taxes and licenses	233,038	-	233,038
Unrestricted intergovernmental	104,136	-	104,136
Restricted intergovernmental	3,893,547	75,480	3,969,027
Permits and fees	353,609	-	353,609
Sales and services	1,899,008	-	1,899,008
Investment earnings	61,779	6,760	68,539
Miscellaneous	96,526	-	96,526
Total revenues	<u>25,086,222</u>	<u>206,896</u>	<u>25,293,118</u>
EXPENDITURES			
Current:			
General government	4,590,913	-	4,590,913
Public safety	7,382,529	274,791	7,657,320
Transportation	30,300	-	30,300
Economic and physical development	368,972	-	368,972
Human services	6,057,203	-	6,057,203
Cultural and recreational	109,884	-	109,884
Education	6,789,459	-	6,789,459
Capital Outlay	-	29,878	29,878
Debt service:			
Principal	1,014,279	-	1,014,279
Interest and other charges	438,899	-	438,899
Total expenditures	<u>26,782,438</u>	<u>304,669</u>	<u>27,087,107</u>
Excess (deficiency) of revenues over expenditures	<u>(1,696,216)</u>	<u>(97,773)</u>	<u>(1,793,989)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in from other funds	26,045	-	26,045
Transfers out to other funds	-	(26,045)	(26,045)
Contribution from Economic Development Commission	146,251	-	146,251
Contribution from Public Health Authority	136,806	-	136,806
Proceeds from debt	230,533	-	230,533
Total other financing sources and uses	<u>539,635</u>	<u>(26,045)</u>	<u>513,590</u>
Net change in fund balance	(1,156,581)	(123,818)	(1,280,399)
Fund Balance - July 1, beginning	10,567,984	983,708	11,551,692
Fund Balance - June 30	<u>\$ 9,411,403</u>	<u>\$ 859,890</u>	<u>\$ 10,271,293</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (1,280,399)
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.	1,455,256
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.	(1,099,436)
Cost of assets sold and disposed of not recorded in the fund statements	(9,402)
Assets acquired from the dissolution of Hertford County Public Health District	187,557
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.	783,746
Debt acquired from the dissolution of Hertford County Public Health District	(118,776)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	513,969
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	20,012
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	197,330
Some expenses reported in the statement of activities that 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	(1,088,296)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	(281,206)
Total changes in net position of governmental activities	<u>\$ (719,645)</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances -Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	General Fund			Variance With Final Positive Negative
	Original Budget	Final Budget	Actual	
Revenues				
Ad valorem taxes	\$ 13,722,997	\$ 13,722,997	\$ 13,645,522	\$ (77,475)
Local option sales tax	4,682,000	4,682,000	4,799,057	117,057
Other taxes and licenses	223,296	223,296	233,038	9,742
Unrestricted intergovernmental	107,000	107,000	104,136	(2,864)
Restricted intergovernmental	4,482,948	3,790,078	3,893,547	103,469
Permits and fees	204,000	204,000	353,609	149,609
Sales and services	1,609,178	1,609,178	1,899,008	289,830
Investment earnings	30,000	30,000	61,779	31,779
Miscellaneous	81,535	78,235	96,526	18,291
Total revenues	25,142,954	24,446,784	25,086,222	639,438
Expenditures				
Current:				
General government	4,371,311	4,932,251	4,590,913	341,338
Public safety	7,495,304	7,925,534	7,382,529	543,005
Transportation	30,300	30,300	30,300	-
Economic and physical development	518,187	569,461	368,972	200,489
Human services	6,978,627	6,336,917	6,057,203	279,714
Cultural and recreational	110,003	109,965	109,884	81
Education	6,894,363	7,236,041	5,629,364	1,606,677
Debt service	1,528,181	1,453,181	1,453,178	3
Contingency	110,000	58	-	58
Total expenditures	28,036,276	28,593,708	25,622,343	2,971,365
Revenues over (under) expenditures	(2,893,322)	(4,146,924)	(536,121)	3,610,803
Other financing sources (uses)				
Transfers to other funds	(965,093)	(1,221,968)	(1,238,501)	(16,533)
Transfers from other funds	1,874,087	2,337,742	956,125	(1,381,617)
Contribution from Economic Development				
Commission	-	-	146,251	146,251
Contribution from Public Housing Authority	-	-	136,806	136,806
Loan Proceeds		235,549	230,533	(5,016)
Appropriated fund balance	1,984,328	2,795,601	-	(2,795,601)
Total other financing sources (uses)	2,893,322	4,146,924	231,214	(3,915,710)
Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	\$ <u>-</u>	\$ <u>-</u>	(304,907)	\$ <u>(304,907)</u>
Fund Balance - July 1			<u>7,767,011</u>	
Fund Balance - June 30			\$ <u>7,462,104</u>	
A legally budgeted School Capital Reserve Fund, Capital Reserve Fund, and Revaluation Fund were consolidated into the General Fund for reporting purposes:				
Sales tax			-	
Education - Capital Outlay			(1,160,096)	
Transfers to General Fund			(930,080)	
Transfers from General Fund			<u>1,238,501</u>	
Fund balance, Beginning			<u>2,800,974</u>	
Fund Balance, Ending (Exhibit 4)			\$ <u>9,411,403</u>	

Hertford County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2018

	MAJOR			NON-MAJOR	Totals
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 618,204	\$ 2,695,553	\$ 120,844	\$ 233,167	\$ 3,667,768
Restricted cash and cash equivalents	33,425	71,680	-	-	105,105
Receivables (net)	50,783	152,343	16,617	252,188	471,931
Inventory	6,928	17,816	-	-	24,744
Total current assets	<u>709,340</u>	<u>2,937,392</u>	<u>137,461</u>	<u>485,355</u>	<u>4,269,548</u>
Non-current assets:					
Capital assets:					
Land, improvements and construction in progress	-	-	11,271	23,046	34,317
Other capital assets, net of depreciation	2,962,790	6,637,870	1,865,610	261,530	11,727,800
Total capital assets	<u>2,962,790</u>	<u>6,637,870</u>	<u>1,876,881</u>	<u>284,576</u>	<u>11,762,117</u>
Total non-current assets	<u>2,962,790</u>	<u>6,637,870</u>	<u>1,876,881</u>	<u>284,576</u>	<u>11,762,117</u>
Total assets	<u>3,672,130</u>	<u>9,575,262</u>	<u>2,014,342</u>	<u>769,931</u>	<u>16,031,665</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>26,113</u>	<u>25,938</u>	<u>-</u>	<u>21,666</u>	<u>73,717</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	4,033	5,134	762	44,685	54,614
Customer deposits	33,425	71,680	-	-	105,105
Accrued interest payable	8,393	17,736	1,172	-	27,301
Compensated absences	3,760	1,376	-	4,131	9,267
Accrued payroll	5,165	5,674	-	10,798	21,637
General obligation bonds payable	116,462	246,111	5,500	-	368,073
Total current liabilities	<u>171,238</u>	<u>347,711</u>	<u>7,434</u>	<u>59,614</u>	<u>585,997</u>
Noncurrent liabilities:					
Net pension liability	26,522	26,328	-	23,522	76,372
Compensated absences	11,279	4,128	-	12,393	27,800
General obligation bonds payable	1,820,377	3,846,865	290,500	-	5,957,742
Net OPEB obligation	207,677	206,900	-	112,449	527,026
Landfill closure payable	-	-	-	149,785	149,785
Total noncurrent liabilities	<u>2,065,855</u>	<u>4,084,221</u>	<u>290,500</u>	<u>298,149</u>	<u>6,738,725</u>
Total liabilities	<u>2,237,093</u>	<u>4,431,932</u>	<u>297,934</u>	<u>357,763</u>	<u>7,324,722</u>
DEFERRED INFLOWS OF RESOURCES	<u>20,162</u>	<u>20,084</u>	<u>-</u>	<u>11,189</u>	<u>51,435</u>
NET POSITION					
Net investment in capital assets	1,025,951	2,544,894	1,580,881	284,576	5,436,302
Restricted	-	-	-	-	-
Unrestricted	<u>415,037</u>	<u>2,604,290</u>	<u>135,527</u>	<u>138,069</u>	<u>3,292,923</u>
Total net position	<u>\$ 1,440,988</u>	<u>\$ 5,149,184</u>	<u>\$ 1,716,408</u>	<u>\$ 422,645</u>	<u>\$ 8,729,225</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Net Position - Proprietary Funds
For The Fiscal Year Ended June 30, 2018

	MAJOR			NON-MAJOR	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
OPERATING REVENUE					
Charges for Services	\$ 554,488	\$ 1,017,187	\$ 31,441	\$ 909,279	\$ 2,512,395
Tap on fees	20,178	41,126	-	-	61,304
Miscellaneous	2,398	72,594	-	60,457	135,449
Total Operating Revenues	<u>577,064</u>	<u>1,130,907</u>	<u>31,441</u>	<u>969,736</u>	<u>2,709,148</u>
OPERATING EXPENDITURES					
Administration and Operations	310,970	335,617	14,057	997,690	1,658,334
Depreciation	109,719	231,467	38,867	16,597	396,650
Capital Outlay	-	(669)	-	-	(669)
Total Operating Expenses	<u>420,689</u>	<u>566,415</u>	<u>52,924</u>	<u>1,014,287</u>	<u>2,054,315</u>
OPERATING INCOME (LOSS)	<u>156,375</u>	<u>564,492</u>	<u>(21,483)</u>	<u>(44,551)</u>	<u>654,833</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment earnings	4,905	21,349	1,053	2,342	29,649
Interest paid and bond issuance cost	(52,817)	(111,615)	(7,138)	-	(171,570)
Total Nonoperating Revenues (Expenses)	<u>(47,912)</u>	<u>(90,266)</u>	<u>(6,085)</u>	<u>2,342</u>	<u>(141,921)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>108,463</u>	<u>474,226</u>	<u>(27,568)</u>	<u>(42,209)</u>	<u>512,912</u>
CHANGE IN NET POSITION	108,463	474,226	(27,568)	(42,209)	512,912
TOTAL NET POSITION, BEGINNING	<u>1,480,703</u>	<u>4,799,700</u>	<u>1,743,976</u>	<u>344,694</u>	<u>8,369,073</u>
RESTATEMENT	<u>(148,178)</u>	<u>(124,742)</u>	<u>-</u>	<u>120,160</u>	<u>(152,760)</u>
TOTAL NET POSITION, BEGINNING, AS RESTATED	<u>1,332,525</u>	<u>4,674,958</u>	<u>1,743,976</u>	<u>464,854</u>	<u>8,216,313</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,440,988</u>	<u>\$ 5,149,184</u>	<u>\$ 1,716,408</u>	<u>\$ 422,645</u>	<u>\$ 8,729,225</u>

Hertford County, North Carolina
Statement of Cash Flows - Proprietary Funds
For The Fiscal Year Ended June 30, 2018

	MAJOR			NON-MAJOR	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 543,277	\$ 989,388	\$ 26,061	\$ 986,384	\$ 2,545,110
Cash paid for goods and services	(153,747)	(181,717)	(13,902)	(620,281)	(969,647)
Cash paid to employees for services	(157,984)	(161,430)	-	(391,361)	(710,775)
Other operating revenue	2,398	72,594	-	60,457	135,449
Net cash provided (used) by operating activities	<u>233,944</u>	<u>718,835</u>	<u>12,159</u>	<u>35,199</u>	<u>1,000,137</u>
Cash flows from noncapital financing activities:					
Due to other funds	-	-	-	-	-
Receipt of nonoperating grants	-	-	-	-	-
Transfers (to) from other funds	-	-	-	-	-
Net cash provided (used) by noncapital financial activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	(28,342)	-	-	(28,342)
Refinancing funds received	-	-	-	-	-
Principal paid on bond maturities	(113,511)	(239,874)	(5,500)	-	(358,885)
Interest paid on bond maturities	(53,309)	(112,655)	(7,161)	-	(173,125)
Net cash provided (used) by capital and related financing activities	<u>(166,820)</u>	<u>(380,871)</u>	<u>(12,661)</u>	<u>-</u>	<u>(560,352)</u>
Cash flows from investing activities:					
Interest on investments	4,905	21,349	1,053	2,342	29,649
Net cash provided by investing activities	<u>4,905</u>	<u>21,349</u>	<u>1,053</u>	<u>2,342</u>	<u>29,649</u>
Net increase (decrease) in cash and cash equivalents	72,029	359,313	551	37,541	469,434
Cash and cash equivalents, July 1	<u>579,600</u>	<u>2,407,920</u>	<u>120,293</u>	<u>195,626</u>	<u>3,303,439</u>
Cash and cash equivalents, June 30	<u>\$ 651,629</u>	<u>\$ 2,767,233</u>	<u>\$ 120,844</u>	<u>\$ 233,167</u>	<u>\$ 3,772,873</u>

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 Fiscal Year Ended June 30, 2018

	MAJOR			NON-MAJOR	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 156,375	\$ 564,492	\$ (21,483)	\$ (44,551)	\$ 654,833
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	109,719	231,467	38,867	16,597	396,650
Changes in assets and liabilities:					-
(Increase) decrease in accounts receivable	(31,668)	(69,940)	(5,380)	77,105	(29,883)
(Increase) decrease in inventory	(6,928)	(17,816)	-	-	(24,744)
Increase (decrease) in accounts payable and accrued liabilities	(1,925)	558	155	4,619	3,407
Increase (decrease) in customer deposits	279	1,015	-	-	1,294
Increase (decrease) in compensated absences	216	725	-	639	1,580
Increase (decrease) in accrued payroll	744	1,279	-	(1,640)	383
Increase (decrease) in OPEB Liability	(8,575)	(8,544)	-	(4,643)	(21,762)
(Increase) decrease in deferred outflows of resources - pensions	9,541	9,749	-	7,766	27,056
(Increase) decrease in deferred outflows of resources - OPEB	(4,309)	(4,267)	-	(2,301)	(10,877)
Increase (decrease) in net pension liability	(8,407)	(8,684)	-	(6,711)	(23,802)
Increase (decrease) in deferred inflows of resources - pensions	(439)	(330)	-	(234)	(1,003)
Increase (decrease) in deferred inflows of resources - OPEB	19,321	19,131	-	10,315	48,767
Increase (decrease) in landfill closure and postclosure costs	-	-	-	(21,762)	(21,762)
Total adjustments	<u>77,569</u>	<u>154,343</u>	<u>33,642</u>	<u>79,750</u>	<u>345,304</u>
Net cash provided (used) by operating activities	<u>\$ 233,944</u>	<u>\$ 718,835</u>	<u>\$ 12,159</u>	<u>\$ 35,199</u>	<u>\$ 1,000,137</u>

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, 2018**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 34,654
Liabilities and Net Assets	
Liabilities:	
Miscellaneous liabilities	\$ 34,654

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component 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 ABC Board	Discrete	The members of the ABC Board 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. Dissolved effective June 30, 2018.	Hertford County Public Health Authority Winton, NC 27986

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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

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 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 revenue.

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 in 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 funds 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 the financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund other than North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

The County reports the following major enterprise funds.

Northern Water District Fund. This fund is used to account for the operations 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.

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, which accounts for various legal fines and forfeitures that the County is required to remit to Hertford County Board of Education; 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 eight legally budgeted funds. The Emergency Telephone System Fund and the Fire District Fund are reported as non-major special revenue funds. The Hertford County Judicial Center Fund, and the Office Building #1 Renovation 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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

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.

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

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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

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

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 Office Building #1 Renovation 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 the time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the County, Hertford County 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 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, Health 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 majority of the County, Health Authority and the ABC Board's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized 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 are 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, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

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, 2018, 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.

Governmental Activities

General Fund	Tax Revaluation	\$ 192,420
General Fund	Capital Reserve	1,621,635
General Fund	Register of Deeds	36
General Fund	Deposit - Sale of Home Health	25,000
Total Governmental Activities		\$ 1,839,091

Business-Type Activities

Northern Water District	Customer Deposits	\$ 33,425
Southern Water District	Customer Deposits	71,680
Tunis Sewer District	Customer Deposits	-
Total Business-Type Activities		\$ 105,105

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 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, 2017.

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 lower of cost (first-in, first-out) or 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 received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land \$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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

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, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as fixed assets in the financial statements of the Hertford County Board of Education.

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

	Years
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:

	Years
Buildings, Improvements	10-33
Furniture/ Equipment	10
Vehicles	3-5

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

	Years
Building	40
Leasehold Improvement	15-20
Equipment and furniture	5-10
Vehicles	5-10

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion - pension related deferrals, OPEB related deferrals, and contributions made to the pension or OPEB plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criterion for this category - prepaid taxes and other OPEB or pension related deferrals.

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 an other financing source.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

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. For the County's government-wide and proprietary funds and the Authority, and the ABC Board, and 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.

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 sources 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 sources for emergency telephone system expenditures.

Restricted for Human Services - portion of fund balance that is restricted by revenue sources for renovation of the social services building.

Restricted for General Government - portion of fund balance that is restricted by revenue sources for the judicial center.

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, 2018

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 appropriation.

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

12. Defined Benefit Pension and OPEB Plans

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

F. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the governmental-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 \$186,776 consists of the following:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities that are not financial resources and are therefore not reported in the funds (total capital assets on governmental-wide statement in governmental activities column)	\$ 32,035,458
Less Accumulated Depreciation	<u>(8,123,331)</u>
Net capital assets	<u>23,912,127</u>
Net pension asset	30,470
Contributions to the pension plan in the current fiscal year	513,969
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	197,330
Deferred outflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	830,100
Benefit payments and pension administration costs for LEOSSA	20,012
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	106,705
Deferred inflows of resources for taxes receivable	849,466
Deferred inflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	(55,456)
Deferred inflows of resources reported in the government-wide statements but not the fund statements - OPEB related deferrals	(884,735)
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	(12,941,717)
Compensated absences	(603,838)
Net OPEB Liability	(9,482,862)
Net pension liability-LGERS	(1,543,473)
Net pension liability-LEOSSA	(663,501)
Accrued interest payable	<u>(100,307)</u>
Total adjustment	<u>\$ 184,290</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

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 \$563,240 is comprised of the following:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,455,256
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,099,436)
Cost of disposed capital asset not recorded in fund statements	(9,402)
Assets acquired from the dissolution of Hertford County Public Health District	187,557
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.	1,014,279
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	(230,533)
Debt assumed from the dissolution of Hertford County Public Health District	(118,776)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	513,969
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	20,012
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position	197,330
Expenses reported in that 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)	(4,551)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(2,194)
OPEB Expense	(493,173)
County's portion of collective pension expense	(588,378)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Change in deferred inflows of resources - taxes receivable at the end of year	(174,344)
Change in accrued taxes receivable for year	(131,654)
Amortization of bond premium	24,792
Total adjustment	<u>\$ 560,754</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

II. Detail Notes on All Funds

a. Assets

1. Deposits

All of the County'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 Public Health Authority's, and the ABC Board's agent 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 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 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 Public Health Authority, or the ABC Board under the Pooling Method, the potential exists for the 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 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 has no formal policy regarding custodial credit risk for deposits.

At June 30, 2018 the County's deposits had a carrying amount of \$6,635,852 and a bank balance of \$6,875,744. Of the bank balance, \$250,073 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2018, Hertford County had \$1,175 cash on hand.

At June 30, 2018, the carrying amount of deposits for the Public Health Authority was \$98,101 and a bank balance of \$139,538. All of the bank balance was covered by federal depository insurance.

At June 30, 2018, the carrying amount of deposits for the ABC Board was \$261,852 and a bank balance of \$320,710. All of the bank balances were covered by federal depository insurance.

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

2. Investments

At June 30, 2018, the County had the following investments and maturities.

<u>Investment</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>6-12 months</u>
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 5,839,649	N/A

The North Carolina Capital Management Trust's Government Portfolio carried a credit rating of AAAm by Standard and Poor's. The County has no policy on credit risk.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level Two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

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

Year Levied	Total Taxes	Interest	Total
2015	\$ 1,051,248	\$ 343,457	\$ 1,394,705
2016	1,033,131	245,006	1,278,137
2017	944,531	139,233	1,083,764
2018	947,876	54,454	1,002,331
Total	<u>\$ 3,976,786</u>	<u>\$ 782,150</u>	<u>\$ 4,758,937</u>

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

4. Receivables

Receivables at the government-wide level at June 30, 2018, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Total
Governmental Activities:				
General	\$ 1,980,317	\$ 1,476,026	\$ 1,934,767	\$ 5,391,110
E911 Communications Project	-	-	-	-
Office Building #1 Renovation	-	-	1,111	1,111
Other Governmental	-	10,145	-	10,145
Total	<u>1,980,317</u>	<u>1,486,171</u>	<u>1,935,878</u>	<u>5,402,366</u>
Allowance for Doubtful Accts.	(1,519,542)	(530,000)	-	(2,049,542)
Total-governmental activities	<u>\$ 460,775</u>	<u>\$ 956,171</u>	<u>\$ 1,935,878</u>	<u>\$ 3,352,824</u>
Business-type Activities:				
Northern Water District	\$ 56,150	\$ -	\$ -	\$ 56,150
Southern Water District	161,336	-	-	161,336
Tunis Sewer District	16,617	-	-	16,617
Sanitation	353,116	-	18,521	371,637
Total	<u>\$ 587,219</u>	<u>\$ -</u>	<u>\$ 18,521</u>	<u>\$ 605,740</u>
Allowance for Doubtful Accts.	(133,809)	-	-	(133,809)
Total-business-type activities	<u>\$ 453,410</u>	<u>\$ -</u>	<u>\$ 18,521</u>	<u>\$ 471,931</u>

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

Local option sales tax	\$ 1,254,014
Sales tax refund	131,586
Other grants	393,399
Scrap tire tax	13,609
White goods tax	2,320
Solid waste disposal tax	2,592
NCVTS	156,879
Total	<u>\$ 1,954,399</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

5. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Transfers *	Ending Balances
Capital assets not being depreciated:					
Land	\$ 462,083	\$ -	\$ -	\$ 20,000	\$ 482,083
Construction in Progress	2,939,434	524,434	(2,969,312)	-	494,556
Total capital assets not being depreciated	<u>3,401,517</u>	<u>524,434</u>	<u>(2,969,312)</u>	<u>20,000</u>	<u>976,639</u>
Capital assets being depreciated:					
Buildings and Improvements	21,435,641	2,963,329	-	250,252	24,649,222
Equipment	3,557,049	547,766	-	-	4,104,815
Vehicles and motor equipment	2,123,365	389,039	(207,622)	-	2,304,782
Total	<u>27,116,055</u>	<u>3,900,134</u>	<u>(207,622)</u>	<u>250,252</u>	<u>31,058,819</u>
Less accumulated depreciation for:					
Buildings and Improvements	3,826,803	493,675	-	82,695	4,403,173
Equipment	1,678,884	389,562	-	-	2,068,446
Vehicles and motor equipment	1,633,733	216,199	(198,220)	-	1,651,712
Total accumulated depreciation	<u>7,139,420</u>	<u>\$ 1,099,436</u>	<u>\$ (198,220)</u>	<u>\$ 82,695</u>	<u>8,123,331</u>
Total capital assets being depreciated,	<u>19,976,635</u>				<u>22,935,488</u>
Governmental activities capital assets, net	<u>\$ 23,378,152</u>				<u>\$ 23,912,127</u>

* Transfer of Assets from Hertford County Public Health Authority (see Note IX)

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

General government	\$ 451,014
Public Safety	620,684
Human Services	16,214
Cultural and Recreational	926
Economic and Physical Development	8,112
Total depreciation expense	<u>\$ 1,096,950</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

Business-type activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Northern Water District				
Capital assets being depreciated:				
Plant and distribution systems	\$ 4,579,543	\$ -	\$ -	\$ 4,579,543
Buildings	91,454	-	-	91,454
Vehicles and motor equipment	109,620	-	-	109,620
Total capital assets being depreciated	<u>4,780,617</u>	-	-	<u>4,780,617</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,640,254	91,591	-	1,731,845
Buildings	1,452	3,658	-	5,110
Vehicles and motor equipment	66,402	14,470	-	80,872
Total accumulated depreciation	<u>1,708,108</u>	<u>\$ 109,719</u>	<u>\$ -</u>	<u>1,817,827</u>
Total capital assets being depreciated, net	<u>3,072,509</u>			<u>2,962,790</u>
Northern Water District Capital assets, net	<u>\$ 3,072,509</u>			<u>\$ 2,962,790</u>
Southern Water District				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets not being depreciated:	<u>10,000</u>	-	-	<u>10,000</u>
Capital assets being depreciated:				
Plant and distribution systems	10,213,751	-	-	10,213,751
Buildings	91,454	28,342	-	119,796
Machinery and equipment	66,596	-	-	66,596
Vehicles and motor equipment	115,536	-	-	115,536
Total capital assets being depreciated	<u>10,487,337</u>	<u>28,342</u>	<u>-</u>	<u>10,515,679</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,520,572	208,648	-	3,729,220
Buildings	1,452	3,752	-	5,204
Machinery and equipment	41,557	1,770	-	43,327
Vehicles and motor equipment	92,762	17,296	-	110,058
Total accumulated depreciation	<u>3,656,343</u>	<u>\$ 231,466</u>	<u>\$ -</u>	<u>3,887,809</u>
Total capital assets being depreciated, net	<u>6,830,994</u>			<u>6,627,870</u>
Southern Water District capital assets, net	<u>\$ 6,840,994</u>			<u>\$ 6,637,870</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

Tunis Sewer District

Capital assets not being depreciated:

Land	\$ 11,271	\$ -	\$ -	\$ 11,271
Total capital assets not being depreciated	11,271	-	-	11,271

Capital assets being depreciated:

Plant and distribution systems	1,943,344	-	-	1,943,344
Total capital assets being depreciated	1,943,344	-	-	1,943,344

Less accumulated depreciation for:

Plant and distribution systems	38,867	38,867	-	77,734
Total accumulated depreciation	38,867	\$ 38,867	\$ -	77,734

Total capital assets being depreciated, net	1,904,477			1,865,610
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Tunis Sewer District capital assets, net	\$ 1,915,748			\$ 1,876,881
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Beginning Balances	Increases	Decreases	Ending Balances
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Sanitation

Capital assets not being depreciated:

Land	\$ 23,046	\$ -	\$ -	\$ 23,046
Total capital assets not being depreciated	23,046	-	-	23,046

Capital assets being depreciated:

Buildings	195,283	-	-	195,283
Machinery and equipment	280,753	-	-	280,753
Vehicles and motor equipment	-	-	-	-
Total capital assets being depreciated	476,036	-	-	476,036

Less accumulated depreciation for:

Buildings	65,726	5,957	-	71,683
Machinery and equipment	132,183	10,640	-	142,823
Vehicles and motor equipment	-	-	-	-
Total accumulated depreciation	197,909	\$ 16,597	\$ -	214,506

Total capital assets being depreciated, net	278,127			261,530
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Other business-type capital assets, net	\$ 301,173			\$ 284,576
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Business-type activities capital assets, net	\$ 12,130,424			\$ 11,762,117
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Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

Discretely presented component units

Capital assets at June 30, 2018 for the ABC Board were as follows:

Capital assets not being depreciated:	
Land	\$ 24,220
<hr/>	
Capital assets not being depreciated:	
Buildings, improvements	24,220
Furniture and equipment	507,411
Vehicles	117,767
<hr/>	
Total capital assets being depreciated	29,801
<hr/>	
Less accumulated depreciation for:	
Buildings, improvements	233,547
Furniture and equipment	116,149
Vehicles	29,801
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Total accumulated depreciation	379,497
<hr/>	
Total capital assets being depreciated, net	275,482
<hr/>	
ABC Board capital assets, net	\$ 299,702
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Activity for the Public Health Authority for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Land improvements	\$ 7,500	\$ -	\$ 7,500	\$ -
Land	20,000	-	20,000	-
Buildings	147,500	-	147,500	-
Leasehold improvements	95,252	-	95,252	-
Equipment and furniture	174,221	-	174,221	-
Vehicles	193,362	-	193,362	-
Total Capital Assets being depreciated	<hr/> 637,835	-	637,835	-
Less accumulated depreciation				
Land improvements	7,500	-	7,500	-
Buildings	9,219	3,687	12,906	-
Leasehold improvements	57,127	5,162	62,289	-
Equipment and furniture	155,979	9,477	165,456	-
Vehicles	193,362	-	193,362	-
Total accumulated depreciation	<hr/> 423,187	\$ 18,326	\$ 441,513	-
Public Health Authority capital assets, net	<hr/> <hr/> \$ 214,648			<hr/> <hr/> \$ -

Effective June 30, 2018, the Public Health Authority dissolved and assets were transferred as follows:

Hertford County (Land, Buildings and Improvements)	\$ 187,557
Albemarle Regional Health Services District (Equipment, Furniture, and Vehicles)	8,765

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

b. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2018, were as follows :

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 795,135	\$ 100,307	-	\$ 895,442
E911 Communications Project	-	-	-	-
Office Building #1 Renovation	-	-	-	-
Other governmental	14,210	-	-	14,210
Total-governmental activities	<u>\$ 809,345</u>	<u>\$ 100,307</u>	<u>\$ -</u>	<u>\$ 909,652</u>
Business-Type Activities				
Northern Water District	\$ 9,198	\$ 8,393	-	\$ 17,591
Southern Water District	10,808	17,736	-	28,544
Tunis Sewer District	762	1,172	-	1,934
Sanitation	55,483	-	-	55,483
Total Business-Type Activities	<u>\$ 76,251</u>	<u>\$ 27,301</u>	<u>\$ -</u>	<u>\$ 103,552</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.59% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$540,946 for the year ended June 30, 2018.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2018, the County reported a liability of \$1,619,845 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the County's proportion was 0.1060%, which was an increase of 0.0059% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$573,359. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 93,318	\$ 45,853
Changes of assumptions	231,336	-
Net difference between projected and actual earnings on pension plan investments	393,300	-
Changes in proportion and differences between County Contributions and proportionate share of contributions	77,480	2,182
County contributions subsequent to the measurement date	535,488	-
Total	<u>\$ 1,330,922</u>	<u>\$ 48,035</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

\$535,488 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$	107,803
2020		490,429
2021		257,028
2022		(107,859)
2023		-
Thereafter		-
Total	\$	<u><u>747,401</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary Increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment Rate of Return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Credit	7%	6.0%
Inflation Protection	6%	4.0%
	<u><u>100%</u></u>	

Hertford County, North Carolina
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For The Fiscal Year Ended June 30, 2018

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease <u>(6.20%)</u>	Discount Rate <u>(7.20%)</u>	1% Increase <u>(8.20%)</u>
County's proportionate share of the net pension liability (asset)	\$ 4,862,810	\$	1,619,845 \$ (1,087,008)

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	2
Active plan members	23
	<u>25</u>

**Hertford County, North Carolina
Notes To The Financial Statements
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2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent
Discount rate	3.13 percent

The discount rate is based on the yield of the S&P Municipal bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The County is required by article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There was \$20,012 paid in contributions by the County.

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

At June 30, 2018, the County reported a total pension liability of \$663,501. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$34,580.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,158	\$ -
Changes of assumptions	30,654	9,588
County benefit payments and plan administrative expenses made subsequent to the measurement date	20,012	-
Total	\$ 82,824	\$ 9,588

Hertford County, North Carolina
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\$20,012 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	10,089
2020		10,089
2021		10,089
2022		10,089
2023		11,036
Thereafter		1,832

\$20,012 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.13 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 718,019	\$ 663,501	\$ 613,949

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

	2018
Beginning balance	\$ 586,384
Service Cost	25,102
Interest paid on the total pension liability	21,770
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	38,402
Changes of assumptions or other inputs	36,606
Other changes	-
Benefit payments	(44,763)
Ending balance of the total pension liability	<u>\$ 663,501</u>

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.71 at June 30, 2016 to 3.13 percent at June 30, 2017.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2013.

Hertford County, North Carolina
Notes To The Financial Statements
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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 the State Treasurer and a Board of Trustees. The plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$113,029 which consisted of \$47,405 from the County and \$65,623 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 (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Register of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Register of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,577 for the year ended June 30, 2018.

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

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

At June 30, 2018, the County reported an asset of \$30,470 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating RODSPF employers, actuarially determined. At June 30, 2017, the County's proportion was 0.1785%, which was a decrease of 0.0072% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$27,472. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 523	\$ 98
Changes of assumptions	5,141	-
Net difference between projected and actual earnings on pension plan investments	2,590	-
Changes in proportion and differences between County Contributions and proportionate share of contributions	1,254	-
County contributions subsequent to the measurement date	3,577	-
Total	<u>\$ 13,085</u>	<u>\$ 98</u>

\$3,577 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$ 5,400
2020	3,053
2021	296
2022	660
2023	-
Thereafter	-
Total	<u>\$ 9,409</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary Increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment Rate of Return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2017 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERs. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

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

	1% Decrease <u>(2.75%)</u>	Discount Rate <u>(3.75%)</u>	1% Increase <u>(4.75%)</u>
County's proportionate share of the net pension liability (asset)	(23,949)	(30,470)	(35,954)

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

Hertford County, North Carolina
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for LGERS and ROD was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date as of December 31, 2016, the County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 1,619,845	\$ (30,470)	\$ -	\$ 1,589,375
Proportion of the Net Pension Liability (Asset)	0.1060%	0.1785%	n/a	
Total Pension Liability	\$ -	\$ -	\$ 663,501	\$ 663,501
Pension Expense	\$ 553,798	\$ 7,472	\$ 34,580	\$ 595,850

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 93,318	\$ 523	\$ 32,158	\$ 125,999
Changes of assumptions	231,336	5,141	30,654	267,131
Net difference between projected and actual earnings on pension plan investments	393,300	2,590	-	395,890
Changes in proportion and differences between County contributions and proportionate share of contributions	77,480	1,254	-	78,734
County contributions (LGERS, ROD)/benefit payments and administrations costs (LEOSSA) subsequent to the measurement date	535,488	3,577	20,012	559,077
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 45,853	\$ 98	\$ -	\$ 45,951
Changes of assumptions	-	-	9,588	9,588
Changes in proportion and difference between County contributions and proportionate share of contributions	2,182	-	-	2,182

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description - Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefit Plan (HCB Plan). The County Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. This plan provides postemployment healthcare benefits to retirees of the County as follows: (1) employees who were hired before July 1, 1988, retire under NCLGERS, are actively employed with the County at the time of retirement, and retire with 30 years of county service (24 for those who become disabled), or at age 62 with 20 years of County service or at age 65; (2) employees who were hired on and after July 1, 1988 but before July 1, 2007, retiree under the NCLGERS, are actively employed with the County at the time of retirement, and retire with 30 years of County service, or at age 62 with 20 years of County service, or at age 65 with 10 years of County service; (3) employees who were hired on and after July 1, 2007, retire under NCLGERS, are actively employed with the County at the time of retirement, and retire with 30 years of County service with the County; or (4) qualifying elected officials who serve four full consecutive terms with the County. 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 June 30, 2017, the date of the latest actuarial valuation:

	Employees
Retirees receiving benefits	31
Terminated plan members entitled to but not yet receiving benefits	-
Active Plan members	184
Total	215

Total OPEB Liability

The County's total OPEB liability of \$10,009,888 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability was determined by actuarial valuations as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General Employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal Bond Index Rate	
Prior Measurement Date	3.01%
Measurement Date	3.56%

**Hertford County, North Carolina
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Health Care Cost Trends	
	7.75% for 2016 decreasing to an ultimate rate of
Pre-Medicare	5.00% by 2022
	5.75% for 2016 decreasing to an ultimate rate of
Medicare	5.00% by 2019

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	Total OPEB
Balances at June 30, 2016	\$ 10,595,869
Changes	-
Service Cost	344,875
Interest	316,356
Differences between Expected and Actual	(188)
Changes of assumptions	(1,074,367)
Contributions	-
Net Investment Income	-
Benefit Payments	(172,657)
Net Changes	(585,981)
Balances at June 30, 2017	<u>\$ 10,009,888</u>

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Discount Rate. The discount rate used to measure the total OPEB liability at June 30, 2018 and June 30, 2017 was 3.56% and 3.01%, respectively.

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the total OPEB liability of the County at June 30, 2017, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 12,085,986	\$ 10,009,888	\$ 8,401,906

Hertford County, North Carolina
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Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 8,237,721	\$ 10,009,888	\$ 12,340,614

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

For the year ended June 30, 2018, the County recognized OPEB expense of \$520,582. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 163
Changes of assumptions	-	933,743
Net Difference between projected and actual earnings on plan investments	-	-
County contributions subsequent to the measurement date	208,297	-
Total	\$ 208,297	\$ 933,906

\$208,297 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a decrease in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	\$ (140,649)
2020	(140,649)
2021	(140,649)
2022	(140,649)
2023	(140,649)
Thereafter	(230,661)

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 months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of 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 established for employees not engaged in laws enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

Hertford County, North Carolina
Notes To The Financial Statements
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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. Effective June 30, 2018, the Authority was dissolved. For the next actuarial report provided, the County will inherit the liability for 15 employees who retired from the Public Health Authority. This will be reflected in the OPEB liability in the County's audit report dated June 30, 2019.

3. Closure and Postclosure Care Costs - Landfill Facility

State and Federal laws and regulations require the County to place a final cover on its Hertford County Landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Hertford County landfill closed in 1994. The \$149,785 reported as landfill closure payable liability at June 30, 2018, represents the latest estimate for costs remaining. The County budgets annually for postclosure care. In the event of a natural occurrence, inflation, or any other unforeseen event occurs, the County would appropriate funds from the Solid Waste fund balance and/or increase charges to future solid waste customers.

4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions, OPEB - difference between expected and actual experience		
LGERS	\$ 93,318	\$ 45,853
LEOSSA	32,158	-
Register of Deeds	523	98
OPEB	-	163
Pensions, OPEB- changes in assumptions		
LGERS	231,336	-
LEOSSA	30,654	9,588
Register of Deeds	5,141	-
OPEB	-	933,743
Pensions - difference between projected and actual investment		
LGERS	393,300	-
Register of Deeds	2,590	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	77,480	2,182
Register of Deeds	1,254	-
Contributions to pension plan in 2017-2018 fiscal year		
LGERS	535,488	-
Register of Deeds	3,577	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	20,012	-
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	208,297	
Prepaid taxes not yet earned (General)	-	82,573
Taxes receivable, net (General)	-	839,321
Taxes receivable, net (Special Revenue)	-	10,145
	\$ 1,635,128	\$ 1,923,666

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County 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 \$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 access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond with a \$250,000 occurrence limit. The Director of Finance and tax collector are each individually bonded for \$50,000 and \$250,000, respectively. The Register of Deeds is bonded for \$5,000 and the Sheriff is bonded for \$25,000.

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 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 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.

6. Contingent Liabilities

At June 30, 2018, the County was a defendant to various lawsuits. In the opinion of management and the County management and the County's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Operating Lease Commitments

The County leases certain equipment under operating leases that expire over the next three 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, 2018:

<u>For Year Ending June 30</u>	<u>Amount</u>
2019	\$ 89,595
2020	88,257
2021	73,484
Total minimum payments required	<u>\$ 251,336</u>

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

8. 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.	\$ 246,665
In May 2016, the County entered into an installment purchase to renovate the DSS building. The contract requires twelve annual payments of \$237,968 plus 2.28% interest.	2,379,679
In January 2017, the County entered into an installment purchase to purchase a building. The contract requires 36 monthly payments of \$8,089, including 3.75% interest.	148,983
In September 2017, the County entered into an installment purchase contract to purchase vehicles. The contract requires 3 annual payments of \$78,516 plus 2.24% interest.	230,533
Effective June 30, 2018, the County assumed the liabilities of the Hertford County Public Health Authority. In January 2015, the Authority entered into an installment purchase contract to finance a building. The contract requires monthly payments of \$1,744, including 4.49% interest.	<u>118,776</u>
Total	<u><u>\$ 3,124,636</u></u>

The future minimum payments of the installment purchases as of June 30, 2018, including \$316,259 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 425,391	\$ 68,614
2020	450,637	25,959
2021	390,486	56,293
2022	317,791	45,782
2023	350,493	38,226
2024-2028	1,189,838	81,385
2029-2033	-	-
Total	<u><u>\$ 3,124,636</u></u>	<u><u>\$ 316,259</u></u>

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

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, 2018 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$1,750,000 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.	\$ 125,000
\$11,945,000 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>9,345,000</u>
Total	<u><u>\$ 9,470,000</u></u>

Serviced by the County's Southern Water District:

\$4,332,850 Refunding, Series 2016 Bonds due in annual installments of \$352,528, through December 15, 2031, including interest at 2.60 percent.	\$ 4,092,976
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Serviced by the County's Northern Water District:

\$2,050,350 Refunding, Series 2016 Bonds due in annual installments of \$166,820 through December 15, 2031, including interest at 2.60 percent.	1,936,839
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Serviced by the County's Tunis Sewer District:

\$307,000 2014 USDA Sanitary Sewer Bonds due in monthly installments of \$5,500 to \$12,000 through June 1, 2054; interest at 2.375 percent.	<u>296,000</u>
Total	<u><u>\$ 6,325,815</u></u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

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
2019	\$ 625,000	\$ 336,468	\$ 368,073	\$ 163,804
2020	625,000	314,718	377,500	154,248
2021	625,000	289,718	387,672	144,445
2022	625,000	264,718	397,596	134,379
2023	635,000	239,718	407,777	124,055
2023-2027	3,175,000	824,266	2,202,117	455,905
2028-2032	3,160,000	317,062	1,984,080	154,682
2033-2037	-	-	40,000	21,970
2038-2042	-	-	44,500	17,029
2043-2047	-	-	50,500	11,459
2048-2052	-	-	57,000	5,202
2053-2057	-	-	9,000	214
Total	<u>\$ 9,470,000</u>	<u>\$ 2,586,668</u>	<u>\$ 6,325,815</u>	<u>\$ 1,387,392</u>

At June 30, 2018, Hertford County had a legal debt margin of \$118,287,633.

Advance Refundings

On December 15, 2017, the County issued \$2,050,350 of General Obligation Refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$2,502,302. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the respective statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$17,350, which was the amount received for bond issuance costs. These costs were expensed. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$735,068 and resulted in an economic gain of \$756,241.

On December 15, 2017, the County issued \$4,332,850 of General Obligation Refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$5,287,925. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the respective statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$17,350, which was the amount received for bond issuance cost. These costs were expensed. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$1,794,799, and resulted in an economic gain of \$1,413,609.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

c. Long-Term Obligation Activity:

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2018:

	Balance			Current	
	July 1, 2017	Increases	Decreases	Balance	Portion
				June 30, 2018	of Balance
Governmental Activities:					
General obligation debt	\$ 10,095,000	\$ -	\$ 625,000	\$ 9,470,000	\$ 625,000
Premium	371,873	-	24,792	347,081	-
Net general obligation debt	10,466,873	-	649,792	9,817,081	625,000
Installment purchases	3,164,606	349,309	389,279	3,124,636	425,391
Compensated Absences	601,644	2,194	-	603,838	150,960
Net pension liability (LGERS)	2,024,496	-	481,023	1,543,473	-
Total pension liability (LEOSSA)	586,384	77,117	-	663,501	-
Total OPEB liability	9,187,019	493,173	197,330	9,482,862	-
Total	\$ 36,497,895	\$ 921,793	\$ 2,367,216	\$ 25,235,391	\$ 1,826,351
Business-type Activities:					
General Obligation Debt	\$ 6,684,700	\$ -	\$ 358,885	\$ 6,325,815	\$ 368,073
Compensated absences	35,094	1,972	-	37,066	9,266
Net pension liability (LGERS)	100,174	-	23,802	76,372	-
Landfill closure	171,547	-	21,761	149,786	-
Total OPEB Liability	510,584	27,409	10,967	527,026	-
Total	\$ 7,502,099	\$ 29,381	\$ 415,415	\$ 7,116,065	\$ 9,266

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, 2018:

	Balance			Balance	
	July 1, 2017	Increases	Decreases	Disolution	June 30, 2018
				Impact *	
Governmental Activities:					
Compensated absences	\$ 118,570	\$ -	\$ 118,570	\$ -	\$ -
Net pension liability	556,688	-	196,909	(359,779)	-
Note Payable - building	133,960	-	15,184	(118,776)	-
Other postemployment benefits	3,113,241	-	177,074	(2,936,167)	-
Total	\$ 3,922,459	\$ -	\$ 507,737	\$ (3,414,722)	\$ -

* See Note IX for discussion of the dissolution.

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

d. Interfund Balances and Activity

Transfers From/ To Other Funds:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	School Capital Reserve Fund	\$ 1,237,408	To transfer restricted sales tax
General Fund	Revaluation Fund	1,093	To contribute money for next revaluation
		<u>\$ 1,238,501</u>	
<u>Special Revenue Funds</u>			
Capital Reserve Fund	General Fund	\$ 930,080	To pay debt service for Courthouse
		<u>\$ 930,080</u>	
<u>Capital Project Fund</u>			
Office Building #1 Renovation	General Fund	\$ 26,045	Project closeout
		<u>\$ 26,045</u>	

e. Net Investment in Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets	\$ 23,912,127	\$ 11,762,117
Capital debt calculation:		
Total debt, gross	12,941,717	6,325,815
Less:		
Community college debt for assets to which the County does not hold title	(125,000)	-
Total capital debt	<u>12,816,717</u>	<u>6,325,815</u>
Net investment in capital assets	<u>\$ 11,095,410</u>	<u>\$ 5,436,302</u>

E. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriations:

Total Fund Balance - General Fund	\$ 9,411,403
Less:	
Stabilization by State Statute	2,396,653
Register of Deeds	36
Revaluation	178,020
Capital Reserve	1,602,800
Appropriated Fund Balance in 2019 budget	1,374,877
Remaining Fund Balance	\$ 3,859,017

The County had no outstanding encumbrances at June 30, 2018.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018

III. 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, 2018. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$108,263 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 to the community college. The president of the community college's student government serves as an ex-office 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 a 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 appropriations 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, \$125,000 is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to providing funding for the community college's facilities. The County contributed \$978,839 and \$227,001 to the community college for operating purposes and capital outlay, respectively during the fiscal year ended June 30, 2018. In addition, the County made debt service payments of \$125,000 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, 2018. 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 Trillium 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 have any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2018. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$86,099 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 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, 2018. 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, 2018. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$20,000 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.

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

IV. 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 \$7,956 to the Commission during the fiscal year ended June 30, 2018. The County was a sub recipient of various grants and other sources totaling \$302,747 that was passed through the Commission.

V. 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 general purpose financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 32,023,757	\$ 17,122,832
State Children's Insurance Program	340,410	138
Supplemental Nutrition Program for Women, Infants, and Children	812,499	-
Food and Nutrition Services	7,895,941	-
IV-E Adopt & Vendor & Gua	39,496	9,490
TANF Payments & Penalties	115,482	(51)
CWS Adopt, Vendor, Guard	-	60,020
SAS/SAD HB 1030	-	24,106
SC/SA Domiciliary Care	-	466,841
Total	\$ 41,227,585	\$ 17,683,376

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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

VIII. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2018 and January 16, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no events that occurred during this time that were deemed to be significant enough to be disclosed.

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2018**

IX. Dissolution of Hertford County Public Health Authority

The Hertford County Board of Commissioners dissolved the Hertford County Public Health Authority effective June 30, 2018 at 11:59 p.m. The Commissioners determined, with the assistance of the NC Department of Health and Human Services, that in order to be able to keep and expand public health services for the citizens of Hertford County at a reasonable cost to taxpayers, it is not economically feasible to provide health services in a single county public health authority.

As of the dissolution on June 30, 2018, Hertford County shall assume the assets and liabilities created by the Hertford County Public Health Authority to the extent such assets are not assumed by another entity (Albemarle Regional Health Services District).

<u>Disolution Distribution</u>	<u>Albemarle Regional Health Services District</u>	<u>Hertford County</u>	<u>Total</u>
Cash	\$ -	\$ 120,855	\$ 120,855
Due from Other Govts	-	60,258	60,258
Accounts Receivable	-	8,888	8,888
Prepaid Items	-	675	675
Accounts Payable	-	(53,870)	(53,870)
Modified Accrual	-	136,806	136,806
 Capital Assets			
Land and Building	-	187,557	187,557
Equip, Furn, & Vehicles	8,765		8,765
Mortgage Liability		(118,776)	(118,776)
Pension Obligation & Def	(158,751)		(158,751)
OPEB Obligation & Deferrals		(3,132,526)	(3,132,526)
Full Accrual Basis	<u>\$ (149,986)</u>	<u>\$ (2,926,939)</u>	<u>\$ (3,076,925)</u>

A new pension obligation will accrue to the District for the employees of the Authority who were hired by the District.

The OPEB obligation as determined by the actuarial report and rolled forward was for active members totaling 36 retirees and retirees totaling 15. The County has only assumed the liability for the retirees which will be determined at the next measurement date.

X. Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning net OPEB liability and the effects on net position of the benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental and business-type activities decreased by \$5,491,127 and \$152,760 respectively.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of County's Proportionate Share of the Net Pension Liability (Asset) - Local Government Employees' Retirement Systems
- Schedule of County Contributions - Local Governmental Employees' Retirement System
- Schedule of County's Proportionate Share of Net Pension Liability (Asset) - Register of Deeds' Supplemental Pension Fund
- Schedule of County Contributions - Register of Deeds' Supplemental Pension Fund
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll
- Schedule of Changes in the Net OPEB Liability and Related Ratios

Hertford County
Schedule of County's Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Last Five Fiscal Years

Local Government Employees' Retirement System					
	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.106%	0.100%	0.097%	0.102%	0.103%
County's proportionate share of the net pension liability (asset)	\$1,619,845	\$2,124,670	\$ 436,138	\$ (599,123)	\$ 1,236,724
County's covered-employee payroll	\$6,795,799	\$6,426,685	\$ 6,046,680	\$ 5,911,581	\$ 6,077,841
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.84%	33.06%	7.21%	-10.13%	20.35%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

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

Information included above is intended to be included ten years; however, only the years above have information available. Additional years will be included as information becomes available.

Hertford County, North Carolina
Schedule of County Contributions
Local Government Employees' Retirement System
Last Five Fiscal Years

Local Government Employees' Retirement System					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 535,485	\$ 507,255	\$ 441,786	\$ 421,035	\$ 419,855
Contributions in relation to the contractually required contribution	<u>535,485</u>	<u>507,255</u>	<u>441,786</u>	<u>421,035</u>	<u>419,855</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 7,042,654	\$ 6,795,799	\$ 6,426,685	\$ 6,046,680	\$ 5,911,581
Contributions as a percentage of covered-employee payroll	7.60%	7.46%	6.87%	6.96%	7.10%

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

Hertford County, North Carolina
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)
Register of Deeds' Supplemental Pension Fund
Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportionate share of the net pension liability (asset)	0.179%	0.186%	0.186%	0.192%	0.184%
County's proportionate share of the net pension liability (asset)	\$ (30,470)	\$ (34,715)	\$ (43,136)	\$ (43,562)	\$ (39,213)
County's covered-employee payroll	\$ 44,256	\$ 95,008	\$ 92,258	\$ 86,741	\$ 102,559
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-68.85%	-36.54%	-46.76%	-50.22%	-45.21%
Plan fiduciary net position as a percentage of the total pension liability	153.77%	160.17%	197.29%	193.88%	190.50%

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

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

Hertford County, North Carolina
Schedule of County Contributions
Register of Deeds' Supplemental Pension Fund
Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 3,577	\$ 3,262	\$ 1,596	\$ 1,194	\$ 1,569
Contributions in relation to contractually required contribution	<u>3,577</u>	<u>3,262</u>	<u>1,596</u>	<u>1,194</u>	<u>1,569</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 47,698	\$ 44,256	\$ 95,008	\$ 92,258	\$ 86,741
Contributions as a percentage of covered- employee payroll	7.50%	7.37%	1.68%	1.29%	1.81%

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

Hertford County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For The Year Ended June 30, 2018

	2018	2017
Beginning balance	\$ 586,384	\$ 568,161
Service Cost	25,102	33,656
Interest on the total pension liability	21,770	19,899
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	38,402	-
Changes of assumptions or other inputs	36,606	(13,802)
Benefit payments	(44,763)	(21,530)
Other changes	-	-
Ending balance of the total pension liability	\$ 663,501	\$ 586,384

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

Hertford County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For The Year Ended June 30, 2018

	2018	2017
Total pension liability	\$ 663,501	\$ 586,384
Covered payroll	934,554	1,118,710
Total pension liability as a percentage of covered payroll	71.00%	52.42%

Notes to the schedules:

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

Hertford County, North Carolina
Schedule of Changes in the Net OPEB Liability and Related Ratios
Healthcare Benefits Plan
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 344,875
Interest	316,356
Changes of benefit terms	-
Differences between expected and actual experience	(188)
Changes of assumptions	(1,074,367)
Benefit payments	<u>(172,657)</u>
Net change in total OPEB liability	<u>(585,981)</u>
Total OPEB liability - beginning	10,595,869
Total OPEB liability - ending	<u><u>\$ 10,009,888</u></u>

MAJOR GOVERNMENTAL FUNDS

- **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, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
<u>Revenues</u>				
Ad valorem Taxes				
Taxes		\$ 13,500,316		\$ 13,583,400
Penalties and interest		145,206		150,858
Total	<u>\$ 13,722,997</u>	<u>13,645,522</u>	<u>\$ (77,475)</u>	<u>13,734,258</u>
Local Option Sales Taxes				
Article 39 and 44		2,477,940		2,062,920
Article 40 one-half of one percent		1,374,898		1,470,303
Article 42 one-half of one percent		946,219		1,009,842
Total	<u>4,682,000</u>	<u>4,799,057</u>	<u>117,057</u>	<u>4,543,065</u>
Other Taxes and Licenses				
CATV franchise		44,131		37,728
Gas tax refund		3,863		11,176
Occupancy tax		48,248		48,355
Sales Tax Refund		-		2,196
E-911 Municipalities Share		136,796		136,796
Total	<u>223,296</u>	<u>233,038</u>	<u>9,742</u>	<u>236,251</u>
Unrestricted Intergovernmental Revenues				
ABC profit distribution		40,782		36,506
Beer and wine tax		63,354		67,934
Total	<u>107,000</u>	<u>104,136</u>	<u>(2,864)</u>	<u>104,440</u>
Restricted Intergovernmental Revenues				
Social services grants and fees		2,621,583		3,269,335
Federal and State grants		1,080,607		1,027,743
FEMA		25,000		-
Court facility fees		35,709		32,585
ABC bottle taxes		8,874		8,479
Miscellaneous		121,774		167,185
Total	<u>3,790,078</u>	<u>3,893,547</u>	<u>103,469</u>	<u>4,505,327</u>
Permits and Fees				
Building and inspection fees		212,203		77,548
Planning and zoning		4,250		4,800
Register of deeds		137,156		115,745
Total	<u>204,000</u>	<u>353,609</u>	<u>149,609</u>	<u>198,093</u>

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
Sales and Services				
Rents, concessions, and fees		182,995		159,417
Jail Fees		439,490		336,505
Ambulance and rescue squad fees		938,160		882,434
EMS cost share		119,190		113,149
Vehicle tax collection fees		127,341		128,543
Cost Allocation (from Proprietary Funds)		91,832		77,884
Total	<u>1,609,178</u>	<u>1,899,008</u>	<u>289,830</u>	<u>1,697,932</u>
Investment Earnings	<u>30,000</u>	<u>61,779</u>	<u>31,779</u>	<u>41,084</u>
Miscellaneous Revenues				
Sale of materials		22,655		6,940
Other		73,871		202,350
Total	<u>78,235</u>	<u>96,526</u>	<u>18,291</u>	<u>209,290</u>
Total Revenues	<u>24,446,784</u>	<u>25,086,222</u>	<u>639,438</u>	<u>25,269,740</u>
<u>Expenditures</u>				
<u>General Government</u>				
Governing Body:				
Salaries and employee benefits		87,617		83,724
Other operating expenditures		21,888		22,417
Capital outlay		-		11,026
Total	<u>119,960</u>	<u>109,505</u>	<u>10,455</u>	<u>117,167</u>
Administration:				
Salaries and employee benefits		333,979		354,710
Other operating expenditures		37,463		30,788
Capital outlay		494,556		431,156
Total	<u>985,692</u>	<u>865,998</u>	<u>119,694</u>	<u>816,654</u>
Human Resources:				
Salaries and employee benefits		353,596		293,746
Other operating expenditures		37,059		40,093
Total	<u>419,558</u>	<u>390,655</u>	<u>28,903</u>	<u>333,839</u>
Elections:				
Salaries and employee benefits		110,768		116,325
Other operating expenditures		45,777		81,157
Total	<u>182,578</u>	<u>156,545</u>	<u>26,033</u>	<u>197,482</u>

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
Finance:				
Salaries and employee benefits		267,028		262,882
Other operating expenditures		105,167		92,928
Total	378,681	372,195	6,486	355,810
Taxes:				
Salaries and employee benefits		470,414		454,693
Other operating expenditures		179,330		187,442
Total	676,292	649,744	26,548	642,135
Legal:				
Contract services	78,000	76,188	1,812	83,237
Register of Deeds:				
Salaries and employee benefits		154,042		146,802
Other operating expenditures		61,424		58,438
Total	221,539	215,466	6,073	205,240
Public Buildings:				
Salaries and employee benefits		397,772		430,993
Other operating expenditures		303,928		417,790
Capital outlay		54,162		68,972
Total	886,078	755,862	130,216	917,755
Land Records:				
Salaries and employee benefits		107,622		99,742
Other operating expenditures		23,883		23,921
Capital outlay		9,017		-
Total	139,756	140,522	(766)	123,663
Data Center:				
Data processing contract services		-		199,476
Total	-	-	-	199,476
Court Facilities:				
Operating expenditures		67,079		78,248
Total	71,211	67,079	4,132	78,248

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
Central Services:				
Salaries and employee benefits		82,330		5,768
Operating expenditures		520,311		408,548
Capital outlay		20,033		94,735
Total	772,906	622,674	150,232	509,051
Total General Government	4,932,251	4,422,433	509,818	4,579,757
<u>Public safety</u>				
Sheriff:				
Salaries and employee benefits		1,680,176		1,706,792
Other operating expenditures		274,488		329,662
Capital outlay		328,735		75,238
Total	2,427,900	2,283,399	144,501	2,111,692
Jail:				
Salaries and employee benefits		1,175,468		1,142,777
Other operating expenses		936,327		603,277
Capital outlay		8,761		13,203
Total	2,301,398	2,120,556	180,842	1,759,257
Emergency Communications:				
Salaries and employee benefits		724,507		617,131
Other operating expenditures		48,651		45,290
Total	780,958	773,158	7,800	662,421
Emergency Management:				
Salaries and employee benefits		183,517		164,191
Other operating expenditures		47,673		66,731
Total	249,553	231,190	18,363	230,922
Fire:				
Contribution to forest service		78,493		66,112
Assistance to local fire departments		344,576		355,125
Total	433,618	423,069	10,549	421,237
Inspections:				
Salaries and employee benefits		98,086		87,642
Other operating expenditures		13,228		18,219
Total	132,868	111,314	21,554	105,861

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
Rescue Units:				
Salaries and employee benefits		946,130		811,870
Other operating expenditures		243,618		269,313
Capital outlay		125,429		92,330
Total	1,445,184	1,315,177	130,007	1,173,513
Animal Control:				
Salaries and employee benefits		70,842		74,799
Other operating expenditures		18,095		24,784
Total	118,615	88,937	29,678	99,583
Medical Examiner:				
Contracted services		26,950		19,200
Total	25,000	26,950	(1,950)	19,200
Pesticide Recycling:				
Capital outlay		8,779		-
Total	10,440	8,779	1,661	-
Total Public Safety	7,925,534	7,382,529	543,005	6,583,686
<u>Transportation</u>				
Contribution to transit authority		10,300		10,300
Contribution to regional airport		20,000		18,000
Total transportation	30,300	30,300	-	28,300
<u>Economic and physical development</u>				
Planning and Zoning:				
Other operating expenditures		2,043		2,156
Total	4,131	2,043	2,088	2,156
Economic Development:				
Salaries and employee benefits		107,866		137,375
Other operating expenditures		17,371		30,418
Total	242,993	125,237	117,756	167,793
Agricultural Extension:				
Salaries and employee benefits		103,557		125,171
Other operating expenditures		22,652		27,066
Total	183,433	126,209	57,224	152,237
K. B. Reynolds Grant - Walking Trail:				

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
Other operating expenditures		-		99,987
Total	-	-	-	99,987
Solid and Water Conservation:				
Salaries and employee benefits		107,953		92,144
Other operating expenditures		7,530		10,932
Total	138,904	115,483	23,421	103,076
Total Economic and Physical Development	569,461	368,972	200,489	525,249
<u>Human Services</u>				
Health:				
Administration:				
Salaries and Benefits		5,077		-
Contribution to health department		483,781		348,781
Other operating expenditures		25,407		20,784
Total	530,042	514,265	15,777	369,565
Aid to Aging:				
Salaries and employee benefits		266,960		283,210
Other operating expenditures		41,126		64,747
Capital outlay		11,105		7,975
Total	365,521	319,191	46,330	355,932
Respite:				
Other operating expenditures		367,690		343,041
Total	384,723	367,690	17,033	343,041
Mental Health:				
Administration:				
Other operating expenditures		86,099		85,479
Total	87,750	86,099	1,651	85,479
Social Services:				
Administration:				
Salaries and employee benefits		2,625,437		2,573,910
Other operating expenditures		709,514		738,766
Total	3,441,471	3,334,951	106,520	3,312,676

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
Public Assistance				
Work first:				
Operating expenditures		982,710		1,911,858
Foster care:				
Operating expenditures		22,661		26,123
Total	1,086,948	1,005,371	81,577	1,937,981
Elderly handicapped:				
Operating expenditures	125,580	118,978	6,602	92,704
Community based alternatives:				
Other operating expenditures		117,656		119,601
Total	117,656	117,656	-	119,601
Veterans Service Office:				
Salaries and employee benefits		47,757		47,131
Other operating expenditures		6,109		7,198
Total	58,384	53,866	4,518	54,329
Other programs:				
Other appropriations/contributions		139,136		239,492
Total	138,842	139,136	(294)	239,492
Total Human Services	6,336,917	6,057,203	279,714	6,910,800
<u>Cultural and Recreational</u>				
Library and Recreation:				
Operating expenditures		1,621		1,711
Contribution to regional library		108,263		104,327
Total Cultural and Recreational	109,965	109,884	81	106,038
<u>Education</u>				
Public schools-current expenses		4,423,524		4,398,524
Public schools-capital outlay		-		1,501,581
Community college- current		978,839		953,839
Community college- capital outlay		227,001		90,939
Total Education	7,236,041	5,629,364	1,606,677	6,944,883
<u>Debt Service</u>				
Principal retirement		1,014,279		1,014,227
Interest and other charges		438,899		465,342
Total debt services	1,453,181	1,453,178	3	1,479,569

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
Contingency	58	-	58	-
Total Expenditures	28,593,708	25,453,863	3,139,845	27,158,282
Revenues Over (Under) Expenditures	(4,146,924)	(367,641)	(3,779,283)	(1,888,542)
<u>Other Financing Sources (Uses)</u>				
Transfers to other funds:				
School Capital Reserve Fund		(1,237,408)		(1,206,772)
Revaluation Fund		(1,093)		(100,000)
Capital Reserve Fund		-		(150,000)
Office Building #1 Renovation		-		(100,000)
Total	(1,221,968)	(1,238,501)	16,533	(1,556,772)
Transfers from other funds:				
Emergency Telephone System Fund		-		2,503
Hertford County Judicial Center Fund		-		631,017
Capital Reserve Fund		930,080		568,512
School Capital Reserve Fund		-		1,376,581
Office Building #1 Renovation		26,045		-
Tunis Sewer District Fund		-		118,204
Total	2,337,742	956,125	-	2,696,817
Contribution from Economic Development Commission (component unit)	-	146,251	(146,251)	-
Contribution from Public Health Authority (component unit)	-	136,806	(136,806)	-
Loan Proceeds	235,549	230,533	5,016	275,000
Appropriated fund balance	2,795,601	-	2,795,601	-
Total other financing sources (uses)	4,146,924	231,214	2,670,899	1,415,045
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	(136,427)	\$ (136,427)	(473,497)
Fund Balance - July 1		7,767,011		8,240,508
Fund Balance-June 30		\$ 7,630,584		\$ 7,767,011

Hertford County, North Carolina
School Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018			2017
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Revenues</u>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
<u>Expenditures</u>				
Education				
Other operating expenses				
Capital Outlay	1,381,617	1,160,095	221,522	-
Revenues Over (Under) Expenditures	(1,381,617)	(1,160,095)	(221,522)	-
<u>Other Financing Sources (Uses)</u>				
Operating transfer in				
General fund	964,000	1,237,408	273,408	1,206,772
Operating transfer out				
General fund	-	-	-	(1,376,581)
Appropriated Fund Balance	417,617	-	(417,617)	-
Total	1,381,617	1,237,408	(144,209)	(169,809)
Revenues Over Expenditures and Other Uses	\$ -	77,313	\$ (365,731)	(169,809)
Fund Balance - July 1		1,525,487		1,695,296
Fund Balance - June 30		\$ 1,602,800		\$ 1,525,487

Hertford County, North Carolina
Revaluation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018			2017
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Revenues</u>				
Investment Earnings	\$ -	\$ -	\$ -	\$ -
<u>Expenditures</u>				
Current:				
General government				
Tax listings:	346,500	168,480	178,020	-
<u>Other Financing Sources (Uses)</u>				
Transfer from (to) other funds				
General Fund	1,093	1,093	-	100,000
Fund Balance Appropriated	345,407	-	(345,407)	-
Total	346,500	1,093	(345,407)	100,000
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	(167,387)	<u>\$ (523,427)</u>	100,000
Fund Balance - July 1		345,407		245,407
Fund Balance - June 30		<u>\$ 178,020</u>		<u>\$ 345,407</u>

Hertford County, North Carolina
Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018			2017
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Revenues</u>				
Local option sales tax	\$ -	\$ -	\$ -	\$ 565,252
<u>Other Financing Sources (Uses)</u>				
Transfer from (to) other funds				
General Fund	-	-	-	150,000
General Fund	(930,080)	(930,080)	-	(568,512)
Appropriated fund balance	930,080	-	930,080	-
Total	<u>-</u>	<u>(930,080)</u>	<u>930,080</u>	<u>(418,512)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	(930,080)	<u>\$ 930,080</u>	146,740
Fund Balance - July 1		<u>930,080</u>		<u>783,340</u>
Fund Balance - June 30		<u>\$ -</u>		<u>\$ 930,080</u>

NON-MAJOR GOVERNMENTAL FUNDS

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.

Capital Project Funds

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

- **Office Building #1 Renovation Project Fund:** This fund is used to account for the renovation of the DSS office building.

Hertford County, North Carolina
Combining Balance Sheets
Non-Major Governmental Funds
June 30, 2018

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Emergency Telephone System Fund</u>	<u>Fire District Fund</u>	<u>Office Building #1 Renovation Project</u>	
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 816,547	\$ 57,553	\$ -	\$ 874,100
Accounts receivable, net	-	-	1,111	1,111
Taxes receivable, net	-	10,145	-	10,145
Total assets	<u>\$ 816,547</u>	<u>\$ 67,698</u>	<u>\$ 1,111</u>	<u>\$ 885,356</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,744	\$ 9,466	\$ -	\$ 14,210
Due to other funds	-	-	1,111	1,111
Total liabilities	<u>4,744</u>	<u>9,466</u>	<u>1,111</u>	<u>15,321</u>
Deferred inflows of resources	-	10,145	-	10,145
Fund balances:				
Restricted:				
Stabalization by State Statue	-	-	-	-
Public Safety	811,803	48,087	-	859,890
General Government	-	-	-	-
Total fund balances	<u>811,803</u>	<u>48,087</u>	<u>-</u>	<u>859,890</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 816,547</u>	<u>\$ 67,698</u>	<u>\$ 1,111</u>	<u>\$ 875,211</u>

Hertford County, North Carolina
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>	
	<u>Emergency Telephone System Fund</u>	<u>Fire District Fund</u>	<u>Office Building #1 Renovation Fund</u>	<u>Total</u>
<u>Revenues</u>				
Ad valorem taxes	\$ -	\$ 94,551	\$ -	\$ 94,551
Local option sales tax	-	30,105	-	30,105
Restricted intergovernmental	75,480	-	-	75,480
Investment earnings	6,760	-	-	6,760
Total revenues	<u>82,240</u>	<u>124,656</u>	<u>-</u>	<u>206,896</u>
<u>Expenditures</u>				
Current:				
Public safety	145,605	129,186	-	274,791
Capital outlay	-	-	29,878	29,878
Total expenditures	<u>145,605</u>	<u>129,186</u>	<u>29,878</u>	<u>304,669</u>
Revenues over (under) expenditures	<u>(63,365)</u>	<u>(4,530)</u>	<u>(29,878)</u>	<u>(97,773)</u>
<u>Other financing sources (uses)</u>				
Transfers (to) other funds				
General Fund	-	-	(26,045)	(26,045)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(26,045)</u>	<u>(26,045)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(63,365)	(4,530)	(55,923)	(123,818)
Fund balances, beginning	<u>875,168</u>	<u>52,617</u>	<u>55,923</u>	<u>983,708</u>
Fund balances, ending	<u>\$ 811,803</u>	<u>\$ 48,087</u>	<u>\$ -</u>	<u>\$ 859,890</u>

Hertford County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Final Budget	Actual		Actual
<u>Revenues</u>				
Restricted intergovernmental revenue				
Wireless 911 funds		\$ 75,480		\$ 104,388
Contributions		-		434,022
Investment earnings		6,760		3,094
Total	<u>\$ 76,980</u>	<u>82,240</u>	<u>\$ 5,260</u>	<u>541,504</u>
<u>Expenditures</u>				
Public safety	148,031	145,605	2,426	55,529
Revenues Over (Under) Expenditures	<u>(71,051)</u>	<u>(63,365)</u>	<u>2,834</u>	<u>485,975</u>
<u>Other financing sources (uses)</u>				
Operating transfer (out)				
General Fund	-	-	-	(2,503)
Appropriated fund balance	71,051	-	-	-
Total Other Financing Sources (Uses)	<u>71,051</u>	<u>-</u>	<u>-</u>	<u>(2,503)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	<u>\$ -</u>	<u>(63,365)</u>	<u>\$ 2,834</u>	<u>483,472</u>
Fund Balance July 1		875,168		391,696
Fund Balance - June 30		<u>\$ 811,803</u>		<u>\$ 875,168</u>
<u>Emergency Telephone System Unspent Balance</u>				
Amounts reported above are different from the PSAP Revenue-Expenditure Report because:				
Net Change in Fund Balance, reported on Budget to Actual			\$ (63,365)	
Plus: Additional expenses on report not on General Ledger (accrual entries)			(2,010)	
Net Change per PSAP Revenue-Expenditure Report			<u>(65,375)</u>	
Beginning Balance, PSAP Revenue-Expenditure Report			877,439	
Ending Balance, PSAP Revenue-Expenditure Report			<u>\$ 812,064</u>	

Hertford County, North Carolina
Fire District Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
<u>Revenues</u>				
Ad Valorem taxes:				
Taxes	\$ 112,243	\$ 94,551	\$ (17,692)	\$ 95,346
Other taxes and licenses	22,225	30,105	7,880	28,759
Total revenues	134,468	124,656	(9,812)	124,105
<u>Expenditures</u>				
Public Safety				
Woodland Fire District		4,860		4,002
Union Fire District		9,915		8,297
Ahoskie Fire District		114,411		107,923
Total expenditures	134,468	129,186	5,282	120,222
Revenues over (under) expenditures	\$ -	(4,530)	\$ (15,094)	3,883
Fund Balance - July 1		52,617		48,734
Fund Balance - June 30		\$ 48,087		\$ 52,617

Hertford County, North Carolina
Office Building #1 Renovation Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018

	Actual					Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Closed Project	Total to Date	
<u>Revenues</u>						
Miscellaneous	\$ -	\$ 2,304	\$ -	\$ (2,304)	\$ -	\$ -
Investment earnings	-	155	-	(155)	-	-
Total	-	2,459	-	(2,459)	-	-
<u>Expenditures</u>						
Capital outlay						
Construction		2,306,181	29,878	(2,336,059)		
Engineers		288,301	-	(288,301)		
Paving/Repaving		3,449	-	(3,449)		
Furnishings and Equipment		297,469	-	(297,469)		
Contingency		6,749	-	(6,749)		
Total	30,109	2,902,149	29,878	(2,932,027)	-	30,109
Revenues Over (Under) Expenditures	(30,109)	(2,899,690)	(29,878)	2,929,568	-	(30,109)
<u>Other Financing Sources (Uses)</u>						
Transfer from the General Fund	56,154	100,000	-	(100,000)	-	(56,154)
Transfer to the General Fund	(26,045)	-	(26,045)	26,045	-	26,045
Proceeds from Debt	-	2,855,613	-	(2,855,613)	-	-
Total	30,109	2,955,613	(26,045)	(2,929,568)	-	(30,109)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 55,923	(55,923)	\$ -	\$ -	\$ -
Fund Balance - July 1			55,923			
Fund Balance - June 30			\$ -			

ENTERPRISE FUNDS

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 period determination of net income is appropriate for accountability purposes.

Major Enterprise Funds

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

Northern Water District Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
<u>Revenues</u>				
Operating Revenues				
Charges for services	\$ 475,150	\$ 554,488	\$ 79,338	\$ 489,948
Tap-on fees	21,000	20,178	(822)	22,624
Other	2,100	2,398	298	16,199
Total operating revenues	498,250	577,064	78,814	528,771
Nonoperating revenues:				
Interest Earned on Investments	-	4,905	4,905	1,503
Total Nonoperating Revenues	-	4,905	4,905	1,503
Total Revenues	498,250	581,969	83,719	530,274
<u>Expenditures</u>				
Administration and operations		302,878		333,383
Capital Outlay		-		101,203
Debt Service:				
Interest and fees		53,309		53,492
Debt principal		113,511		-
Bond issuance cost		-		17,350
Total Expenditures	502,363	469,698	32,665	505,428
Revenues Over (Under) Expenditures	(4,113)	112,271	116,384	24,846
<u>Other Financing Sources (Uses)</u>				
Transfers from (to) Other Funds				
Northern Project Fund	(75,960)	(75,960)	-	-
General Fund	1,516	-	(1,516)	-
Refunding Bonds Issued	-	-	-	2,050,350
Payment to refunded bond escrow agent	-	-	-	(2,033,000)
Fund Balance Appropriated	78,557	-	(78,557)	-
Total Other Financing Sources (Uses)	4,113	(75,960)	(80,073)	17,350
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ 36,311	\$ 36,311	\$ 42,196
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		\$ 36,311		\$ 42,196
Debt principal		113,511		-
Refunding Bonds Issued		-		(2,050,350)
Payment to refunded bond escrow agent		-		2,033,000
Depreciation		(109,719)		(107,931)
Capital Outlay		-		91,454
(Increase) decrease in bond interest accrued		492		(626)
(Increase) decrease in vacation payable		(216)		(3,194)
(Increase) decrease in accrued payroll		(744)		(4,421)
(Increase) decrease in net OPEB liability		8,575		(5,797)
Increase (decrease) in deferred outflows of resources - pension		(9,541)		24,016
Increase (decrease) in deferred outflows of resources - OPEB		4,309		-
(Increase) decrease in net pension liability		8,407		(27,759)
(Increase) decrease in deferred inflows of resources - pensions		439		2,522
(Increase) decrease in deferred inflows of resources - OPEB		(19,321)		-
Transfers (Ex D-2)		75,960		-
Total reconciling items		72,152		(49,086)
Change in net position		\$ 108,463		\$ (6,890)

Hertford County, North Carolina
Northern Water Improvement Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<u>Revenues</u>					
Restricted intergovernmental revenue					
USDA Rural Development grant	\$ 423,000	\$ -	\$ -	\$ -	\$ (423,000)
Tap on fees	12,200	-	-	-	(12,200)
Total	<u>435,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(435,200)</u>
<u>Expenditures</u>					
Capital Outlay					
Contingency	50,150	-	-	-	50,150
Administrative Cost	5,000	-	-	-	5,000
Contract services - construction	206,000	-	-	-	206,000
Contract services - engineering	1,168,010	-	-	-	1,168,010
Debt Service	18,000	-	-	-	18,000
Total	<u>1,447,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,447,160</u>
Revenues Over (Under) Expenditures	<u>(1,011,960)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,011,960</u>
<u>Other Financing Sources (Uses)</u>					
USDA Loan Proceeds	936,000	-	-	-	(936,000)
Transfer from Northern Water District Fund	75,960	-	75,960	75,960	-
Total	<u>1,011,960</u>	<u>-</u>	<u>75,960</u>	<u>75,960</u>	<u>(936,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,960</u>	<u>\$ 75,960</u>	<u>\$ 75,960</u>

Southern Water District Fund

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

For The Fiscal Year Ended June 30, 2018

With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
Revenues				
Operating Revenues				
Charges for services	\$ 960,120	\$ 1,017,187	\$ 57,067	\$ 971,189
Tap-on fees	49,000	41,126	(7,874)	44,318
Other	3,600	72,594	68,994	7,334
Total operating revenues	<u>1,012,720</u>	<u>1,130,907</u>	<u>118,187</u>	<u>1,022,841</u>
Nonoperating revenues:				
Interest Earned on Investments	-	21,349	21,349	5,916
Total Nonoperating Revenues	<u>-</u>	<u>21,349</u>	<u>21,349</u>	<u>5,916</u>
Total Revenues	<u>1,012,720</u>	<u>1,152,256</u>	<u>139,536</u>	<u>1,028,757</u>
Expenditures				
Administration and operations		326,558		365,181
Capital Outlay		27,673		110,208
Debt Service:				
Interest and fees		112,655		114,335
Debt principal		239,874		-
Bond issuance cost		-		17,350
Total Expenditures	<u>1,014,073</u>	<u>706,760</u>	<u>307,313</u>	<u>607,074</u>
Revenues Over (Under) Expenditures	<u>(1,353)</u>	<u>445,496</u>	<u>446,849</u>	<u>421,683</u>
Other Financing Sources (Uses)				
Transfers from (to) Other Funds				
General Fund	1,353	-	(1,353)	-
Refunding Bonds Issued	-	-	-	4,332,850
Payment to refunded bond escrow agent	-	-	-	(4,315,500)
Total Other Financing Sources (Uses)	<u>1,353</u>	<u>-</u>	<u>(1,353)</u>	<u>17,350</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 445,496</u>	<u>\$ 445,496</u>	<u>\$ 439,033</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		\$ 445,496		\$ 439,033
Debt principal		239,874		-
Refunding Bonds Issued		-		(4,332,850)
Payment to refunded bond escrow agent		-		4,315,500
Depreciation		(231,467)		(230,002)
Capital Outlay		28,342		91,454
(Increase) decrease in bond interest accrued		1,040		(1,123)
(Increase) decrease in accrued payroll		(1,279)		(4,395)
(Increase) decrease in vacation payable		(725)		1,302
(Increase) decrease in net OPEB obligation		8,544		(7,724)
Increase in deferred outflows of resources - pension		(9,749)		24,074
Increase in deferred outflows of resources - OPEB		4,267		-
Increase (decrease) in net pension liability		8,684		(27,825)
(Increase) Decrease in deferred inflows of resources - pensions		330		2,528
(Increase) Decrease in deferred inflows of resources - OPEB		(19,131)		-
Total reconciling items		<u>28,730</u>		<u>(169,061)</u>
Change in net position		<u>\$ 474,226</u>		<u>\$ 269,972</u>

Hertford County, North Carolina
Tunis Sewer District Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

Exhibit D-4

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
<u>Revenues</u>				
Operating Revenues				
Charges for services	\$ 27,000	\$ 31,441	\$ 4,441	\$ 33,778
Total operating revenues	<u>27,000</u>	<u>31,441</u>	<u>4,441</u>	<u>33,778</u>
Nonoperating revenues:				
Interest Earned on Investments	1,000	1,053	53	420
Total Nonoperating Revenues	<u>1,000</u>	<u>1,053</u>	<u>53</u>	<u>420</u>
Total Revenues	<u>28,000</u>	<u>32,494</u>	<u>4,494</u>	<u>34,198</u>
<u>Expenditures</u>				
Administration and operations		14,057		14,288
Debt Service:				
Debt Principal		5,500		5,500
Interest and fees		7,115		6,683
Total Expenditures	<u>28,000</u>	<u>26,672</u>	<u>1,328</u>	<u>26,471</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>5,822</u>	<u>5,822</u>	<u>7,727</u>
<u>Other Financing Sources (Uses)</u>				
Transfers from (to) Other Funds				
Tunis Sewer District Capital Project Fund	-	-	-	102,663
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,663</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 5,822</u>	<u>\$ 5,822</u>	<u>\$ 110,390</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		5,822		\$ 110,390
Debt Principal		5,500		5,500
Depreciation Expense		(38,867)		(38,867)
(Increase) decrease in bond interest accrued		(23)		(1,195)
Transfers in (out) Tunis Sewer District Project Fund (Ex D-5)		-		(220,867)
Total reconciling items		<u>(33,390)</u>		<u>(255,429)</u>
Change in net position		<u>\$ (27,568)</u>		<u>\$ (145,039)</u>

**Hertford County, North Carolina
Sanitation Fund**

Exhibit D-5

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017**

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
<u>Revenues</u>				
Operating Revenues				
Charges for services	\$ 1,006,200	\$ 909,279	\$ (96,921)	\$ 1,001,315
Other	54,000	60,457	6,457	59,782
Total Operating Revenues	1,060,200	969,736	(90,464)	1,061,097
Nonoperating revenues:				
Interest Earnings	1,074	2,342	1,268	1,776
Total Nonoperating Revenues	1,074	2,342	1,268	1,776
Total Revenues	1,061,274	972,078	(89,196)	1,062,873
<u>Expenditures</u>				
Landfill:				
Administration and operations		413,072		443,497
Contract services		603,189		622,162
Capital Outlay		-		86,340
Total Expenditures	1,090,280	1,016,261	74,019	1,151,999
Revenues Over (Under) Expenditures	(29,006)	(44,183)	(15,177)	(89,126)
<u>Other Financing Sources (Uses)</u>				
Transfers from (to) Other Funds				
General Fund	4,006	-	(4,006)	-
Fund Balance Appropriated	25,000	-	(25,000)	-
Total Other Financing Sources (Uses)	29,006	-	(29,006)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (44,183)	\$ (44,183)	\$ (89,126)
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		\$ (44,183)		\$ (89,126)
Depreciation		(16,597)		(14,935)
Capital outlay		-		62,233
(Increase) decrease in vacation payable		(639)		(3,302)
(Increase) decrease in accrued payroll		1,640		(12,438)
(Increase) decrease in net OPEB liability		4,643		(20,204)
(Increase) decrease in landfill closure		21,762		17,702
Increase in deferred outflows of resources - pension		(7,766)		20,788
Increase in deferred outflows of resources - OPEB		2,301		-
Increase in net pension liability		6,711		(24,027)
Decrease in deferred outflows of resources - pensions		234		2,182
Decrease in deferred outflows of resources - OPEB		(10,315)		-
Total reconciling items		1,974		27,999
Change in net position		\$ (42,209)		\$ (61,127)

AGENCY FUNDS

Agency funds are used to account for assets held by the county as an agent for individuals, private organizations, other governments, and/or other funds.

- **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 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.
- **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, 2018

Exhibit E-1

	Restated Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Social Services</u>				
Assets				
Cash	\$ 13,748	\$ 40,294	\$ 34,839	\$ 19,203
Liabilities				
Miscellaneous Liabilities	\$ 13,748	\$ 40,294	\$ 34,839	\$ 19,203
<u>Inmates Money</u>				
Assets				
Cash	\$ 15,331	\$ 98,495	\$ 98,375	\$ 15,451
Liabilities				
Miscellaneous Liabilities	\$ 15,331	\$ 98,495	\$ 98,375	\$ 15,451
<u>Fines and Forfeitures</u>				
Assets				
Cash	\$ -	\$ 75,351	\$ 75,351	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 75,351	\$ 75,351	\$ -
<u>Tax Fund</u>				
Assets				
Cash	\$ -	\$ 4,077,667	\$ 4,077,667	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 4,077,667	\$ 4,077,667	\$ -
<u>TOTAL - ALL AGENCY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 29,079	\$ 4,291,807	\$ 4,286,232	\$ 34,654
Liabilities:				
Miscellaneous Liabilities	\$ 29,079	\$ 4,291,807	\$ 4,286,232	\$ 34,654

OTHER SCHEDULES

This section includes additional information required on property taxes.

- 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, 2018

Exhibit F-1

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2017</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 13,829,566	\$ 13,302,869	\$ 526,697
2016-2017	485,362	-	239,271	246,091
2015-2016	198,209	2,109	69,331	130,987
2014-2015	104,063	-	24,582	79,481
2013-2014	97,533	-	15,550	81,983
2012-2013	87,597	-	7,033	80,564
2011-2012	68,180	-	4,429	63,751
2010-2011	62,658	-	4,052	58,606
2009-2010	59,120	-	2,526	56,594
2008-2009	57,417	-	2,705	54,712
2007-2008	53,672	-	53,672	-
Totals	<u>\$ 1,273,811</u>	<u>\$ 13,831,675</u>	<u>\$ 13,726,020</u>	<u>\$ 1,379,466</u>
			Less: allowance for uncollectible accounts	<u>(530,000)</u>
			Taxes Receivable (Net)	<u>\$ 849,466</u>
 <u>Reconciliation with revenues:</u>				
			Ad valorem taxes - General Fund	\$ 13,645,522
			Interest and discounts	<u>27,618</u>
				13,673,140
			<u>Reconciling items:</u>	
			Amounts written off for 2007-2008 levy	<u>52,880</u>
			Total Reconciling Items	<u>52,880</u>
			Total Collections and Credits	<u>\$ 13,726,020</u>

Hertford County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
June 30, 2018

Exhibit F-2

	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	\$ 1,636,091,071	0.840	\$ 13,743,165	\$ 12,360,569	\$ 1,382,596
Dog tax	-		5,550	5,550	-
Fire Districts	-		80,851	80,851	-
Total Original Levy	<u>1,636,091,071</u>		<u>13,829,566</u>	<u>12,446,970</u>	<u>1,382,596</u>
Total Property Valuation	<u>\$ 1,636,091,071</u>				
Net levy			13,829,566	12,446,970	1,382,596
Uncollected taxes at June 30, 2018			<u>(526,697)</u>	<u>(526,697)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 13,302,869</u>	<u>\$ 11,920,273</u>	<u>\$ 1,382,596</u>
Current levy collection percentage			<u>96.19%</u>	<u>95.77%</u>	<u>100.00%</u>

Hertford County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
June 30, 2018

Exhibit F-2

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 1,273,596,185
Personal Property	207,734,579
Public Service Companies	<u>803,878</u>
Total Assessed Valuation	1,702,250,787
Tax Rate per \$100	0.84
Levy (includes discoveries, releases and abatements)	<u>\$ 13,743,165</u>

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	<u>\$ 78,805</u>
---------------------------	------------------

**Hertford County, North Carolina
Top Ten Taxpayers
June 30, 2018**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Wackelnut Corrections Corp	Correctional Facility	\$ 60,107,493	3.67%
Nucor Corporation	Manufacturing	44,481,462	2.72%
Enviva Pellets Ahoskie, LLC	Manufacturing	40,426,993	2.47%
Kerr Group, LLC	Manufacturing	15,988,581	0.98%
Commercial Ready Mix Products, Inc	Construction	15,550,255	0.95%
Carrol's Foods of Virginia, Inc	Livestock	12,350,442	0.75%
Perdue Agribusiness LLC	Manufacturing	11,917,570	0.73%
Wal-Mart Real Estate Business Trust	Retail	10,589,935	0.65%
Perdue Grain and Oil Seed LLC	Farming	9,512,132	0.58%
Fresh Air Energy XXV LLC	Service	9,210,338	0.56%
		<u>\$ 230,135,200</u>	<u>14.07%</u>

COMPLIANCE SECTION



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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 Auditors' Report

To the Board of County Commissioners
Hertford County
Winton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2018, and the related notes to the financial statements, which collectively comprises Hertford County's basic financial statements, and have issued our report thereon dated January 16, 2019. Our report includes a reference to other auditors who audited the financial statements of the Hertford County Public Health Authority or the Hertford County ABC Board, 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 the Hertford ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hertford County's internal control over financial reporting (internal control) to determine the audit procedure 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies [2018-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hertford County's financial statements are free of 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 *Government Auditing Standards*.

Hertford County's Response to Findings

Hertford County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
January 16, 2019



Thompson, Price, Scott, Adams & Co, P.A.

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

Independent Auditors' Report

To the Board of County Commissioners
Hertford County
Winton, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Hertford County, North Carolina's, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Hertford County's major federal programs for the year ended June 30, 2018. Hertford County's major federal programs are identified in the summary of auditors' 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.

Auditors' 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 Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 the Hertford County compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2018.

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 direct and material effect on 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
January 16, 2019



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

Independent Auditors' Report

To the Board of County Commissioners
Hertford County
Winton, North Carolina

Report on Compliance for Each Major State Program

We have audited Hertford County, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Hertford County's major state programs for the year ended June 30, 2018. Hertford County's major state programs are identified in the summary of auditors' 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 Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that with governance. ct 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.

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

Opinion on Each Major State 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 each of its major state programs for the year ended June 30, 2018.

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 and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
January 16, 2019

HERTFORD COUNTY, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material Weakness(es) identified? ___yes X no
- Significant Deficiency(s) identified? X yes ___none reported

Noncompliance material to financial statements noted ___yes X no

Federal Awards

Internal control over major federal programs:

- Material Weakness(es) identified? ___yes X no
- Significant Deficiency(s) identified? ___yes X none reported

Noncompliance material to federal awards ___yes X no

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

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

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
93.778	Medical Assistance Program
10.561	Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families (TANF)

HERTFORD COUNTY, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II. Financial Statement Findings

Finding 2018-01 **Reconciliation of Records**

SIGNIFICANT DEFICIENCY

Criteria: Records should be reconciled timely.

Condition: Reconciliations could not be provided for all bank accounts for the year. Some of the smaller fiduciary accounts are held outside of finance and monthly reconciliations were not provided to finance for review. In addition, a reconciliation was not prepared for the central depository for all months during the fiscal year.

Effect: Errors and other problems could occur and not be detected by management in a timely manner and could impact management's ability to have accurate information for decisions.

Cause: The County experienced turnover in finance over the past two years, and the previous director did not prepare monthly reconciliations for all bank accounts.

Recommendation: The current finance director has put procedures in place as of the report date to require reconciliations of all accounts. The Board should implement internal control procedures that will monitor accounts to ensure that accounts are timely reconciled to strengthen internal controls within the County. Bank reconciliations are needed to ensure that all deposits and expenditures including transfers are accurately reported on the general ledger.

Views of responsible officials and planned corrective actions: The County agrees with this finding. Procedures are already in place to rectify this issue.

Section III. Federal Award Findings and Questioned Costs

None Reported.

Section IV. State Award Findings and Questioned Costs

None Reported.



HERTFORD
C O U N T Y
North Carolina

Corrective Action Plan
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

Finding: 2018-01 Reconciliation of Records

Name of contact person: Sandy Pittman, Finance Officer

Corrective Action: The County recognizes the importance of timely reconciliations and will make all efforts to reconcile all accounts and bank accounts earlier in the future. Procedures have been put into place to require reconciliations for all accounts monthly, to include the fiduciary accounts.

Proposed Completion Date: Immediately

Section III - Federal Award Findings and Question Costs

None Reported.

Section IV - State Award Findings and Question Costs

None Reported

BUILD YOUR FUTURE ON OUR FOUNDATION

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HERTFORD COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2018

Finding: 17-01

Status: Repeated as 18-01

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Dept. of Agriculture</u>						
Passed-through N.C. Dept. of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 275,319	\$ -	\$ -	\$ 275,319
Total U.S. Dept. of Agriculture			<u>275,319</u>	<u>-</u>	<u>-</u>	<u>275,319</u>
<u>US Dept. of Health and Human Services</u>						
Passed-through Mid East Commissions:						
Division of Aging and Adult Services:						
<u>Aging Cluster</u>						
Special Programs for the Aging Title IIIB						
Grants for Supportive Services and Senior Centers	93.044		18,532	1,090	-	2,180
Special Programs for the Aging Title IIIC Nutrition	93.045		134,227	7,896	-	15,791
Nutrition Services Incentive Program	93.053		21,875	-	-	-
Total Aging Cluster			<u>174,634</u>	<u>8,986</u>	<u>-</u>	<u>17,971</u>
Division of Social Services:						
Temporary Assistance Needy Family Cluster						
TANF-Work First	93.558		261,547	-	-	155,929
Total TANF Cluster			<u>261,547</u>	<u>-</u>	<u>-</u>	<u>155,929</u>
AFDC Payments and Penalties	93.560		(188)	(52)	-	(52)
<u>Foster Care and Adoption Cluster (Note 4)</u>						
Foster Care - Title IV-E	93.658		24,630	10,210	-	16,105
Adoption Assistance	93.659		5,510	-	-	5,510
Foster Care	N/A		16,117	-	-	283
IV-E Adoption	N/A		151	-	-	-
Total Foster Care and Adoption Cluster			<u>46,408</u>	<u>10,210</u>	<u>-</u>	<u>21,898</u>
Child Support Enforcement	93.563		288,926	-	-	148,841
Low-Income Home Energy Assistance						
Administration	93.568		26,065	-	-	-
Energy Assistance - Direct Benefit Payments	93.568		178,700	-	-	-
Crisis Intervention Program	93.568		168,003	-	-	-
Total Low-Income Energy Assistance			<u>372,768</u>	<u>-</u>	<u>-</u>	<u>-</u>
Stephanie Tubbs Jones Child Welfare Services Program						
Permanency Planning - Families for Kids	93.645		1,869	-	-	623
Total Stephanie Tubbs Jones Child Welfare Services Program:			<u>1,869</u>	<u>-</u>	<u>-</u>	<u>623</u>
Chafee Foster Care Independence Program	93.674		(460)	(115)	-	-
SSBG - Other Service and Training	93.667		149,046	-	-	49,682
Division of Aging and Adult Service:						
Division of Social Services						
SSBG - State In Home Service Fund	93.667		10,641	-	-	1,520
SSBG - State Adult Day Care	93.667		23,107	4,637	-	6,911
Pass-through Mid East Commission:						
Social Services Block Grant (SSBG)	93.667		7,123	204	-	814
Total Social Service Block Grant			<u>189,917</u>	<u>4,841</u>	<u>-</u>	<u>58,927</u>

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
<u>Administration for Children and Families:</u>						
Passed-through the N.C. Dept. of Health and Human Services						
Subsidized Child Care:						
<u>Child Care Development Fund Cluster:</u>						
Division of Social Services:						
Child Care Development Fund-Administration	93.569		\$ 97,588	\$ -	\$ -	\$ -
Division of Child Development:						
Child Care and Development Block Grant- Discretionary	93.575		52,703	-	-	-
Child Care and Development Block Grant - Mandatory	93.596		6,945	-	-	-
Child Care and Development Block Grant - Match	93.596		18,814	9,317	-	-
Total Child Care Development Fund Cluster			<u>176,050</u>	<u>9,317</u>	<u>-</u>	<u>-</u>
Temporary Assistance for Needy Families	93.558		5,657	-	-	-
State Appropriations	N/A		-	170	-	-
TANF-MOE	N/A		-	12,065	-	-
Total Subsidized Child Care Cluster			<u>181,707</u>	<u>21,552</u>	<u>-</u>	<u>-</u>
Passed-through the N.C. Department of Health and Human Services						
Division of Medical Assistance:						
Division of Social Services						
Administration						
Medical Assistance Program	93.778		995,393	8,273	-	384,448
Total Medical Assistance Program			<u>995,393</u>	<u>8,273</u>	<u>-</u>	<u>384,448</u>
Division of Social Services						
Administration						
State Children's Insurance Program - N.C. Health Choice	93.767		10,786	2	-	-
Total State Children's Insurance Program NC Health Choice			<u>10,786</u>	<u>2</u>	<u>-</u>	<u>-</u>
Total U. S. Department of Health and Human Services			<u>2,523,307</u>	<u>53,697</u>	<u>-</u>	<u>788,585</u>
<u>U.S. Dept. of Homeland Security</u>						
Passed through the NC Dept. of Public Safety						
Division of Emergency Management						
Emergency Management Performance Grant	97.042		38,642	-	-	-
Total U.S. Dept. of Homeland Security			<u>38,642</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Federal Awards			<u>\$ 2,837,268</u>	<u>\$ 53,697</u>	<u>\$ -</u>	<u>\$ 1,063,904</u>
State Awards:						
<u>N.C. Dept. of Health and Human Services</u>						
Division of Aging and Adult Services						
State Funds - Access			\$ -	\$ 4,637	\$ -	\$ 515
State Funds - In-Home Services			-	64,157	-	7,129
State Funds - Home Delivered Meals			-	21,741	-	2,416
State Appropriation			-	17,703	-	1,967
Senior Center General Purpose			-	7,292	-	2,125
Total Division of Aging and Adult Services			<u>-</u>	<u>115,530</u>	<u>-</u>	<u>14,152</u>

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
Division of Social Services:						
AFDC Incent/Program Integrity		N/A	\$ -	\$ 78	\$ -	\$ -
DCD Smart Start		N/A	-	8,082	-	-
State Child Welfare/CPS/CS LD		N/A	-	14,066	-	-
County Funded Programs		N/A	-	-	-	259,192
Work First Non Reimbursable		N/A	-	-	-	3,209
Non-Allocating County Cost		N/A	-	-	-	514,415
State Foster Home			-	772	-	772
Total for Division of Social Services			-	22,998	-	777,588
Total N.C. Dept. Health and Human Services			-	138,528	-	791,740
<u>N. C. Dept. of Environmental Quality</u>						
Division of Waste Management						
Electronics Management			-	1,919	-	-
Scrap Tire Program		N/A	-	44,971	-	-
White Goods			-	15,941	-	-
Total N.C. Dept. of Environmental Quality			-	62,831	-	-
<u>N.C. Dept. of Administration</u>						
Veterans Service		N/A	-	2,175	-	-
Total N.C. Dept. of Administration			-	2,175	-	-
<u>N.C. Dept. of Transportation</u>						
Rural Operating Assistance Program (ROAP) Cluster						
ROAP Elderly and Disabled Transportation Assistance Progr	36220.10.7.1		-	57,854	-	-
ROAP Rural General Public Program	36228.22.7.1		-	26,998	-	-
ROAP Work First Transitional - Employment	36236.11.6.1		-	7,861	-	-
Total ROAP Cluster			-	92,713	-	-
<u>N.C. Dept. of Insurance</u>						
SHIIP Grant			-	3,060	-	-
<u>N.C. Dept. of Public Safety</u>						
JCPC Administration		N/A	-	5,622	-	-
Second Chance			-	32,000	-	3,200
Power of U			-	29,182	-	2,918
Vocational Job and Education			-	40,667	-	4,067
Total Juvenile Crime Prevention Programs			-	107,471	-	10,185
Tier II Universal Grant		N/A	-	1,000	-	-
Total N.C Dept. of Public Safety			-	108,471	-	10,185
<u>N.C. Department of Agriculture and Consumer Services</u>						
Pesticide Container Recycling Program			-	8,779	-	-
Soil & Water Conservation			-	30,150	-	-
Total N.C. Department of Agriculture and Consumer Services			-	38,929	-	-
Total State Awards			-	446,707	-	801,925
Total Federal and State Awards			\$ 2,837,268	\$ 500,404	\$ -	\$ 1,865,829

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2018

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed (Direct &</u> <u>Pass-through</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Pass-through</u> <u>to</u> <u>Subrecipients</u>	<u>Local</u> <u>Expenditures</u>
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Notes to the Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of Hertford County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Hertford County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Hertford County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Hertford County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Cluster of Programs

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