

**HERTFORD COUNTY
WINTON, NORTH CAROLINA**

FINANCIAL STATEMENTS

JUNE 30, 2015



HERTFORD COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2015

FINANCIAL SECTION

Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-15

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Exhibit 1	Statements of Net Position	18
Exhibit 2	Statement of Activities	19

FUND FINANCIAL STATEMENTS:

Exhibit 3	Balance Sheet – Governmental Funds	21
Exhibit 3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	23-24
Exhibit 4	Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	26-27
Exhibit 6	Statement of Fund Net Position – Proprietary Funds	28
Exhibit 7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	29
Exhibit 8	Statement of Cash Flows – Proprietary Funds	30
Exhibit 9	Statement of Fiduciary Net Position – Fiduciary Funds	31

NOTES TO THE FINANCIAL STATEMENTS	32-67
-----------------------------------	-------

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Exhibit A-1	Other Postemployment Benefits – Schedule of Funding Progress	69
Exhibit A-2	Other Postemployment Benefits – Schedule of Employer Contributions	70
Exhibit A-2	Other Postemployment Benefits – Notes to the Required Schedules	70
Exhibit A-3	Schedule of County's Proportionate Share of the Net Pension Liability	

HERTFORD COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2015

Exhibit A-4	(Asset) – Local Governmental Employees’ Retirement System Schedule of County Contributions – Local Governmental Employees’ Retirement System	71 72
Exhibit A-5	Schedule of County’s Proportionate Share of the Net Pension Liability (Asset) – Register of Deeds’ Supplemental Pension Fund	73
Exhibit A-6	Schedule of County Contributions – Register of Deeds’ Supplemental Pension Fund	74

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Major Governmental Funds

Exhibit B-1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance –Budget and Actual	77-86
Exhibit B-2	School Capital Reserve Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance –Budget and Actual	87
Exhibit B-3	Revaluation Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	88
Exhibit B-4	Capital Reserve Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	89
Exhibit B-5	Hertford County Judicial Center Project Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	90

Nonmajor Governmental Funds

Exhibit C-1	Combining Balance Sheet – Nonmajor Governmental Funds	92
Exhibit C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	93
Exhibit C-3	Emergency Telephone System Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	94
Exhibit C-4	Fire District Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	95
Exhibit C-5	Scattered Site CDBG Capital Projects Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	96

Enterprise Funds

Exhibit D-1	Northern Water District Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	98
Exhibit D-2	Southern Water District Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	99

HERTFORD COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2015

Exhibit D-3	Tunis Sewer District Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	100
Exhibit D-4	Tunis Sewer District Capital Project Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	101
Exhibit D-5	Sanitation Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	102

Agency Funds

Exhibit E-1	Agency Funds – Combining Statement of Changes in Assets and Liabilities	104
-------------	---	-----

OTHER SCHEDULES

Exhibit F-1	Schedule of Ad Valorem Taxes Receivable	106
Exhibit F-2	Analysis of Current Tax Levy – County-wide Levy	107-108
Exhibit F-3	Schedule of Ten Largest Taxpayers	109

COMPLIANCE SECTION

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	111-112
Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	113-115
Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	116-118
Schedule of Findings and Questioned Costs	119-125
Corrective Action Plan	126-127
Summary Schedule of Prior Audit Findings	128-129
Schedule of Expenditures of Federal and State Awards	130-133

FINANCIAL SECTION

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

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA
Gary L. Williams, CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Curtis G. Van Horne, CPA
Cathy E. McKinley, CPA
Tara H. Roberson, CPA
K. Jamison Crampton, CPA

Independent Auditor's Report

To the Board of County Commissioners
Hertford County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hertford County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hertford County Public Health Authority, the Hertford County ABC Board or the Hertford County Economic Development Commission. Those statements were audited by other auditors whose report 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 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 *Government Auditing Standards*.

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

102 W. Spring Street • P.O. Box 1366 • Oxford, NC 27565 • (919) 693-5196 • fax (919) 693-7614

www.wwcecpa.com



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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and the Other Postemployment Benefits' Schedule of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on Exhibits A-1 thru A-6, 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 consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and 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 December 18, 2015, on our consideration of Hertford County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, , and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* in considering Hertford County's internal control over financial reporting and compliance.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, North Carolina
December 18, 2015

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, 2015. 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

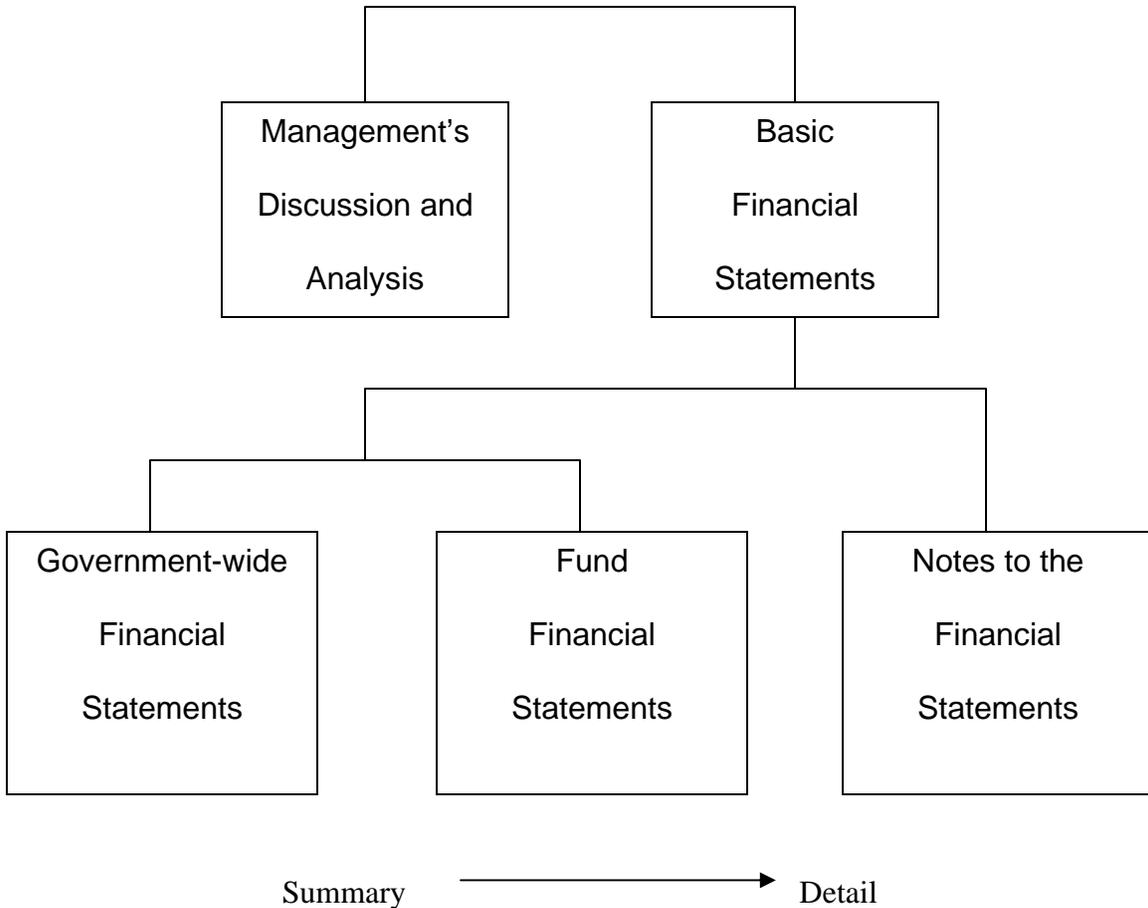
- The assets and deferred outflows of resources of Hertford County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,262,111 (*net position*).
- The government's total net position increased by \$2,387,323, primarily due to increased net position in the Government and Business Type Activities.
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$12,100,938, a decrease of \$4,389,268 in comparison with the prior year. Approximately 30.27 percent of this total amount or \$3,663,396 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,785,160 or 20.47% of total general fund expenditures for the fiscal year.
- Hertford County's total debt decreased by \$1,958,390 (7.64%) during the current fiscal year. The key factor in this decrease is the principal payments on debt and reduction of net pension liability (LGERS).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Hertford County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Hertford County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's other postemployment benefits.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hertford County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related

legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Hertford County can be divided into three categories: governmental fund, proprietary funds, and fiduciary funds.

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

Hertford County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – Hertford County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Hertford County uses enterprise funds to account for its water and sewer activity and for its solid waste operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Hertford County has four fiduciary funds: the Social Services Fund for benefit of certain individuals; the Inmates Money Fund for funds of

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 31 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 \$21,262,111 as of June 30, 2015. The County's net position increased by \$2,387,323 for the fiscal year ended June 30, 2015. One of the largest portions, \$11,439,241 (53.80%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Hertford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hertford County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Hertford County's net position \$3,663,396 (17.23%) represents resources that are subject to external restrictions on how they may be used. Another portion of Hertford County's net position is Capital Improvements, \$374,400 (1.76%). The remaining balance of \$5,785,074 is unrestricted.

Hertford County's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 15,532,047	\$ 18,615,517	\$ 3,116,628	\$ 2,520,200	\$ 18,648,675	\$ 21,135,717
Capital assets	16,501,909	11,171,679	12,474,981	12,638,307	28,976,890	23,809,986
Total assets	32,033,956	29,787,196	15,591,609	15,158,507	47,625,565	44,945,703
Deferred outflows of resources	408,570	-	19,380	-	427,950	-
Long-term liabilities outstanding	16,471,478	16,516,492	7,216,096	7,446,499	23,687,574	23,962,991
Other liabilities	1,368,600	1,045,222	188,037	194,518	1,556,637	1,239,740
Total liabilities	17,840,078	17,561,714	7,404,133	7,641,017	25,244,211	25,202,731
Deferred inflows of resources	1,445,416	92,098	101,777	-	1,547,193	92,098
Net position:						
Net investment in capital assets	5,822,260	4,380,557	5,616,981	5,511,307	11,439,241	9,891,864
Restricted	3,663,396	8,232,631	374,400	-	4,037,796	8,232,631
Unrestricted	3,671,376	(479,804)	2,113,698	2,006,183	5,785,074	1,526,379
Total net position	\$ 13,157,032	\$ 12,133,384	\$ 8,105,079	\$ 7,517,490	\$ 21,262,111	\$ 19,650,874

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

- Continued recognition of OPEB liability;
- Continued leadership of the County's Board of Commissioners;
- Approval of the County's proposed annual budget;
- A secure tax base;
- Implementation of pension standards;

Hertford County Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,893,300	\$ 1,640,314	\$ 2,407,311	\$ 2,362,197	\$ 4,300,611	\$ 4,002,511
Operating grants and contributions	4,267,637	4,345,833	-	-	4,267,637	4,345,833
Capital grants and contributions	612,154	270,000	382,555	1,315,822	994,709	1,585,822
General revenues:						
Property taxes	13,437,626	13,631,930	-	-	13,437,626	13,631,930
Local option sales tax	4,032,125	4,015,162	-	-	4,032,125	4,015,162
Other taxes	88,022	90,327	-	-	88,022	90,327
Unrestricted grants and contributions	112,846	106,415	-	-	112,846	106,415
Investment Earnings	19,504	11,080	621	316	20,125	11,396
Miscellaneous	205,893	260,286	149,012	90,431	354,905	350,717
Total Revenues	24,669,107	24,371,347	2,939,499	3,768,766	27,608,606	28,140,113
Expenses:						
General government	3,624,297	3,527,055	-	-	3,624,297	3,527,055
Public safety	6,247,717	6,337,408	-	-	6,247,717	6,337,408
Transportation	28,300	28,300	-	-	28,300	28,300
Economic and physical development	387,700	660,133	-	-	387,700	660,133
Human services	6,562,251	6,632,838	-	-	6,562,251	6,632,838
Cultural and recreation	68,762	95,970	-	-	68,762	95,970
Education	5,569,187	5,145,031	-	-	5,569,187	5,145,031
Interest on long-term debt	404,053	569,091	-	-	404,053	569,091
Sanitation	-	-	973,942	973,699	973,942	973,699
Water and sewer	-	-	1,355,074	1,256,530	1,355,074	1,256,530
Total Expenses	22,892,267	22,995,826	2,329,016	2,230,229	25,221,283	25,226,055
Increase in net position before transfers	1,776,840	1,375,521	610,483	1,538,537	2,387,323	2,914,058
Transfers	(34,041)	51,126	34,041	(51,126)	-	-
Increase in net position	1,742,799	1,426,647	644,524	1,487,411	2,387,323	2,914,058
Net position, July 1	12,133,384	10,706,737	7,517,490	6,030,079	19,650,874	16,736,816
Restatement	(719,151)	-	(56,935)	-	(776,086)	-
Net position as restated	\$ 11,414,233	\$ 10,706,737	\$ 7,460,555	\$ 6,030,079	\$ 18,874,788	\$ 16,736,816

Governmental activities. Governmental activities increased the County's net position by \$1,742,799 accounting for 73.00% of the total gain in the net position of Hertford County. Key elements of this increase are as follows:

- Program revenues increased by \$516,944 with an increase of \$263,958 for grant revenues and an increase of \$252,986 for charges for services.

Business-type activities. Business-type activities increased Hertford County's net position by 27.00% or \$644,524 over the prior year. The change in net position for business-type activities decreased from the prior year by \$842,887. The key elements of this decrease are as follows:

- Capital contributions for the Tunis Sewer District decreased by \$933,267.

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 \$8,865,025 while total fund balance reached \$10,857,352. 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 37.74% of general fund expenditures, while total fund balance represents 46.23% of that same amount.

At June 30, 2015, the governmental funds of Hertford County reported a combined fund balance of \$12,100,938, a 26.62% percent decrease over last year. The primary reason for this decrease is expenditures in the Hertford County Judicial Center.

There were variances reflected in the governmental fund financial statements for 2015.

- Our 2015 overall collection rate is 95.77%, lower than the state and higher than the prior year rate of 95.03%.

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 \$401,035 or 1.59 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 \$268,941 and those for the Water and Sewer Districts equaled \$1,844,757. 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, 2015 totals \$28,976,890 (net of accumulated depreciation). These assets include buildings, water lines, land, machinery and equipment, facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of additional vehicles
- Judicial Center Capital Project
- E911 Communications Center Capital Project
- Tunis Sewer District Capital Project

Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and Improvements	\$ 462,083	\$ 462,083	\$ 44,317	\$ 44,317	\$ 506,400	\$ 506,400
Construction in Progress	12,063,615	6,631,234	1,784,155	1,666,478	13,847,770	8,297,712
Buildings and Improvements	2,812,643	2,817,195	-	-	2,812,643	2,817,195
Plant and distribution systems	-	-	10,308,662	10,612,367	10,308,662	10,612,367
Equipment	749,574	810,419	200,396	196,998	949,970	1,011,417
Vehicle and Motor Equipment	413,994	450,748	137,451	118,147	551,445	568,895
Total	\$ 16,501,909	\$ 11,171,679	\$ 12,474,981	\$ 12,638,307	\$ 28,976,890	\$ 23,809,986

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

Long-term Debt. As of June 30, 2015, Hertford County had total debt outstanding of \$23,687,574 of which \$18,624,457 is bonded debt backed by the full faith and credit of the County.

Hertford County's Outstanding Debt

Figure 5

	Governmental Activities		Business-like Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 11,766,457	\$ 12,416,249	\$ 6,858,000	\$ 7,127,000	\$ 18,624,457	\$ 19,543,249
Installment Purchases	538,107	652,994	-	-	538,107	652,994
Compensated Absences	517,834	505,416	29,492	24,474	547,326	529,890
Net pension liability (LGERS)	-	1,150,525	-	86,199	-	1,236,724
Other Postemployment Benefits	3,649,080	3,388,082	328,604	295,025	3,977,684	3,683,107
Total Long-Term Debt	\$ 16,471,478	\$ 18,113,266	\$ 7,216,096	\$ 7,532,698	\$ 23,687,574	\$ 25,645,964

During the past fiscal year, Hertford County's total debt decreased by \$1,958,390 or 7.64 percent. General obligation debt of \$625,000 was retired in governmental activities and \$269,000 was retired in business-type activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Hertford County is \$107,108,029.

Additional information regarding Hertford County's long-term debt can be found in Note III B-7 beginning on page 59 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: The County adopted a budget for fiscal year 2016 with a \$658,159 increase in General Fund expenditures. The tax rate remained the same as the prior year.

Business-type Activities: The water and sewer rates in the County will remain the same for fiscal year 2016 for residential customers and will increase in January 2016 for commercial customers.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Robbin Stephenson, Director of Finance, Hertford County, P.O. Box 116, Winton, NC 27986.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total	Component Units		
				Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority
ASSETS						
Cash and cash equivalents	\$ 7,671,605	\$ 2,471,054	\$ 10,142,659	\$ 151,493	\$ 173,762	\$ 447,824
Taxes receivable	1,253,760	-	1,253,760	-	-	-
Accrued interest receivable on taxes	239,521	-	239,521	-	-	-
Accounts receivable (net)	1,791,919	448,874	2,240,793	-	-	18,880
Due from other governments	-	-	-	-	-	179,097
Inventories	-	-	-	-	292,787	-
Prepaid expenses	-	-	-	-	825	56,884
Internal balances	219,459	(219,459)	-	-	-	-
Restricted cash and cash equivalents	3,754,857	374,400	4,129,257	-	-	-
Net pension asset	600,926	41,759	642,685	-	16,807	185,947
Capital assets:						
Land, improvements, and construction in progress	12,525,698	1,818,472	14,344,170	-	24,220	20,000
Other capital assets, net of depreciation	3,976,211	10,656,509	14,632,720	-	340,856	246,257
Total capital assets	16,501,909	12,474,981	28,976,890	-	365,076	266,257
Total Assets	32,033,956	15,591,609	47,625,565	151,493	849,257	1,154,889
DEFERRED OUTFLOWS OF RESOURCES	408,570	19,380	427,950	-	12,469	115,619
LIABILITIES						
Accounts payable & accrued liabilities	1,251,418	60,031	1,311,449	596	60,362	63,141
Customer deposits	-	100,641	100,641	-	-	-
Accrued interest payable	117,182	27,365	144,547	-	-	-
Premium on bonds	-	-	-	-	-	-
Long-term liabilities						
Due within one year	869,346	209,873	1,079,219	-	-	13,805
Due in more than one year	15,602,132	7,006,223	22,608,355	-	147,293	1,943,971
Total long-term liabilities	16,471,478	7,216,096	23,687,574	-	147,293	1,957,776
Total liabilities	17,840,078	7,404,133	25,244,211	596	207,655	2,020,917
DEFERRED INFLOWS OF RESOURCES	1,445,416	101,777	1,547,193	-	41,065	488,873
NET POSITION						
Net investment in capital assets	5,822,260	5,616,981	11,439,241	-	365,076	104,025
Restricted for:						
Stabilization by State Statute	2,209,450	-	2,209,450	-	-	197,977
Register of Deeds	19,530	-	19,530	-	-	-
Public Safety	1,434,416	-	1,434,416	-	-	-
Working Capital	-	-	-	-	67,864	-
Capital Improvements	-	374,400	374,400	-	-	-
Unrestricted (deficit)	3,671,376	2,113,698	5,785,074	150,897	180,066	(1,541,284)
Total net position	\$ 13,157,032	\$ 8,105,079	\$ 21,262,111	\$ 150,897	\$ 613,006	\$ (1,239,282)

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

**HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-Type Activities	Total	Hertford County Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority	
Primary Government:											
Governmental Activities:											
General government	\$ 3,624,297	\$ 479,747	\$ -	\$ -	\$ (3,144,550)	\$ -	\$ (3,144,550)	\$ -	\$ -	\$ -	
Public safety	6,247,717	1,404,308	118,907	533,887	(4,190,615)	-	(4,190,615)	-	-	-	
Transportation	28,300	-	111,959	-	83,659	-	83,659	-	-	-	
Economic and physical development	387,700	9,245	30,360	-	(348,095)	-	(348,095)	-	-	-	
Human services	6,562,251	-	4,006,411	78,267	(2,477,573)	-	(2,477,573)	-	-	-	
Cultural and recreation	68,762	-	-	-	(68,762)	-	(68,762)	-	-	-	
Education	5,569,187	-	-	-	(5,569,187)	-	(5,569,187)	-	-	-	
Interest on long-term debt	404,053	-	-	-	(404,053)	-	(404,053)	-	-	-	
Total governmental activities	<u>22,892,267</u>	<u>1,893,300</u>	<u>4,267,637</u>	<u>612,154</u>	<u>(16,119,176)</u>	<u>-</u>	<u>(16,119,176)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Business-type activities:											
Sanitation	973,942	884,723	-	-	-	(89,219)	(89,219)	-	-	-	
Water and Sewer	1,355,074	1,522,588	-	382,555	-	550,069	550,069	-	-	-	
Total business-type activities	<u>2,329,016</u>	<u>2,407,311</u>	<u>-</u>	<u>382,555</u>	<u>-</u>	<u>460,850</u>	<u>460,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total primary government	<u>\$ 25,221,283</u>	<u>\$4,300,611</u>	<u>\$ 4,267,637</u>	<u>\$ 994,709</u>	<u>(16,119,176)</u>	<u>460,850</u>	<u>(15,658,326)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Component units:											
Economic Development Commission	\$ 23,014	\$ -	\$ 15,000	\$ -	-	-	-	(8,014)	-	-	
ABC Board	2,280,030	2,286,280	-	-	-	-	-	-	6,250	-	
Public Health Authority	3,767,084	1,836,083	1,121,363	-	-	-	-	-	-	(809,638)	
Total component units	<u>\$ 6,070,128</u>	<u>\$4,122,363</u>	<u>\$ 1,136,363</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,014)</u>	<u>6,250</u>	<u>(809,638)</u>	
General revenues:											
Taxes:											
Property taxes, levied for general purpose					13,437,626	-	13,437,626	-	-	-	
Local option sales tax					4,032,125	-	4,032,125	-	-	-	
Other taxes					88,022	-	88,022	-	-	-	
Grants and contributions not restricted to specific programs					112,846	-	112,846	-	-	393,719	
Investment earnings, unrestricted					19,504	621	20,125	681	392	916	
Miscellaneous, unrestricted					205,893	149,012	354,905	-	-	18,934	
Transfers					(34,041)	34,041	-	-	-	-	
Total general revenues, special items and transfers					<u>17,861,975</u>	<u>183,674</u>	<u>18,045,649</u>	<u>681</u>	<u>392</u>	<u>413,569</u>	
Change in net position					1,742,799	644,524	2,387,323	(7,333)	6,642	(396,069)	
Net position, beginning					12,133,384	7,517,490	19,650,874	158,230	629,594	(543,004)	
Restatement					(719,151)	(56,935)	(776,086)	-	(23,230)	(300,209)	
Net position, beginning, as restated					<u>11,414,233</u>	<u>7,460,555</u>	<u>18,874,788</u>	<u>158,230</u>	<u>606,364</u>	<u>(843,213)</u>	
Net position, ending					<u>\$ 13,157,032</u>	<u>\$ 8,105,079</u>	<u>\$ 21,262,111</u>	<u>\$ 150,897</u>	<u>\$ 613,006</u>	<u>\$ (1,239,282)</u>	

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

**FUND
FINANCIAL STATEMENTS**

HERTFORD COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Major		Nonmajor	Total
	General Fund	Hertford County Judicial Center	Other Governmental Funds	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,173,896	\$ -	\$ 421,293	\$ 7,595,189
Restricted cash	2,656,358	1,174,915	-	3,831,273
Taxes receivable	1,244,634	-	9,126	1,253,760
Accounts receivables, net	1,574,796	50,460	166,663	1,791,919
Due from other funds	417,531	-	-	417,531
Total Assets	\$ 13,067,215	\$ 1,225,375	\$ 597,082	\$ 14,889,672
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable & accrued liabilities	\$ 879,745	\$ 155,596	\$ 216,077	\$ 1,251,418
Due to other funds	-	-	198,072	198,072
Total Liabilities	879,745	155,596	414,149	1,449,490
Deferred Inflows of Resources:	1,330,118	-	9,126	1,339,244
Fund balances:				
Restricted				
Stabilization by State Statute	1,992,327	50,460	166,663	2,209,450
Register of Deeds	19,530	-	-	19,530
Public Safety	-	1,019,319	415,097	1,434,416
Committed:				
Revaluation	205,407	-	-	205,407
Capital Reserve	2,431,421	-	-	2,431,421
Assigned:				
Subsequent year's expenditures				
General Fund	1,423,507	-	-	1,423,507
Unassigned:				
General Fund	4,785,160	-	-	4,785,160
Capital projects funds	-	-	(407,953)	(407,953)
Total Fund Balances	10,857,352	1,069,779	173,807	12,100,938
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,067,215	\$ 1,225,375	\$ 597,082	\$ 14,889,672

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

**HERTFORD COUNTY, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2015**

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

Total equity and other credits (Exhibit 3)	\$ 12,100,938
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	16,501,909
Net pension asset	600,926
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	408,570
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	239,521
Deferred inflows of resources for taxes receivable	1,253,760
Pension related deferrals	(1,359,932)
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	<u>(16,588,660)</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 13,157,032</u>

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major		Nonmajor	Total Governmental Funds
	General Fund	Hertford County Judicial Center	Other Governmental Funds	
<u>REVENUES</u>				
Ad valorem taxes	\$ 13,409,470	\$ -	\$ 91,828	\$ 13,501,298
Local option sales taxes	4,007,068	-	25,057	4,032,125
Other taxes and licenses	91,972	-	-	91,972
Unrestricted intergovernmental	112,846	-	-	112,846
Restricted intergovernmental	4,518,628	-	618,821	5,137,449
Permits and fees	209,009	-	-	209,009
Sales and services	1,418,685	-	-	1,418,685
Investment earnings	18,248	434	822	19,504
Miscellaneous	159,431	50,460	-	209,891
	<u>23,945,357</u>	<u>50,894</u>	<u>736,528</u>	<u>24,732,779</u>
<u>EXPENDITURES</u>				
Current:				
General government	3,614,537	-	-	3,614,537
Public safety	5,947,606	-	192,641	6,140,247
Transportation	28,300	-	-	28,300
Economic and physical development	387,468	-	-	387,468
Human services	6,601,341	-	-	6,601,341
Cultural and recreational	104,890	-	-	104,890
Education	5,569,187	-	-	5,569,187
Capital outlay	-	4,801,425	721,947	5,523,372
Debt service:				
Principal	686,667	-	-	686,667
Interest and other charges	431,997	-	-	431,997
	<u>23,371,993</u>	<u>4,801,425</u>	<u>914,588</u>	<u>29,088,006</u>
Excess (deficiency) of revenues over expenditures	<u>573,364</u>	<u>(4,750,531)</u>	<u>(178,060)</u>	<u>(4,355,227)</u>

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

**HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Major		Nonmajor	Total Governmental Funds
	General Fund	Hertford County Judicial Center	Other Governmental Funds	
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in from other funds	6,000	75,000	-	81,000
Transfers out to other funds	(115,041)	-	-	(115,041)
Total Other Financing Sources (Uses)	(109,041)	75,000	-	(34,041)
Net change in fund balance	464,323	(4,675,531)	(178,060)	(4,389,268)
Fund Balance - July 1	10,393,029	5,745,310	351,867	16,490,206
Fund Balance - June 30	<u>\$ 10,857,352</u>	<u>\$ 1,069,779</u>	<u>\$ 173,807</u>	<u>\$ 12,100,938</u>

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

HERTFORD COUNTY, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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

Net change in fund balances - total governmental funds (Exhibit 4)	\$ (4,389,268)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over the life of the asset.	5,767,019
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.	(436,789)
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.	739,887
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	403,220
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in current financial resources and, therefore, are not reported as expenditures in governmental funds	(302,390)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	<u>(38,880)</u>
Total changes in net position of governmental activities	<u><u>\$ 1,742,799</u></u>

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<u>REVENUES</u>				
Ad valorem taxes	\$ 12,867,661	\$ 12,975,304	\$ 13,409,470	\$ 434,166
Local option sales taxes	3,530,000	3,530,000	3,539,473	9,473
Other taxes and licenses	85,300	85,300	91,972	6,672
Unrestricted intergovernmental	63,500	100,500	112,846	12,346
Restricted intergovernmental	4,727,671	5,011,111	4,518,628	(492,483)
Permits and fees	177,700	177,700	209,009	31,309
Sales and services	1,253,446	1,253,846	1,418,685	164,839
Investment earnings	9,000	9,000	18,248	9,248
Miscellaneous	30,900	76,356	159,431	83,075
	<u>22,745,178</u>	<u>23,219,117</u>	<u>23,477,762</u>	<u>258,645</u>
<u>EXPENDITURES</u>				
Current:				
General government	3,980,008	4,048,353	3,614,537	433,816
Public safety	6,109,252	6,307,866	5,947,606	360,260
Transportation	28,300	28,300	28,300	-
Economic and physical development	451,913	471,789	387,468	84,321
Human services	6,724,902	7,090,723	6,601,341	489,382
Cultural and recreational	104,890	104,890	104,890	-
Education	5,402,363	5,402,363	5,569,187	(166,824)
Debt service	1,116,149	1,118,665	1,118,664	1
Contingency	274,178	5,000	-	5,000
	<u>24,191,955</u>	<u>24,577,949</u>	<u>23,371,993</u>	<u>1,205,956</u>
Revenues Over (Under) Expenditures	<u>(1,446,777)</u>	<u>(1,358,832)</u>	<u>105,769</u>	<u>1,464,601</u>

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to other funds	(1,075,000)	(1,190,041)	(1,207,628)	(17,587)
Transfers from other funds	690,000	659,000	848,442	189,442
Appropriated fund balance	1,831,777	1,889,873	-	(1,889,873)
Total other financing sources (uses)	<u>1,446,777</u>	<u>1,358,832</u>	<u>(359,186)</u>	<u>(1,718,018)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	(253,417)	<u>\$ (253,417)</u>
Fund Balance - July 1			<u>8,473,941</u>	
Fund Balance - June 30			<u>\$ 8,220,524</u>	
A legally budgeted School Capital Reserve Fund, Capital Reserve Fund, and Revaluation Fund were consolidated into the General Fund for reporting purposes:				
Sales tax			\$ 467,595	
Transfers to General Fund			(842,442)	
Transfers from General Fund			<u>1,092,587</u>	
Fund Balance, Beginning			<u>1,919,088</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 10,857,352</u>	

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Major Funds			Nonmajor Fund	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 534,143	\$ 1,697,717	\$ 9,567	\$ 229,627	\$ 2,471,054
Restricted cash and cash equivalents	-	-	374,400	-	374,400
Receivables (net)	22,773	95,411	3,443	327,247	448,874
Total Current Assets	556,916	1,793,128	387,410	556,874	3,294,328
Noncurrent Assets:					
Net pension asset	7,429	8,747	-	25,583	41,759
Capital assets:					
Land, improvements, and construction in progress	-	-	1,795,426	23,046	1,818,472
Other capital assets, net of depreciation	3,195,465	7,208,091	-	252,953	10,656,509
Total Capital Assets	3,195,465	7,208,091	1,795,426	275,999	12,474,981
Total non-current assets	3,202,894	7,216,838	1,795,426	301,582	12,516,740
Total Assets	3,759,810	9,009,966	2,182,836	858,456	15,811,068
DEFERRED OUTFLOWS OF RESOURCES	6,062	7,124	-	6,194	19,380
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	1,645	4,132	7,389	46,865	60,031
Customer deposits	32,446	68,195	-	-	100,641
Accrued interest payable	8,503	18,254	608	-	27,365
Due to other funds	92,151	127,308	-	-	219,459
Compensated absences	2,913	1,179	-	3,281	7,373
General obligation bonds payable	60,000	142,500	-	-	202,500
Total Current Liabilities	197,658	361,568	7,997	50,146	617,369
Noncurrent Liabilities:					
Compensated absences	8,738	3,538	-	9,843	22,119
General obligation bonds payable	2,033,000	4,315,500	307,000	-	6,655,500
OPEB obligation	55,598	75,636	-	197,370	328,604
Total Noncurrent Liabilities	2,097,336	4,394,674	307,000	207,213	7,006,223
Total Liabilities	2,294,994	4,756,242	314,997	257,359	7,623,592
DEFERRED INFLOWS OF RESOURCES	18,107	21,319	-	62,351	101,777
NET POSITION					
Net investment in capital assets	1,102,465	2,750,091	1,488,426	275,999	5,616,981
Restricted	-	-	374,400	-	374,400
Unrestricted	350,306	1,489,438	5,013	268,941	2,113,698
Total Net Position	\$ 1,452,771	\$ 4,239,529	\$ 1,867,839	\$ 544,940	\$ 8,105,079

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds			Nonmajor Fund	Total
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	
OPERATING REVENUES					
Charges for services	\$ 466,472	\$ 959,349	\$ 22,418	\$ 884,723	\$ 2,332,962
Tap on fees	23,280	51,069	-	-	74,349
Miscellaneous	3,501	87,106	-	58,405	149,012
Total operating revenues	<u>493,253</u>	<u>1,097,524</u>	<u>22,418</u>	<u>943,128</u>	<u>2,556,323</u>
OPERATING EXPENSES					
Administration and Operations	258,892	382,520	48,145	951,452	1,641,009
Depreciation	104,770	226,840	-	22,490	354,100
Total Operating Expenses	<u>363,662</u>	<u>609,360</u>	<u>48,145</u>	<u>973,942</u>	<u>1,995,109</u>
OPERATING INCOME (LOSS)	<u>129,591</u>	<u>488,164</u>	<u>(25,727)</u>	<u>(30,814)</u>	<u>561,214</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	-	-	-	621	621
Interest paid	(104,581)	(229,326)	-	-	(333,907)
Total Nonoperating Revenues (Expenses) - Net	<u>(104,581)</u>	<u>(229,326)</u>	<u>-</u>	<u>621</u>	<u>(333,286)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>25,010</u>	<u>258,838</u>	<u>(25,727)</u>	<u>(30,193)</u>	<u>227,928</u>
Capital Contributions	-	-	382,555	-	382,555
Transfer to other funds	(3,000)	(3,000)	(7,000)	-	(13,000)
Transfer from other funds	2,489	2,350	38,200	4,002	47,041
Total	<u>(511)</u>	<u>(650)</u>	<u>413,755</u>	<u>4,002</u>	<u>416,596</u>
CHANGE IN NET POSITION	24,499	258,188	388,028	(26,191)	644,524
TOTAL NET POSITION, BEGINNING	1,438,401	3,993,268	1,479,811	606,010	7,517,490
RESTATEMENT	<u>(10,129)</u>	<u>(11,927)</u>	<u>-</u>	<u>(34,879)</u>	<u>(56,935)</u>
TOTAL NET POSITION, BEGINNING, AS RESTATED	<u>1,428,272</u>	<u>3,981,341</u>	<u>1,479,811</u>	<u>571,131</u>	<u>7,460,555</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,452,771</u>	<u>\$ 4,239,529</u>	<u>\$ 1,867,839</u>	<u>\$ 544,940</u>	<u>\$ 8,105,079</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 YEAR ENDED JUNE 30, 2015

	Major Funds			Nonmajor Fund	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 488,102	\$ 1,011,789	\$ 52,132	\$ 855,876	\$ 2,407,899
Cash paid for goods and services	(156,457)	(265,509)	(57,289)	(556,830)	(1,036,085)
Cash paid to employees for services	(95,205)	(118,641)	-	(375,257)	(589,103)
Other operating revenue	3,501	87,106	-	58,405	149,012
Net cash provided by (used) by operating activities	<u>239,941</u>	<u>714,745</u>	<u>(5,157)</u>	<u>(17,806)</u>	<u>931,723</u>
Cash flows from noncapital financing activities:					
Due to other funds	(20,000)	(100,000)	-	-	(120,000)
Receipt of nonoperating grants	-	-	382,555	-	382,555
Transfers (to) from other funds	(511)	(650)	31,200	4,002	34,041
Net cash provided (used) by noncapital financing activities	<u>(20,511)</u>	<u>(100,650)</u>	<u>413,755</u>	<u>4,002</u>	<u>296,596</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(36,548)	(36,548)	(117,678)	-	(190,774)
Principal paid on bond maturities	(57,000)	(212,000)	-	-	(269,000)
Interest paid on bond maturities	(104,581)	(229,326)	-	-	(333,907)
Net cash provided by capital and related financing activities	<u>(198,129)</u>	<u>(477,874)</u>	<u>(117,678)</u>	<u>-</u>	<u>(793,681)</u>
Cash flows from investing activities:					
Interest on investments	-	-	-	621	621
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>621</u>	<u>621</u>
Net increase (decrease) in cash and cash equivalents	<u>21,301</u>	<u>136,221</u>	<u>290,920</u>	<u>(13,183)</u>	<u>435,259</u>
Cash and cash equivalents, July 1	<u>512,842</u>	<u>1,561,496</u>	<u>93,047</u>	<u>242,810</u>	<u>2,410,195</u>
Cash and cash equivalents, June 30	<u>\$ 534,143</u>	<u>\$ 1,697,717</u>	<u>\$ 383,967</u>	<u>\$ 229,627</u>	<u>\$ 2,845,454</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 129,591	\$ 488,164	\$ (25,727)	\$ (30,814)	\$ 561,214
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	104,770	226,840	-	22,490	354,100
Pension expense	482	568	-	1,661	2,711
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(1,650)	1,371	29,714	(28,847)	588
Increase (decrease) in accounts payable and accrued liabilities	1,093	1,533	(7,883)	(1,650)	(6,907)
Increase (decrease) in customer deposits	1,533	1,325	-	-	2,858
Increase (decrease) in accrued interest payable	(232)	(934)	(1,261)	-	(2,427)
Increase (decrease) in compensated absences	4,364	(4,124)	-	4,776	5,016
Increase (decrease) in deferred outflows of resources for pensions	(5,995)	(7,047)	-	(5,967)	(19,009)
Increase (decrease) in other postemployment benefits	5,985	7,049	-	20,545	33,579
Total adjustments	<u>110,350</u>	<u>226,581</u>	<u>20,570</u>	<u>13,008</u>	<u>370,509</u>
Net cash provided by operating activities	<u>\$ 239,941</u>	<u>\$ 714,745</u>	<u>\$ (5,157)</u>	<u>\$ (17,806)</u>	<u>\$ 931,723</u>

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

**HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 182,127
 LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous liabilities	\$ 182,127

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

**NOTES TO THE BASIC FINANCIAL
STATEMENTS**

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise funds.

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

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

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 six legally budgeted funds. The Emergency Telephone System Fund and the Fire District Fund are reported as non-major special revenue funds. The E911 Communications Center Project Fund is reported as a non-major capital projects fund. The School Capital Reserve Fund, Revaluation Fund, and Capital Reserve are consolidated in the General Fund in accordance with GASB Statement No. 54.

C. Measurement Focus and Basis of Accounting

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

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

D. Budgetary Data

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

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

1. Deposits and Investments

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

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

The County, the Economic Development Commission, Authority, and the ABC Board's investments with maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

2. Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers demand deposits and investments purchased with an original maturity of three months or less and which are not limited as to use to be cash and cash equivalents. Hertford County Economic Development Commission has only demand deposits, which are considered cash.

3. Restricted Assets

The unexpended bond proceeds of the District's Serial Bonds are classified as restricted assets within the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. At June 30, 2015, there were no unexpended bond proceeds of the District's Serial Bonds. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund and Capital Reserve Fund and money reserved for Register of Deeds is also classified as restricted assets because its use is restricted per North Carolina General Statute 153-A-150.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Hertford County Restricted Cash</u>	
Governmental Activities	
General Fund	Tax Revaluation \$ 205,407
General Fund	Capital Reserve 2,355,005
General Fund	Register of Deeds 19,530
Hertford County Judicial Center	Unexpended Bond Proceeds <u>1,174,915</u>
Total Governmental Activities	<u>3,754,857</u>
Business-type Activities	
Tunis Sewer District	Unexpended Grant Proceeds <u>374,400</u>
Total Restricted Cash	<u>\$ 4,129,257</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance for Doubtful Accounts

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

6. Inventory

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

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: land \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; computer equipment, furniture and equipment, \$5,000; and vehicles \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Hertford County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Hertford County Board of Education.

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

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

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

At June 30, 2015, the Economic Development Commission has no capital assets.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. 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 or resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will be recognized as revenue until then. The County has only one item that meet the criterion for this category – prepaid taxes 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 other financing sources.

10. Compensated Absences

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

The sick leave policies of the County, the Authority, and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made by the County or its component units.

The Economic Development Commission had no employees.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Assigned Fund Balance – portion of fund balance that the Hertford County governing board has budgeted.

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

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

12. Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees’ Retirement System (LGERRS) and the Registers of Deeds’ Supplemental Pension Fund (RODSPF) (collectively, the “state-administered defined benefit pension plans”). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined 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.

F. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$1,031,302 consists of the following:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 22,891,468
Less Accumulated Depreciation	<u>6,389,559</u>
Net capital assets	<u>16,501,909</u>
Net pension asset	600,926
Contributions to the pension plan in the current fiscal year	408,570
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	239,521
Deferred inflows of resources for taxes receivable	1,253,760
Pension related deferrals	(1,359,932)

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:

Bonds, leases, and installment financing	(12,329,356)
Compensated absences	(517,834)
Other postemployment benefits	(3,649,080)
Accrued interest payable	<u>(117,182)</u>
Total adjustment	<u>\$ 1,031,302</u>

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

The government fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$6,132,067 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	\$ 5,767,019
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	(436,789)
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.	739,887
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	403,220
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	5,530
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(12,418)
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(260,998)
County's portion of collective pension expense	(34,504)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Increase in deferred inflows of resources – taxes receivable at the end of year	(68,026)
Increase in accrued taxes receivable for year	4,354
Amortization of bond premium	<u>24,792</u>
Total adjustment	<u>\$ 6,132,067</u>

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Net Position of Individual Funds

In Exhibit C-1, the E911 Communications Center Project Fund had a deficit fund of \$253,661. This deficit fund balance resulted from incurring expenses prior to receipt of grant funding.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2015, the expenditures made in the General Fund for education and transfers to other funds exceeded the authorized appropriations made by the governing board for \$166,824 and \$17,587, respectively. This over-expenditure occurred because of unbudgeted school capital outlay expenditures and of unanticipated sales tax revenue received that had to be moved to the School Capital Reserve Fund. These expenditures will be monitored more closely in the future to ensure budget amendments are made timely for additional expenditures.

III. Detail Notes on All Funds

a. Assets

1. Deposits

All of the County's, the Economic Development Commission's, the Public Health Authority's, and the ABC Board's, deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, the Economic Development Commission's, the Public Health Authority's, or the ABC Boards agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the Economic Development Commission, the Public Health Authority, and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Economic Development Commission, the Public Health Authority, or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Economic Development Commission, the Public Health Authority, or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County, the Economic Development Commission, the Public Health Authority, and the ABC Board rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Economic Development Commission has no formal policy regarding custodial credit risk for deposits.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

At June 30, 2015, the County's deposits had a carrying amount of \$8,026,883 and a bank balance of \$8,445,744. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2015, Hertford County had \$1,175 cash on hand.

At June 30, 2015, the carrying amount of deposits for Hertford County ABC Board was \$173,762 and the bank balance was \$249,147. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was covered by collateral held under the pooling method.

At June 30, 2015, the carrying amount of deposits for the Economic Development Commission was \$151,493 and a bank balance of \$151,575. All of the bank balance was covered by federal depository insurance.

At June 30, 2015, the carrying amount of deposits for the Public Health Authority was \$419,509 and a bank balance of \$568,041. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$318,041 was covered by collateral held under the pooling method.

2. Investments

At June 30, 2015, the County's investments consisted of \$6,425,985 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

At June 30, 2015, the Public Health Authority invested \$28,315 with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Authority does not have a formal policy for managing interest rate risk or credit rate risk.

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

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

<u>Year Levied</u>	<u>Total Taxes</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 911,920	\$ 297,325	\$ 1,209,245
2013	898,294	212,916	1,111,210
2014	907,273	133,574	1,040,847
2015	<u>936,282</u>	<u>53,797</u>	<u>990,079</u>
Totals	<u>\$ 3,653,769</u>	<u>\$ 697,612</u>	<u>\$ 4,351,381</u>

4. Receivables

Receivables at the government-wide level at June 30, 2015, were as follows:

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Accounts</u>	Taxes and Related Accrued <u>Interest</u>	Due from other governments	<u>Total</u>
Governmental Activities:				
General	\$ 1,958,696	\$ 1,634,155	\$ 808,179	\$ 4,401,030
Hertford County Judicial Center	-	-	50,460	50,460
Other Governmental	<u>165,513</u>	<u>9,126</u>	<u>1,150</u>	<u>175,789</u>
Total	2,124,209	1,643,281	859,789	4,627,279
Allowance for doubtful accounts	<u>(1,192,079)</u>	<u>(150,000)</u>	-	<u>(1,342,079)</u>
Total-governmental activities	<u>\$ 932,130</u>	<u>\$ 1,493,281</u>	<u>\$ 859,789</u>	<u>\$ 3,285,200</u>
Business-type Activities:				
Northern Water District	\$ 43,819	\$ -	\$ -	\$ 43,819
Southern Water District	142,205	-	-	142,205
Tunis Sewer District	3,443	-	-	3,443
Sanitation	<u>314,703</u>	<u>-</u>	<u>12,877</u>	<u>327,580</u>
Total	<u>504,170</u>	<u>-</u>	<u>12,877</u>	<u>517,047</u>
Allowance for doubtful accounts	<u>(68,173)</u>	<u>-</u>	<u>-</u>	<u>(68,173)</u>
Total-business-type activities	<u>\$ 435,997</u>	<u>\$ -</u>	<u>\$ 12,877</u>	<u>\$ 448,874</u>

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

Local option sales tax	\$ 670,069
Sales tax refund	189,720
Scrap tire tax	8,351
White goods tax	1,758
Solid waste disposal tax	<u>2,768</u>
Total	<u>\$ 872,666</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 462,083	\$ -	\$ -	\$ 462,083
Construction in progress	<u>6,631,234</u>	<u>5,562,401</u>	<u>(130,020)</u>	<u>12,063,615</u>
Total capital assets not being depreciated	<u>7,093,317</u>	<u>5,562,401</u>	<u>(130,020)</u>	<u>12,525,698</u>
Capital assets being depreciated:				
Buildings	6,016,398	130,020	-	6,146,418
Equipment	2,012,124	94,235	(29,055)	2,077,304
Vehicles and motor equipment	<u>2,031,665</u>	<u>110,383</u>	<u>-</u>	<u>2,142,048</u>
Total capital assets being depreciated	<u>10,060,187</u>	<u>334,638</u>	<u>(29,055)</u>	<u>10,365,770</u>

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Buildings	3,199,203	134,572	-	3,333,775
Equipment	1,201,706	155,079	(29,055)	1,327,730
Vehicles and motor equipment	1,580,916	147,138	-	1,728,054
Total accumulated depreciation	<u>5,981,825</u>	<u>\$ 436,789</u>	<u>\$ (29,055)</u>	<u>6,389,559</u>
Total capital assets being depreciated, net	<u>4,078,362</u>			<u>3,976,211</u>
Governmental activity capital assets, net	<u>\$ 11,171,679</u>			<u>\$ 16,501,909</u>
 Business-type activities:				
Northern Water District				
Capital assets being depreciated:				
Plant and distribution systems	\$ 4,579,545	\$ -	\$ -	\$ 4,579,545
Vehicles and motor equipment	<u>73,072</u>	<u>36,548</u>	<u>-</u>	<u>109,620</u>
Total capital assets being depreciated	<u>4,652,617</u>	<u>36,548</u>	<u>-</u>	<u>4,689,165</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,365,481	91,591	-	1,457,072
Vehicles and motor equipment	<u>23,449</u>	<u>13,179</u>	<u>-</u>	<u>36,628</u>
Total accumulated depreciation	<u>1,388,929</u>	<u>\$ 104,770</u>	<u>\$ -</u>	<u>1,493,700</u>
Total capital assets being depreciated, net	<u>3,263,688</u>			<u>3,195,465</u>
Northern Water District capital assets, net	<u>\$ 3,263,688</u>			<u>\$ 3,195,465</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
Machinery and equipment	46,551	20,045	-	66,596
Vehicles and motor equipment	<u>99,033</u>	<u>16,503</u>	<u>-</u>	<u>115,536</u>
Total capital assets being depreciated	<u>10,359,335</u>	<u>36,548</u>	<u>-</u>	<u>10,395,883</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,894,627	208,649	-	3,103,276
Machinery and equipment	36,581	1,436	-	38,017
Vehicles and motor equipment	<u>39,743</u>	<u>16,756</u>	<u>-</u>	<u>56,499</u>
Total accumulated depreciation	<u>2,970,951</u>	<u>\$ 226,841</u>	<u>\$ -</u>	<u>3,197,792</u>
Total capital assets being depreciated, net	<u>7,388,384</u>			<u>7,198,091</u>
Southern Water District capital assets, net	<u>\$ 7,398,384</u>			<u>\$ 7,208,091</u>

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Tunis Sewer District				
Capital assets not being depreciated:				
Land	\$ 11,271	\$ -	\$ -	\$ 11,271
Construction in progress	<u>1,666,478</u>	<u>117,677</u>	<u>-</u>	<u>1,784,155</u>
Total capital assets not being depreciated	<u>1,677,749</u>	<u>117,677</u>	<u>\$ -</u>	<u>1,795,426</u>
Tunis Sewer District capital assets, net	<u>\$ 1,677,749</u>			<u>\$ 1,795,426</u>
Sanitation				
Land	\$ 23,046	\$ -	\$ -	\$ 23,046
Total capital assets not being depreciated	<u>23,046</u>	<u>-</u>	<u>-</u>	<u>23,046</u>
Capital assets being depreciated:				
Plant and distribution systems	133,051	-	-	133,051
Machinery and equipment	280,753	-	-	280,753
Vehicles and motor equipment	<u>97,718</u>	<u>-</u>	<u>-</u>	<u>97,718</u>
Total capital assets being depreciated	<u>511,522</u>	<u>-</u>	<u>-</u>	<u>511,522</u>
Less accumulated depreciation for:				
Plant and distribution systems	53,869	3,468	-	57,337
Machinery and equipment	93,725	15,211	-	108,936
Vehicles and motor equipment	<u>88,485</u>	<u>3,811</u>	<u>-</u>	<u>92,296</u>
Total accumulated depreciation	<u>236,079</u>	<u>\$ 22,490</u>	<u>\$ -</u>	<u>258,569</u>
Total capital assets being depreciated, net	<u>275,443</u>			<u>252,952</u>
Other business-type capital assets, net	<u>\$ 298,489</u>			<u>\$ 275,999</u>
Business-type activities capital assets, net	<u>\$ 12,638,310</u>			<u>\$ 12,474,981</u>

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

General Government	\$ 87,698
Public Safety	336,361
Human Services	7,361
Cultural and Recreational	926
Economic and Physical Development	<u>4,443</u>
Total Depreciation expense	<u>\$ 436,789</u>

Discretely presented component units

Capital assets at June 30, 2015 for the ABC Board were as follows:

Capital assets not being depreciated:	
Land	\$ 24,220
Capital assets being depreciated:	
Buildings, improvements	503,131
Furniture and equipment	106,788
Vehicles	<u>29,801</u>
Total capital assets being depreciated	<u>639,720</u>

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Less accumulated depreciation for:	
Buildings, improvements	162,275
Furniture and equipment	106,788
Vehicles	<u>29,801</u>
Total accumulated depreciation	<u>298,864</u>
Total capital assets being depreciated, net	<u>340,856</u>
ABC Board capital assets, net	<u>\$ 365,076</u>

Activity for the Public Health Authority for the year ended June 30, 2015, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
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	-	-	165,265
Vehicles	<u>193,362</u>	<u>-</u>	<u>-</u>	<u>193,362</u>
Total Capital Assets being depreciated	<u>461,379</u>	<u>167,500</u>	<u>-</u>	<u>628,879</u>
Less accumulated depreciation				
Land improvements	7,500	-	-	7,500
Buildings	-	1,844	-	1,844
Leasehold improvements	43,028	5,163	-	48,191
Equipment and furniture	128,797	12,209	-	141,006
Vehicles	<u>147,295</u>	<u>16,786</u>	<u>-</u>	<u>164,081</u>
Total accumulated depreciation	<u>326,620</u>	<u>\$ 36,002</u>	<u>\$ -</u>	<u>362,622</u>
Public Health Authority capital assets, net	<u>\$ 134,759</u>			<u>\$ 266,257</u>

b. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2015, were as follows:

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 879,745	\$ 117,182	\$ -	\$ 996,927
Hertford County Judicial Center	155,596	-	-	155,596
Other governmental	<u>216,077</u>	<u>-</u>	<u>-</u>	<u>216,077</u>
Total-governmental activities	<u>\$ 1,251,418</u>	<u>\$ 117,182</u>	<u>\$ -</u>	<u>\$ 1,368,600</u>
Business-type Activities:				
Northern Water District	\$ 1,645	\$ 8,503	\$ -	\$ 10,148
Southern Water District	4,132	18,254	-	22,386
Tunis Sewer District	7,389	608	-	7,997
Sanitation	<u>46,865</u>	<u>-</u>	<u>-</u>	<u>46,865</u>
Total-business-type activities	<u>\$ 60,031</u>	<u>\$ 27,365</u>	<u>\$ -</u>	<u>\$ 87,396</u>

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

7.07% 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 \$421,035 for the year ended June 30, 2015.

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, 2015, the County reported an asset of \$599,123 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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, 2014, the County’s proportion was .102%, which was a decrease of .001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$38,896. At June 30, 2015, 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	\$ -	\$ 65,465
Net difference between projected and actual earnings on pension plan investments	-	1,394,745
Changes in proportion and differences between County contributions and proportionate share of contributions	5,321	-
County contributions subsequent to the measurement date	421,035	-
Total	\$ 426,356	\$ 1,460,210

\$421,035 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (363,760)
2017	(363,760)
2018	(363,760)
2019	(363,609)

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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)	\$2,033,683	\$(599,123)	\$(2,815,861)

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 Officer's Special Separation Allowance

1. Plan Description

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

All full-time County law enforcement officers are covered by the Separation Allowance. At June 30, 2015, the Separation Allowance's membership consisted of:

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

2. Summary of Significant Accounting Policies:

Basis of Accounting –The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund.

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

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There was \$5,692 paid in contributions by the County. The County’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. No actuarial study has been performed on the law enforcement officers’ special separation allowance.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy – Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$87,067, which consisted of \$45,533 from the County and \$41,534 from the law enforcement officers.

d. Registers of Deeds’ Supplemental Pension Fund

Plan Description. Hertford County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds’ Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for the Registers of Deeds’ Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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 \$1,489 for the year ended June 30, 2015.

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

At June 30, 2015, the County reported an asset of \$43,562 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension asset was based on the County’s share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County’s proportion was .192%, which was an increase of .008% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$(1,682). At June 30, 2015, 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	\$ 400	\$ -
Net difference between projected and actual earnings on pension plan investments	-	234
Changes in proportion and differences between County contributions and proportionate share of contributions	-	1,265
County contributions subsequent to the measurement date	1,194	-
Total	\$ 1,594	\$ 1,499

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

\$1,194 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (452)
2017	(452)
2018	(137)
2019	(58)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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. 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, 2014 is 2.5%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (39,117)	\$ (43,562)	\$ (47,383)

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.

e. Other Postemployment Benefits

Healthcare Benefits

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

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees receiving benefits	30	1
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>157</u>	<u>21</u>
Total	<u>187</u>	<u>22</u>

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

The current ARC rate is 7.83% of annual covered payroll. For the current year, the County contributed \$187,092 or 3.08% 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 3.47% and 0.71% of covered payroll, respectively. The County's obligation to contribute to HCB Plan is established and may be amended by the County Board of Commissioners.

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

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

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

Annual required contribution	\$	475,084
Interest on net OPEB obligation		147,324
Adjustment to annual required contribution		<u>(140,740)</u>
Annual OPEB cost (expense)		481,668
Contributions made		<u>187,091</u>
Increase (decrease) in net OPEB obligation		294,577
Net OPEB obligation, beginning of year		<u>3,683,107</u>
Net OPEB obligation, end of year		<u>\$ 3,977,684</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2015 were as follows:

For Year Ended <u>June 30</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2015	\$ 481,668	38.8%	\$ 3,977,684
2014	467,305	37.0%	3,683,107
2013	578,075	25.8%	3,388,881

Funded Status and Funding Process – As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$7,507,680. The covered payroll (annual

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

payroll of active employees covered by the plan) was \$7,507,680, and the ratio of the UAAL to the covered payroll was 131.4 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 trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding process, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend rate for Pre-Medicare and Post-Medicare of 7.50% - 5.00% percent annually and 5.50% - 5.00% annually, respectively. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, in any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

f. Other Employment Benefits

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

For the fiscal year ended June 30, 2015 the County made contributions to the State for death benefits of \$0. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll respectively.

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

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

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

g. Hertford County Public Health Authority Pension Plan

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

3. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions – difference between expected and actual experience		
LGERS	\$ -	\$ 65,465
Register of Deeds	400	-
Pensions – difference between projected and actual investment earnings	-	1,394,979
Pensions-change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	5,321	-
Register of Deeds		1,265
Contributions to pension plan in 2014-2015 fiscal year	422,229	-
Prepaid taxes not yet earned (General)	-	85,484
Taxes receivable, net (General)	-	1,244,634
Taxes receivable, net (Special Revenue)	-	9,126
Total	\$ 427,950	\$ 2,800,953

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners' Joint Risk Management Agency. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to total insured values, with

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers. Through the captive, the Liability and Property Pool is reinsure for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

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

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

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

5. Contingent Liabilities

At June 30, 2015, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

6. Operating Lease Commitments

The County leases certain equipment under operating leases that expire over the next four years. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2015:

<u>For Year Ending June 30</u>	<u>Amount</u>
2016	\$ 192,921
2017	149,615
2018	<u>94,809</u>
Total minimum payments required	<u>\$ 437,345</u>

Total rent paid during the fiscal year ended June 30, 2015 was approximately \$37,346.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The Public Health Authority has entered into one lease for facilities with remaining commitments of one year. Total operating lease expense for these facilities during the fiscal year ended June 30, 2015 was \$29,621.

For the Authority, future minimum rental payments for these facilities as of June 30, 2015 are as follows:

<u>For Year Ending June 30</u>	<u>Amount</u>
2016	<u>\$ 7,975</u>

7. Long-Term Obligations

a. Installment Purchases

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

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

The future minimum payments of the installment purchases as of June 30, 2015, including \$72,829 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 114,887	\$ 19,198
2017	114,887	15,891
2018	61,667	12,580
2019	61,667	10,064
2020	61,666	7,548
2021-2022	<u>123,333</u>	<u>7,548</u>
Total	<u>\$ 538,107</u>	<u>\$ 72,829</u>

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, 2015 are comprised of the following individual issues:

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Serviced by the County's General Fund:

\$1,750,000 2000 Community College Improvement Serial Bonds due in annual installments of \$100,000 beginning February 1, 2003 through February 1, 2017 with the last two installments of \$125,000 each due in 2018 and 2019; interest at 5.3%, which increases to 5.4% in 2017.	\$ 450,000
\$11,945,000 2013 Limited Obligation Bonds due in annual installments of \$525,000 to \$635,000 beginning April 1, 2014 through April 1, 2033; interest varying from 2.0 percent to 5.0 percent.	<u>10,895,000</u>
Total	<u>\$ 11,345,000</u>

Serviced by the County's Southern Water District:

\$3,474,000 1997 Water Serial Bonds due in annual installments of \$35,000 to \$140,000 through June 1, 2037; interest at 5.0 percent.	\$ 2,642,000
\$1,400,000 1996 Water Serial Bonds due in annual installments of \$25,000 to \$100,000 through June 1, 2016; interest at 5.7 percent.	25,000
\$1,740,000 2001 Water Serial Bonds due in annual installments of \$18,000 to \$72,000 through June 1, 2041; interest at 4.75 percent.	1,430,500
\$435,000 2001 Water Serial Bonds due in annual installments of \$4,500 to \$18,000 through June 1, 2041; interest at 4.875 percent.	360,500

Serviced by the County's Northern Water District:

\$2,750,000 1997 Water Serial Bonds due in annual installments of \$29,000 to \$116,000 through June 1, 2037; interest at 4.875 percent.	2,093,000
---	-----------

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%.	<u>307,000</u>
Total	<u>\$ 6,858,000</u>

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:

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 625,000	\$ 395,069	\$ 202,500	\$ 328,373
2017	625,000	379,268	191,500	318,239
2018	625,000	358,219	201,500	308,981
2019	625,000	336,469	211,000	299,234
2020	625,000	314,718	219,500	289,019
2021-2025	3,155,000	1,191,319	1,270,000	1,274,651
2026-2030	3,175,000	616,594	1,585,500	935,581
2031-2035	1,890,000	127,575	1,739,500	531,938
2036-2040	-	-	1,003,500	143,972
2041-2045	-	-	137,000	19,177
2045-2050	-	-	52,500	9,037
2051-2054	-	-	44,000	2,541
Total	<u>\$11,345,000</u>	<u>\$ 3,719,231</u>	<u>\$ 6,858,000</u>	<u>\$ 4,460,743</u>

At June 30, 2015, Hertford County had a legal debt margin of \$107,108,029.

c. Long Term Obligation Activity

The following is a summary of changes in the County's long-term debt for the year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Governmental Activities:					
General obligation debt	\$11,970,000	\$ -	\$ 625,000	\$ 11,345,000	\$ 625,000
Premium	446,249	-	24,792	421,457	-
Net general obligation debt	12,416,249	-	649,792	11,766,457	625,000
Installment purchases	652,994	-	114,887	538,107	114,887
Compensated absences	505,416	517,834	505,416	517,834	129,459
Net pension liability (LGERS)	1,150,525	-	1,150,525	-	-
Other Postemployment Benefits	3,388,082	260,998	-	3,649,080	-
Total	<u>\$18,113,266</u>	<u>\$ 778,832</u>	<u>\$ 2,420,620</u>	<u>\$ 16,471,478</u>	<u>\$ 869,346</u>
Business-type Activities:					
General obligation debt	\$ 7,127,000	\$ -	\$ 269,000	\$ 6,858,000	\$ 202,500
Compensated absences	24,474	29,492	24,474	29,492	7,373
Net pension liability (LGERS)	86,199	-	86,199	-	-
Other Postemployment Benefits	295,025	33,579	-	328,604	-
Total	<u>\$ 7,532,698</u>	<u>\$ 63,071</u>	<u>\$ 379,673</u>	<u>\$ 7,216,096</u>	<u>\$ 209,873</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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

The following is a summary of changes in the Hertford County Public Health Authority's long-term obligations for the fiscal year ended June 30, 2015:

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Balance <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
Governmental activities:				
Compensated absences	\$ 129,518	\$ 160,399	\$ 146,431	\$ 143,486
Net pension liability	425,501	-	425,501	-
Note Payable-building	-	167,500	5,268	162,232
Other postemployment benefits	<u>1,367,777</u>	<u>343,946</u>	<u>59,665</u>	<u>1,652,058</u>
Total	<u>\$ 1,922,796</u>	<u>\$ 671,845</u>	<u>\$ 636,865</u>	<u>\$ 1,957,776</u>

d. Interfund Balances and Activity

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
<i>Transfers From/To Other Funds:</i>			
<u>General Fund</u>			
General Fund	School Capital Reserve Fund	\$ 877,587	To transfer restricted sales tax
General Fund	Revaluation Fund	40,000	To contribute money for next revaluation
General Fund	Hertford County Judicial Center Fund	75,000	To supplement funding of equipment
General Fund	Capital Reserve Fund	175,000	To set money aside for capital purposes
General Fund	Sanitation Fund	4,002	To provide employee bonuses
General Fund	Northern Water District Fund	2,489	To provide employee bonuses
General Fund	Southern Water District Fund	2,350	To provide employee bonuses
General Fund	Tunis Sewer District Fund	31,200	To provide employee bonuses
		<u>\$ 1,207,628</u>	
<u>Special Revenue Funds</u>			
Capital Reserve Fund	General Fund	\$ 653,000	To pay debt service for Courthouse
School Capital Reserve Fund	General Fund	189,442	To supplement capital outlay costs
		<u>\$ 842,442</u>	
<u>Enterprise Funds</u>			
Southern Water District Fund	Tunis Sewer District Fund	\$ 3,000	To supplement costs for equipment
Southern Water District Fund	General Fund	3,000	To supplement costs for equipment
Tunis Sewer District Capital Project Fund	Tunis Sewer District Fund	7,000	To provide additional funding
		<u>\$ 13,000</u>	
<i>Due From/To Other Funds:</i>			
<u>Capital Project Fund</u>			
E911 Communications Project Fund	General Fund	\$ 198,072	Funding for startup of project
<u>Enterprise Fund</u>			
Northern Water District Fund	General Fund	92,151	Loan from startup of water system
Southern Water District Fund	General Fund	127,308	Loan from startup of water system
		<u>\$ 417,531</u>	

d. Fund Balance

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

Total Fund Balance – General Fund	\$10,857,352
Less :	
Stabilization by State Statute	1,992,327
Register of Deeds	19,530
Revaluation	205,407
Capital Reserve	2,431,421
Appropriated Fund Balance in 2016 budget	1,423,507
Remaining Fund Balance	\$ 4,785,160

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

IV. Joint Ventures

The County participates in a joint venture to operate Albemarle Regional Library with four other local governments. Each Participating government appoints three board members to the twelve member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$103,150 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at Winton, NC.

The County, in conjunction with the State of North Carolina and the Hertford County Board of Education, participates in a joint venture to operate the Roanoke Chowan Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex-officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriation for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$550,000 in debt is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$878,839 to the community college for operating purposes, respectively during the fiscal year ended June 30, 2015. In addition, the County made debt service payments of \$129,400 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, 2015. Complete financial statements for the community college may be obtained from the community college's administrative offices.

The County also participates in a joint venture to operate Roanoke Chowan Human Services which serves a four county mental health district. Hertford County appoints seven members to the twenty-four member board of the mental health district. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$88,475 to the Center to supplement its activities. Complete financial statements for the Center can be obtained from the Center's office at Route 3, Box 22-A, Ahoskie, NC 27910.

The County also participates in a joint venture to operate Choanoke Public Transportation Authority with three other counties. The County appoints two members to the nine member board. The County has an ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2015. 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.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$18,000 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office at Route 1, Aulander, NC 27805.

V. Jointly Governed Organization

The County, in conjunction with five other counties and thirty-two municipalities, established the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the commission's governing board. The County paid membership fees of \$7,092 to the Commission during the fiscal year ended June 30, 2015. The County was a subrecipient of various grants and other sources totaling \$280,920 that was passed through the Commission.

VI. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 29,270,089	\$ 16,528,423
Health Choice	203,188	63,810
Temporary Assistance to Needy Families	111,421	(101)
CWS Adoption Subsidy	-	44,373
Adoption Assistance	63,660	16,504
State/County Special Assistance	-	480,020
Foster Care	253	65
SFHF Maximization	-	1,093
State Foster Home	-	2,590
Totals	<u>\$ 29,648,611</u>	<u>\$ 17,136,776</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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

VIII. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2015 and December 18, 2015, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

IX. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$719,151 and \$56,935, respectively.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for Other Postemployment Benefits
- Schedule of Employer Contributions for Other Postemployment Benefits
- Notes to Required Schedules for Other Postemployment Benefits
- Schedule of County's Proportionate Share of the Net Pension Liability (Asset) – Local Governmental Employees' Retirement System
- Schedule of County Contributions – Local Governmental Employees' Retirement System
- Schedule of County's Proportionate Share of the Net Pension Liability (Asset) – Register of Deeds' Supplemental Pension Fund
- Schedule of County Contributions – Register of Deeds' Supplemental Pension Fund

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ -	\$ 7,969,564	\$ 7,969,564	0.00%	\$ 5,324,929	149.70%
12/31/2010	-	6,231,017	6,231,017	0.00%	5,945,009	104.80%
12/31/2012	-	5,813,655	5,813,655	0.00%	5,497,375	105.80%
12/31/2014	\$ -	\$ 7,507,680	\$ 7,507,680	0.00%	\$ 5,714,625	131.40%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
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
2010	\$ 914,362	8.58%	\$ 1,680,390

Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Amortization Factor	26.1695
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.50% - 5.00%
Post-Medicare trend rate	5.50% - 5.00%
Year of Ultimate trend rate	2020

*Includes inflation at 3.00% percent.

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.102%	0.103%
County's proportionate share of the net pension liability (asset)	\$ (599,123)	\$ 1,236,724
County's covered-employee payroll	\$ 5,911,581	\$ 6,077,841
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.13%	20.35%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY CONTRIBUTIONS
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 421,035	\$ 419,855
Contributions in relation to the contractually required contribution	<u>421,035</u>	<u>419,855</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 6,046,680	\$ 5,911,581
Contributions as a percentage of covered-employee payroll	6.96%	7.10%

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.192%	0.184%
County's proportionate share of the net pension liability (asset)	\$ (43,562)	\$ (39,213)
County's covered-employee payroll	\$ 92,258	\$ 86,741
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-47.22%	-45.21%
Plan fiduciary net position as a percentage of the total pension liability	193.88%	190.50%

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

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY CONTRIBUTIONS
REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,194	\$ 1,569
Contributions in relation to the contractually required contribution	<u>1,194</u>	<u>1,569</u>
Contribution deficiency (excess)	-	-
County's covered-employee payroll	\$ 92,258	\$ 86,741
Contributions as a percentage of covered-employee payroll	1.29%	1.81%

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

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

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<u>REVENUES</u>				
Ad Valorem Taxes:				
Taxes		\$ 13,232,336		\$ 13,423,128
Penalties and interest		177,134		185,096
Total	12,975,304	13,409,470	434,166	13,608,224
Local Option Sales Taxes:				
Article 39 and 44		1,451,016		1,513,647
Article 40 one-half of one percent		1,281,779		1,129,227
Article 42 one-half of one percent		806,678		866,493
Total	3,530,000	3,539,473	9,473	3,509,367
Other taxes and licenses:				
CATV franchise		39,751		39,858
Gas tax refund		3,950		3,565
Occupancy tax		47,414		46,927
Privilege licenses		857		3,542
Total	85,300	91,972	6,672	93,892
Unrestricted intergovernmental:				
ABC profit distribution		40,175		39,545
Beer and wine tax		72,671		66,870
Total	100,500	112,846	12,346	106,415
Restricted intergovernmental:				
Social service grants and fees		3,325,683		3,313,757
Federal and State grants		926,990		931,371
Court facility fees		37,485		53,084
ABC bottles taxes		8,298		8,434
Miscellaneous		220,172		265,224
Total	5,011,111	4,518,628	(492,483)	4,571,870

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Permits and fees:				
Building and inspection fees		96,427		68,878
Planning and zoning		5,245		4,920
Register of deeds		107,337		114,072
Total	177,700	209,009	31,309	187,870
Sales and services:				
Rents, concessions, and fees		107,350		93,242
Jail Fees		287,920		198,333
Ambulance and rescue squad fees		873,337		695,252
EMS medicaid reimbursement		-		110,264
Vehicle tax collection fees		150,078		137,853
Total	1,253,846	1,418,685	164,839	1,234,944
Investment earnings	9,000	18,248	9,248	10,578
Miscellaneous Revenues				
Sale of materials		15,848		11,100
Other		143,583		119,790
Total	76,356	159,431	83,075	130,890
Total Revenues	23,219,117	23,477,762	258,645	23,454,050
<u>EXPENDITURES</u>				
<u>General Government</u>				
Governing Body:				
Salaries and employee benefits		70,356		68,948
Other operating expenditures		67,944		28,568
Total	152,592	138,300	14,292	97,516
Administration:				
Salaries and employee benefits		324,712		258,004
Other operating expenditures		45,797		55,098
Total	384,250	370,509	13,741	313,102

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Human Resources:				
Salaries and employee benefits		214,888		279,750
Other operating expenditures		26,816		24,202
Total	265,573	241,704	23,869	303,952
Elections:				
Salaries and employee benefits		88,992		87,126
Other operating expenditures		52,997		52,488
Total	150,612	141,989	8,623	139,614
Finance:				
Salaries and employee benefits		182,128		177,406
Other operating expenditures		86,445		86,311
Capital outlay		68,518		-
Total	365,442	337,091	28,351	263,717
Taxes:				
Salaries and employee benefits		417,314		417,775
Other operating expenditures		264,003		253,423
Total	772,550	681,317	91,233	671,198
Legal:				
Contracted services	78,516	72,515	6,001	67,539
Register of Deeds:				
Salaries and employee benefits		132,198		127,845
Other operating expenditures		34,891		35,244
Capital outlay		10,605		-
Total	179,960	177,694	2,266	163,089
Public Buildings:				
Salaries and employee benefits		336,981		301,757
Other operating expenditures		271,529		399,652
Total	694,432	608,510	85,922	701,409

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Land Records:				
Salaries and employee benefits		83,239		94,024
Other operating expenditures		21,735		22,702
Capital outlay		11,062		-
Total	139,631	116,036	23,595	116,726
Data Center:				
Data processing contract services		184,440		184,440
Total	184,440	184,440	-	184,440
Court Facilities:				
Operating expenditures		82,191		85,979
Total	123,629	82,191	41,438	85,979
Central Services:				
Operating expenditures		369,714		421,720
Capital outlay		92,527		73,812
Total	556,726	462,241	94,485	495,532
Total General Government	4,048,353	3,614,537	433,816	3,603,813
Public Safety				
Sheriff:				
Salaries and employee benefits		1,517,215		1,419,370
Other operating expenditures		392,441		342,517
Capital outlay		84,513		229,269
Total	2,027,301	1,994,169	33,132	1,991,156
Jail:				
Salaries and employee benefits		1,144,906		1,198,128
Other operating expenditures		640,240		732,026
Capital outlay		-		48,834
Total	1,968,159	1,785,146	183,013	1,978,988

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Emergency communications:				
Salaries and employee benefits		242,472		194,266
Other operating expenditures		14,050		21,173
Total	274,617	256,522	18,095	215,439
Emergency management:				
Salaries and employee benefits		115,050		121,334
Other operating expenditures		66,397		71,352
Capital outlay		-		19,637
Total	214,729	181,447	33,282	212,323
Fire:				
Contribution to forest service		63,275		78,901
Assistance to local fire departments		304,219		276,464
Total	395,618	367,494	28,124	355,365
Inspections:				
Salaries and employee benefits		98,286		130,652
Other Operating expenditures		27,862		19,518
Total	140,613	126,148	14,465	150,170
Rescue units:				
Salaries and employee benefits		828,939		857,037
Other operating expenditures		259,990		230,294
Capital outlay		-		123,999
Total	1,128,506	1,088,929	39,577	1,211,330
Animal Control:				
Salaries and employee benefits		79,999		76,147
Other operating expenditures		26,632		26,780
Capital outlay		25,870		-
Total	141,323	132,501	8,822	102,927

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Medical examiner:				
Contracted services		15,250		8,550
Total	17,000	15,250	1,750	8,550
Total Public Safety	6,307,866	5,947,606	360,260	6,226,248
<u>Transportation</u>				
Contribution to transit authority		10,300		10,300
Contribution to regional airport		18,000		18,000
Total transportation	28,300	28,300	-	28,300
<u>Economic and physical development</u>				
Planning and zoning				
Other operating expenditures		2,991		2,782
Total	4,237	2,991	1,246	2,782
Economic Development:				
Salaries and employee benefits		127,933		128,054
Other operating expenditures		18,153		18,098
Total	146,539	146,086	453	146,152
Agricultural extension:				
Salaries and employee benefits		92,785		79,197
Other operating expenditures		26,151		24,122
Total	171,759	118,936	52,823	103,319

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Soil and water conservation:				
Salaries and employee benefits		106,342		108,028
Other operating expenditures		13,113		13,721
Total	139,754	119,455	20,299	121,749
Total Economic and Physical Development	471,789	387,468	84,321	374,002
<u>Human Services</u>				
Health:				
Administration:				
Contribution to health department		292,572		263,250
Other operating expenditures		23,640		21,558
Total	317,812	316,212	1,600	284,808
Aid to aging:				
Salaries and employee benefits		270,809		278,354
Other operating expenditures		46,697		48,420
Total	326,061	317,506	8,555	326,774
Respite:				
Other operating expenditures		305,279		292,744
Total	310,327	305,279	5,048	292,744
Mental Health:				
Administration:				
Other operating expenditures		88,475		88,584
Total	89,750	88,475	1,275	88,584
Social Services:				
Administration:				
Salaries and employee benefits		2,456,151		2,431,832
Other operating expenditures		757,619		725,636
Total	3,442,237	3,213,770	228,467	3,157,468

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Public Assistance				
Work first:				
Operating expenditures		1,859,796		1,828,689
Foster care:				
Operating expenditures		26,971		31,782
Total	2,124,340	1,886,767	237,573	1,860,471
Elderly handicapped:				
Operating expenditures	111,959	111,959	-	134,724
Community based alternatives:				
Other operating expenditures		116,341		119,263
Total	118,053	116,341	1,712	119,263
Veterans service office:				
Salaries and employee benefits		33,017		31,982
Other operating expenditures		8,591		7,311
Total	42,173	41,608	565	39,293
Other programs:				
Other appropriations/contributions		203,424		241,021
Total	208,011	203,424	4,587	241,021
Total Human Services	7,090,723	6,601,341	489,382	6,545,150

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<u>Cultural and Recreational</u>				
Library and recreation:				
Operating expenditures		1,740		1,952
Contribution to regional library		103,150		94,018
Total Cultural and Recreational	104,890	104,890	-	95,970
<u>Education</u>				
Public schools-current expense		4,273,524		4,173,524
Public schools-capital outlay		274,234		-
Community college- current		878,839		878,839
Community college- capital outlay		142,590		92,668
Total Education	5,402,363	5,569,187	(166,824)	5,145,031
<u>Debt Service</u>				
Principal retirement		686,667		686,667
Interest and other charges		431,997		501,486
Total debt services	1,118,665	1,118,664	1	1,188,153
Contingency	5,000	-	-	-
Total Expenditures	24,577,949	23,371,993	1,205,956	23,206,667
Revenues Over (Under) Expenditures	(1,358,832)	105,769	1,464,601	247,383

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to other funds:				
School Capital Reserve Fund		(877,587)		(868,926)
Revaluation Fund		(40,000)		(40,000)
Hertford County Judicial Center Fund		(75,000)		-
Capital Reserve Fund		(175,000)		(100,000)
Sanitation Fund		(4,002)		(1,859)
Northern Water District Fund		(2,489)		(1,696)
Southern Water District Fund		(2,350)		(1,145)
Tunis Sewer District Fund		(31,200)		-
Total	(1,190,041)	(1,207,628)	(17,587)	(1,013,626)
Transfers from other funds:				
Capital Reserve Fund		653,000		942,488
School Capital Reserve Fund		189,442		-
Sanitation Fund		-		6,826
Southern Water District Fund		3,000		49,000
Total	659,000	848,442	189,442	998,314
Proceeds from debt	-	-	-	159,660
Appropriated fund balance	1,889,873	-	(1,889,873)	-
Total other financing sources (uses)	1,358,832	(359,186)	(1,718,018)	144,348
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	(253,417)	\$ (253,417)	391,731
Fund Balance-July 1		8,473,941		8,082,210
Fund Balance-June 30		\$ 8,220,524		\$ 8,473,941

**HERTFORD COUNTY, NORTH CAROLINA
SCHOOL CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<u>REVENUES</u>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>				
Education				
Capital outlay	-	-	-	-
Revenues Over (Under) Expenditures	-	-	-	-
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfer in				
General fund	860,000	877,587	17,587	868,926
Operating transfer out				
General fund	(860,000)	(189,442)	670,558	-
Total	-	688,145	688,145	868,926
Revenues over expenditures and other uses	\$ -	688,145	\$ 688,145	868,926
Fund Balance - July 1		1,081,581		212,655
Fund Balance - June 30		\$ 1,769,726		\$ 1,081,581

**HERTFORD COUNTY, NORTH CAROLINA
REVALUATION FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
<u>REVENUES</u>				
Investment earnings	\$ -	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>				
Current:				
General government				
Tax listings:	40,000	-	40,000	-
Revenues Over (Under) Expenditures	(40,000)	-	40,000	-
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer from (to) other funds				
General Fund	40,000	40,000	-	40,000
Total	40,000	40,000	-	40,000
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	40,000	\$ 40,000	40,000
Fund Balance - July 1		165,407		125,407
Fund Balance - June 30		\$ 205,407		\$ 165,407

HERTFORD COUNTY, NORTH CAROLINA
CAPITAL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<u>REVENUES</u>				
Local option sales tax	\$ 460,000	\$ 467,595	\$ 7,595	\$ 480,901
<u>EXPENDITURES</u>				
Capital outlay	635,000	-	635,000	-
Revenues Over (Under) Expenditures	(175,000)	467,595	642,595	480,901
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer from (to) other funds				
General Fund	175,000	175,000	-	100,000
General Fund	(653,000)	(653,000)	-	(942,488)
Appropriated fund balance	653,000	-	(653,000)	-
Total	175,000	(478,000)	(653,000)	(842,488)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	(10,405)	\$ (10,405)	(361,587)
Fund Balance - July 1		672,100		1,033,687
Fund Balance - June 30		\$ 661,695		\$ 672,100

**HERTFORD COUNTY, NORTH CAROLINA
HERTFORD COUNTY JUDICIAL CENTER
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental revenue					
Investment earnings	\$ -	\$ 2,401	\$ 434	\$ 2,835	\$ 2,835
Miscellaneous	-	26,274	50,460	76,734	76,734
Total	-	28,675	50,894	79,569	79,569
EXPENDITURES					
Capital outlay					
Construction Cost		5,467,155	3,370,603	8,837,758	
Furnishing and Equipment		-	993,493	993,493	
Design Fees & Expense		820,913	198,763	1,019,676	
Geotechnical Survey		89,777	-	89,777	
Materials/Testing/Special Inspection		96,309	13,429	109,738	
Contingency		1,041	225,137	226,178	
Land		70,052	-	70,052	
Debt Service					
Bond Issuance Costs		338,045	-	338,045	
Total	12,582,230	6,883,292	4,801,425	11,684,717	897,513
Revenues Over (Under) Expenditures	(12,582,230)	(6,854,617)	(4,750,531)	(11,605,148)	977,082
OTHER FINANCING SOURCES (USES)					
Transfer from the General Fund	141,400	159,095	75,000	234,095	92,695
Debt Proceeds	12,440,830	11,945,000	-	11,945,000	(495,830)
Premium on Debt Proceeds	-	495,832	-	495,832	495,832
Total	12,582,230	12,599,927	75,000	12,674,927	92,697
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 5,745,310	(4,675,531)	\$ 1,069,779	\$ 1,069,779
Fund Balance - July 1			5,745,310		
Fund Balance - June 30			\$ 1,069,779		

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

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

**HERTFORD COUNTY, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	
	Emergency Telephone System Fund	Fire District Fund	E911 Communications Project Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 370,931	\$ 50,362	\$ -	\$ 421,293
Accounts receivable, net	7,077	5,294	154,292	166,663
Taxes receivable, net	-	9,126	-	9,126
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 378,008</u>	<u>\$ 64,782</u>	<u>\$ 154,292</u>	<u>\$ 597,082</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 6,196	\$ 209,881	\$ 216,077
Due to other funds	-	-	198,072	198,072
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>6,196</u>	<u>407,953</u>	<u>414,149</u>
Deferred inflows of resources	<u>-</u>	<u>9,126</u>	<u>-</u>	<u>9,126</u>
Fund Balances:				
Restricted				
Stabilization by State Statue	7,077	5,294	154,292	166,663
Public Safety	370,931	44,166	-	415,097
Unassigned	-	-	(407,953)	(407,953)
Total fund balances	<u>378,008</u>	<u>49,460</u>	<u>(253,661)</u>	<u>173,807</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 378,008</u>	<u>\$ 64,782</u>	<u>\$ 154,292</u>	<u>\$ 597,082</u>

**HERTFORD COUNTY, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	
	Emergency Telephone System Fund	Fire District Fund	E911 Communications Center Project Fund	Total Nonmajor Governmental Funds
<u>REVENUES</u>				
Ad valorem taxes	\$ -	\$ 91,828	\$ -	\$ 91,828
Local option sales taxes	-	25,057	-	25,057
Restricted intergovernmental	84,934	-	533,887	618,821
Investment earnings	822	-	-	822
Total Revenues	<u>85,756</u>	<u>116,885</u>	<u>533,887</u>	<u>736,528</u>
<u>EXPENDITURES</u>				
Current:				
Public safety	78,839	113,802	-	192,641
Capital outlay	-	-	721,947	721,947
Total expenditures	<u>78,839</u>	<u>113,802</u>	<u>721,947</u>	<u>914,588</u>
Revenues Over (Under)				
Expenditures	6,917	3,083	(188,060)	(178,060)
Fund Balance - July 1	<u>371,091</u>	<u>46,377</u>	<u>(65,601)</u>	<u>351,867</u>
Fund Balance - June 30	<u>\$ 378,008</u>	<u>\$ 49,460</u>	<u>\$ (253,661)</u>	<u>\$ 173,807</u>

**HERTFORD COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<u>REVENUES</u>				
Restricted intergovernmental revenue				
Wireless 911 funds		\$ 84,934		\$ 92,271
Investment earnings		822		150
Total	\$ 85,034	85,756	\$ 722	92,421
<u>EXPENDITURES</u>				
Public safety	85,034	78,839	6,195	104,858
Revenues Over (Under) Expenditures	\$ -	6,917	\$ 6,917	(12,437)
Fund Balance - July 1		371,091		383,528
Fund Balance - June 30		\$ 378,008		\$ 371,091

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

HERTFORD COUNTY, NORTH CAROLINA
FIRE DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<u>REVENUES</u>				
Ad Valorem taxes:				
Taxes	\$ 93,652	\$ 91,828	\$ (1,824)	\$ 96,664
Other taxes and licenses	22,320	25,057	2,737	24,894
Total revenues	<u>115,972</u>	<u>116,885</u>	<u>913</u>	<u>121,558</u>
<u>EXPENDITURES</u>				
Current:				
Public safety				
Woodland Fire District		3,698		4,016
Union Fire District		7,761		8,510
Ahoskie Fire District		102,343		111,260
Total expenditures	<u>115,972</u>	<u>113,802</u>	<u>2,170</u>	<u>123,786</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	3,083	<u>\$ 3,083</u>	(2,228)
Fund Balance - July 1		<u>46,377</u>		<u>48,605</u>
Fund Balance - June 30		<u>\$ 49,460</u>		<u>\$ 46,377</u>

**HERTFORD COUNTY, NORTH CAROLINA
E911 COMMUNICATIONS CENTER PROJECT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
REVENUES					
Restricted intergovernmental revenue					
Grant	\$ 4,250,000	\$ -	\$ 533,887	\$ 533,887	\$ (3,716,113)
Total	<u>4,250,000</u>	<u>-</u>	<u>533,887</u>	<u>533,887</u>	<u>(3,716,113)</u>
EXPENDITURES					
Capital outlay					
Permitting		-	-	-	
Material Testing		-	-	-	
Design Fee/Expense		65,601	240,128	305,729	
Furnishing and Equipment		-	-	-	
Construction		-	481,819	481,819	
Communications		-	-	-	
Water and Sewer Connection		-	-	-	
Escalation		-	-	-	
Contingency		-	-	-	
Total	<u>4,250,000</u>	<u>65,601</u>	<u>721,947</u>	<u>787,548</u>	<u>3,462,452</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (65,601)</u>	(188,060)	<u>\$ (253,661)</u>	<u>\$ (253,661)</u>
Fund Balance - July 1			<u>(65,601)</u>		
Fund Balance - June 30			<u>\$ (253,661)</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 periodic 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.
- **Southern Water District Fund:** This fund accounts for the activities of the County's Southern Water District.
- **Tunis Sewer District Fund:** This fund accounts for the activities of the County's Tunis Sewer District, including the associated Capital Project Fund that is used to record Capital expenditures for this District.

Non-major Enterprise Funds

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

HERTFORD COUNTY, NORTH CAROLINA
NORTHERN WATER DISTRICT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<u>REVENUES</u>				
Operating Revenues				
Charges for services	\$ 531,204	\$ 466,472	\$ (64,732)	\$ 451,924
Tap-on fees	20,300	23,280	2,980	21,710
Other	4,969	3,501	(1,468)	11,534
Total Operating Revenues	<u>556,473</u>	<u>493,253</u>	<u>(63,220)</u>	<u>485,168</u>
Total Revenues	<u>556,473</u>	<u>493,253</u>	<u>(63,220)</u>	<u>485,168</u>
<u>EXPENDITURES</u>				
Administration and operations		254,056		232,967
Capital Outlay		36,548		24,022
Debt Service:				
Interest and fees		104,813		107,493
Debt principal		57,000		55,000
Total Expenditures	<u>555,963</u>	<u>452,417</u>	<u>103,546</u>	<u>419,482</u>
Revenues Over (Under) Expenditures	<u>510</u>	<u>40,836</u>	<u>40,326</u>	<u>65,686</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) other funds				
General Fund	(3,000)	(3,000)	-	-
General Fund	2,490	2,489	(1)	1,696
Sanitation Fund	-	-	-	2,187
Total Other Financing Sources (Uses)	<u>(510)</u>	<u>(511)</u>	<u>(1)</u>	<u>3,883</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 40,325</u>	<u>\$ 40,325</u>	<u>\$ 69,569</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL				
Excess of revenues over (under) expenditures		\$ 40,325		\$ 69,569
Debt principal		57,000		55,000
Depreciation		(104,770)		(101,041)
Capital outlay		36,548		24,022
Contributions to the pension plan in the current fiscal year		5,995		-
(Increase) decrease in bond interest accrued		232		223
(Increase) decrease in vacation pay		(4,364)		(1,398)
(Increase) decrease in OPEB obligation		(5,985)		(5,349)
Pension expense		(482)		-
Total reconciling items		<u>(15,826)</u>		<u>(28,543)</u>
Change in net position		<u>\$ 24,499</u>		<u>\$ 41,026</u>

HERTFORD COUNTY, NORTH CAROLINA
SOUTHERN WATER DISTRICT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<u>REVENUES</u>				
Operating Revenues				
Charges for services	\$ 901,798	\$ 959,349	\$ 57,551	\$ 964,151
Tap-on fees	34,000	51,069	17,069	50,683
Other	13,100	87,106	74,006	15,907
Total Operating Revenues	<u>948,898</u>	<u>1,097,524</u>	<u>74,620</u>	<u>1,030,741</u>
Total Revenues	<u>948,898</u>	<u>1,097,524</u>	<u>74,620</u>	<u>1,030,741</u>
<u>EXPENDITURES</u>				
Administration and operations		386,074		335,463
Capital Outlay		36,548		24,022
Debt Service:				
Interest and fees		230,260		241,204
Debt principal		212,000		206,500
Total Expenditures	<u>948,249</u>	<u>864,882</u>	<u>83,367</u>	<u>807,189</u>
Revenues Over (Under) Expenditures	<u>649</u>	<u>232,642</u>	<u>231,993</u>	<u>223,552</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) other funds				
General Fund	(3,000)	(3,000)	-	(49,000)
General Fund	2,351	2,350	(1)	1,145
Debt proceeds				
Sanitation Fund	-	-	-	1,232
Total Other Financing Sources (Uses)	<u>(649)</u>	<u>(650)</u>	<u>(1)</u>	<u>(46,623)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 231,992</u>	<u>\$ 231,992</u>	<u>\$ 176,929</u>

RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL

Excess of revenues over (under) expenditures	\$ 231,992	\$ 176,929
Debt principal	212,000	206,500
Depreciation	(226,840)	(223,113)
Capital outlay	36,548	24,022
Contributions to the pension plan in the current fiscal year	7,047	-
(Increase) decrease in bond interest accrued	934	912
(Increase) decrease in vacation pay	4,124	(2,029)
(Increase) decrease in OPEB obligation	(7,049)	(7,608)
Pension expense	(568)	-
Total reconciling items	<u>26,196</u>	<u>(1,316)</u>
Change in net position	<u>\$ 258,188</u>	<u>\$ 175,613</u>

HERTFORD COUNTY, NORTH CAROLINA
TUNIS SEWER DISTRICT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<u>REVENUES</u>				
Operating Revenues				
Charges for services	\$ 26,940	\$ 22,418	\$ (4,522)	\$ -
Total Operating Revenues	<u>26,940</u>	<u>22,418</u>	<u>(4,522)</u>	<u>-</u>
 Total Revenues	 <u>26,940</u>	 <u>22,418</u>	 <u>(4,522)</u>	 <u>-</u>
<u>EXPENDITURES</u>				
Administration and operations		48,145		-
Total Expenditures	<u>65,140</u>	<u>48,145</u>	<u>16,995</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>(38,200)</u>	<u>(25,727)</u>	<u>12,473</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) other funds				
General Fund	31,200	31,200	-	-
Tunis Sewer District Capital Project Fund	7,000	7,000	-	-
Total Other Financing Sources (Uses)	<u>38,200</u>	<u>38,200</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 12,473</u>	<u>\$ 12,473</u>	<u>\$ -</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL				
Excess of revenues over (under) expenditures		\$ 12,473		\$ -
Restricted intergovernmental revenue for Tunis Sewer District				
Project Fund		382,555		1,315,822
Other Revenue for Tunis Sewer District Project Fund		-		33,490
Transfer out for Tunis Sewer District Project Fund		(7,000)		-
Total reconciling items		<u>375,555</u>		<u>1,349,312</u>
Change in net position		<u>\$ 388,028</u>		<u>\$ 1,349,312</u>

HERTFORD COUNTY, NORTH CAROLINA
TUNIS SEWER DISTRICT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
<u>REVENUES</u>					
Restricted intergovernmental revenue					
USDA Rural Utilities Services grant (initial)	\$ 1,255,000	\$ 1,255,000	\$ -	\$ 1,255,000	\$ -
USDA Rural Utilities Services grant (subsequent)	73,937	60,822	-	60,822	(13,115)
Rural Center supplemental grant	307,000	-	382,555	382,555	75,555
Tap on fees	4,600	13,200	-	13,200	8,600
Investment earnings	-	132	-	132	132
Miscellaneous	-	33,158	-	33,158	33,158
Total	<u>1,640,537</u>	<u>1,362,312</u>	<u>382,555</u>	<u>1,744,867</u>	<u>104,330</u>
<u>EXPENDITURES</u>					
Capital outlay					
Contingency		-	50,000	50,000	
Administrative Cost		59,935	9,635	69,570	
Capitalized Interest		8,241	5,591	13,832	
Contract services-construction		1,400,039	-	1,400,039	
Contract services-engineering		210,239	52,452	262,691	
Fund reserve		-	-	-	
Debt Service		307,000	-	307,000	
Total	<u>2,160,537</u>	<u>1,985,454</u>	<u>117,678</u>	<u>2,103,132</u>	<u>57,405</u>
Revenues Over (Under) Expenditures	<u>(520,000)</u>	<u>(623,142)</u>	<u>264,877</u>	<u>(358,265)</u>	<u>161,735</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in (out)					
General Fund	20,000	118,204	-	118,204	98,204
Tunis Sewer District Fund	(7,000)	-	(7,000)	(7,000)	-
USDA Loan Proceeds	-	307,000	-	307,000	307,000
Bond Anticipation Notes	500,000	307,000	-	307,000	(193,000)
Fund balance appropriated	7,000	-	-	-	(7,000)
Total	<u>520,000</u>	<u>732,204</u>	<u>(7,000)</u>	<u>725,204</u>	<u>205,204</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 109,062</u>	<u>\$ 257,877</u>	<u>\$ 366,939</u>	<u>\$ 366,939</u>

HERTFORD COUNTY, NORTH CAROLINA
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<u>REVENUES</u>				
Operating Revenues				
Charges for services	\$ 895,750	\$ 884,723	\$ (11,027)	\$ 873,529
Other	42,600	58,405	15,805	29,832
Total Operating Revenues	<u>938,350</u>	<u>943,128</u>	<u>4,778</u>	<u>903,361</u>
Nonoperating Revenues				
Interest Earnings	-	621	621	184
Total Nonoperating Revenues	<u>-</u>	<u>621</u>	<u>621</u>	<u>184</u>
Total Revenues	<u>938,350</u>	<u>943,749</u>	<u>5,399</u>	<u>903,545</u>
<u>EXPENDITURES</u>				
Landfill:				
Administration and operations		409,396		413,231
Contract services		521,041		528,814
Total Expenditures	<u>942,353</u>	<u>930,437</u>	<u>11,916</u>	<u>942,045</u>
Revenues Over (Under) Expenditures	<u>(4,003)</u>	<u>13,312</u>	<u>17,315</u>	<u>(38,500)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) other funds				
General Fund	4,003	4,002	(1)	1,859
General Fund	-	-	-	(6,826)
Northern Water District Fund	-	-	-	(2,187)
Southern Water District Fund	-	-	-	(1,232)
Total Other Financing Sources (Uses)	<u>4,003</u>	<u>4,002</u>	<u>(1)</u>	<u>(8,386)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 17,314</u>	<u>\$ 17,314</u>	<u>\$ (46,886)</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL				
Excess of revenues over (under) expenditures		\$ 17,314		\$ (46,886)
Depreciation		(22,490)		(23,526)
Capital outlay		-		-
Contributions to the pension plan in the current fiscal year		5,967		-
(Increase) decrease in vacation pay		(4,776)		1,398
(Increase) decrease OPEB obligation		(20,545)		(9,526)
Pension expense		(1,661)		-
Total reconciling items		<u>(43,505)</u>		<u>(31,654)</u>
Change in net position		<u>\$ (26,191)</u>		<u>\$ (78,540)</u>

AGENCY FUNDS

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

- **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, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>Social Services</u>				
Assets				
Cash	\$ 36,321	\$ 26,256	\$ 25,814	\$ 36,763
Liabilities				
Miscellaneous liabilities	\$ 36,321	\$ 26,256	\$ 25,814	\$ 36,763
<u>Inmates Money</u>				
Assets				
Cash	\$ 117,390	\$ 93,200	\$ 65,226	\$ 145,364
Liabilities				
Intergovernmental payable	\$ 117,390	\$ 93,200	\$ 65,226	\$ 145,364
<u>Fines and Forfeitures</u>				
Assets				
Cash	\$ -	\$ 73,661	\$ 73,661	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 73,661	\$ 73,661	\$ -
<u>Tax Fund</u>				
Assets				
Cash	\$ -	\$ 4,129,257	\$ 4,129,257	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 4,129,257	\$ 4,129,257	\$ -
<u>Totals - All Agency Funds</u>				
Assets				
Cash	\$ 153,711	\$ 4,322,374	\$ 4,293,958	\$ 182,127
Liabilities				
Miscellaneous liabilities	\$ 153,711	\$ 4,322,374	\$ 4,293,958	\$ 182,127

OTHER SCHEDULES

This schedule contains 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, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections and Adjustments	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 13,305,124	\$ 12,743,019	\$ 562,105
2013-2014	668,991	-	432,082	236,909
2012-2013	224,078	-	77,123	146,955
2011-2012	132,731	-	33,088	99,643
2010-2011	91,203	-	15,511	75,692
2009-2010	76,876	-	10,156	66,720
2008-2009	69,257	-	7,477	61,780
2007-2008	59,464	-	3,070	56,394
2006-2007	53,691	-	2,817	50,874
2005-2006	50,702	-	4,014	46,688
2004-2005	44,793	-	44,793	-
	<u>\$ 1,471,786</u>	<u>\$ 13,305,124</u>	<u>\$ 13,373,150</u>	1,403,760
				Less: allowance for uncollectible accounts
				<u>(150,000)</u>
				<u>\$ 1,253,760</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund			\$ 13,409,470	
Interest and discounts			<u>(80,563)</u>	
				13,328,907
Reconciling items:				
Amounts written off for 2004-2005 levy				<u>44,243</u>
Total Reconciling Items				<u>44,243</u>
Total Collections and Credits				<u>\$ 13,373,150</u>

**HERTFORD COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2015**

	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	\$ 1,473,113,719	0.840	\$ 12,374,155	\$ 10,964,184	\$ 1,409,971
Dog tax	-		6,561	6,561	-
Fire Districts	-		76,660	76,660	-
Total Original Levy	<u>1,473,113,719</u>		<u>12,457,376</u>	<u>11,047,405</u>	<u>1,409,971</u>
Discoveries	101,703,214	0.840	854,307	854,307	-
Abatements	<u>(1,702,738)</u>	0.840	<u>(14,303)</u>	<u>(1,050)</u>	<u>(13,253)</u>
Total Property Valuation	<u><u>\$ 1,573,114,195</u></u>				
Net Levy			13,297,380	11,900,662	1,396,718
Uncollected taxes at June 30, 2015			<u>(562,105)</u>	<u>(512,191)</u>	<u>(49,914)</u>
Current year's taxes collected			<u><u>\$ 12,735,275</u></u>	<u><u>\$ 11,388,471</u></u>	<u><u>\$ 1,346,804</u></u>
Current levy collection percentage			<u><u>95.77%</u></u>	<u><u>95.70%</u></u>	<u><u>96.43%</u></u>

**HERTFORD COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2015**

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 1,248,503,329
Personal Property	323,913,623
Public Service Companies	<u>697,243</u>
Total Assessed Valuation	1,573,114,195
Tax Rate per \$100	0.84
Levy (includes discoveries, releases and abatements)	<u>\$ 13,297,380</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>\$ 76,660</u>
---------------------------	------------------

**HERTFORD COUNTY, NORTH CAROLINA
TOP TEN TAXPAYERS
JUNE 30, 2015**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Nucor Corporation	Manufacturing	\$ 64,669,083	4.11%
Wackenhut Corrections Corp	Correctional Facility	56,459,465	3.59%
Enviva Pellets Ahoskie, LLC	Manufacturing	51,967,719	3.30%
Perdue Grain and Oil Seed, LLC	Manufacturing	17,374,401	1.10%
Kerr Group LLC	Manufacturing	17,239,250	1.10%
Carroll's Foods of Virginia, Inc.	Livestock	13,805,482	0.88%
Wal-Mart Real Estate Bus Trust	Retail	10,589,935	0.67%
Ahoskie Center LLC	Shopping Center	8,439,682	0.54%
FIATP Timber LLC	Timber sales	5,735,565	0.36%
Air Liquide Large Ind US LP	Retail	5,082,580	0.32%
		<u>\$ 186,694,080</u>	<u>11.87%</u>

COMPLIANCE SECTION

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

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA
Gary L. Williams, CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Curtis G. Van Horne, CPA
Cathy E. McKinley, CPA
Tara H. Roberson, CPA
K. Jamison Crampton, CPA

Report On Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To The Board of County Commissioners
Hertford County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprises Hertford County's basic financial statements, and have issued our report thereon dated December 18, 2015. Our report includes a reference to other auditors who audited the financial statements of Hertford County Public Health Authority, the Hertford County ABC Board or the Hertford County Economic Development Commission, as described in our report on Hertford County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of Hertford County ABC Board and the Hertford County Economic Development Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

102 W. Spring Street • P.O. Box 1366 • Oxford, NC 27565 • (919) 693-5196 • fax (919) 693-7614

www.wwcecpa.com



Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 questioned costs that we consider to be a significant deficiency (15-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hertford County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 15-1.

Hertford County's Response to Findings

Hertford County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Hertford 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.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Oxford, North Carolina
December 18, 2015

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

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA
Gary L. Williams, CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Curtis G. Van Horne, CPA
Cathy E. McKinley, CPA
Tara H. Roberson, CPA
K. Jamison Crampton, CPA

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

Independent Auditor's Report

To the Board of County Commissioners
Hertford County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Hertford County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on Hertford County's major federal program for the year ended June 30, 2015. Hertford County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Hertford County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hertford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

102 W. Spring Street • P.O. Box 1366 • Oxford, NC 27565 • (919) 693-5196 • fax (919) 693-7614
www.wwcecpa.com



Basis for Qualified Opinion on Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, Hertford County did not comply with requirements regarding the CFDA 93.778 Medical Assistance Program as described in finding numbers 15-2, 15-3, 15-4, and 15-5 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Hertford County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hertford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2015.

Other matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 15-2, 15-3, 15-4 and 15-5. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of Hertford County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hertford County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 15-2, 15-3, and 15-5 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 15-4 to be a significant deficiency.

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

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

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Oxford, North Carolina
December 18, 2015

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

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA
Gary L. Williams, CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Curtis G. Van Horne, CPA
Cathy E. McKinley, CPA
Tara H. Roberson, CPA
K. Jamison Crampton, CPA

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

Independent Auditor's Report

To the Board of County Commissioners
Hertford County, North Carolina

Report on Compliance for Each Major State Program

We have audited Hertford County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Hertford County's major state programs for the year ended June 30, 2015. Hertford County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hertford County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Hertford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

102 W. Spring Street • P.O. Box 1366 • Oxford, NC 27565 • (919) 693-5196 • fax (919) 693-7614

www.wwcecpa.com



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

Basis for Qualified Opinion on the Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, Hertford County did not comply with requirements regarding CFDA 93.778 Medical Assistance Program as described in finding numbers 15-2, 15-3, 15-4 and 15-5 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Hertford County to comply with the requirements applicable to that program.

Qualified Opinion on the Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hertford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major State Programs

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 other major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 15-2, 15-3, 15-4, and 15-5. Our opinion on each major state program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of Hertford County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hertford County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or

significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 15-2, 15-3, and 15-5 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 15-4 to be a significant deficiency.

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

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

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Oxford, North Carolina
December 18, 2015

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X no

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

Noncompliance material to financial statements noted X yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X yes no

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

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

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

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs \$ 985,288

Auditee qualified as low-risk auditee? yes X no

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? X yes no

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

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

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

Identification of major State programs:

Program Name
Medical Assistance
Rural Economic Division Special Fund
NC 911

Section II – Financial Statement Findings

Finding 15-1

SIGNIFICANT DEFICIENCY
SIGNIFICANT NONCOMPLIANCE

Excess of Expenditures over Appropriations

Criteria: G.S. 159-8(a) states that monies received and expended by a local government or public authority should be included in the budget ordinance.

Condition: Hertford County expended \$166,824 more in the Education Fund than was appropriated in the annual budget ordinance and amendments.

Effect: Expenditures are over appropriations in the annual budget ordinance and amendments.

Cause: Education was over budget due to the fact that a formal budget amendment was not formalized, although it was discussed in a meeting.

Recommendation: Fund statements should be reviewed on a routine basis to ensure expenditures are in line with budget implications and appropriate budget amendments should be adopted.

Views of Responsible officials and corrective action plans: The County agrees with this finding. The County will look at all funds for budgetary compliance and make any necessary adjustments prior to the fiscal year end to try to prevent this from occurring again in the future.

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section III – Federal Award Findings and Questioned Costs

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

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

Program Name: Medical Assistance Program

CFDA #: 93.778

Finding: 15-2

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Income Verification and Budget Calculations for Eligibility

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

Condition: There were four errors regarding the budget and income sections of Medical Assistance audit.

Questioned Costs: There were questioned costs of \$1,477.70 on these cases.

Context: Out of 60 cases, one case used the budget form for the wrong program, one case included gross earned income and total unearned income on the profile sheet but this amount could not be traced back to a source, one case file utilized the budget from a food stamps certification but did not verify the information in that budget to supporting documentation to ensure it was calculated properly for the Medical Assistance Program, and one case file did not include all of the income verified as they only included the applicant's social security but not the applicant's retirement or the spouse's social security.

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

Cause: Ineffective case review process for caseworkers due to caseload. Workers did not document work properly in the case file and maintain support for services, budget amounts, etc. Ineffective record keeping policies for Medicaid files.

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

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Views of responsible officials and planned corrective actions: The County agrees with the findings and will perform second party reviews on an ongoing basis and ensure proper documentation is taking place for eligibility. Training of employees will and has been taking place to ensure they are aware of what information is required to be kept in DocuWare, how to calculate income, and the appropriate deductions.

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

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance
Program Name: Medical Assistance Program
CFDA #: 93.778

Finding 15-3

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Liquid Assets and Reserve Calculations for Eligibility

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

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

Questioned Costs: There were questioned costs of \$1,857.77 on these cases.

Context: There were 20 total cases selected for testing reserves. Reserve limits are not applicable to Medicaid for Infants and Children and Medicaid for Pregnant Women. There were a total of four errors involving the decision to exclude vehicles from the liquid asset calculation. Cars were indicated during the automated match with DOT records however there was not proper documentation to justify the exclusion from countable liquid assets. There was another case that did not include the whole life insurance policy in the non-countable resources in NCFAST.

Effect: Files are incomplete/incorrect and do not support reserve calculations. Vehicles may be excluded that are not used for transportation. Cars may also be excluded that are in the applicant's possession. The exclusion of these vehicles could lead to someone receiving Medicaid that is not eligible.

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

Recommendation: Files should be reviewed internally to ensure proper documentation is in place for eligibility. Workers should be retrained on what files should contain and the importance of complete and accurate record keeping stressed. Workers should also be retrained on what is countable and non-countable for purposes of determining eligibility with regards to reserve / liquid asset

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

calculations. If vehicles are not in a client's possession but there are hits on the OLV, documentation should be obtained from the client that car was junked, in someone else's possession, etc and that statement signed by client.

Views of responsible officials and planned corrective actions: While the County agrees with the finding. Supervisors perform second party reviews to ensure proper documentation is contained in files to support eligibility determinations. Workers will be retrained on what information should be maintained in case files, the importance of complete and accurate record keeping, and reserve calculations.

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

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance
Program Name: Medical Assistance Program
CFDA #: 93.778

Finding 15-4

SIGNIFICANT DEFICIENCY
SIGNIFICANT NONCOMPLIANCE
Files not on site

Criteria: Record keeping is required for documentation of eligibility and expenditures of State Awards. Accurate and up-to-date record keeping is required to substantiate all actions taken. All files should be available with all required documentation.

Condition: Two files for one person (Medicaid Eligibility and Fraud files) could not be located by the County for our testing.

Questioned Costs: There were questioned costs of \$393.46 on this case.

Context: There were 60 files selected for testing for Medicaid Eligibility and 6 files were selected for Fraud testing. One file from each testing sample could not be located by the County.

Effect: Files are incomplete or incorrect and do not support the eligibility criteria or the fraud claim.

Cause: Ineffective record keeping.

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

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

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance
Program Name: Medical Assistance Program
CFDA #: 93.778

Finding 15-5

**MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE
Program Internal Control**

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

Condition: The internal controls for 2nd party reviews and training are weak.

Questioned Costs: There are no questioned costs.

Context: A key internal control for eligibility is the second party review process. The idea behind this is to spot check a randomly selected sample of files for accuracy. After the files have been reviewed the idea is to retrain workers in any ineffective areas. All programs should have a formal system for 2nd party reviews.

No second party reviews have taken place with NC Fast or in the EIS system. Supervisors would like to see this number increase but since NC Fast created a backlog, it's hard to keep the reviews going. Supervisors are spending time answering questions about policy and reviewing new workers cases that there is little time to do 2nd party reviews.

Effect: Applicants that have been approved to receive benefits may actually not be eligible and those that were denied may actually be eligible due to errors made in determining eligibility. Errors made in the eligibility process are not being caught by supervisors so that retraining can take place. If a worker does not know that they are doing something incorrectly, that error will continue in other case files with similar circumstances.

Cause: Overwhelming changes from the Affordable Care Act, the implementation of NC Fast and NC Tracks, continued implementation of the Integrated Eligibility Policy Manual, and changes in the NC Fast system.

Recommendation: More second party reviews need to take place to ensure that eligibility is determined correctly and timely. Group training sessions should be held on the new systems to allow time for team members to share best practices or tricks learned. Consider the additional role for quality control reviewer or internal audit to assist in second party reviews so supervisors can spend more time training and supervising workers.

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

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section IV – State Award Findings and Questioned Costs

See Findings 15-2, 15-3, 15-4, and 15-5.

**HERTFORD COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section II – Financial Statement Findings

Finding: 15-1

Name of Contact Person: Robbin Stephenson, Finance Officer

Corrective Action: The County will look at all funds for budgetary compliance and make any necessary adjustments prior to the fiscal year end to try to prevent this from occurring again in the future.

Proposed Completion Date: June 30, 2016

Section III – Federal Award Findings and Questioned Costs

Finding: 15-2

Name of Contact Person: Rachel Askew, Patricia Nixon, Kathy Richmond, Brenda Brown

Corrective Action: The County agrees with the findings and will perform second party reviews on an ongoing basis and ensure proper documentation is taking place for eligibility. Training of employees will and has been taken place to ensure they are aware of what information is required to be kept in DocuWare, how to calculate income, and the appropriate deductions. Our county experiences turnover in the Universal Unit substantially. However, we continually provide training to all staff.

Proposed Completion Date: ongoing (June 2016)

Finding: 15-3

Name of Contact Person: Rachel Askew, Patricia Nixon, Kathy Richmond, Brenda Brown

Corrective Action: While the County agrees with the finding. Supervisors perform second party reviews to ensure proper documentation is contained in files to support eligibility determinations. Workers will be retrained on what information should be maintained in case files, the importance of complete and accurate record keeping, and reserve calculations. Our county experiences turnover in the Universal Unit substantially. However, we continually provide training to all staff.

Proposed Completion Date: ongoing (June 2016)

**HERTFORD COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding: 15-4

Name of Contact Person: Rachel Askew, Patricia Nixon, Kathy Richmond, Brenda Brown

Corrective Action: While the County agrees with the finding. Supervisors perform second party reviews to ensure proper documentation is contained in files to support eligibility determinations. Workers will be retrained on what information should be maintained in case files, the importance of complete and accurate record keeping, and reserve calculations. Our county experiences turnover in the Universal Unit substantially. However, we continually provide training to all staff.

Proposed Completion Date: ongoing (June 2016)

Finding: 15-5

Name of Contact Person: Rachel Askew, Patricia Nixon, Kathy Richmond, Brenda Brown

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

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

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

Proposed Completion Date: ongoing (June 2016)

Section IV – State Award Findings and Questioned Costs

See Findings 15-2, 15-3, 15-4, and 15-5.

**HERTFORD COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding: 14-1

Status: Employee training has taken place to ensure they are aware of what information is required to be kept in files, how to calculate income and the appropriate deductions. The County continues to strive to perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility but they were not implemented during fiscal year 2015. Second party reviews continue to take place but due to caseload, these are not at the level we would like.

Corrective Action: The County will continue working to increase the percentage of second party reviews that are done.

Finding: 14-2

Status: Workers have been retrained on what information should be maintained in the case files, the importance of complete and accurate record keeping and reserve calculations. The County continues to strive to perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility but they were not implemented during fiscal year 2015. Second party reviews continue to take place but due to caseload, these are not at the level we would like.

Corrective Action: The County will continue working to increase the percentage of second party reviews that are done.

Finding: 14-3

Status: Workers have been retrained on what information should be maintained in the case files and the importance of complete and accurate record keeping. The County continues to strive to perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility but they were not implemented during fiscal year 2015. Second party reviews continue to take place but due to caseload, these are not at the level we would like.

Corrective Action: The County will continue working to increase the percentage of second party reviews that are done.

Finding: 14-4

Status: County continues to provide training and coaching to employees. Second party reviews are still not being completed as they should.

Corrective Action: The County will continue working to increase the percentage of second party reviews that are done.

Finding: 13-1

Status: Importance of following the policy continues to be stressed to employees, especially as the rules around eligibility and the eligibility calculations change. Second party reviews are not at the level the County would like due to caseload.

Corrective Action: The County will continue working to increase the percentage of second party reviews that are done.

**HERTFORD COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding: 13-2

Status: Training and coaching has been provided and continues to be provided as program rules change with regard to income. Second party reviews are not at the level the County would like due to caseload.

Corrective Action: The County will continue working to increase the percentage of second party reviews that are done.

Finding: 13-3

Status: Training and coaching has been provided and continues to be provided with regards to liquid assets. We will continue to provide training on all types of liquid assets. Review of case files indicates there are still issues noted with liquid assets at June 30, 2014.

Corrective Action: The County will continue working to increase the percentage of second party reviews that are done so that specific issues identified can be addressed.

Finding: 12-1

Status: Review of case files indicates improvement in the year ended June 30, 2013 however there were still issues noted with record-keeping.

Corrective Action: Record-keeping policy will be clarified and the importance of complete and accurate files will be stressed to all case workers.

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
FEDERAL AWARDS:			
<u>U.S. Dept. of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services			
Division of Social Services			
Administration			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561	\$ 323,453	\$ -
Total U.S. Dept. of Agriculture		<u>323,453</u>	<u>-</u>
<u>U.S. Dept of Homeland Security</u>			
Passed-through N.C. Dept. of Public Safety:			
Emergency Management Performance Grant			
	97.042	38,220	-
Hazardous Materials Emergency Preparedness Training & Planning Grant			
	20.703	8,000	-
Total U.S. Dept of Homeland Security		<u>46,220</u>	<u>-</u>
U.S. Department of Justice:			
Direct Program			
Equitable Sharing Program			
	16.922	2,818	
Passed-through N.C. Dept. of Public Safety:			
Recovery Act-Edward Byrne Memorial Justice Asst. Grant			
	16.804	2,531	-
Total U.S. Dept of Justice		<u>5,349</u>	<u>-</u>
<u>U.S. Dept. of Health & Human Services</u>			
<u>Division of Aging and Adult Services</u>			
Passed-through Mid-East Commission:			
<u>Aging Cluster:</u>			
Special Programs for the Aging-Title III B Grants for Supporting Services and Senior Centers			
	93.044	114,615	145,874
Nutrition Services Incentive Program			
	93.053	20,431	-
Total Aging Cluster		<u>135,046</u>	<u>145,874</u>
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services, Division of Child Development:			
<u>Subsidized Child Care Cluster:</u>			
Child Care Development Fund-Administration (Passed through the Division of Social Services)			
	93.596	73,463	-
Child Care and Development Fund-Discretionary			
	93.575	410,139	-
Child Care and Development Fund-Mandatory			
	93.596	138,636	-
Child Care and Development Fund-Match			
	93.596	103,879	31,623
Total Child Care Fund Cluster		<u>726,117</u>	<u>31,623</u>
Temporary Assistance for Needy Families (TANF)			
	93.558	110,552	-
Foster Care Title IV-E			
	93.658	8,618	4,463
State Appropriations			
	n/a	-	18,679
TANF-Maintenance-of-Effort			
	n/a	-	113,442
Total Subsidized Child Care Cluster		<u>845,287</u>	<u>168,207</u>

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services:			
<u>Foster Care and Adoption Cluster:</u>			
Foster Care-Title IV-E:			
Foster Care-Title IV-E Administration	93.658	24,660	2,845
Foster Care - Title IV-E Direct Benefit Payments	93.658	253	65
Adoption Assistance:			
Adoption Assistance-Title IV-E	93.659	8,738	-
Adoption Assistance - Title IV-E Direct Benefit Payments	93.659	63,660	16,504
Total Foster Care and Adoption Cluster		97,311	19,414
Temporary Assistance for Needy Families (TANF)	93.558	210,984	-
TANF - Direct Benefit Payments	93.558	111,421	(101)
N.C. Child Support Enforcement Section	93.563	190,323	(1)
Refugee and Entrant Assistance - State Administered Programs	93.566	86	-
Low-Income Home Energy Assistance Program:			
Crisis Intervention	93.568	134,459	-
Energy Assistance-Direct Benefit Payments	93.568	249,200	-
Administration	93.568	26,006	-
Stephanie Tubbs Jones Child Welfare Services:			
Permanency Planning-Families for Kids	93.645	3,405	-
Social Services Block Grant -Other Services and Training	93.667	196,622	23,813
Promoting Safe & Stable Families	93.556	307	-
Chafee Foster Care Independence Program	93.674	946	236
Total		1,123,759	23,947
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services:			
<u>Centers for Medicare and Medicaid Services</u>			
Passed-through the N.C. Dept. of Health and Human Services, Division of Medical Assistance:			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medical Assistance Program	93.778	29,270,089	16,528,423
Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	667,730	43,742
Total Medical Assistance Program		29,937,819	16,572,165
Direct Benefit Payments:			
State Children's Health Insurance Program - N.C. Health Choice	93.767	203,188	63,810
Division of Social Services:			
Administration:			
State Children's Health Insurance Program - N.C. Health Choice	93.767	119,406	5,681
Total State Children's Health Insurance Program - N.C. Health Choice		322,594	69,491
Passed-through the N.C. Dept. of Insurance, Division of SHIIP			
Centers for Medicare and Medicaid Services Research, Demonstrations, and Evaluations	93.779	1,773	-
<u>Administration for Community Living</u>			
Passed-through the N.C. Dept. of Insurance, Division of SHIIP			
Medicare Enrollment and Assistance Program	93.071	4,316	-
Total U.S. Dept. of Health and Human Services		32,790,499	16,999,098
Total federal awards		32,842,927	16,999,098

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
STATE AWARDS:			
<u>N.C. Dept. of Health and Human Services</u>			
Division of Aging and Adult Services:			
Division of Social Services:			
State/County Special Assistance for Adults - Direct Benefit Payments		-	480,019
Incent/Program Integrity		-	262
State Foster Home-Direct Benefit Payments		-	2,590
CWS Adoption Subsidy-Direct Benefit Payments		-	44,373
Smart Start		-	7,016
Child Welfare/CPS		-	580
State Foster Home Maximization-Direct Benefit Payments		-	1,093
Total N.C. Dept. of Health and Human Services		-	535,933
<u>N.C. Dept. of Agriculture and Consumer Services</u>			
Division of Soil and Water Conservation			
SWS-Administration		-	3,600
Soil Technician Grant		-	26,760
Total N.C. Dept. of Agriculture and Consumer Services		-	30,360
<u>N.C. Division of Aging and Adult Services</u>			
Passed-through Mid-East Commission:			
Senior Center General Purpose		-	11,680
<u>N.C. Dept. of Public Safety</u>			
Division of Community Services			
Emergency Management Operations		-	1,104
Total N.C. Dept. of Public Safety		-	106,302
<u>N.C. Dept. of Environmental and Natural Resources</u>			
Division of Waste Management			
Electronics Man.		-	1,897
Scrap Tire Program		-	13,432
Total N.C. Dept. of Environmental and Natural Resources		-	15,329
<u>N.C. Dept. of Transportation</u>			
Rural Operating Assistance Program (ROAP) Cluster			
ROAP Elderly and Disabled Transportation Assistance Program		-	51,176
ROAP Rural General Public Program		-	49,167
ROAP Work First Transitional-Employment		-	11,616
Total N.C. Dept. of Transportation		-	111,959
<u>N.C. Dept. of Commerce</u>			
Rural Economic Division Special Fund			
		-	382,555
<u>N.C. Dept. of Information Technology</u>			
NC 911			
		-	533,887
<u>Public School Building Capital Fund</u>			
Roofing Project			
		-	78,268
Total State awards		-	1,806,273
Total federal and State awards		\$ 32,842,927	\$ 18,805,371

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Hertford County, North Carolina, under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Hertford County, it is not intended to and does not present the financial positions, changes in net assets or cash flows of Hertford County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133. Audits of State, Local Governments, and Non-Profit Organizations and State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statement. Benefit payments are paid directly to recipients and are not included in the basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. 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 OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to

3. Loans Outstanding

Hertford County had the following loan balances outstanding at June 30, 2015. The loans made during the year are included in the SEFSA in the federal expenditures presented in the schedule. Balances and transactions related to these programs are included in the County's basic financial statements.

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

4. Subrecipients

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

<u>Program Title</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
ROAP-Rural General Public Program	-	\$ -	\$ 111,959
Project Challenge	-	-	26,522
Success Academy	-	-	29,242
Certification Division Program	-	-	8,746
Vocational Job & Educational Program	-	-	40,688

5. 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.