

HERTFORD COUNTY, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2017

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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, 2017, 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 bases 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.

Members

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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, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, 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 on pages 4 through 11 and 64 through 71, 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 29, 2018, 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 29, 2018

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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

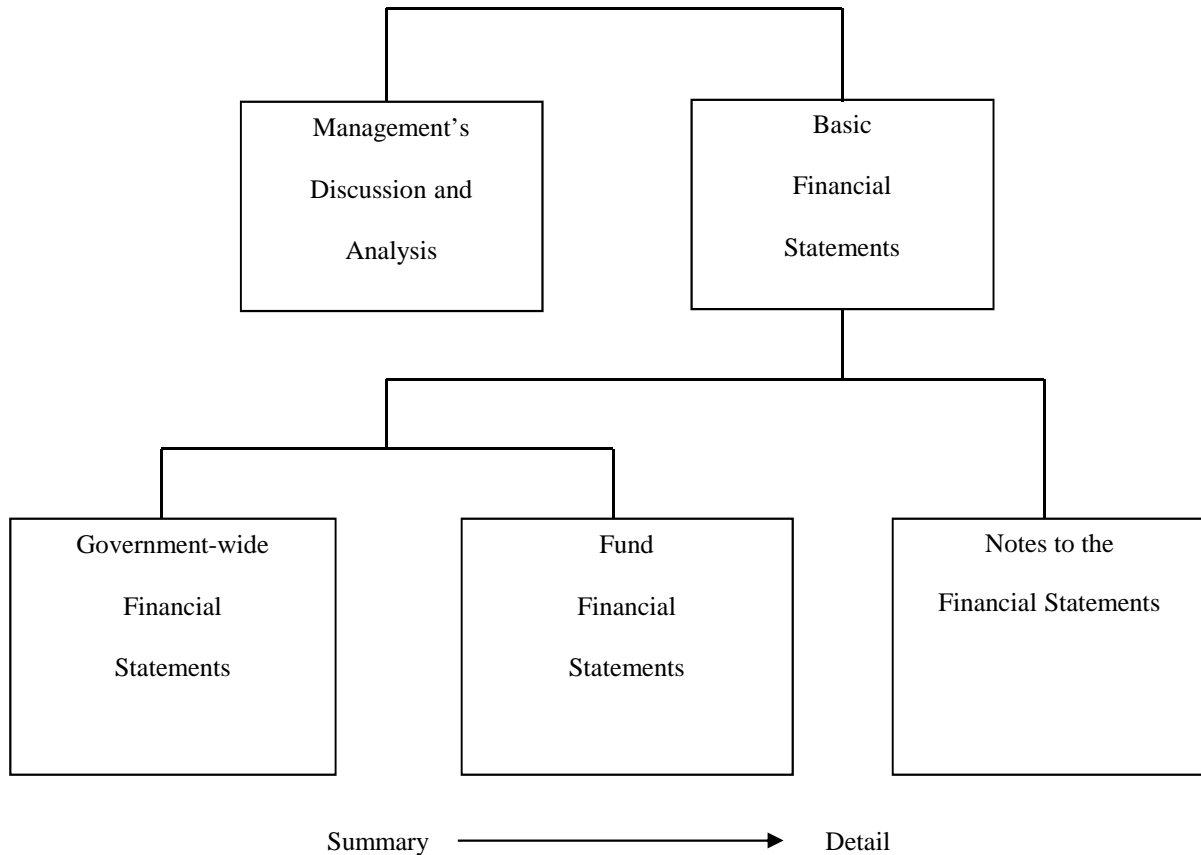
- The assets and deferred outflows of resources of Hertford County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$25,035,428 (net position).
- The government's total net position increased by \$695,773, primarily due to an increased net position in the Governmental Activities of \$638,857 and an increase in the Business-Type Activities of \$56,916.
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$11,551,692 a decrease of \$2,454,284 in comparison with the prior year. Approximately 28.85 percent of this total amount, or \$3,333,152, is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,433,238 or 12.70 percent of total general fund expenditures for the fiscal year.
- Hertford County's total debt decreased by \$734,819 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 three component units including the Economic Development Commission, 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 \$25,035,428 as of June 30, 2017. One of the largest portions, \$15,442,397 (61.68%) 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 \$3,333,152 (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,336,530 is unrestricted.

HERTFORD COUNTY'S NET POSITION

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 14,147,328	\$ 16,152,083	\$ 3,745,074	\$ 3,465,487	\$ 17,892,402	\$ 19,617,570
Capital assets	23,378,152	20,350,619	12,130,424	12,277,018	35,508,576	32,627,637
Total assets	<u>37,525,480</u>	<u>36,502,702</u>	<u>15,875,498</u>	<u>15,742,505</u>	<u>53,400,978</u>	<u>52,245,207</u>
Deferred outflows of resources	1,849,104	429,648	89,896	21,018	1,939,000	450,666
Long-term liabilities outstanding	18,616,420	20,301,122	7,287,369	7,257,436	25,903,789	27,558,558
Other liabilities	3,938,377	753,591	305,281	183,026	4,243,658	936,617
Total liabilities	<u>22,554,797</u>	<u>21,054,713</u>	<u>7,592,650</u>	<u>183,026</u>	<u>30,147,447</u>	<u>28,495,175</u>
Total deferred inflows of resources	153,432	283,241	3,671	10,904	157,103	294,145
Net position:						
Net investment in capital assets	9,996,673	6,305,121	5,445,724	5,621,518	15,442,397	11,926,639
Restricted	3,333,152	5,869,156	-	221,475	3,333,152	6,090,631
Unrestricted	3,336,530	3,420,119	2,923,349	2,469,164	6,259,879	5,889,283
Total net position	<u>\$ 16,666,355</u>	<u>\$ 15,594,396</u>	<u>\$ 8,369,073</u>	<u>\$ 8,312,157</u>	<u>\$ 25,035,428</u>	<u>\$ 23,906,553</u>

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

- County operations have been approximately break-even over the past several years due to sound fiscal leadership and Board governance
- Continued recognition of OPEB liability;
- A secure tax base; and
- Implementation of pension standards;

HERTFORD COUNTY'S CHANGES IN NET POSITION
Figure 3

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,125,736	\$ 1,847,032	\$ 2,563,172	\$ 2,531,539	\$ 4,688,908	\$ 4,378,571
Operating grants and contributions	4,983,590	5,151,091	-	-	4,983,590	5,151,091
Capital grants and contributions	862,539	2,805,665	-	13,115	862,539	2,818,780
General revenues:						
Property taxes	13,726,781	13,633,837	-	-	13,726,781	13,633,837
Local option sales tax	5,137,076	4,242,178	-	-	-	4,242,178
Other taxes	86,083	93,677	-	-	86,083	93,677
Unrestricted grants and contributions	115,616	106,784	-	-	115,616	106,784
Investment Earnings	44,694	35,615	9,615	1,418	-	37,033
Miscellaneous	177,809	72,761	83,315	57,959	261,124	130,720
Total revenues	27,259,924	27,988,640	2,656,102	2,604,031	29,916,026	30,592,671
Expenses:						
General government	4,389,246	3,984,934	-	-	4,389,246	3,984,934
Public safety	7,211,589	6,565,052	-	-	7,211,589	6,565,052
Transportation	28,300	33,300	-	-	28,300	33,300
Economic and physical development	551,712	377,228	-	-	551,712	377,228
Human services	7,088,278	6,944,515	-	-	7,088,278	6,944,515
Cultural and recreation	106,964	106,964	-	-	106,964	106,964
Education	6,944,883	6,316,246	-	-	6,944,883	6,316,246
Interest on long-term debt	418,299	391,373	-	-	418,299	391,373
Sanitation	-	-	1,124,000	987,741	1,124,000	987,741
Water and sewer	-	-	1,356,982	1,216,886	1,356,982	1,216,886
Total expenses	26,739,271	24,719,612	2,480,982	2,204,627	29,220,253	26,924,239

Increase in net position before transfers	520,653	3,269,028	175,120	399,404	695,773	3,668,432
Transfers	118,204	(14,625)	(118,204)	14,625	-	-
Increase in net position	638,857	3,254,403	56,916	414,029	695,773	3,668,432
Net position, July 1	15,594,396	13,157,032	8,312,157	8,105,079	23,906,553	21,262,111
Restatement	433,102	(817,039)	-	(206,951)	433,102	(1,023,990)
Net position, July 1, as restated	16,027,498	12,339,993	8,312,157	7,898,128	24,339,655	20,238,121
Net position, June 30	\$ 16,666,355	\$ 15,594,396	\$ 8,369,073	\$ 8,312,157	\$ 25,035,428	\$ 23,906,553

Governmental activities. Governmental activities increased the County’s net position by \$638,857 accounting for 91.82% of the total increase in the net position of Hertford County. Key elements of this increase are as follows:

- Charges for services increased by \$278,704 and property taxes and local option sales tax increased in the amounts of \$92,944 and \$894,898, respectively.

Business-type activities. Business-type activities increased Hertford County’s net position by 8.18% or \$56,916 over the prior year. The key elements of this increase are as follows.

- Charges for services increased by \$31,633. In addition, the general obligation debt was refunded to lower the interest rate on the debt.

Financial Analysis of the County’s Funds

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

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

The General Fund is the chief operating fund of Hertford County. At the end of the current fiscal year, Hertford County's fund balance available in the General Fund was \$8,229,394, while total fund balance reached \$10,567,984. 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 30.45% of general fund expenditures, while total fund balance represents 39.11% of that same amount.

At June 30, 2017, the governmental funds of Hertford County reported a combined fund balance of \$11,551,692, a 17.52% decrease from last year. The primary reason for this decrease was expenditures in the County Administration Building Renovation Project.

There were other variances reflected in the governmental fund financial statements for 2017.

- Our 2017 overall collection rate is 96.46%, lower than the state and higher than the prior year rate of 95.86%

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 \$2,814,141 or 10.19 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 \$43,521 and those for the Water and Sewer Districts equaled \$2,879,828. 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, 2017, totals \$35,508,576 (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	
	2017	2016	2017	2016	2017	2016
Land and Improvements	\$ 462,083	\$ 462,083	\$ 44,317	\$ 44,317	\$ 506,400	\$ 506,400
Construction in Progress	2,939,434	4,316,715	-	-	2,939,434	4,316,715
Buildings and Improvements	17,608,838	14,381,546	303,016	-	17,911,854	14,381,546
Plant and Distribution Systems	1,878,165	-	11,536,945	11,948,297	13,415,110	11,948,297
Equipment	489,632	703,814	180,154	185,392	669,786	889,206
Vehicle and Motor Equipment	-	486,461	65,992	99,012	65,992	585,473
Total	\$ 23,378,152	\$ 20,350,619	\$ 12,130,424	\$ 12,277,018	\$ 35,508,576	\$ 32,627,637

Additional information on the County’s capital assets can be found in Note 3(a)(5) on pages 38-40.

Long-term Debt. As of June 30, 2017, Hertford County had total debt outstanding of \$28,614,842 of which \$17,151,573 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	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$10,466,873	\$11,116,665	\$ 6,684,700	\$ 6,655,500	\$17,151,573	\$ 17,772,165
Installment Purchases	3,164,606	3,278,833	-	-	3,164,606	3,278,833
Compensated Absences	601,644	500,494	35,094	29,822	636,738	530,316
Net pension liability (LGERS)	2,024,496	415,575	100,174	20,563	2,124,670	436,138
Total pension liability (LEOSSA)	586,384	568,161	-	-	586,384	568,161
Landfill closure payable	-	-	171,547	189,249	171,547	189,249
Other Postemployment Benefits	4,383,297	4,010,019	396,027	362,302	4,779,324	4,372,321
Total Long-Term Debt	\$ 21,227,300	\$ 19,889,747	\$ 7,387,542	\$ 7,257,436	\$ 28,614,842	\$ 27,147,183

During the past fiscal year, Hertford County's total debt increased but \$1,467,659 or 5.41 percent. General obligation debt of \$649,792 was retired in governmental activities. Business-type activities bonds were refunded, so the total outstanding actually increased by \$29,200.

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 \$116,022,340.

Additional information regarding Hertford County's long-term debt can be found in Note II 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.

- Due to a modest increase in assessed property values, the tax rate remained the same.
- The local economy remained steady via a diverse group of top ten taxpayers maintaining their operations.
- The County continues to strive to keep revenues and expenditures closely aligned and maintains a balanced budget.

Budget Highlights for Fiscal Year Ending June 30, 2018

Government Activities: The County adopted a budget for fiscal year 2018 with a \$1,431,458 increase in General Fund expenditures due largely in part to increased personnel, capital equipment and building renovations in Public Safety.

Business-type Activities: The water and sewer rates and user fees in the County's Enterprise Funds will remain the same for fiscal year 2018 for both residential and commercial customers.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Sandy Pittman, Director of Finance, Hertford County Government Center 115 Justice Drive, Suite 1, Winton, North Carolina 27986.

**BASIC
FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Hertford County, North Carolina
Statement of Net Position
June 30, 2017

				Component Units		
	Governmental Activities	Business-type Activities	Total	Economic Developmen t Commission	Hertford County ABC Board	Hertford County Public Health Authority
ASSETS						
Cash and cash investments	\$ 7,732,192	\$ 3,199,628	\$ 10,931,820	\$ 148,467	\$ 237,871	\$ 269,661
Taxes receivable	1,023,810	-	1,023,810	-	-	-
Accrued interest receivable on taxes	238,359	-	238,359	-	-	-
Accounts receivables (net)	2,409,301	441,635	2,850,936	-	-	103,613
Internal balances	-	-	-	-	-	-
Net pension asset	34,715	-	34,715	-	-	-
Prepaid expenses	-	-	-	-	2,745	58,751
Restricted cash and cash equivalents	2,708,951	103,811	2,812,762	-	312,675	-
Capital assets:						
Land, improvements, and construction in progress	3,401,517	34,317	3,435,834	-	24,220	-
Other capital assets, net of depreciation	19,976,635	12,096,107	32,072,742	-	302,868	214,648
Total capital assets	23,378,152	12,130,424	35,508,576	-	327,088	214,648
Total assets	37,525,480	15,875,498	53,400,978	148,467	880,379	646,673
DEFERRED OUTFLOWS OF RESOURCES	1,849,104	89,896	1,939,000	-	36,763	453,555
LIABILITIES						
Accounts payable & accrued liabilities	1,217,341	72,440	1,289,781	2,261	61,036	125,065
Customer deposits	14,400	103,811	118,211	-	-	-
Accrued interest payable	95,756	28,856	124,612	-	-	-
Long-term liabilities:						
Due within one year	1,789,691	367,659	2,157,350	-	-	185,010
Net pension liability	2,024,496	100,174	2,124,670	-	56,240	-
Total pension liability	586,384	-	586,384	-	-	-
Due in more than one year	16,826,729	6,919,710	23,746,439	-	193,264	2,701,686
Total long-term liabilities	21,227,300	7,387,543	28,614,843	-	249,504	2,886,696
Total liabilities	22,554,797	7,592,650	30,147,447	2,261	310,540	3,011,761
DEFERRED INFLOWS OF RESOURCES	153,432	3,671	157,103	-	2,023	61,261
NET POSITION						
Net investment in capital assets	9,996,673	5,445,724	15,442,397	-	327,088	80,688
Restricted for:						
Stabalization by State Statute	2,372,996	-	2,372,996	-	-	103,613
Register of Deeds	10,854	-	10,854	-	-	-
Public Safety	-	-	-	-	-	-
Human Services	893,379	-	893,379	-	-	-
Working Capital	-	-	-	-	68,548	-
Unrestricted (deficit)	3,336,530	2,923,349	6,259,879	146,206	208,943	(2,157,095)
Total net position	\$ 16,666,355	\$ 8,369,073	\$ 25,035,428	\$ 146,206	\$ 604,579	\$ (1,972,794)

Hertford County, North Carolina
 Statement of Activities
 For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit			
					Governmental Activities	Business-type Activities	Total	Hertford County Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority	
Primary government:											
Governmental Activities:											
General government	\$ 4,389,246	\$ 528,666	\$ -	\$ -	\$ (3,860,580)	\$ -	\$ (3,860,580)	\$ -	\$ -	\$ -	\$ -
Public safety	7,211,589	1,588,770	951,668	862,539	(3,808,612)	-	(3,808,612)	-	-	-	-
Transportation	28,300	-	-	-	(28,300)	-	(28,300)	-	-	-	-
Economic and physical development	551,712	8,300	24,992	-	(518,420)	-	(518,420)	-	-	-	-
Human services	7,088,278	-	4,006,930	-	(3,081,348)	-	(3,081,348)	-	-	-	-
Cultural and recreation	106,964	-	-	-	(106,964)	-	(106,964)	-	-	-	-
Education	6,944,883	-	-	-	(6,944,883)	-	(6,944,883)	-	-	-	-
Interest on long-term debt	418,299	-	-	-	(418,299)	-	(418,299)	-	-	-	-
Total governmental activities	26,739,271	2,125,736	4,983,590	862,539	(18,767,406)	-	(18,767,406)	-	-	-	-
Business-type activities:											
Sanitation	1,124,000	1,001,315	-	-	-	(122,685)	(122,685)	-	-	-	-
Water and Sewer	1,356,982	1,561,857	-	-	-	204,875	204,875	-	-	-	-
Total business-type activities	2,480,982	2,563,172	-	-	-	82,190	82,190	-	-	-	-
Total primary government	29,220,253	4,688,908	4,983,590	862,539	(18,767,406)	82,190	(18,685,216)	-	-	-	-
Component Units:											
Economic Development Commission	22,235	-	27,500	-	-	-	-	5,265	-	-	-
ABC Board	2,326,994	2,305,166	-	-	-	-	-	-	(21,828)	-	-
Public Health Authority	3,680,384	1,453,558	1,209,324	-	-	-	-	-	-	(1,017,502)	-
Total component units	\$ 6,029,613	\$ 3,758,724	\$ 1,236,824	\$ -	-	-	-	5,265	(21,828)	(1,017,502)	-
General revenues:											
Taxes:											
Property taxes, levied for general purpose					13,726,781	-	13,726,781	-	-	-	-
Local option sales tax					5,137,076	-	5,137,076	-	-	-	-
Other taxes					86,083	-	86,083	-	-	-	-
Grants and contributions, not restricted to specific programs					115,616	-	115,616	-	-	-	496,383
Investment earnings, unrestricted					44,694	9,615	54,309	395	424	-	844
Miscellaneous, unrestricted					177,809	83,315	261,124	-	-	-	23,894
Transfers					118,204	(118,204)	-	-	-	-	-
Total general revenues, special items, and transfers					19,406,263	(25,274)	19,380,989	395	424	-	521,121
Change in net position					638,857	56,916	695,773	5,660	(21,404)	(496,381)	(496,381)
Net position, beginning					15,594,396	8,312,157	23,906,553	140,546	625,983	(1,476,413)	(1,476,413)
Restatement					433,102	-	433,102	-	-	-	-
Net position, beginning, as restated					16,027,498	8,312,157	24,339,655	140,546	625,983	(1,476,413)	(1,476,413)
Net position, ending					\$ 16,666,355	\$ 8,369,073	\$ 25,035,428	\$ 146,206	\$ 604,579	\$ (1,972,794)	\$ (1,972,794)

FUND
FINANCIAL STATEMENTS

Hertford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	<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	\$ 6,797,350	\$ 934,842	\$ 7,732,192
Restricted cash	2,708,951	-	2,708,951
Taxes receivable	1,013,843	9,967	1,023,810
Accounts receivable, net	2,338,590	70,711	2,409,301
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 12,858,734</u>	<u>\$ 1,015,520</u>	<u>\$ 13,874,254</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,195,496	\$ 21,845	\$ 1,217,341
Due to other funds	-	-	-
Bid Bond on Deposit	14,400	-	14,400
Total liabilities	<u>1,209,896</u>	<u>21,845</u>	<u>1,231,741</u>
Deferred Inflows of Resources:	<u>1,080,854</u>	<u>9,967</u>	<u>1,090,821</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	2,338,590	34,406	2,372,996
Register of Deeds	10,854	-	10,854
Human Services	-	-	-
Public Safety	-	893,379	893,379
General Government	-	55,923	55,923
Committed:			
Revaluation	345,407	-	345,407
Capital Reserve	2,455,567	-	2,455,567
Assigned:			
Subsequent year's expenditures	-	-	-
General Fund	1,984,328	-	1,984,328
Unassigned:			
General Fund	3,433,238	-	3,433,238
Total fund balances	<u>10,567,984</u>	<u>983,708</u>	<u>11,551,692</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,858,734</u>	<u>\$ 1,015,520</u>	<u>\$ 13,874,254</u>

Hertford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

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

Total equity and other credits (Exhibit 3)	\$ 11,551,692
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,378,152
Net Pension Asset	34,715
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	486,447
Deferred outflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	1,340,275
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	22,382
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	238,359
Net pension liability	(2,024,496)
Total pension liability	(586,384)
Deferred inflows of resources for taxes receivable	1,023,810
Pension related deferrals	(86,421)
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	(18,712,176)
Net position of governmental activities (Exhibit 1)	<u>\$ 16,666,355</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	<u>Major</u>	<u>Non-Major</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
	<u>General Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	
<u>REVENUES</u>			
Ad valorem taxes	\$ 13,775,175	\$ 95,346	\$ 13,870,521
Local option sales taxes	5,108,317	28,759	5,137,076
Other taxes and licenses	236,251	-	236,251
Unrestricted intergovernmental	104,440	-	104,440
Restricted intergovernmental	4,505,327	966,927	5,472,254
Permits and fees	198,093	-	198,093
Sales and services	1,697,932	-	1,697,932
Investment earnings	41,084	3,610	44,694
Miscellaneous	209,290	433,113	642,403
	<u>25,875,909</u>	<u>1,527,755</u>	<u>27,403,664</u>
<u>EXPENDITURES</u>			
Current:			
General government	4,620,675	-	4,620,675
Public safety	6,583,686	175,751	6,759,437
Transportation	28,300	-	28,300
Economic and physical development	525,249	-	525,249
Human services	6,910,800	-	6,910,800
Cultural and recreational	106,038	-	106,038
Education	6,944,883	-	6,944,883
Capital Outlay	-	2,876,201	2,876,201
Debt service:			
Principal	1,014,227	-	1,014,227
Interest and other charges	465,342	-	465,342
	<u>27,199,200</u>	<u>3,051,952</u>	<u>30,251,152</u>
Excess (deficiency) of revenues over expenditures	<u>(1,323,291)</u>	<u>(1,524,197)</u>	<u>(2,847,488)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in from other funds	751,724	100,000	851,724
Transfers out to other funds	(100,000)	(633,520)	(733,520)
Proceeds from debt	275,000	-	275,000
	<u>926,724</u>	<u>(533,520)</u>	<u>393,204</u>
Net change in fund balance	(396,567)	(2,057,717)	(2,454,284)
Fund Balance - July 1, beginning	10,964,551	3,041,425	14,005,976
Fund Balance - June 30	<u>\$ 10,567,984</u>	<u>\$ 983,708</u>	<u>\$ 11,551,692</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (2,454,284)
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.	3,767,626
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.	(740,093)
Cost of assets sold and disposed of not recorded in the fund statements	-
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.	739,227
Contributions to the pension plan in the current fiscal year are not included on the Statement of	486,447
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	22,382
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	(1,063,500)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	(118,948)
Total changes in net position of governmental activities	<u>\$ 638,857</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, 2017

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Ad valorem taxes	\$ 13,388,647	\$ 13,388,648	\$ 13,775,175	\$ 386,527
Local option sales tax	3,805,000	4,005,000	4,543,065	538,065
Other taxes and licenses	224,796	224,796	236,251	11,455
Unrestricted intergovernmental	107,000	107,000	104,440	(2,560)
Restricted intergovernmental	4,572,501	4,799,843	4,505,327	(294,516)
Permits and fees	196,000	196,000	198,093	2,093
Sales and services	1,552,230	1,597,230	1,697,932	100,702
Investment earnings	20,000	33,000	41,084	8,084
Miscellaneous	87,850	134,397	209,290	74,893
Total revenues	23,954,024	24,485,914	25,310,657	824,743
Expenditures				
Current:				
General government	4,154,157	5,235,930	4,620,675	615,255
Public safety	6,660,713	6,921,225	6,583,686	337,539
Transportation	28,300	28,300	28,300	-
Economic and physical development	485,789	589,829	525,249	64,580
Human services	6,834,311	7,088,943	6,910,800	178,143
Cultural and recreational	106,067	106,067	106,038	29
Education	7,012,086	7,341,826	6,944,883	396,943
Debt service	1,089,988	1,480,552	1,479,569	983
Contingency	139,000	31,880	-	31,880
Total expenditures	26,510,411	28,824,552	27,199,200	1,625,352
Revenues over (under) expenditures	(2,556,387)	(4,338,638)	(1,888,543)	2,450,095
Other financing sources (uses)				
Transfers to other funds	(1,105,000)	(1,605,000)	(1,556,772)	48,228
Transfers from other funds	1,769,949	2,791,512	2,696,817	(94,695)
Loan Proceeds		-	275,000	275,000
Appropriated fund balance	1,891,438	3,152,126	-	(3,152,126)
Total other financing sources (uses)	2,556,387	4,338,638	1,415,045	(2,923,593)
Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	\$ -	\$ -	(473,498)	\$ (473,498)
Fund Balance - July 1			8,240,508	
Fund Balance - June 30			\$ 7,767,010	
A legally budgeted School Capital Reserve Fund, Capital Reserve Fund, and Revaluation Fund were consolidated into the General Fund for reporting purposes:				
Sales tax			565,252	
Transfers to General Fund			(1,945,093)	
Transfers from General Fund			1,456,772	
Fund balance, Beginning			2,724,043	
Fund Balance, Ending (Exhibit 4)			\$ 10,567,984	

Hertford County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2017

	MAJOR			NON-MAJOR	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 546,454	\$ 2,337,255	\$ 120,293	\$ 195,626	\$ 3,199,628
Restricted cash and cash equivalents	33,146	70,665	-	-	103,811
Receivables (net)	19,043	82,296	11,237	329,059	441,635
Total current assets	<u>598,643</u>	<u>2,490,216</u>	<u>131,530</u>	<u>524,685</u>	<u>3,745,074</u>
Non-current assets:					
Capital assets:					
Land, improvements and construction in progress	-	-	11,271	23,046	34,317
Other capital assets, net of depreciation	3,072,509	6,840,994	1,904,477	278,127	12,096,107
Total capital assets	<u>3,072,509</u>	<u>6,840,994</u>	<u>1,915,748</u>	<u>301,173</u>	<u>12,130,424</u>
Total non-current assets	<u>3,072,509</u>	<u>6,840,994</u>	<u>1,915,748</u>	<u>301,173</u>	<u>12,130,424</u>
Total assets	<u>3,671,152</u>	<u>9,331,210</u>	<u>2,047,278</u>	<u>825,858</u>	<u>15,875,498</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>31,345</u>	<u>31,420</u>	<u>-</u>	<u>27,131</u>	<u>89,896</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	5,958	4,576	607	40,045	51,186
Customer deposits	33,146	70,665	-	-	103,811
Accrued interest payable	8,885	18,776	1,195	-	28,856
Compensated absences	3,688	1,168	-	3,918	8,774
Accrued payroll	4,421	4,395	-	12,438	21,254
General obligation bonds payable	113,511	239,874	5,500	-	358,885
Total current liabilities	<u>169,609</u>	<u>339,454</u>	<u>7,302</u>	<u>56,401</u>	<u>572,766</u>
Noncurrent liabilities:					
Net pension liability	34,929	35,012	-	30,233	100,174
Compensated absences	11,063	3,503	-	11,754	26,320
General obligation bonds payable	1,936,839	4,092,976	296,000	-	6,325,815
OPEB obligation	68,074	90,702	-	237,252	396,028
Landfill closure payable	-	-	-	171,547	171,547
Total noncurrent liabilities	<u>2,050,905</u>	<u>4,222,193</u>	<u>296,000</u>	<u>450,786</u>	<u>7,019,884</u>
Total liabilities	<u>2,220,514</u>	<u>4,561,647</u>	<u>303,302</u>	<u>507,187</u>	<u>7,592,650</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,280</u>	<u>1,283</u>	<u>-</u>	<u>1,108</u>	<u>3,671</u>
NET POSITION					
Net investment in capital assets	1,022,159	2,508,144	1,614,248	301,173	5,445,724
Restricted	-	-	-	-	-
Unrestricted	458,544	2,291,556	129,728	43,521	2,923,349
Total net position	<u>\$ 1,480,703</u>	<u>\$ 4,799,700</u>	<u>\$ 1,743,976</u>	<u>\$ 344,694</u>	<u>\$ 8,369,073</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Net Position - Proprietary Funds
For The Fiscal Year Ended June 30, 2017

	MAJOR			NON-MAJOR	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
OPERATING REVENUE					
Charges for Services	\$ 489,948	\$ 971,189	\$ 33,778	\$ 1,001,315	\$ 2,496,230
Tap on fees	22,624	44,318	-	-	66,942
Miscellaneous	16,199	7,334	-	59,782	83,315
Total Operating Revenues	<u>528,771</u>	<u>1,022,841</u>	<u>33,778</u>	<u>1,061,097</u>	<u>2,646,487</u>
OPERATING EXPENDITURES					
Administration and Operations	348,016	377,221	14,288	1,084,958	1,824,483
Depreciation	107,931	230,002	38,867	14,935	391,735
Capital Outlay	9,749	18,754	-	24,107	52,610
Total Operating Expenses	<u>465,696</u>	<u>625,977</u>	<u>53,155</u>	<u>1,124,000</u>	<u>2,268,828</u>
OPERATING INCOME (LOSS)	<u>63,075</u>	<u>396,864</u>	<u>(19,377)</u>	<u>(62,903)</u>	<u>377,659</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment earnings	1,503	5,916	420	1,776	9,615
Interest paid and bond issuance cost	(71,468)	(132,808)	(7,878)	-	(212,154)
Gain (loss) on sale of assets	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>(69,965)</u>	<u>(126,892)</u>	<u>(7,458)</u>	<u>1,776</u>	<u>(202,539)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(6,890)</u>	<u>269,972</u>	<u>(26,835)</u>	<u>(61,127)</u>	<u>175,120</u>
Capital contributions	-	-	-	-	-
Transfers (to) other funds	-	-	(118,204)	-	(118,204)
Total	<u>-</u>	<u>-</u>	<u>(118,204)</u>	<u>-</u>	<u>(118,204)</u>
CHANGE IN NET POSITION	<u>(6,890)</u>	<u>269,972</u>	<u>(145,039)</u>	<u>(61,127)</u>	<u>56,916</u>
TOTAL NET POSITION, BEGINNING	<u>1,487,593</u>	<u>4,529,728</u>	<u>1,889,015</u>	<u>405,821</u>	<u>8,312,157</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,480,703</u>	<u>\$ 4,799,700</u>	<u>\$ 1,743,976</u>	<u>\$ 344,694</u>	<u>\$ 8,369,073</u>

Hertford County, North Carolina
Statement of Cash Flows - Proprietary Funds
For The Fiscal Year Ended June 30, 2017

	MAJOR			NON-MAJOR	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 515,829	\$ 1,026,550	\$ 26,907	\$ 993,759	\$ 2,563,045
Cash paid for goods and services	(189,358)	(223,172)	(13,681)	(741,203)	(1,167,414)
Cash paid to employees for services	(151,443)	(158,449)	-	(357,552)	(667,444)
Other operating revenue	16,199	7,334	-	59,782	83,315
Net cash provided (used) by operating activities	<u>191,227</u>	<u>652,263</u>	<u>13,226</u>	<u>(45,214)</u>	<u>811,502</u>
Cash flows from noncapital financing activities					
Due to other funds	-	-	-	-	-
Receipt of nonoperating grants	-	-	-	-	-
Transfers (to) from other funds	-	-	(118,204)	-	(118,204)
Net cash provided (used) by noncapital financial activities	<u>-</u>	<u>-</u>	<u>(118,204)</u>	<u>-</u>	<u>(118,204)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of fixed assets	-	-	-	-	-
Purchase of capital assets	(91,454)	(91,454)	-	(62,233)	(245,141)
Refinancing funds received	2,050,350	4,332,850	-	-	6,383,200
Principal paid on bond maturities	(2,033,000)	(4,315,500)	(5,500)	-	(6,354,000)
Interest paid on bond maturities	(70,842)	(131,685)	(7,291)	-	(209,818)
Net cash provided (used) by capital and related financing activities	<u>(144,946)</u>	<u>(205,789)</u>	<u>(12,791)</u>	<u>(62,233)</u>	<u>(425,759)</u>
Cash flows from investing activities:					
Interest on investments	1,503	5,916	420	1,776	9,615
Net cash provided by investing activities	<u>1,503</u>	<u>5,916</u>	<u>420</u>	<u>1,776</u>	<u>9,615</u>
Net increase (decrease) in cash and cash equivalents	47,784	452,390	(117,349)	(105,671)	277,154
Cash and cash equivalents, July 1	<u>531,816</u>	<u>1,955,530</u>	<u>237,642</u>	<u>301,297</u>	<u>3,026,285</u>
Cash and cash equivalents, June 30	<u>\$ 579,600</u>	<u>\$ 2,407,920</u>	<u>\$ 120,293</u>	<u>\$ 195,626</u>	<u>\$ 3,303,439</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, 2017

	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)	\$ 63,075	\$ 396,864	\$ (19,377)	\$ (62,903)	\$ 377,659
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	107,931	230,002	38,867	14,935	391,735
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	2,207	9,868	(6,871)	(7,556)	(2,352)
Increase (decrease) in accounts payable and accrued liabilities	2,331	2,314	607	(8,988)	(3,736)
Increase (decrease) in customer deposits	1,050	1,175	-	-	2,225
Increase (decrease) in compensated absences	3,194	(1,302)	-	3,302	5,194
Increase (decrease) in accrued payroll	4,421	4,395	-	12,438	21,254
Increase (decrease) in other postemployment benefits	5,797	7,724	-	20,204	33,725
(Increase) decrease in deferred outflows of resources - pensions	(24,016)	(24,074)	-	(20,788)	(68,878)
Increase (decrease) in net pension liability	27,759	27,825	-	24,027	79,611
Increase (decrease) in deferred inflows of resources - pensions	(2,522)	(2,528)	-	(2,183)	(7,233)
Increase (decrease) in landfill closure and postclosure costs	-	-	-	(17,702)	(17,702)
Total adjustments	128,152	255,399	32,603	17,689	433,843
Net cash provided (used) by operating activities	\$ 191,227	\$ 652,263	\$ 13,226	\$ (45,214)	\$ 811,502

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, 2017

	Agency Funds
Assets	
Cash and cash equivalents	\$ 29,079
Liabilities and Net Assets	
Liabilities:	
Miscellaneous liabilities	\$ 29,079

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

I. Summary of Significant Accounting Policies

The accounting policies of 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 Economic Development Commissioner	Discrete	The Commission is governed by a nine-member Board of Commissioners that is appointed by the County Commissioners. The County can remove any commissioner of the Commission with or without cause.	Hertford County Economic Development Commission King Street Winton, NC 27986
Hertford County ABC Board	Discrete	The members of the ABC Board governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.	Hertford County ABC Board US 13 South Ahoskie, NC 27910
Hertford County Public Health Authority	Discrete	The members of the Public Health Authority's governing board are appointed by the County. The County is financially accountable to the Authority.	Hertford County Public Health Authority Winton, NC 27986

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by 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 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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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, E911 Communications Project 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.

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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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.

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 Judicial Center Fund, the E911 Communications Project Fund, 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 Economic Development Commission, Hertford County Public Health Authority and Hertford County ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the Economic Development Commission, Authority and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, Tourism Authority, and the Hospital may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017**

State Law [G.S. 159-30(c)] authorizes The County, the Economic Development Commission, Authority and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The majority of the County, the Economic Development Commission, 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 Economic Development Commission has only demand deposits, which are considered cash.

3. Restricted Assets

The unexpended bond proceeds of the District's Serial Bonds are classified as restricted assets within the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. At June 30, 2017, 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	\$ 359,807
General Fund	Capital Reserve	2,338,290
General Fund	Register of Deeds	10,854
Total Governmental Activities		\$ 2,708,951

Business-Type Activities

Northern Water District	Customer Deposits	\$ 33,146
Southern Water District	Customer Deposits	70,665
Tunis Sewer District	Customer Deposits	-
Total Business-Type Activities		\$ 103,811

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, 2016.

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

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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

10. Compensated Absences

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

The Economic Development Commission had no employees.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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.

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 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. Investments are reported at fair value.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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 \$5,114,663 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)	\$ 30,517,572
Less Accumulated Depreciation	<u>(7,139,420)</u>
Net capital assets	<u>23,378,152</u>
Net pension asset	34,715
Contributions to the pension plan in the current fiscal year	486,447
Deferred outflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	1,340,275
Benefit payments and pension administration costs for LEOSSA	22,382
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	238,359
Deferred inflows of resources for taxes receivable	1,023,810
Deferred inflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	(86,421)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases, and installment financing	(13,631,479)
Compensated absences	(601,644)
Other postemployment benefits	(4,383,297)
Net pension liability-LGERS	(2,024,496)
Net pension liability-LEOSSA	(586,384)
Accrued interest payable	<u>(95,756)</u>
Total adjustment	<u>\$ 5,114,663</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide 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 \$3,093,141 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	\$ 3,767,626
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	(740,093)
Cost of disposed capital asset not recorded in fund statements	-
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.	1,014,227
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	(275,000)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	486,447
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	22,382
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)	22,251
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(101,150)
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(373,278)
County's portion of collective pension expense	(611,323)
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	(156,685)
Change in accrued taxes receivable for year	12,945
Amortization of bond premium	24,792
	24,792
Total adjustment	<u>\$ 3,093,141</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

II: Stewardship, Compliance and Accountability

A. Noncompliance with North Carolina General Statutes

The County financed the purchase of a building that was not appropriately budgeted and recorded.

B. Deficit Fund Balance or Net Position of Individual Funds

None to Report.

III. Detail Notes on All Funds

a. Assets

1. Deposits

All of the County's, the Economic Development Commission's, the Public Health Authority's, and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, the Economic Development Commission's, the Public Health Authority's, 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 Economic Development Commission, the Public Health Authority, and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Economic Development Commission, the Public Health Authority, or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Economic Development Commission, the Public Health Authority, or the ABC Board under the Pooling Method, the potential exists for 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 Economic Development Commission, the Public Health Authority, and the ABC Board rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Economic Development Commission has no formal policy regarding custodial credit risk for deposits.

At June 30, 2017 the County's deposits had a carrying amount of \$5,139,101 and a bank balance of \$5,463,661. 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, 2017, Hertford County had \$1,175 cash on hand.

At June 30, 2017, the Hertford County ABC Board deposits had a carrying amount of \$237,871 and a bank balance of \$285,110. 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, 2017

At June 30, 2017, the carrying amount of deposits for the Economic Development Commission was \$148,467 and a bank balance of \$148,467. All of the bank balance was covered by federal depository insurance.

At June 30, 2017, the carrying amount of deposits for the Public Health Authority was \$241,164 and a bank balance of \$267,804. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$17,804 was covered by collateral held under the pooling method.

2. Investments

At June 30, 2017, 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	\$ 8,633,385	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
2014	\$ 1,031,176	\$ 337,021	\$ 1,368,197
2015	1,050,443	248,927	1,299,370
2016	1,032,605	152,156	1,184,761
2017	674,043	38,745	712,788
Total	<u>\$ 3,788,267</u>	<u>\$ 776,849</u>	<u>\$ 4,565,116</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

4. Receivables

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

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Total
Governmental Activities:				
General	\$ 2,176,686	\$ 1,502,202	\$ 1,408,516	\$ 5,087,404
E911 Communications Project	-	-	-	-
Office Building #1 Renovation	-	-	36,305	36,305
Other Governmental	63,395	9,967	7,316	80,678
Total	2,240,081	1,512,169	1,452,137	5,204,387
Allowance for Doubtful Accts.	(1,246,612)	(250,000)	-	(1,496,612)
Total-governmental activities	<u>\$ 993,469</u>	<u>\$ 1,262,169</u>	<u>\$ 1,452,137</u>	<u>\$ 3,707,775</u>
Business-type Activities:				
Northern Water District	\$ 39,942	\$ -	\$ -	\$ 39,942
Southern Water District	128,202	-	-	128,202
Tunis Sewer District	11,237	-	-	11,237
Sanitation	315,350	-	14,042	329,392
Total	\$ 494,731	\$ -	\$ 14,042	\$ 508,773
Allowance for Doubtful Accts.	(67,138)	-	-	(67,138)
Total-business-type activities	<u>\$ 427,593</u>	<u>\$ -</u>	<u>\$ 14,042</u>	<u>\$ 441,635</u>

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

Local option sales tax	\$ 1,106,532
Sales tax refund	181,575
Scrap tire tax	8,694
White goods tax	2,354
Solid waste disposal tax	2,994
NCVTS	164,030
Total	<u>\$ 1,466,179</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

5. Capital Assets

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

Governmental activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 462,083	\$ -	\$ -	\$ 462,083
Construction in Progress	4,316,715	2,876,201	(4,253,482)	2,939,434
Total capital assets not being depreciated	<u>4,778,798</u>	<u>2,876,201</u>	<u>(4,253,482)</u>	<u>3,401,517</u>
Capital assets being depreciated:				
Buildings	17,828,319	3,607,322	-	21,435,641
Equipment	2,182,491	1,374,558	-	3,557,049
Vehicles and motor equipment	2,120,334	163,027	(159,996)	2,123,365
Total capital assets being depreciated	<u>22,131,144</u>	<u>5,144,907</u>	<u>(159,996)</u>	<u>27,116,055</u>
Less accumulated depreciation for:				
Buildings	3,446,773	380,030	-	3,826,803
Equipment	1,478,677	200,207	-	1,678,884
Vehicles and motor equipment	1,633,873	159,856	(159,996)	1,633,733
Total accumulated depreciation	<u>6,559,323</u>	<u>\$ 740,093</u>	<u>\$ (159,996)</u>	<u>7,139,420</u>
Total capital assets being depreciated, net	<u>15,571,821</u>			<u>19,976,635</u>
Governmental activities capital assets, net	<u>\$ 20,350,619</u>			<u>\$ 23,378,152</u>

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

General government	\$ 363,293
Public Safety	347,022
Human Services	19,526
Cultural and Recreational	926
Economic and Physical Development	9,326
Total depreciation expense	<u>\$ 740,093</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

Business-type activities:	Beginning Balances	Increases	Decreases	Ending 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>4,689,163</u>	<u>91,454</u>	<u>-</u>	<u>4,780,617</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,548,663	91,591	-	1,640,254
Buildings	-	1,452	-	1,452
Vehicles and motor equipment	51,514	14,888	-	66,402
Total accumulated depreciation	<u>1,600,177</u>	<u>\$ 107,931</u>	<u>\$ -</u>	<u>1,708,108</u>
Total capital assets being depreciated, net	<u>3,088,986</u>			<u>3,072,509</u>
Northern Water District Capital assets, net	<u>\$ 3,088,986</u>			<u>\$ 3,072,509</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>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:				
Plant and distribution systems	10,213,751	-	-	10,213,751
Buildings	-	91,454	-	91,454
Machinery and equipment	66,596	-	-	66,596
Vehicles and motor equipment	115,536	-	-	115,536
Total capital assets being depreciated	<u>10,395,883</u>	<u>91,454</u>	<u>-</u>	<u>10,487,337</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,311,924	208,648	-	3,520,572
Buildings	-	1,452	-	1,452
Machinery and equipment	39,787	1,770	-	41,557
Vehicles and motor equipment	74,630	18,132	-	92,762
Total accumulated depreciation	<u>3,426,341</u>	<u>\$ 230,002</u>	<u>\$ -</u>	<u>3,656,343</u>
Total capital assets being depreciated, net	<u>6,969,542</u>			<u>6,830,994</u>
Southern Water District capital assets, net	<u>\$ 6,979,542</u>			<u>\$ 6,840,994</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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
Total accumulated depreciation	-	\$ 38,867	\$ -	38,867

Total capital assets being depreciated, net

	1,943,344			1,904,477
Tunis Sewer District capital assets, net	\$ 1,954,615			\$ 1,915,748

	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	133,050	62,233	-	195,283
Machinery and equipment	280,753	-	-	280,753
Vehicles and motor equipment	-	-	-	-
Total capital assets being depreciated	413,803	62,233	-	476,036

Less accumulated depreciation for:

Buildings	60,804	11,467	-	72,271
Machinery and equipment	122,170	3,468	-	125,638
Vehicles and motor equipment	-	-	-	-
Total accumulated depreciation	182,974	\$ 14,935	\$ -	197,909

Total capital assets being depreciated, net

	230,829			278,127
Other business-type capital assets, net	\$ 253,875			\$ 301,173

Business-type activities capital assets, net

	\$ 12,277,018			\$ 12,130,424
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Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

Discretely presented component units

Capital assets at June 30, 2017 for the ABC Board were as follows:

Capital assets not being depreciated:	
Land	\$ 24,220
Capital assets not being depreciated:	24,220
Buildings, improvements	507,411
Furniture and equipment	117,767
Vehicles	29,801
Total capital assets being depreciated	654,979
Less accumulated depreciation for:	
Buildings, improvements	209,329
Furniture and equipment	112,981
Vehicles	29,801
Total accumulated depreciation	352,111
Total capital assets being depreciated, net	302,868
ABC Board capital assets, net	\$ 327,088

Activity for the Public Health Authority for the year ended June 30, 2017, 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	165,265	8,956	-	174,221
Vehicles	193,362	-	-	193,362
Total Capital Assets being depreciated	628,879	8,956	-	637,835
Less accumulated depreciation				
Land improvements	7,500	-	-	7,500
Buildings	5,532	3,687	-	9,219
Leasehold improvements	51,963	5,164	-	57,127
Equipment and furniture	147,697	8,282	-	155,979
Vehicles	186,368	6,994	-	193,362
Total accumulated depreciation	399,060	\$ 24,127	\$ -	423,187
Public Health Authority capital assets, net	\$ 229,819			\$ 214,648

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017**

b. Liabilities

1. Payables

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

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 1,195,496	\$ 95,756	-	\$ 1,291,252
E911 Communications Project	15,501	-	-	15,501
Office Building #1 Renovation	-	-	-	-
Other governmental	21,845	-	-	21,845
Total-governmental activities	<u>\$ 1,232,842</u>	<u>\$ 95,756</u>	<u>\$ -</u>	<u>\$ 1,328,598</u>
Business-Type Activities				
Northern Water District	\$ 10,379	\$ 8,885	-	\$ 19,264
Southern Water District	8,971	18,776	-	27,747
Tunis Sewer District	607	1,195	-	1,802
Sanitation	52,483	-	-	52,483
Total Business-Type Activities	<u>\$ 72,440</u>	<u>\$ 28,856</u>	<u>\$ -</u>	<u>\$ 101,296</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, 2017**

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8% of compensation for law enforcement officers and 7.37% 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 \$507,255 for the year ended June 30, 2017.

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

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

At June 30, 2017, the County reported a liability of \$2,124,670 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was 0.1001%, which was an increase of 0.0031% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$584,711. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,919	\$ 74,451
Changes of assumptions	145,521	-
Net difference between projected and actual earnings on pension plan investments	1,174,675	-
Changes in proportion and differences between County Contributions and proportionate share of contributions	36,047	3,381
County contributions subsequent to the measurement date	507,255	-
Total	\$ 1,903,417	\$ 77,832

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

\$1,903,417 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2018	\$	203,965
2019		204,114
2020		565,320
2021		344,932
2022		-
Thereafter		-
Total	\$	<u><u>1,318,331</u></u>

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real</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>100%</u>	

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

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

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 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 5,042,832	\$ 2,124,670	\$ (312,797)

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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	27
	<u>27</u>

2. Summary of Significant Accounting Policies:

Basis of Accounting - The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified 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, 2015 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 7.35 percent
Discount rate	3.86 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, 2016.

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 were \$21,530 paid in contribution by the County.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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

At June 30, 2017, the County reported a total pension liability of \$586,384. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$51,645.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	11,695
County benefit payments and plan administrative expenses made subsequent to the measurement date	22,382	-
Total	\$ 22,382	\$ 11,695

\$22,382 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (2,107)
2019	(2,107)
2020	(2,107)
2021	(2,107)
2022	(2,107)
Thereafter	(1,160)

\$22,382 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 635,370	\$ 586,384	\$ 541,267

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017**

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

	2017
Beginning balance	\$ 568,161
Service Cost	33,656
Interest paid on the total pension liability	19,899
Changes of benefit terms	-
	-
Differences between expected and actual experience in the measurement of the total pension liability	(13,802)
Changes of assumptions or other inputs	(21,530)
Other changes	-
Ending balance of the total pension liability	\$ 586,384

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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2013.

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, 2017 were \$107,966 which consisted of \$50,440 from the County and \$57,526 from the law enforcement officers.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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 \$3,262 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$34,715 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on 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, 2016, the County's proportion was 0.1857%, which was a decrease of 0.0063% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$2,535. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37	\$ 449
Changes of assumptions	9,249	-
Net difference between projected and actual earnings on pension plan investments	59	-
Changes in proportion and differences between County Contributions and proportionate share of contributions	594	115
County contributions subsequent to the measurement date	3,262	-
Total	\$ 13,201	\$ 564

\$3,262 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2018	\$ 4,066
2019	4,062
2020	1,634
2021	(389)
2022	-
Thereafter	-
Total	\$ 9,373

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

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

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

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

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

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017**

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%.

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

Discount rate. The discount rate used to measure the total pension liability was 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)	(27,991)	(34,715)	(40,363)

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
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017**

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). As of August 1, 2007, this plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the County. Prior to August 1, 2007, employees qualified for similar level benefits after at least ten years of creditable service and age 65 with the County. The County pays the full cost of coverage for these benefits through private insurers. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The County Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2016, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	29	2
Terminated plan members entitled to but not yet receiving benefits	-	-
Active Plan members	162	22
Total	191	24

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

The current ARC rate is 9.59% of annual covered payroll. For the current year, the County contributed \$172,657 or 2.71% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 3.60% and 1.51% of covered payroll, respectively. The County's obligation to contribute to the HCB Plan is established and may be amended by the County Board of Commissioners.

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

Annual OPEB Cost and Net OPEB Obligation - The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Hertford County, North Carolina
Notes To The Financial Statements
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Annual required contribution	\$ 571,844
Interest on net OPEB obligation	174,893
Adjustment to annual required contribution	<u>(167,077)</u>
Annual OPEB cost (expense)	579,660
Contributions made	<u>(172,657)</u>
Increase (decrease) in net OPEB obligation	407,003
Net OPEB obligation, beginning of year	<u>4,372,321</u>
Net OPEB obligation, end of year	<u><u>\$ 4,779,324</u></u>

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 579,660	29.8%	\$ 4,779,324
2016	581,731	32.2%	4,372,321
2015	481,668	38.8%	3,977,682

Funded Status and Funding Progress - As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial liability (UAAL) was \$7,747,605. The covered payroll (annual payroll of active employees covered by the plan) was \$6,379,509, and the ratio of UAAL to the covered payroll was 121.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2016, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a 3.00 percent inflation assumption. The medical cost trend rate varied between 7.75% and 5.00%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at June 30, 2016, was 30 years.

**Hertford County, North Carolina
Notes To The Financial Statements
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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.

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.

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 \$171,547 reported as landfill closure payable liability at June 30, 2016, 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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience		
LGERS	\$ 39,919	\$ 74,451
LEOSSA	-	-
Register of Deeds	37	449
Pensions - changes in assumptions		
LGERS	145,521	-
LEOSSA	-	11,695
Register of Deeds	9,249	-
Pensions - difference between projected and actual investment		
LGERS	1,174,675	-
Register of Deeds	59	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	36,047	3,381
Register of Deeds	594	115
Contributions to pension plan in 2016-2017 fiscal year		
LGERS	507,255	-
Register of Deeds	3,262	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	22,382	-
Prepaid taxes not yet earned (General)	-	67,012
Taxes receivable, net (General)	-	1,013,843
Taxes receivable, net (Special Revenue)	-	9,967
	\$ 1,939,000	\$ 1,180,913

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.

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

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

6. Contingent Liabilities

At June 30, 2017, 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 four years. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2017:

<u>For Year Ending June 30</u>	<u>Amount</u>
2018	\$ 101,873
2019	82,685
2020	81,134
Total minimum payments required	<u>\$ 265,692</u>

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.

In October 2013, the County entered into an installment purchase contract to purchase vehicles. The contract requires 3 annual payments of \$53,220 plus 1.49% interest

In May 2016, the County entered into an installment purchase to renovate the DSS building. The contract requires twelve annual payments of \$237,967.75 plus 2.28% interest.

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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

The future minimum payments of the installment purchases as of June 30, 2017, including \$366,437 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 389,280	\$ 79,680
2019	392,699	68,319
2020	355,554	15,566
2021	299,635	48,437
2022	299,633	40,496
2023-2027	1,189,840	108,513
2028-2032	237,965	5,426
Total	\$ 3,164,606	\$ 366,437

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, 2017 are comprised of the following individual issues:

Serviced by the County's General Fund:

<p>\$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.</p>	\$ 250,000
<p>\$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.</p>	9,845,000
Total	\$ 10,095,000

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017**

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. \$ 4,332,850

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, 2013, including interest at 2.60 percent. 2,050,350

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. 301,500

Total \$ 6,684,700

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
2018	\$ 625,000	\$ 358,218	\$ 358,885	\$ 173,124
2019	625,000	336,469	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
2023-2027	3,175,000	940,666	2,146,098	511,636
2028-2032	3,165,000	419,118	2,440,876	218,066
2033-2037	630,000	21,262	39,000	22,896
2038-2042	-	-	43,500	18,062
2043-2047	-	-	49,000	12,623
2048-2052	-	-	55,500	6,520
2053-2057	-	-	21,000	713
Total	<u>\$ 10,095,000</u>	<u>\$ 2,944,887</u>	<u>\$ 6,684,700</u>	<u>\$ 1,560,516</u>

At June 30, 2017, Hertford County had a legal debt margin of \$116,022,340.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

Advance Refundings

On December 15, 2016, 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, 2016, 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.

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, 2017:

	Balance		Balance		Current
	July 1, 2016	Increases	Decreases	June 30, 2017	Portion of Balance
Governmental Activities:					
General obligation debt	\$ 10,720,000	\$ -	\$ 625,000	\$ 10,095,000	\$ 625,000
Premium	396,665	-	24,792	371,873	-
Net general obligation debt	11,116,665	-	649,792	10,466,873	625,000
Installment purchases	3,278,833	275,000	389,227	3,164,606	389,280
Compensated Absences	500,494	311,183	210,033	601,644	150,411
Net pension liability (LGRS)	415,575	1,608,921	-	2,024,496	-
Total pension liability (LEOSSA)	568,161	18,223	-	586,384	-
Other Postemployment Benefits	4,010,019	373,278	-	4,383,297	-
Total	<u>\$ 31,006,412</u>	<u>\$ 2,586,605</u>	<u>\$ 1,898,844</u>	<u>\$ 21,227,300</u>	<u>\$ 1,789,691</u>
Business-type Activities:					
General Obligation Debt	\$ 6,655,500	\$ 6,383,200	\$ 6,354,000	\$ 6,684,700	\$ 358,885
Compensated absences	29,822	16,517	11,245	35,094	8,773
Net pension liability (LGRS)	20,563	79,611	-	100,174	-
Landfill closure	189,249	-	17,702	171,547	-
Other Postemployment Benefits	362,302	33,725	-	396,027	-
Total	<u>\$ 7,257,436</u>	<u>\$ 6,513,053</u>	<u>\$ 6,382,947</u>	<u>\$ 7,387,542</u>	<u>\$ 8,773</u>

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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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, 2017:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental Activities:				
Compensated absences	\$ 116,436	\$ 115,080	\$ 112,946	\$ 118,570
Net pension liability	128,400	428,288	-	556,688
Note Payable - building	148,427	-	14,467	133,960
Other postemployment benefits	1,939,166	193,102	54,790	2,077,478
Total	<u>\$ 2,332,429</u>	<u>\$ 736,470</u>	<u>\$ 182,203</u>	<u>\$ 2,886,696</u>

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	\$ 1,206,772	To transfer restricted sales tax
General Fund	Revaluation Fund	100,000	To contribute money for next revaluation
General Fund	Capital Reserve Fund	150,000	To set money aside for capital purposes
General Fund	Office Building Renovation Fund	100,000	To provide resources for the capital project
		<u>\$ 1,556,772</u>	
<u>Special Revenue Funds</u>			
Emergency Telephone System Fund	General Fund	\$ 2,503	To adjust prior year balance to actual
Capital Reserve Fund	General Fund	568,512	To pay debt service for Courthouse
School Capital Reserve Fund	General Fund	1,376,581	To supplement capital outlay costs
Tunis Sewer District	General Fund	118,204	Project Closeout
		<u>\$ 2,065,800</u>	
<u>Capital Project Fund</u>			
Hertford County Judicial Center	General Fund	\$ 631,017	Project closeout
		<u>\$ 631,017</u>	

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017**

e. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Capital assets	\$ 23,378,152	\$ 12,130,424
Capital debt calculation:		
Total debt, gross	13,259,606	6,684,700
Less:		
Community college debt for assets to which the County does not hold title	(250,000)	-
Add:		
Unamortized liabilities related to capital debt (excluding school related debt)	371,873	-
Total capital debt	13,381,479	6,684,700
Net investment in capital assets	\$ 9,996,673	\$ 5,445,724

E. Fund Balance

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

<u>Total Fund Balance - General Fund</u>	\$ 10,567,984
Less:	
Stabilization by State Statute	2,338,590
Register of Deeds	10,854
Revaluation	345,407
Capital Reserve	2,455,567
Appropriated Fund Balance in 2018 budget	1,984,328
<u>Remaining Fund Balance</u>	\$ 3,433,238

The County had no outstanding encumbrances at June 30, 2017.

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, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$104,327 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at Winton, NC.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017

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, \$250,000 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 \$953,839 and \$90,939 to the community college for operating purposes and capital outlay, respectively during the fiscal year ended June 30, 2017. In addition, the County made debt service payments of \$118,800 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, 2017. Complete financial statements for the community college may be obtained from the community college's administrative offices.

The County also participates in a joint venture to operate Roanoke Chowan Human Services which serves a four county mental health district. Hertford County appoints seven members to the twenty-four member board of the mental health district. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$86,148 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 Choanole 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, 2017. 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, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$18,000 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office at Route 1, Aulander, NC 27805.

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, 2017. The County was a sub recipient of various grants and other sources totaling \$306,600 that was passed through the Commission.

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2017**

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	\$ 28,734,541	\$ 16,049,094
Health Choice	344,868	1,050
Supplemental Nutrition Program for Women, Infants, and Children	819,075	-
Temporary Assistance to Needy Families	127,632	-
CWS Adoption Subsidy	-	59,031
Adoption Assistance	43,977	10,974
State/County Special Assistance	-	494,958
Total	<u>\$ 30,070,093</u>	<u>\$ 16,615,107</u>

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, 2017 and January 26, 2018, 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.

IX. Restatement

In accordance with Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on the net position of the benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities increased by \$433,102. The County will implement GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans for the Healthcare Benefits Plan effective for the year ending June 30, 2018. The implementation of this statement will have no effect on net position.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for Other Postemployment Benefits
- Schedule of Employer Contributions for Other Postemployment Benefits
- 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
- 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

**Hertford County, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b- a)	Funded Ratio	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ -	\$ 7,969,564	\$ 7,969,564	0%	\$ 5,324,929	149.70%
12/31/2010	-	6,231,017	6,231,017	0%	5,945,009	104.80%
12/31/2012	-	5,813,655	5,813,655	0%	5,497,375	105.80%
12/31/2014	-	7,507,680	7,507,680	0%	5,714,625	131.40%
12/31/2016	-	7,747,605	7,747,605	0%	6,379,509	121.40%

Hertford County, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

Exhibit A-2

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2017	\$ 571,844	30.19%	\$ 4,779,324
2016	574,621	32.56%	4,372,321
2015	475,084	39.38%	3,977,684
2014	461,247	37.52%	3,683,107
2013	572,784	26.03%	3,388,881
2012	560,639	24.90%	2,959,874
2011	982,239	12.60%	2,538,716

Notes to the Required Schedules:

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

Valuation date	6/30/2016
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, Closed
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.75% - 5.00%
Post-Medicare trend rate	5.75% - 5.00%
Year of Ultimate trend rate	2022

*Includes inflation at 3.00%

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

Local Government Employees' Retirement System				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.100%	0.097%	0.102%	0.103%
County's proportionate share of the net pension liability (asset)	\$2,124,670	\$ 436,138	\$ (599,123)	\$ 1,236,724
County's covered-employee payroll	\$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	33.06%	7.21%	-10.13%	20.35%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

Information included above is intended to included ten yearsl however only the years above have information available. Additional years will be included as information become available.

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

Local Government Employees' Retirement System				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 507,255	\$ 441,786	\$ 421,035	\$ 419,855
Contributions in relation to the contractually required contribution	<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>
County's covered-employee payroll	\$ 6,795,799	\$ 6,426,685	\$ 6,046,680	\$ 5,911,581
Contributions as a percentage of covered-employee payroll	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 Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportionate share of the net pension liability (asset)	0.186%	0.186%	0.192%	0.184%
County's proportionate share of the net pension liability (asset)	\$ (34,715)	\$ (43,136)	\$ (43,562)	\$ (39,213)
County's covered-employee payroll	\$ 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	-36.54%	-46.76%	-50.22%	-45.21%
Plan fiduciary net position as a percentage of the total pension liability	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 Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 3,262	\$ 1,596	\$ 1,194	\$ 1,569
Contributions in relation to contractually required contribution	<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>
County's covered-employee payroll	\$ 95,008	\$ 95,008	\$ 92,258	\$ 86,741
Contributions as a percentage of covered-employee payroll	3.43%	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, 2017

		2017
Beginning balance	\$	568,161
Service Cost		33,656
Interest on the total pension liability		19,899
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		-
Changes of assumptions or other inputs		(13,802)
Benefit payments		(21,530)
Other changes		-
Ending balance of the total pension liability	\$	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, 2017

	<u>2017</u>
Total pension liability	\$ 586,384
Covered payroll	1,118,710
Total pension liability as a percentage of covered payroll	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.

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<u>Revenues</u>				
Ad valorem Taxes				
Taxes		\$ 13,624,317		\$ 13,448,708
Penalties and interest		150,858		178,711
Total	13,388,648	13,775,175	386,527	13,627,419
Local Option Sales Taxes				
Article 39 and 44		2,062,920		1,522,561
Article 40 one-half of one percent		1,470,303		1,246,347
Article 42 one-half of one percent		1,009,842		946,403
Total	4,005,000	4,543,065	538,065	3,715,311
Other Taxes and Licenses				
CATV franchise		37,728		37,782
Gas tax refund		11,176		3,841
Occupancy tax		48,355		55,895
Sales Tax Refund		2,196		-
E-911 Municipalities Share		136,796		-
Total	224,796	236,251	11,455	97,518
Unrestricted Intergovernmental Revenues				
ABC profit distribution		36,506		40,175
Beer and wine tax		67,934		66,609
Total	107,000	104,440	(2,560)	106,784
Restricted Intergovernmental Revenues				
Social services grants and fees		3,269,335		3,598,547
Federal and State grants		1,027,743		1,329,009
Court facility fees		32,585		30,062
ABC bottle taxes		8,479		8,016
Miscellaneous		167,185		192,273
Total	4,799,843	4,505,327	(294,516)	5,157,907
Permits and Fees				
Building and inspection fees		77,548		137,636
Planning and zoning		4,800		7,100
Register of deeds		115,745		120,406
Total	196,000	198,093	2,093	265,142

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Sales and Services				
Rents, concessions, and fees		159,417		148,337
Jail Fees		336,505		292,860
Ambulance and rescue squad fees		882,434		772,180
EMS cost share		113,149		117,000
Vehicle tax collection fees		128,543		142,339
Cost Allocation (from Proprietary Funds)		77,884		-
Total	1,597,230	1,697,932	100,702	1,472,716
Investment Earnings	33,000	41,084	8,084	32,781
Miscellaneous Revenues				
Sale of materials		6,940		16,021
Other		202,350		48,678
Total	134,397	209,290	74,893	64,699
Total Revenues	24,485,914	25,310,657	824,743	24,540,277
<u>Expenditures</u>				
<u>General Government</u>				
Governing Body:				
Salaries and employee benefits		83,724		73,961
Other operating expenditures		22,417		34,148
Capital outlay		11,026		-
Total	132,447	117,167	15,280	108,109
Administration:				
Salaries and employee benefits		354,710		335,097
Other operating expenditures		30,788		34,607
Capital outlay		431,156		-
Total	1,082,802	816,654	266,148	369,704
Human Resources:				
Salaries and employee benefits		293,746		277,616
Other operating expenditures		40,093		29,934
Total	348,800	333,839	14,961	307,550
Elections:				
Salaries and employee benefits		116,325		127,236
Other operating expenditures		81,157		73,302
Total	201,150	197,482	3,668	200,538

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Finance:				
Salaries and employee benefits		262,882		191,934
Other operating expenditures		92,928		131,696
Capital Outlay		-		-
Total	351,952	355,810	(3,858)	323,630
Taxes:				
Salaries and employee benefits		454,693		431,634
Other operating expenditures		228,360		237,085
Total	714,740	683,053	31,687	668,719
Legal:				
Contract services	83,500	83,237	263	72,615
Register of Deeds:				
Salaries and employee benefits		146,802		138,006
Other operating expenditures		58,438		58,797
Capital outlay		-		-
Total	204,399	205,240	(841)	196,803
Public Buildings:				
Salaries and employee benefits		430,993		409,934
Other operating expenditures		417,790		308,613
Capital outlay		68,972		27,877
Total	1,060,532	917,755	142,777	746,424
Land Records:				
Salaries and employee benefits		99,742		88,078
Other operating expenditures		23,921		25,510
Capital outlay		-		-
Total	127,457	123,663	3,794	113,588
Data Center:				
Data processing contract services		199,476		193,666
Total	199,478	199,476	2	193,666
Court Facilities:				
Operating expenditures		78,248		75,214
Total	81,211	78,248	2,963	75,214

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Central Services:				
Salaries and employee benefits		5,768		-
Operating expenditures		408,548		447,545
Capital outlay		94,735		95,798
Total	647,462	509,051	138,411	543,343
Total General Government	5,235,930	4,620,675	(615,255)	3,919,903
<u>Public safety</u>				
Sheriff:				
Salaries and employee benefits		1,706,792		1,552,744
Other operating expenditures		329,662		493,702
Capital outlay		75,238		142,423
Total	2,144,502	2,111,692	32,810	2,188,869
Jail:				
Salaries and employee benefits		1,142,777		1,209,186
Other operating expenses		603,277		677,197
Capital outlay		13,203		-
Total	1,868,767	1,759,257	109,510	1,886,383
Emergency Communications:				
Salaries and employee benefits		617,131		270,539
Other operating expenditures		45,290		43,706
Total	676,492	662,421	14,071	314,245
Emergency Management:				
Salaries and employee benefits		164,191		125,504
Other operating expenditures		66,731		43,391
Total	241,430	230,922	10,508	168,895
Fire:				
Contribution to forest service		66,112		79,091
Assistance to local fire departments		355,125		312,750
Total	435,118	421,237	13,881	391,841
Inspections:				
Salaries and employee benefits		87,642		103,195
Other operating expenditures		18,219		18,539
Total	146,708	105,861	40,847	121,734

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Rescue Units:				
Salaries and employee benefits		811,870		777,969
Other operating expenditures		269,313		247,259
Capital outlay		92,330		12,790
Total	1,282,744	1,173,513	109,231	1,038,018
Animal Control:				
Salaries and employee benefits		74,799		79,016
Other operating expenditures		24,784		23,650
Capital outlay		-		-
Total	108,464	99,583	8,881	102,666
Medical Examiner:				
Contracted services		19,200		11,150
Total	17,000	19,200	(2,200)	11,150
Total Public Safety	6,921,225	6,583,686	337,539	6,223,801
<u>Transportation</u>				
Contribution to transit authority		10,300		10,300
Contribution to regional airport		18,000		23,000
Total transportation	28,300	28,300	-	33,300
<u>Economic and physical development</u>				
Planning and Zoning:				
Other operating expenditures		2,156		2,923
Total	4,131	2,156	1,975	2,923
Economic Development:				
Salaries and employee benefits		137,375		130,711
Other operating expenditures		30,418		17,918
Total	164,858	167,793	(2,935)	148,629
Agricultural Extension:				
Salaries and employee benefits		125,171		63,429
Other operating expenditures		27,066		26,877
Total	184,699	152,237	32,462	90,306
K. B. Reynolds Grant - Walking Trail:				
Other operating expenditures		99,987		-
Total	100,000	99,987	(13)	-

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Solid and Water Conservation:				
Salaries and employee benefits		92,144		104,607
Other operating expenditures		10,932		20,829
Capital outlay		-		27,294
Total	136,141	103,076	33,065	152,730
Total Economic and Physical Development	589,829	525,249	64,580	394,588
<u>Human Services</u>				
Health:				
Administration:				
Contribution to health department		348,781		292,572
Other operating expenditures		20,784		20,844
Total	370,842	369,565	1,277	313,416
Aid to Aging:				
Salaries and employee benefits		283,210		255,091
Other operating expenditures		64,747		52,781
Capital outlay		7,975		11,115
Total	358,375	355,932	2,443	318,987
Respite:				
Other operating expenditures		343,041		317,435
Total	352,709	343,041	9,668	317,435
Mental Health:				
Administration:				
Other operating expenditures		85,479		88,766
Total	85,350	85,479	(129)	88,766
Social Services:				
Administration:				
Salaries and employee benefits		2,573,910		2,472,339
Other operating expenditures		738,766		754,715
Capital outlay		-		58,554
Total	3,322,992	3,312,676	10,316	3,285,608

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Public Assistance				
Work first:				
Operating expenditures		1,911,858		1,871,542
Foster care:				
Operating expenditures		26,123		40,533
Total	2,046,635	1,937,981	108,654	1,912,075
Elderly handicapped:				
Operating expenditures	125,580	92,704	32,876	105,213
Community based alternatives:				
Other operating expenditures		119,601		118,932
Total	119,618	119,601	17	118,932
Veterans Service Office:				
Salaries and employee benefits		47,131		43,990
Other operating expenditures		7,198		7,097
Total	56,367	54,329	2,038	51,087
Other programs:				
Other appropriations/contributions		239,492		451,060
Total	250,475	239,492	10,983	451,060
Total Human Services	7,088,943	6,910,800	178,143	6,962,579
<u>Cultural and Recreational</u>				
Library and Recreation:				
Operating expenditures		1,711		1,711
Contribution to regional library		104,327		104,327
Total Cultural and Recreational	106,067	106,038	29	106,038
<u>Education</u>				
Public schools-current expenses		4,398,524		4,273,524
Public schools-capital outlay		1,501,581		989,883
Community college- current		953,839		953,839
Community college- capital outlay		90,939		99,000
Total Education	7,341,826	6,944,883	396,943	6,316,246
<u>Debt Service</u>				
Principal retirement		1,014,227		686,667
Interest and other charges		465,342		413,758
Total debt services	1,480,552	1,479,569	983	1,100,425

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		2016	
	Budget	Actual	Variance Positive (Negative)	Actual
Contingency	31,880	-	31,880	-
Total Expenditures	28,824,552	27,199,200	1,625,352	25,056,880
Revenues Over (Under) Expenditures	(4,338,638)	(1,888,543)	(2,450,095)	(516,603)
<u>Other Financing Sources (Uses)</u>				
Transfers to other funds:				
School Capital Reserve Fund		(1,206,772)		(915,453)
Emergency Telephone System Fund		-		(1,437)
Revaluation Fund		(100,000)		(40,000)
Capital Reserve Fund		(150,000)		(275,000)
Sanitation Fund		-		(5,000)
Northern Water District Fund		-		(5,517)
Southern Water District Fund		-		(4,108)
Office Building #1 Renovation		(100,000)		-
Total	(1,605,000)	(1,556,772)	(48,228)	(1,246,515)
Transfers from other funds:				
Emergency Telephone System Fund		2,503		-
Hertford County Judicial Center Fund		631,017		-
Capital Reserve Fund		568,512		654,100
School Capital Reserve Fund		1,376,581		989,883
Tunis Sewer District Fund		118,204		-
Total	2,791,512	2,696,817	-	1,643,983
Loan Proceeds	-	275,000	(275,000)	-
Appropriated fund balance	3,152,126	-	3,152,126	-
Total other financing sources (uses)	4,338,638	1,415,045	2,828,898	397,468
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	(473,498)	\$ (473,498)	(119,135)
Fund Balance - July 1		8,240,508		8,220,524
Restatement		-		139,119
Fund Balance-July 1, as restated		8,240,508		8,359,643
Fund Balance-June 30		\$ 7,767,010		\$ 8,240,508

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Revenues</u>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
<u>Expenditures</u>				
Education				
Other operating expenses				
Capital Outlay	400,000	-	400,000	-
Revenues Over (Under) Expenditures	(400,000)	-	(400,000)	-
<u>Other Financing Sources (Uses)</u>				
Operating transfer in				
General fund	1,255,000	1,206,772	(48,228)	915,453
Operating transfer out				
General fund	(1,469,000)	(1,376,581)	92,419	(989,883)
Appropriated Fund Balance	614,000	-	(614,000)	-
Total	400,000	(169,809)	(569,809)	(74,430)
Revenues Over Expenditures and Other Uses	\$ -	(169,809)	\$ (969,809)	(74,430)
Fund Balance - July 1		1,695,296		1,769,726
Fund Balance - June 30		\$ 1,525,487		\$ 1,695,296

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<u>Revenues</u>				
Investment Earnings	\$ -	\$ -	\$ -	\$ -
<u>Expenditures</u>				
Current:				
General government				
Tax listings:	345,407	-	345,407	-
<u>Other Financing Sources (Uses)</u>				
Transfer from (to) other funds				
General Fund	100,000	100,000	-	40,000
Fund Balance Appropriated	245,407	-	(245,407)	-
Total	345,407	100,000	(245,407)	40,000
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	100,000	<u>\$ (590,814)</u>	40,000
Fund Balance - July 1		245,407		205,407
Fund Balance - June 30		<u>\$ 345,407</u>		<u>\$ 245,407</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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<u>Revenues</u>				
Local option sales tax	\$ 480,000	\$ 565,252	\$ 85,252	\$ 500,745
<u>Expenditures</u>				
Administrative and operations	61,488	-	61,488	-
Capital Outlay	-	-	-	-
Total	61,488	-	61,488	-
<u>Other Financing Sources (Uses)</u>				
Transfer from (to) other funds				
General Fund	150,000	150,000	-	275,000
General Fund	(568,512)	(568,512)	-	(654,100)
Appropriated fund balance	-	-	-	-
Total	(418,512)	(418,512)	-	(379,100)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	146,740	\$ 23,764	121,645
Fund Balance - July 1		783,340		661,695
Fund Balance - June 30		\$ 930,080		\$ 783,340

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.

- **Hertford County Judicial Center:** This fund is used to account for the judicial center capital project.
- **E911 Communications Center Project Fund:** This fund is used to account for the construction of the E911 Communication Center. This project will be financed primarily with grants.
- **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, 2017

	Special Revenue Funds		Capital Project Fund			Total Non-Major Governmental Funds
	Emergency Telephone System Fund	Fire District Fund	Hertford County Judicial Center Fund	E911 Communications Center Project Fund	Office Building #1 Renovation Project	
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 850,048	\$ 49,675	\$ -	\$ 15,501	\$ 19,618	\$ 934,842
Restricted cash and cash equivalents	-	-	-	-	-	-
Accounts receivable, net	27,090	7,316	-	-	36,305	70,711
Taxes receivable, net	-	9,967	-	-	-	9,967
Total assets	<u>\$ 877,138</u>	<u>\$ 66,958</u>	<u>\$ -</u>	<u>\$ 15,501</u>	<u>\$ 55,923</u>	<u>\$ 1,015,520</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,970	\$ 4,374	-	\$ 15,501	\$ -	\$ 21,845
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>1,970</u>	<u>4,374</u>	<u>-</u>	<u>15,501</u>	<u>-</u>	<u>21,845</u>
Deferred inflows of resources	-	9,967	-	-	-	9,967
Fund balances:						
Restricted:						
Stabalization by State Statue	27,090	7,316	-	-	-	34,406
Public Safety	848,078	45,301	-	-	-	893,379
General Government	-	-	-	-	55,923	55,923
Total fund balances	<u>875,168</u>	<u>52,617</u>	<u>-</u>	<u>-</u>	<u>55,923</u>	<u>983,708</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 877,138</u>	<u>\$ 56,991</u>	<u>\$ -</u>	<u>\$ 15,501</u>	<u>\$ 55,923</u>	<u>\$ 1,005,553</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, 2017

	Special Revenue Funds		Capital Project Fund				Total
	Emergency Telephone System Fund	Fire District Fund	Hertford Judicial Center Fund	County	E911 Communications Project Fund	Office Building #1 Renovation Fund	
Revenues							
Ad valorem taxes	\$ -	\$ 95,346	\$ -	\$ -	\$ -	\$ -	\$ 95,346
Local option sales tax	-	28,759	-	-	-	-	28,759
Restricted intergovernmental	104,388	-	-	-	862,539	-	966,927
Investment earnings	3,094	-	395	-	-	121	3,610
Miscellaneous	434,022	-	(2,196)	-	-	1,287	433,113
Total revenues	541,504	124,105	(1,801)	-	862,539	1,408	1,527,755
Expenditures							
Current:							
Public safety	55,529	120,222	-	-	-	-	175,751
Capital outlay	-	-	-	-	454,430	2,421,771	2,876,201
Total expenditures	55,529	120,222	-	-	454,430	2,421,771	3,051,952
Revenues over (under) expenditures	485,975	3,883	(1,801)	-	408,109	(2,420,363)	(1,524,197)
Other financing sources (uses)							
Transfers from other funds							
General Fund	-	-	-	-	-	100,000	100,000
Transfers (to) other funds							
General Fund	(2,503)	-	(631,017)	-	-	-	(633,520)
Total other financing sources (uses)	(2,503)	-	(631,017)	-	-	100,000	(533,520)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses							
	483,472	3,883	(632,818)	-	408,109	(2,320,363)	(2,057,717)
Fund balances, beginning	391,696	48,734	632,818	-	(408,109)	2,376,286	3,041,425
Fund balances, ending	\$ 875,168	\$ 52,617	\$ -	\$ -	\$ -	\$ 55,923	\$ 983,708

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, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
<u>Revenues</u>				
Restricted intergovernmental revenue				
Wireless 911 funds		\$ 104,388		\$ 98,517
Contributions		434,022		-
Investment earnings		3,094		1,601
Total	<u>\$ 105,989</u>	<u>541,504</u>	<u>\$ 435,515</u>	<u>100,118</u>
<u>Expenditures</u>				
Public safety	<u>105,989</u>	<u>55,529</u>	<u>50,460</u>	<u>87,867</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>485,975</u>	<u>385,055</u>	<u>12,251</u>
<u>Other financing sources (uses)</u>				
Operating transfer in				
General Fund	-	-	-	1,437
Operating transfer (out)				
General Fund	-	(2,503)	-	-
Appropriated fund balance	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,503)</u>	<u>-</u>	<u>1,437</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	<u>\$ -</u>	<u>483,472</u>	<u>\$ 385,055</u>	<u>13,688</u>
Fund Balance July 1		<u>391,696</u>		<u>378,008</u>
Fund Balance - June 30		<u>\$ 875,168</u>		<u>\$ 391,696</u>
<u>Explanation for transfers</u>				
Transfer to the General Fund to adjust beginning balance to actual			<u>\$ (2,503)</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			\$ 483,472	
Plus: Transfers to General Fund to adjust fund balance to proper beginning balance			<u>2,503</u>	
Net Change per PSAP Revenue-Expenditure Report			485,975	
Beginning Balance, PSAP Revenue-Expenditure Report			<u>389,193</u>	
Ending Balance, PSAP Revenue-Expenditure Report			<u>\$ 875,168</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<u>Revenues</u>				
Ad Valorem taxes:				
Taxes	\$ 110,590	\$ 95,346	\$ (15,244)	\$ 93,790
Other taxes and licenses	25,275	28,759	3,484	26,122
Total revenues	<u>135,865</u>	<u>124,105</u>	<u>(11,760)</u>	<u>119,912</u>
<u>Expenditures</u>				
Public Safety				
Woodland Fire District		4,002		4,052
Union Fire District		8,297		8,743
Ahoskie Fire District		107,923		107,843
Total expenditures	<u>123,238</u>	<u>120,222</u>	<u>3,016</u>	<u>120,638</u>
Revenues over (under) expenditures	<u>\$ 12,627</u>	3,883	<u>\$ (14,776)</u>	(726)
Fund Balance - July 1		<u>48,734</u>		<u>49,460</u>
Fund Balance - June 30		<u>\$ 52,617</u>		<u>\$ 48,734</u>

Hertford County, North Carolina
Hertford County Judicial Center
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017

	Actual					Variance Positive (Negative)
	Project Authorization	Prior Year	Current Year	Closed Out Project	Total to Date	
<u>Revenues</u>						
Investment earnings	\$ 4,214	\$ 4,034	\$ 395	\$ (4,429)	\$ -	\$ (4,214)
Miscellaneous	80,130	78,931	(2,196)	(76,735)	-	(80,130)
Total	<u>84,344</u>	<u>82,965</u>	<u>(1,801)</u>	<u>(81,164)</u>	<u>-</u>	<u>(84,344)</u>
<u>Expenditures</u>						
Capital Outlay						
Construction Cost		9,200,243	-	(9,200,243)	-	
Furnishing and Equipment		1,014,155	-	(1,014,155)	-	
Design Fees & Expense		1,024,512	-	(1,024,512)	-	
Geotechnical Survey		89,777	-	(89,777)	-	
Materials/Testing/Special Inspection		109,738	-	(109,738)	-	
Contingency		278,552	-	(278,552)	-	
Land		70,052	-	(70,052)	-	
Debt Service						
Bond Issuance Costs		338,045	-	(338,045)	-	
Total	<u>-</u>	<u>12,125,074</u>	<u>-</u>	<u>(11,787,029)</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>84,344</u>	<u>(12,042,109)</u>	<u>(1,801)</u>	<u>11,705,865</u>	<u>-</u>	<u>(84,344)</u>
<u>Other Financing Sources (Uses)</u>						
Transfer from the General Fund	-	234,095	-	(234,095)	-	-
Transfer to the General Fund	(635,196)	-	(631,017)	631,017	-	635,196
Debt Proceeds	550,852	11,945,000	-	(11,945,000)	-	(550,852)
Premium on Debt Proceeds	-	495,832	-	(495,832)	-	-
Total	<u>(84,344)</u>	<u>12,674,927</u>	<u>(631,017)</u>	<u>(12,440,832)</u>	<u>-</u>	<u>84,344</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 632,818</u>	<u>(632,818)</u>	<u>\$ (734,967)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - July 1			<u>632,818</u>			
Fund Balance - June 30			<u>\$ -</u>			

Hertford County, North Carolina
E911 Communications Center Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	Actual				Total to Date	Variance Positive (Negative)
	Project Authorization	Prior Year	Current Year	Closed Out Project		
<u>Revenues</u>						
Restricted intergovernmental						
Grant	\$ 4,198,609	\$ 3,339,552	\$ 862,539	(4,202,091)	\$ -	\$ -
Miscellaneous	51,391	51,391	-	(51,391)	-	-
Total	<u>4,250,000</u>	<u>3,390,943</u>	<u>862,539</u>	<u>(4,253,482)</u>	<u>-</u>	<u>(3,482)</u>
<u>Expenditures</u>						
Capital outlay						
Material Testing		10,171	406	(10,577)	-	-
Design Fee/Expense		305,729	-	(305,729)	-	-
Furnishing and Equipment		69,900	700	(70,600)	-	-
Technology		950,892	193,784	(1,144,676)	-	-
Construction		2,358,545	231,336	(2,589,881)	-	-
Engineers		100,482	25,339	(125,821)	-	-
Contingency		3,333	2,865	(6,198)	-	-
Total	<u>4,250,000</u>	<u>3,799,052</u>	<u>454,430</u>	<u>(4,253,482)</u>	<u>-</u>	<u>(3,482)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (408,109)</u>	408,109	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - July 1			<u>(408,109)</u>			
Fund Balance - June 30			<u>\$ -</u>			

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, 2017

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Miscellaneous	\$ 1,018	\$ 1,017	\$ 1,287	\$ 2,304	\$ 4,608
Investment earnings	900	34	121	155	310
Total	<u>1,918</u>	<u>1,051</u>	<u>1,408</u>	<u>2,459</u>	<u>4,918</u>
Expenditures					
Capital outlay					
Construction		238,303	2,067,878	2,306,181	
Engineers		206,593	81,708	288,301	
Paving/Repaving		3,449	-	3,449	
Furnishings and Equipment		32,033	265,436	297,469	
Contingency		-	6,749	6,749	
Total	<u>2,957,531</u>	<u>480,378</u>	<u>2,421,771</u>	<u>2,902,149</u>	<u>55,382</u>
Revenues Over (Under) Expenditures	<u>(2,955,613)</u>	<u>(479,327)</u>	<u>(2,420,363)</u>	<u>(2,899,690)</u>	<u>(50,464)</u>
Other Financing Sources (Uses)					
Transfer from the General Fund	100,000	-	100,000	100,000	-
Proceeds from Debt	<u>2,855,613</u>	<u>2,855,613</u>	<u>-</u>	<u>2,855,613</u>	<u>-</u>
Total	<u>2,955,613</u>	<u>2,855,613</u>	<u>100,000</u>	<u>2,955,613</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 2,376,286</u>	<u>(2,320,363)</u>	<u>\$ 55,923</u>	<u>\$ (50,464)</u>
Fund Balance - July 1			<u>2,376,286</u>		
Fund Balance - June 30			<u>\$ 55,923</u>		

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.

Hertford County, North Carolina
Northern Water District Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Operating Revenues				
Charges for services	\$ 490,000	\$ 489,948	\$ (52)	\$ 467,337
Tap-on fees	24,200	22,624	(1,576)	22,042
Other	1,500	16,199	14,699	2,268
Total operating revenues	<u>515,700</u>	<u>528,771</u>	<u>13,071</u>	<u>491,647</u>
Nonoperating revenues:				
Interest Earned on Investments	-	1,503	1,503	-
Total Nonoperating Revenues	<u>-</u>	<u>1,503</u>	<u>1,503</u>	<u>-</u>
Total Revenues	<u>515,700</u>	<u>530,274</u>	<u>14,574</u>	<u>491,647</u>
Expenditures				
Administration and operations		333,383		245,984
Capital Outlay		101,203		-
Debt Service:				
Interest and fees		53,492		244
Debt principal		-		60,000
Bond issuance cost		17,350		-
Total Expenditures	<u>631,192</u>	<u>505,428</u>	<u>125,764</u>	<u>306,228</u>
Revenues Over (Under) Expenditures	<u>(115,492)</u>	<u>24,846</u>	<u>140,338</u>	<u>185,419</u>
Other Financing Sources (Uses)				
Transfers from (to) Other Funds				
General Fund	-	-	-	5,517
Refunding Bonds Issued	2,086,492	2,050,350	(36,142)	-
Payment to refunded bond escrow agent	(2,033,000)	(2,033,000)	-	-
Fund Balance Appropriated	62,000	-	(62,000)	-
Total Other Financing Sources (Uses)	<u>115,492</u>	<u>17,350</u>	<u>(98,142)</u>	<u>5,517</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 42,196</u>	<u>\$ 42,196</u>	<u>\$ 190,936</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		\$ 42,196		\$ 190,936
Debt principal		-		60,000
Refunding Bonds Issued		(2,050,350)		-
Payment to refunded bond escrow agent		2,033,000		-
Depreciation		(107,931)		-
Capital Outlay		91,454		-
(Increase) decrease in bond interest accrued		(626)		244
(Increase) decrease in vacation payable		(3,194)		152
(Increase) decrease in accrued payroll		(4,421)		-
(Increase) decrease in OPEB obligation		(5,797)		(6,679)
Decrease in net pension asset		-		(7,429)
Increase in deferred outflows of resources - pension		24,016		(1,267)
(Increase) in net pension liability		(27,759)		(7,170)
Decrease in deferred inflows of resources - pensions		2,522		14,304
Total reconciling items		<u>(49,086)</u>		<u>52,155</u>
Change in net position		<u>\$ (6,890)</u>		<u>\$ 243,091</u>

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, 2017

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<u>Revenues</u>					
Restricted intergovernmental revenue					
USDA Rural Development grant	\$ 383,000	\$ -	\$ -	\$ -	\$ (383,000)
Tap on fees	12,200	-	-	-	(12,200)
Total	<u>395,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(395,200)</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	1,003,010	-	-	-	1,003,010
Debt Service	18,000	-	-	-	18,000
Total	<u>1,282,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,282,160</u>
Revenues Over (Under) Expenditures	<u>(886,960)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>886,960</u>
<u>Other Financing Sources (Uses)</u>					
USDA Loan Proceeds	811,000	-	-	-	(811,000)
Fund Balance Appropriated	75,960	-	-	-	(75,960)
Total	<u>886,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(886,960)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Hertford County, North Carolina
Southern Water District Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

Exhibit D-3

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Operating Revenues				
Charges for services	\$ 980,100	\$ 971,189	\$ (8,911)	\$ 960,611
Tap-on fees	48,000	44,318	(3,682)	55,458
Other	3,600	7,334	3,734	4,130
Total operating revenues	<u>1,031,700</u>	<u>1,022,841</u>	<u>(8,859)</u>	<u>1,020,199</u>
Nonoperating revenues:				
Interest Earned on Investments	-	5,916	5,916	-
Total Nonoperating Revenues	<u>-</u>	<u>5,916</u>	<u>5,916</u>	<u>-</u>
Total Revenues	<u>1,031,700</u>	<u>1,028,757</u>	<u>(2,943)</u>	<u>1,020,199</u>
Expenditures				
Administration and operations		365,181		278,573
Capital Outlay		110,208		-
Debt Service:				
Interest and fees		114,335		601
Debt principal		-		142,500
Bond issuance cost		17,350		-
Total Expenditures	<u>1,208,036</u>	<u>607,074</u>	<u>600,962</u>	<u>421,674</u>
Revenues Over (Under) Expenditures	<u>(176,336)</u>	<u>421,683</u>	<u>598,019</u>	<u>598,525</u>
Other Financing Sources (Uses)				
Transfers from (to) Other Funds				
General Fund	-	-	-	4,108
Refunding Bonds Issued	4,429,836	4,332,850	(96,986)	-
Payment to refunded bond escrow agent	(4,315,500)	(4,315,500)	-	-
Fund Balance Appropriated	62,000	-	(62,000)	-
Total Other Financing Sources (Uses)	<u>176,336</u>	<u>17,350</u>	<u>(158,986)</u>	<u>4,108</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 439,033</u>	<u>\$ 439,033</u>	<u>\$ 602,633</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		\$ 439,033		\$ 602,633
Debt principal		-		142,500
Refunding Bonds Issued		(4,332,850)		-
Payment to refunded bond escrow agent		4,315,500		-
Depreciation		(230,002)		(228,550)
Capital Outlay		91,454		-
(Increase) decrease in bond interest accrued		(1,123)		601
(Increase) decrease in accrued payroll		(4,395)		-
(Increase) decrease in vacation payable		1,302		(1,257)
(Increase) decrease in OPEB obligation		(7,724)		(7,342)
Decrease in net pension asset		-		(8,747)
Increase in deferred outflows of resources - pension		24,074		(222)
Increase in net pension liability		(27,825)		(7,187)
Decrease in deferred outflows of resources - pensions		2,528		17,508
Total reconciling items		<u>(169,061)</u>		<u>(92,696)</u>
Change in net position		<u>\$ 269,972</u>		<u>\$ 509,937</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

Exhibit D-4

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<u>Revenues</u>				
Operating Revenues				
Charges for services	\$ 28,000	\$ 33,778	\$ 5,778	\$ 28,498
Total operating revenues	<u>28,000</u>	<u>33,778</u>	<u>5,778</u>	<u>28,498</u>
Nonoperating revenues:				
Interest Earned on Investments	-	420	420	-
Total Nonoperating Revenues	<u>-</u>	<u>420</u>	<u>420</u>	<u>-</u>
Total Revenues	<u>28,000</u>	<u>34,198</u>	<u>6,198</u>	<u>28,498</u>
<u>Expenditures</u>				
Administration and operations		14,288		13,145
Debt Service:				
Debt Principal		5,500		-
Interest and fees		6,683		1
Total Expenditures	<u>159,620</u>	<u>26,471</u>	<u>133,149</u>	<u>13,146</u>
Revenues Over (Under) Expenditures	<u>(131,620)</u>	<u>7,727</u>	<u>139,347</u>	<u>15,352</u>
<u>Other Financing Sources (Uses)</u>				
Transfers from (to) Other Funds				
Tunis Sewer District Capital Project Fund	131,620	102,663	(28,957)	-
Total Other Financing Sources (Uses)	<u>131,620</u>	<u>102,663</u>	<u>(28,957)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 110,390</u>	<u>\$ 110,390</u>	<u>\$ 15,352</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		110,390		\$ 15,352
Debt Principal		5,500		-
Depreciation Expense		(38,867)		-
(Increase) decrease in bond interest accrued		(1,195)		-
Restricted intergovernmental revenue (Ex D-5)		-		13,115
Transfers in (out) Tunis Sewer District Project Fund (Ex D-5)		(220,867)		-
Total reconciling items		<u>(255,429)</u>		<u>13,115</u>
Change in net position		<u>\$ (145,039)</u>		<u>\$ 28,467</u>

Hertford County, North Carolina
Tunis Sewer District Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2017

Exhibit D-5

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Year	Current Year	Closed Out Project		
Revenues						
Restricted intergovernmental revenue						
USDA Rural Utilities Services grant (initial)	\$ -	\$ 1,255,000	\$ -	\$ (1,255,000)	\$ -	\$ -
USDA Rural Utilities Services grant	13,115	73,937	-	(73,937)	-	(13,115)
Commerce - NC Rural Center	76,615	382,555	-	(382,555)	-	(76,615)
Tap on fees	8,600	13,200	-	(13,200)	-	(8,600)
Investment Earnings	132	132	-	(132)	-	(132)
Miscellaneous	33,158	33,158	-	(33,158)	-	(33,158)
Total	<u>131,620</u>	<u>1,757,982</u>	<u>-</u>	<u>(1,757,982)</u>	<u>-</u>	<u>(131,620)</u>
Expenditures						
Capital Outlay						
Contingency	-	50,000	-	(50,000)	-	-
Administrative Cost	-	79,890	-	(79,890)	-	-
Capitalized Interest	-	13,832	-	(13,832)	-	-
Contract services - construction	-	1,529,977	-	(1,529,977)	-	-
Contract services - engineering	-	281,621	-	(281,621)	-	-
Debt Service	-	307,000	-	(307,000)	-	-
Total	<u>-</u>	<u>2,262,320</u>	<u>-</u>	<u>(2,262,320)</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>131,620</u>	<u>(504,338)</u>	<u>-</u>	<u>504,338</u>	<u>-</u>	<u>(131,620)</u>
Other Financing Sources (Uses)						
Transfers in (out)						
General Fund	(118,204)	-	(118,204)	118,204	-	118,204
General Fund	118,204	118,204	-	(118,204)	-	(118,204)
Tunis Sewer District Fund	(131,620)	(7,000)	(102,663)	109,663	-	131,620
USDA Loan Proceeds	-	307,000	-	(307,000)	-	-
Bond Anticipation Notes	-	307,000	-	(307,000)	-	-
Fund Balance Appropriated	-	-	-	-	-	-
Total	<u>(131,620)</u>	<u>725,204</u>	<u>(220,867)</u>	<u>(504,337)</u>	<u>-</u>	<u>131,620</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 220,866</u>	<u>\$ (220,867)</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>

**Hertford County, North Carolina
Sanitation Fund**

Exhibit D-6

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<u>Revenues</u>				
Operating Revenues				
Charges for services	\$ 986,104	\$ 1,001,315	\$ 15,211	\$ 997,593
Other	45,000	59,782	14,782	48,824
Total Operating Revenues	1,031,104	1,061,097	29,993	1,046,417
Nonoperating revenues:				
Interest Earnings	-	1,776	1,776	1,418
State Aid - White Goods	25,000	-	(25,000)	-
Total Nonoperating Revenues	25,000	1,776	(23,224)	1,418
Total Revenues	1,056,104	1,062,873	6,769	1,047,835
<u>Expenditures</u>				
Landfill:				
Administration and operations		443,498		379,943
Contract services		622,162		586,118
Capital Outlay		86,340		-
Total Expenditures	1,172,994	1,152,000	20,994	966,061
Revenues Over (Under) Expenditures	(116,890)	(89,127)	27,763	81,774
<u>Other Financing Sources (Uses)</u>				
Transfers from (to) Other Funds				
General Fund	-	-	-	5,000
Fund Balance Appropriated	116,890	-	(116,890)	-
Total Other Financing Sources (Uses)	116,890	-	(116,890)	5,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (89,127)	\$ (89,127)	\$ 86,774
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		\$ (89,127)		\$ 86,774
Depreciation		(14,935)		(18,607)
Capital outlay		62,233		-
Gain on sale of assets		-		2,738
(Increase) decrease in vacation payable		(3,302)		(12,350)
(Increase) decrease in accrued payroll		(12,438)		-
(Increase) decrease in OPEB obligation		(20,204)		(19,678)
(Increase) decrease in landfill closure		17,702		17,702
Decrease in net pension asset		-		(25,583)
Increase in deferred outflows of resources - pension		20,788		(148)
Increase in net pension liability		(24,027)		(6,206)
Decrease in deferred outflows of resources - pensions		2,183		59,060
Total reconciling items		28,000		(3,072)
Change in net position		\$ (61,127)		\$ 83,702

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, 2017

Exhibit E-1

	Restated Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Social Services</u>				
Assets				
Cash	\$ 39,031	\$ 24,742	\$ 50,025	\$ 13,748
Liabilities				
Miscellaneous Liabilities	\$ 39,031	\$ 24,742	\$ 50,025	\$ 13,748
<u>Inmates Money</u>				
Assets				
Cash	\$ 5,206	\$ 81,789	\$ 71,664	\$ 15,331
Liabilities				
Miscellaneous Liabilities	\$ 5,206	\$ 81,789	\$ 71,664	\$ 15,331
<u>Fines and Forfeitures</u>				
Assets				
Cash	\$ -	\$ 74,650	\$ 74,650	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 74,650	\$ 74,650	\$ -
<u>Tax Fund</u>				
Assets				
Cash	\$ -	\$ 4,135,920	\$ 4,135,920	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 4,135,920	\$ 4,135,920	\$ -
<u>TOTAL - ALL AGENCY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 44,237	\$ 4,317,101	\$ 4,332,259	\$ 29,079
Liabilities:				
Miscellaneous Liabilities	\$ 44,237	\$ 4,317,101	\$ 4,332,259	\$ 29,079

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, 2017

Exhibit F-1

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections And Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 13,700,498	\$ 13,215,136	\$ 485,362
2015-2016	553,258	4,024	359,073	198,209
2014-2015	187,154	-	83,091	104,063
2013-2014	134,392	-	36,859	97,533
2012-2013	104,595	-	16,998	87,597
2011-2012	79,311	-	11,131	68,180
2010-2011	67,270	-	4,612	62,658
2009-2010	62,379	-	3,259	59,120
2008-2009	58,970	-	1,553	57,417
2007-2008	54,742	-	1,070	53,672
2006-2007	28,424	-	28,424	-
Totals	\$ 1,330,495	\$ 13,704,522	\$ 13,761,206	\$ 1,273,811
			Less: allowance for uncollectible accounts	(250,000)
			Taxes Receivable (Net)	\$ 1,023,811
<u>Reconciliation with revenues:</u>				
	Ad valorem taxes - General Fund		\$ 13,775,175	
	Interest and discounts		(42,393)	
				13,732,782
	<u>Reconciling items:</u>			
			Amounts written off for 2006-2007 levy	28,424
			Total Reconciling Items	28,424
			Total Collections and Credits	\$ 13,761,206

Hertford County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
June 30, 2017

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	\$ 1,620,672,738	0.840	\$ 13,613,651	\$ 12,133,152	\$ 1,480,499
Dog tax	-		5,805	5,805	-
Fire Districts	-		81,042	81,042	-
Total Original Levy	<u>1,620,672,738</u>		<u>13,700,498</u>	<u>12,219,999</u>	<u>1,480,499</u>
Discoveries	-	0.840	-	-	-
Abatements	-	0.840	-	-	-
Total Property Valuation	<u>\$ 1,620,672,738</u>				
Net levy			13,700,498	12,219,999	1,480,499
Uncollected taxes at June 30, 2017			<u>(485,362)</u>	<u>(480,568)</u>	<u>(4,794)</u>
Current year's taxes collected			<u>\$ 13,215,136</u>	<u>\$ 11,739,431</u>	<u>\$ 1,475,705</u>
Current levy collection percentage			<u>96.46%</u>	<u>96.07%</u>	<u>99.68%</u>

Hertford County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
June 30, 2017

Exhibit F-2

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 1,121,858,467
Personal Property	277,972,571
Public Service Companies	<u>725,555</u>
Total Assessed Valuation	1,620,672,738
Tax Rate per \$100	0.84
Levy (includes discoveries, releases and abatements)	<u><u>\$ 13,700,498</u></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><u>\$ 81,032</u></u>
---------------------------	-------------------------

Hertford County, North Carolina
Top Ten Taxpayers
June 30, 2017

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Wackelnut Corrections Corp	Correctional Facility	\$ 62,065,035	4.18%
Enviva Pellets Ahoskie, LLC	Manufacturing	44,837,079	3.02%
Nucor Corporation	Manufacturing	44,792,725	3.01%
Perdue Foods, LLC	Manufacturing	24,538,356	1.65%
Kerr Group, LLC	Manufacturing	16,154,191	1.09%
Wal-Mart Real Estate Business Trust	Reatil	13,684,050	0.92%
Carrol's Foods of Virginia, Inc	Livestock	12,776,753	0.86%
Ahoskie Center, LLC	Shopping Center	8,439,682	0.57%
Alfiniti Inc	Manufacturing	8,175,936	0.55%
FIATP Timber, LLC	Timber	5,735,566	0.39%
		<u>\$ 241,199,373</u>	<u>16.24%</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, 2017, 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 29, 2018. Our report includes a reference to other auditors who audited the financial statements of the Hertford County Public Health Authority, the Hertford County ABC Board or the Hertford County Economic Development Commission, as described in our report on Hertford County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Hertford ABC Board and the Hertford County Economic Development Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hertford County's internal control over financial reporting (internal control) to determine the audit 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 [2017-01].

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 29, 2018



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, 2017. 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 occur with governance. udes 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, 2017.

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 29, 2018



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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, 2017. 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, 2017.

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 29, 2018

HERTFORD COUNTY, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

State Awards

Internal control over major State programs:

- Material Weakness(es) identified? ___yes X no
- Significant Deficiency(s) identified? ___yes X none reported
- Noncompliance material to State awards ___yes X no

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act ___yes X no

Identification of major State programs:

Program Name
Medicaid

HERTFORD COUNTY, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section II. Financial Statement Findings

Finding 2017-01 **Reconciliation of Records**

SIGNIFICANT DEFICIENCY

Criteria: Records should be reconciled timely.

Condition: During the 2016-17 fiscal year, the County did not prepare monthly bank reconciliations. In addition, several adjustment were required to reconcile various reports to the subsidiary ledgers including taxes receivable, fixed asset reports, etc.

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 does not have control systems in place to ensure that proper closeout procedures are performed to ensure that all subsidiary ledgers are reconciled to the general ledger.

Recommendation: Of all of the duties of the finance staff, timely reconciliations of bank statements and general ledger accounts is very important. 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. Efforts will be made to ensure reconciliations in the future.

Section III. Federal Award Findings and Questioned Costs

None Reported.

Section IV. State Award Findings and Questioned Costs

None Reported.

HERTFORD COUNTY, NORTH CAROLINA
Corrective Action Plan
For the Year Ended June 30, 2017

Section II - Financial Statement Findings

Finding: 2017-01 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.

Proposed Completion Date: Immediately

Section III - Federal Award Findings and Question Costs

None Reported.

Section IV - State Award Findings and Question Costs

None Reported

HERTFORD COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

Finding:	16-1
Status:	Corrected.
Finding:	16-2
Status:	Corrected.
Finding:	16-3
Status:	Corrected.
Finding:	16-4
Status:	Corrected.
Finding:	16-5
Status:	Corrected.
Finding:	16-6
Status:	Corrected.

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2017

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass- through Grantor's Number</u>	<u>Fed (Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
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 Asst. Prg.	10.561		\$ 335,699	\$ -	\$ 335,698
Fraud	10.561		11,553	-	11,553
			<u>347,252</u>	<u>-</u>	<u>347,251</u>
Total Supplemental Nutrition Assist Program Cluster					
Passed-through N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		146,620	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		819,075	-	-
Total Division of Public Health			<u>965,695</u>	<u>-</u>	<u>-</u>
			<u>1,312,947</u>	<u>-</u>	<u>347,251</u>
Total U.S. Dept. of Agriculture					
<u>US Dept. of Health and Human Services</u>					
Division of Aging and Adult Services:					
Passed-through Mid East Commissions:					
Special Programs for the Aging Title IIIB Grants for Supportive Services and Senior Centers	93.044		25,686	1,511	3,022
Special Programs for the Aging Title IIIC Nutrition Services	93.045		152,748	8,985	17,971
Nutrition Services Incentive Program	93.053		24,382	-	-
Total Aging Cluster			<u>202,816</u>	<u>10,496</u>	<u>20,993</u>
Family Caregiver Giver IIIE	93.052		-	-	-
Division of Social Services:					
<u>Temporary Assistance Needy Family Cluster</u>					
Temporary Assistance for Needy Families -Admin	93.558		47,855	-	87,097
Temporary Assistance for Needy Families - Services	93.558		209,768	(72)	238,327
TANF / Work First Direct Benefit Payments	93.558		127,632	-	-
Total TANF Cluster			<u>385,255</u>	<u>(72)</u>	<u>325,424</u>
AFDC Payments and Penalties	93.560		(1,042)	(285)	159

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2017

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass- through Grantor's Number</u>	<u>Fed (Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Foster Care and Adoption Cluster:					
Foster Care - Title IV-E - Administration	93.658		-	-	-
IV-E Foster Care Trn/Off Trn	93.658		6,384	-	6,384
Foster Care - Title IV-E- CPS	93.658		1,059	1,059	-
Adoption IV-E Off Trn	93.659		7,678	-	7,678
IV-E Adoption Subsidy & Vendor Foster Care	93.659 93.658		43,977 15,703	10,974 118	10,974 6,177
Total Foster Care and Adoption Cluster			<u>74,801</u>	<u>12,151</u>	<u>31,213</u>
IV-D Administration	93.563		241,998	1	124,663
Low-Income Home Energy Assistance:					
Administration	93.568		14,644	-	-
Energy Assistance - Direct Benefit Payments	93.568		177,800	-	-
Crisis Intervention Program	93.568		134,047	-	-
Total Low-Income Energy Assistance			<u>326,491</u>	<u>-</u>	<u>-</u>
Stephanie Tubbs Jones Child Welfare Services Program:					
Permanency Planning - Families for Kids	93.645		3,557	-	1,185
SSBG - Other Service and Training	93.667		146,759	6,041	50,933
Chafee Foster Care Independence Program	93.674		1,440	359	-
Division of Aging and Adult Services Division of Social Services					
SSBG - State In Home Service Fund	93.667		27,899	8,382	7,535
Division of Child Development and Early Education Subsidized Child Care:					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Development Fund - Administration	93.596		68,510	-	-
Division of Child Development:					
Child Care and Development Block Grant- Discretionary	93.575		322,478	-	-
Child Care and Development Block Grant - Mandatory	93.596		115,465	-	-
Child Care and Development Block Grant - Match	93.596		183,012	69,771	-
Total Child Care Development Fund Cluster			<u>689,465</u>	<u>69,771</u>	<u>-</u>
Temporary Assistance for Needy Families Foster Care Title IV-E	93.558 93.658		95,889 12,498	- 6,228	- -
Smart Start	N/A		-	-	-
State Appropriations	N/A		-	2,307	-
TANF-MOE	N/A		-	151,062	-
Total Subsidized Child Care Cluster			<u>797,852</u>	<u>229,368</u>	<u>-</u>

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2017

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass- through Grantor's Number</u>	<u>Fed (Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Passed-through the N.C. Department of Health and Human Services					
Division of Medical Assistance:					
Direct Benefit Payments					
Title XIX - Medicaid	93.778		28,734,541	16,049,094	-
Division of Social Services					
Administration					
Medical Assistance Program	93.778		776,067	43,047	352,653
Total Medical Assistance Program			<u>29,510,608</u>	<u>16,092,141</u>	<u>352,653</u>
Direct Benefits Payments					
State Children's Insurance Program					
N. C. Health Choice	93.767		344,868	1,050	-
Division of Social Services Administration					
State Children's Insurance Program					
NC Health Choice	93.767		<u>8,595</u>	<u>13</u>	<u>9</u>
Total State Children's Insurance Program NC Health Choice			<u>353,463</u>	<u>1,063</u>	<u>9</u>
Passed-through the N.C. Department of Health and Human Services					
Division of Public Health					
Hospital Preparedness Program (HPP) and Public Emerg Preparedness (PHEP) Aligned Cooperative Agreements					
	93.074		25,359	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs					
	93.116		50	-	-
Immunization Grants					
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds	93.268		4,438		
Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.758		26,707	-	-
Cancer Prevention and Control Programs fianaced in part by Prevention and Public Health Funds	93.539		3,910	-	-
Ryan White Program	93.752		13,579	-	-
Cooperative Agreement for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program HIV Prevention Activities- Health Department Based	93.917		368,940	-	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.940		90,472	-	-
Temporary Assistance for Needy Families	93.977		580	-	-
	93.558		610	-	-

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2017

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass- through Grantor's Number</u>	<u>Fed (Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Passed through N.C. Department of Health and Human Services: Division of Public Health: Maternal and Child Health Services Block Grant	93.994		94,822	-	-
Office of Population Affairs Passed through N.C. Department of Health and Human Office of Population Affairs Family Planning Services	93.217		29,511	-	-
Total U. S. Department of Health and Human Services			<u>32,730,875</u>	<u>16,359,645</u>	<u>914,767</u>
<u>U.S. Dept. of Homeland Security</u> Passed through the NC Dept. of Public Safety Emergency Management Performance Grant	97.042		38,583	-	-
HSPG	97.067		10,000	-	-
Total U.S. Dept. of Homeland Security			<u>48,583</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Housing & Urban Development</u> Passed through NC Dept. of Health & Human Services Division of Public Health Housing Opportunities for Persons with Aids	14.241		81,647	-	-
Total U.S. Dept. of Housing & Urban Development			<u>81,647</u>	<u>-</u>	<u>-</u>
Total Federal Awards			<u>\$ 34,174,052</u>	<u>\$ 16,359,645</u>	<u>\$ 1,262,018</u>
State Awards: <u>N.C. Dept. of Health and Human Services</u> Division of Public Health: Maternal Health			\$ -	\$ -	\$ -
Communicable Disease			-	812	-
HIV/STD State			-	100	-
HIV/STD SSBG Aid			-	400	-
Breast and Cervical Cancer Program			-	8,160	-
Sexually Transmitted Diseases			-	183	-
Food & Lodging Fees			-	9,608	-
School Nurse Funding Initiative			-	50,000	-
Women's Health Service Fund			-	8,496	-
Tuberculosis			-	28,049	-
Child Health			-	1,851	-
General Aid to Counties			-	147,602	-
TB Medical Services			-	1,544	-
HMHC Family Planning			-	20,290	-
Total for Division of Public Health			<u>-</u>	<u>277,095</u>	<u>-</u>
Division of Social Services: SC/SA Domiciliary Care -Direct Benefit Payment		N/A	-	494,958	494,958
AFDC Incent/Program Integrity		N/A	-	390	-
DCD Smart Start		N/A	-	3,617	-

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2017

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass- through Grantor's Number</u>	<u>Fed (Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
State Child Welfare/CPS/CS LD		N/A	-	11,504	-
SAA/SAD HB 1030		N/A	-	17,799	17,799
County Funded Programs		N/A	-	-	347,870
Work First Non Reimbursable		N/A	-	-	3,968
CWS Adopt Subsidy & Vendor - Direct Benefit Payment		N/A	-	59,031	12,122
Non-Allocating County Cost		N/A	-	-	396,511
Total for Division of Social Services			-	587,299	1,273,228
Division of Aging and Adult Services:					
Passed-through Mid East Commission					
State Funds In Home Services			-	121,174	13,464
Total for Division of Aging and Adult Services			-	121,174	13,464
Total N.C. Dept. Health and Human Services			-	985,568	1,286,692
<u>N. C. Dept. of Environmental Quality</u>					
Division of Soil and Water Conservation					
Electronics Management			-	1,812	-
Division of Waste Management - Scrap Tire Program		N/A	-	46,357	-
Division of Waste Management - White Goods			-	12,847	-
Total N.C. Dept. of Environmental Quality			-	61,016	-
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
Elderly and Handicapped Transportation Assistance		36220.10. 7.1	-	56,142	-
Rural Public Transportation State Funds		36228.22. 7.1	-	59,865	-
Work First Transportation Non-Recipient		36236.11. 6.1	-	7,861	-
Total N.C. Dept. of Transportation			-	123,868	-
<u>N.C. Dept. of Public Safety</u>					
Office of Juvenile Justice Youth Services:					
Tier II Universal Grant		N/A	-	992	-
Total N.C Dept. of Public Safety			-	992	-
N.C. Dept of Administration					
Veteran Services Officer			-	1	-
N. C. Department of Information Technology					
N.C. 911 Board Emergency PSAP Center Grant			-	454,430	-
Total State Awards			\$ -	\$ 1,625,874	\$ 1,286,692
Total Federal and State Awards			\$ 34,174,052	\$ 17,985,519	\$ 2,548,710

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2017

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-</u> <u>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>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, 2017. 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

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

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

Note 3: Cluster of Programs

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