

**HERTFORD COUNTY  
WINTON, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**



**HERTFORD COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2016**

---

---

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	33-68

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Exhibit A-1	Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	70
Exhibit A-2	Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions and Notes to the Required Schedules	71
Exhibit A-3	Other Postemployment Benefits – Schedule of Funding Progress	72
Exhibit A-4	Other Postemployment Benefits – Schedule of Employer Contributions and Notes to the Required Schedules	73

**HERTFORD COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2016**

Exhibit A-5	Schedule of County’s Proportionate Share of the Net Pension Liability (Asset) – Local Governmental Employees’ Retirement System	74
Exhibit A-6	Schedule of County Contributions – Local Governmental Employees’ Retirement System	75
Exhibit A-7	Schedule of County’s Proportionate Share of the Net Pension Liability (Asset) – Register of Deeds’ Supplemental Pension Fund	76
Exhibit A-8	Schedule of County Contributions – Register of Deeds’ Supplemental Pension Fund	77

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	80-89
Exhibit B-2	School Capital Reserve Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance –Budget and Actual	90
Exhibit B-3	Revaluation Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	91
Exhibit B-4	Capital Reserve Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	92
Exhibit B-5	E911 Communications Center Project Fund-Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	93
Exhibit B-6	Office Building #1 Renovation Project Fund-Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	94

Nonmajor Governmental Funds

Exhibit C-1	Combining Balance Sheet – Nonmajor Governmental Funds	96
Exhibit C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	97
Exhibit C-3	Emergency Telephone System Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	98
Exhibit C-4	Fire District Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	99
Exhibit C-5	Hertford County Judicial Center Project Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	100

Enterprise Funds

Exhibit D-1	Northern Water District Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	102
-------------	--	-----

**HERTFORD COUNTY, NORTH CAROLINA  
TABLE OF CONTENTS  
JUNE 30, 2016**

Exhibit D-2	Southern Water District Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	103
Exhibit D-3	Tunis Sewer District Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	104
Exhibit D-4	Tunis Sewer District Capital Project Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	105
Exhibit D-5	Sanitation Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	106

Agency Funds

Exhibit E-1	Agency Funds – Combining Statement of Changes in Assets and Liabilities	108
-------------	---	-----

OTHER SCHEDULES

Exhibit F-1	Schedule of Ad Valorem Taxes Receivable	110
Exhibit F-2	Analysis of Current Tax Levy – County-wide Levy	111-112
Exhibit F-3	Schedule of Ten Largest Taxpayers	113

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>	115-116
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	117-119
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	120-122
Schedule of Findings and Questioned Costs	123-130
Corrective Action Plan	131-132
Summary Schedule of Prior Audit Findings	133-134
Schedule of Expenditures of Federal and State Awards	135-138

**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  
Tara H. Roberson, 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, 2016, 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

---

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

[www.wwcecpa.com](http://www.wwcecpa.com)



appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2016, 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 (Liability) 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-8, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 reports of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016, 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  
January 27, 2016

## 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, 2016. 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

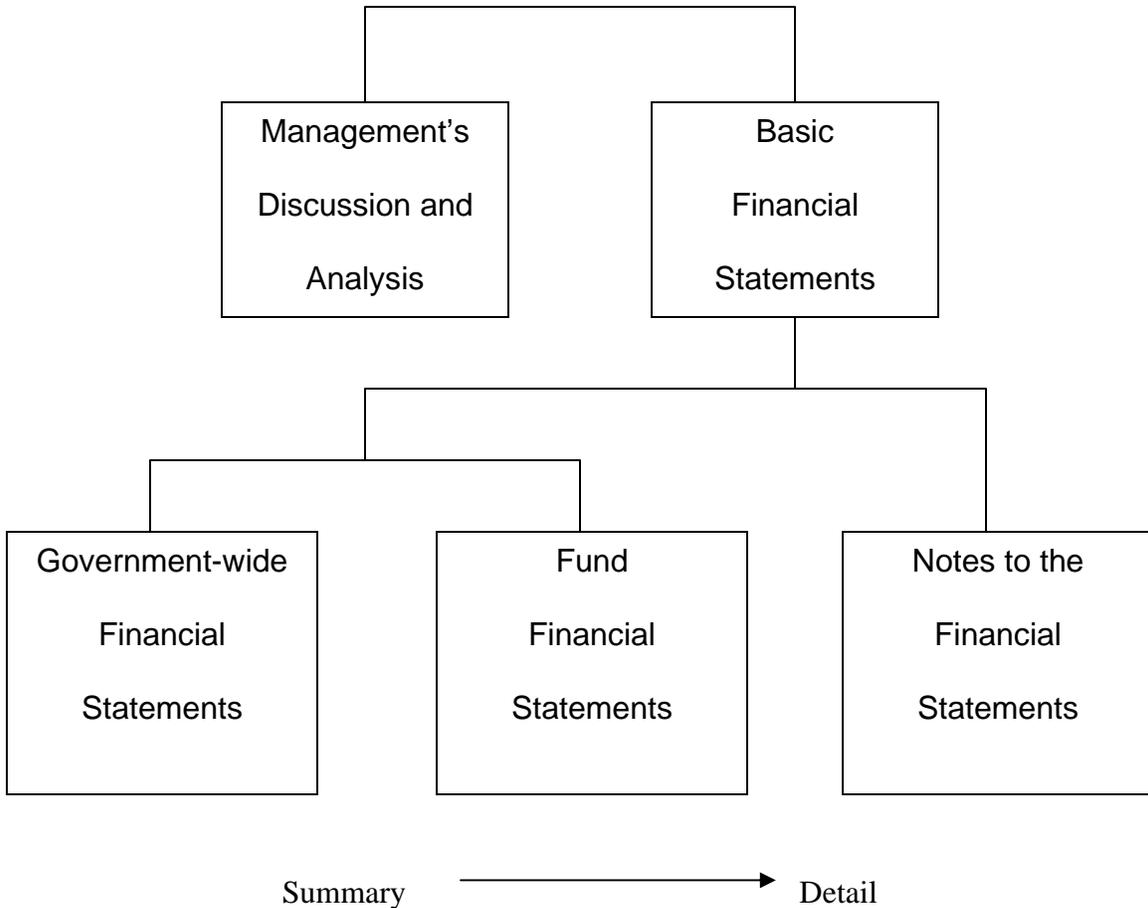
- The assets and deferred outflows of resources of Hertford County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,906,553 (*net position*).
- The government's total net position increased by \$3,668,432, primarily due to increased net position in the 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 \$14,005,976, an increase of \$1,905,038 in comparison with the prior year. Approximately 39.2 percent of this total amount or \$5,491,156 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,073,092 or 16.3% of total general fund expenditures for the fiscal year.
- Hertford County's total debt increased by \$2,707,878 (10.9%) during the current fiscal year. The key factor is due largely to the increase in Installment Purchase debt related to the renovation of the County Administration Building.

### 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 33 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 \$23,906,553 as of June 30, 2016. The County's net position increased by \$3,668,432 for the fiscal year ended June 30, 2016. One of the largest portions, \$11,926,639 (49.9%) 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 \$5,491,156 (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, \$221,475 (.93%). The remaining balance of \$5,889,283 is unrestricted.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 16,152,083	\$ 15,532,047	\$ 3,465,487	\$ 3,116,628	\$ 19,617,570	\$ 18,648,675
Capital assets	20,350,619	16,501,909	12,277,018	12,474,981	32,627,637	28,976,890
Total assets	<u>36,502,702</u>	<u>32,033,956</u>	<u>15,742,505</u>	<u>15,591,609</u>	<u>52,245,207</u>	<u>47,625,565</u>
Deferred outflows of resources	429,648	408,570	21,018	19,380	450,666	427,950
Long-term liabilities outstanding	20,301,122	16,471,478	7,257,436	7,216,096	27,558,558	23,687,574
Other liabilities	753,591	1,368,600	183,026	188,037	936,617	1,556,637
Total liabilities	<u>21,054,713</u>	<u>17,840,078</u>	<u>7,440,462</u>	<u>7,404,133</u>	<u>28,495,175</u>	<u>25,244,211</u>
Deferred inflows of resources	283,241	1,445,416	10,904	101,777	294,145	1,547,193
Net position:						
Net investment in capital assets	6,305,121	5,822,260	5,621,518	5,616,981	11,926,639	11,439,241
Restricted	5,869,156	3,663,396	221,475	374,400	6,090,631	4,037,796
Unrestricted	3,420,119	3,671,376	2,469,164	2,113,698	5,889,283	5,785,074
Total net position	<u>\$ 15,594,396</u>	<u>\$ 13,157,032</u>	<u>\$ 8,312,157</u>	<u>\$ 8,105,079</u>	<u>\$ 23,906,553</u>	<u>\$ 21,262,111</u>

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

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

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,847,032	\$ 1,893,300	\$ 2,531,539	\$ 2,407,311	\$ 4,378,571	\$ 4,300,611
Operating grants and contributions	5,151,091	4,267,637	-	-	5,151,091	4,267,637
Capital grants and contributions	2,805,665	612,154	13,115	382,555	2,818,780	994,709
General revenues:						
Property taxes	13,633,837	13,437,626	-	-	13,633,837	13,437,626
Local option sales tax	4,242,178	4,032,125	-	-	4,242,178	4,032,125
Other taxes	93,677	88,022	-	-	93,677	88,022
Unrestricted grants and contributions	106,784	112,846	-	-	106,784	112,846
Investment Earnings	35,615	19,504	1,418	621	37,033	20,125
Miscellaneous	72,761	205,893	57,959	149,012	130,720	354,905
Total Revenues	27,988,640	24,669,107	2,604,031	2,939,499	30,592,671	27,608,606
Expenses:						
General government	3,984,934	3,624,297	-	-	3,984,934	3,624,297
Public safety	6,565,052	6,247,717	-	-	6,565,052	6,247,717
Transportation	33,300	28,300	-	-	33,300	28,300
Economic and physical development	377,228	387,700	-	-	377,228	387,700
Human services	6,944,515	6,562,251	-	-	6,944,515	6,562,251
Cultural and recreation	106,964	68,762	-	-	106,964	68,762
Education	6,316,246	5,569,187	-	-	6,316,246	5,569,187
Interest on long-term debt	391,373	404,053	-	-	391,373	404,053
Sanitation	-	-	987,741	973,942	987,741	973,942
Water and sewer	-	-	1,216,886	1,355,074	1,216,886	1,355,074
Total Expenses	24,719,612	22,892,267	2,204,627	2,329,016	26,924,239	25,221,283
Increase in net position before transfers	3,269,028	1,776,840	399,404	610,483	3,668,432	2,387,323
Transfers	(14,625)	(34,041)	14,625	34,041	-	-
Increase in net position	3,254,403	1,742,799	414,029	644,524	3,668,432	2,387,323
Net position, July 1	13,157,032	12,133,384	8,105,079	7,517,490	21,262,111	19,650,874
Restatement	(817,039)	(719,151)	(206,951)	(56,935)	(1,023,990)	(776,086)
Net position, July 1, as restated	12,339,993	11,414,233	7,898,128	7,460,555	20,238,121	18,874,788
Net position, June 30	\$ 15,594,396	\$ 13,157,032	\$ 8,312,157	\$ 8,105,079	\$ 23,906,553	\$ 21,262,111

**Governmental activities.** Governmental activities increased the County's net position by \$3,254,403 accounting for 88.72% of the total gain in the net position of Hertford County. Key elements of this increase are as follows:

- Program revenues increased by \$3,319,533 via operational grants in the amount of \$883,454 and increased capital grants and contributions of \$2,193,511

**Business-type activities.** Business-type activities increased Hertford County's net position by 11.29% or \$414,029 over the prior year. The change in net position for

business-type activities decreased from the prior year by \$230,495. 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 \$8,606,866 while total fund balance reached \$10,964,551. 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 34.33% of general fund expenditures, while total fund balance represents 43.73% of that same amount.

At June 30, 2016, the governmental funds of Hertford County reported a combined fund balance of \$14,005,976, a 14.59% percent increase over last year. The primary reason for this increase Installment Purchase expenditures in the County Administration Building Renovation Project.

There were variances reflected in the governmental fund financial statements for 2016.

- Our 2016 overall collection rate is 95.86%, lower than the state and higher than the prior year rate of 95.77%.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased the budget by \$1,982,815 or 7.65 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 \$151,946 and those for the Water and Sewer Districts equaled \$2,317,218. 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, 2016 totals \$32,627,637 (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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land and Improvements	\$ 462,083	\$ 462,083	\$ 44,317	\$ 44,317	\$ 506,400	\$ 506,400
Construction in Progress	4,316,715	12,063,615	-	1,784,155	4,316,715	13,847,770
Buildings and Improvements	14,381,546	2,812,643	-	-	14,381,546	2,812,643
Plant and distribution systems	-	-	11,948,297	10,308,662	11,948,297	10,308,662
Equipment	703,814	749,574	185,392	200,396	889,206	949,970
Vehicle and Motor Equipment	486,461	413,994	99,012	137,451	585,473	551,445
<b>Total</b>	<b>\$ 20,350,619</b>	<b>\$ 16,501,909</b>	<b>\$ 12,277,018</b>	<b>\$ 12,474,981</b>	<b>\$ 32,627,637</b>	<b>\$ 28,976,890</b>

Additional information on capital assets can be found in Note 3(a)(5) on pages 46-48.

**Long-term Debt.** As of June 30, 2016, Hertford County had total debt outstanding of \$27,558,558 of which \$17,772,165 is bonded debt backed by the full faith and credit of the County.

**Hertford County's Outstanding Debt**  
Figure 5

	Activities		Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 11,116,665	\$ 11,766,457	\$ 6,655,500	\$ 6,858,000	\$ 17,772,165	\$ 18,624,457
Installment Purchases	3,278,833	538,107	-	-	3,278,833	538,107
Compensated Absences	500,494	517,834	29,822	29,491	530,316	547,325
Net pension liability (LGERS)	415,575	-	20,563	-	436,138	-
Net pension liability (LEOSSA)	979,536	956,158	-	-	979,536	956,158
Landfill closure payable	-	-	189,249	206,951	189,249	206,951
Other Postemployment Benefits	4,010,019	3,649,080	362,302	328,602	4,372,321	3,977,682
<b>Total Long-Term Debt</b>	<b>\$ 20,301,122</b>	<b>\$ 17,427,636</b>	<b>\$ 7,257,436</b>	<b>\$ 7,423,044</b>	<b>\$ 27,558,558</b>	<b>\$ 24,850,680</b>

During the past fiscal year, Hertford County's total debt increased by \$2,707,878 or 10.9 percent. General obligation debt of \$649,792 was retired in governmental activities and \$202,500 was retired in business-type activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. Hertford County's debt limit is \$120,020,499 of which our governmental activities' long term debt is .0170 percent of our legal debt limit.

Additional information regarding Hertford County's long-term debt can be found in Note II B-8 beginning on page 62 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.
- There was an increase in assessed property values even though growth can be slow in eastern North Carolina
- The County continues to maintain a balanced budget.

## **Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities:** The County adopted a budget for fiscal year 2017 with a \$2,558,531 increase in General Fund expenditures due largely in part to capital outlay spending in public schools and community college supplemented by sales taxes and capital reserve funding. 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 2017 for residential customers and will increase in January 2017 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 Sandy Pittman, Director of Finance, Hertford County Government Center 115 Justice Drive, Suite 1, Winton, North Carolina 27986.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Governmental Activities	Business-type Activities	Total	Component Units		
				Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,892,539	\$ 2,804,810	\$ 9,697,349	\$ 141,066	\$ 228,860	\$ 486,838
Taxes receivable	1,180,495	-	1,180,495	-	-	-
Accrued interest receivable on taxes	225,414	-	225,414	-	-	-
Accounts receivable (net)	1,995,274	439,202	2,434,476	-	-	4,191
Due from other governments	-	-	-	-	-	189,757
Inventories	-	-	-	-	291,821	-
Prepaid expenses	-	-	-	-	600	54,736
Restricted cash and cash equivalents	5,815,225	221,475	6,036,700	-	-	-
Net pension asset	43,136	-	43,136	-	-	-
Capital assets:						
Land, improvements, and construction in progress	4,778,798	34,317	4,813,115	-	24,220	20,000
Other capital assets, net of depreciation	15,571,821	12,242,701	27,814,522	-	325,084	209,819
Total capital assets	20,350,619	12,277,018	32,627,637	-	349,304	229,819
Total Assets	36,502,702	15,742,505	52,245,207	141,066	870,585	965,341
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	429,648	21,018	450,666	-	914	102,791
<b>LIABILITIES</b>						
Accounts payable & accrued liabilities	635,584	54,920	690,504	520	56,645	96,361
Customer deposits	-	101,586	101,586	-	-	-
Accrued interest payable	118,007	26,520	144,527	-	-	-
Long-term liabilities						
Due within one year	1,102,978	198,956	1,301,934	-	-	178,030
Due in more than one year	19,198,144	7,058,480	26,256,624	-	182,355	2,154,399
Total long-term liabilities	20,301,122	7,257,436	27,558,558	-	182,355	2,332,429
Total liabilities	21,054,713	7,440,462	28,495,175	520	239,000	2,428,790
<b>DEFERRED INFLOWS OF RESOURCES</b>	283,241	10,904	294,145	-	6,516	115,755
<b>NET POSITION</b>						
Net investment in capital assets	6,305,121	5,621,518	11,926,639	-	349,304	81,392
Restricted for:						
Stabilization by State Statute	2,426,151	-	2,426,151	-	-	193,948
Register of Deeds	10,546	-	10,546	-	-	-
Public Safety	426,570	-	426,570	-	-	-
Human Services	2,375,268	-	2,375,268	-	-	-
General Government	630,621	-	630,621	-	-	-
Working Capital	-	-	-	-	67,258	-
Capital Improvements	-	221,475	221,475	-	-	-
Unrestricted (deficit)	3,420,119	2,469,164	5,889,283	140,546	209,421	(1,751,753)
Total net position	\$ 15,594,396	\$ 8,312,157	\$ 23,906,553	\$ 140,546	\$ 625,983	\$ (1,476,413)

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, 2016**

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
<b>Primary Government:</b>										
<b>Governmental Activities:</b>										
General government	\$ 3,984,934	\$ 475,086	\$ 269,179	\$ -	\$ (3,240,669)	\$ -	\$ (3,240,669)	\$ -	\$ -	\$ -
Public safety	6,565,052	1,335,331	272,872	2,805,665	(2,151,184)	-	(2,151,184)	-	-	-
Transportation	33,300	-	105,213	-	71,913	-	71,913	-	-	-
Economic and physical development	377,228	32,615	30,229	-	(314,384)	-	(314,384)	-	-	-
Human services	6,944,515	4,000	4,473,598	-	(2,466,917)	-	(2,466,917)	-	-	-
Cultural and recreation	106,964	-	-	-	(106,964)	-	(106,964)	-	-	-
Education	6,316,246	-	-	-	(6,316,246)	-	(6,316,246)	-	-	-
Interest on long-term debt	391,373	-	-	-	(391,373)	-	(391,373)	-	-	-
Total governmental activities	<u>24,719,612</u>	<u>1,847,032</u>	<u>5,151,091</u>	<u>2,805,665</u>	<u>(14,915,824)</u>	<u>-</u>	<u>(14,915,824)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Business-type activities:</b>										
Sanitation	987,741	997,593	-	-	-	9,852	9,852	-	-	-
Water and Sewer	1,216,886	1,533,946	-	13,115	-	330,175	330,175	-	-	-
Total business-type activities	<u>2,204,627</u>	<u>2,531,539</u>	<u>-</u>	<u>13,115</u>	<u>-</u>	<u>340,027</u>	<u>340,027</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 26,924,239</u>	<u>\$4,378,571</u>	<u>\$ 5,151,091</u>	<u>\$ 2,818,780</u>	<u>(14,915,824)</u>	<u>340,027</u>	<u>(14,575,797)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Component units:</b>										
Economic Development Commission	\$ 25,668	\$ -	\$ 15,000	\$ -	-	-	-	(10,668)	-	-
ABC Board	2,253,425	2,265,998	-	-	-	-	-	-	12,573	-
Public Health Authority	3,671,655	1,866,566	1,151,576	-	-	-	-	-	-	(653,513)
Total component units	<u>\$ 5,950,748</u>	<u>\$4,132,564</u>	<u>\$ 1,166,576</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,668)</u>	<u>12,573</u>	<u>(653,513)</u>
<b>General revenues:</b>										
<b>Taxes:</b>										
Property taxes, levied for general purpose					13,633,837	-	13,633,837	-	-	-
Local option sales tax					4,242,178	-	4,242,178	-	-	-
Other taxes					93,677	-	93,677	-	-	-
Grants and contributions not restricted to specific programs					106,784	-	106,784	-	-	393,719
Investment earnings, unrestricted					35,615	1,418	37,033	317	404	805
Miscellaneous, unrestricted					72,761	57,959	130,720	-	-	21,858
Transfers					(14,625)	14,625	-	-	-	-
Total general revenues, special items and transfers					<u>18,170,227</u>	<u>74,002</u>	<u>18,244,229</u>	<u>317</u>	<u>404</u>	<u>416,382</u>
Change in net position					3,254,403	414,029	3,668,432	(10,351)	12,977	(237,131)
Net position, beginning					13,157,032	8,105,079	21,262,111	150,897	613,006	(1,239,282)
Restatement					(817,039)	(206,951)	(1,023,990)	-	-	-
Net position, beginning, as restated					<u>12,339,993</u>	<u>7,898,128</u>	<u>20,238,121</u>	<u>150,897</u>	<u>613,006</u>	<u>(1,239,282)</u>
Net position, ending					<u>\$ 15,594,396</u>	<u>\$ 8,312,157</u>	<u>\$ 23,906,553</u>	<u>\$ 140,546</u>	<u>\$ 625,983</u>	<u>\$ (1,476,413)</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, 2016**

	Major			Nonmajor	Total Governmental Funds
	General Fund	E911 Communications Project Fund	Office Building #1 Renovation Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,459,468	\$ -	\$ -	\$ 433,071	\$ 6,892,539
Restricted cash	2,643,336	-	2,541,268	630,621	5,815,225
Taxes receivable	1,173,585	-	-	6,910	1,180,495
Accounts receivables, net	1,926,808	51,391	1,018	16,057	1,995,274
Due from other funds	430,877	-	-	-	430,877
<b>Total Assets</b>	<b>\$ 12,634,074</b>	<b>\$ 51,391</b>	<b>\$ 2,542,286</b>	<b>\$ 1,086,659</b>	<b>\$ 16,314,410</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable & accrued liabilities	\$ 434,460	\$ 28,623	\$ 166,000	\$ 6,501	\$ 635,584
Due to other funds	-	430,877	-	-	430,877
<b>Total Liabilities</b>	<b>434,460</b>	<b>459,500</b>	<b>166,000</b>	<b>6,501</b>	<b>1,066,461</b>
Deferred Inflows of Resources:	1,235,063	-	-	6,910	1,241,973
Fund balances:					
Restricted:					
Stabilization by State Statute	2,357,685	51,391	1,018	16,057	2,426,151
Register of Deeds	10,546	-	-	-	10,546
Human Services	-	-	2,375,268	-	2,375,268
Public Safety	-	-	-	426,570	426,570
General Government	-	-	-	630,621	630,621
Committed:					
Revaluation	245,407	-	-	-	245,407
Capital Reserve	2,387,383	-	-	-	2,387,383
Assigned:					
Subsequent year's expenditures					
General Fund	1,890,438	-	-	-	1,890,438
Unassigned:					
General Fund	4,073,092	-	-	-	4,073,092
Capital projects funds	-	(459,500)	-	-	(459,500)
<b>Total Fund Balances</b>	<b>10,964,551</b>	<b>(408,109)</b>	<b>2,376,286</b>	<b>1,073,248</b>	<b>14,005,976</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 12,634,074</b>	<b>\$ 51,391</b>	<b>\$ 2,542,286</b>	<b>\$ 1,086,659</b>	<b>\$ 16,314,410</b>

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, 2016**

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

Total equity and other credits (Exhibit 3)	\$ 14,005,976
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	20,350,619
Net pension asset	43,136
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	429,648
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	225,414
Deferred inflows of resources for taxes receivable	1,180,495
Pension related deferrals	(221,763)
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>(20,419,129)</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 15,594,396</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, 2016**

	Major			Nonmajor	Total Governmental Funds
	General Fund	E911 Communications Project Fund	Office Building #1 Renovation Fund	Other Governmental Funds	
<b><u>REVENUES</u></b>					
Ad valorem taxes	\$ 13,627,419	\$ -	\$ -	\$ 93,790	\$ 13,721,209
Local option sales taxes	4,216,056	-	-	26,122	4,242,178
Other taxes and licenses	97,518	-	-	-	97,518
Unrestricted intergovernmental	106,784	-	-	-	106,784
Restricted intergovernmental	5,157,907	2,805,665	-	98,517	8,062,089
Permits and fees	265,142	-	-	-	265,142
Sales and services	1,472,716	-	-	-	1,472,716
Investment earnings	32,781	-	34	2,800	35,615
Miscellaneous	64,699	51,391	1,017	2,197	119,304
	<u>25,041,022</u>	<u>2,857,056</u>	<u>1,051</u>	<u>223,426</u>	<u>28,122,555</u>
<b><u>EXPENDITURES</u></b>					
Current:					
General government	3,919,903	-	-	-	3,919,903
Public safety	6,223,801	-	-	208,505	6,432,306
Transportation	33,300	-	-	-	33,300
Economic and physical development	394,588	-	-	-	394,588
Human services	6,962,579	-	-	-	6,962,579
Cultural and recreational	106,038	-	-	-	106,038
Education	6,316,246	-	-	-	6,316,246
Capital outlay	-	3,011,504	480,378	440,357	3,932,239
Debt service:					
Principal	686,667	-	-	-	686,667
Interest and other charges	413,758	-	-	-	413,758
	<u>25,056,880</u>	<u>3,011,504</u>	<u>480,378</u>	<u>648,862</u>	<u>29,197,624</u>
Excess (deficiency) of revenues over expenditures	<u>(15,858)</u>	<u>(154,448)</u>	<u>(479,327)</u>	<u>(425,436)</u>	<u>(1,075,069)</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, 2016**

	Major		Nonmajor		Total Governmental Funds
	General Fund	E911 Communications Project Fund	Office Building #1 Renovation Fund	Other Governmental Funds	
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in from other funds	-	-	-	1,437	1,437
Transfers out to other funds	(16,062)	-	-	-	(16,062)
Proceeds from debt	-	-	2,855,613	-	2,855,613
Total Other Financing Sources (Uses)	(16,062)	-	2,855,613	1,437	2,840,988
Net change in fund balance	(31,920)	(154,448)	2,376,286	(423,999)	1,765,919
Fund Balance - July 1, beginning	10,857,352	(253,661)	-	1,497,247	12,100,938
Restatement	139,119	-	-	-	139,119
Fund Balance - July 1, beginning, as restated	10,996,471	(253,661)	-	1,497,247	12,240,057
Fund Balance - June 30	\$ 10,964,551	\$ (408,109)	\$ 2,376,286	\$ 1,073,248	\$ 14,005,976

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, 2016**

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)	\$ 1,765,919
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.	4,292,057
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.	(434,089)
Cost of assets sold and disposed of not recorded in the fund statements	(55,653)
Cost of donated assets not recorded in the fund statements	9,110
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.	(2,115,726)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	422,574
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	(567,209)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	<u>(62,580)</u>
Total changes in net position of governmental activities	<u>\$ 3,254,403</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, 2016**

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<b><u>REVENUES</u></b>				
Ad valorem taxes	\$ 13,025,777	\$ 13,025,777	\$ 13,627,419	\$ 601,642
Local option sales taxes	3,610,000	3,657,000	3,806,564	149,564
Other taxes and licenses	84,500	84,500	97,518	13,018
Unrestricted intergovernmental	65,000	102,000	106,784	4,784
Restricted intergovernmental	4,685,134	5,355,815	5,157,907	(197,908)
Permits and fees	149,500	149,500	265,142	115,642
Sales and services	1,417,596	1,420,443	1,472,716	52,273
Investment earnings	19,000	19,000	32,781	13,781
Miscellaneous	32,000	50,132	64,699	14,567
	<u>23,088,507</u>	<u>23,864,167</u>	<u>24,631,530</u>	<u>767,363</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General government	3,992,161	4,217,419	3,919,903	297,516
Public safety	6,029,310	6,479,831	6,223,801	256,030
Transportation	33,300	33,300	33,300	-
Economic and physical development	460,829	513,287	394,588	118,699
Human services	6,757,336	7,442,117	6,962,579	479,538
Cultural and recreational	106,067	106,067	106,038	29
Education	6,126,463	6,723,109	6,316,246	406,863
Debt service	1,104,648	1,104,648	1,100,425	4,223
Contingency	125,000	18,526	-	18,526
	<u>24,735,114</u>	<u>26,638,304</u>	<u>25,056,880</u>	<u>1,581,424</u>
Revenues Over (Under) Expenditures	<u>(1,646,607)</u>	<u>(2,774,137)</u>	<u>(425,350)</u>	<u>2,348,787</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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers to other funds	(1,190,000)	(1,269,625)	(1,246,515)	23,110
Transfers from other funds	1,413,100	1,948,846	1,643,983	(304,863)
Appropriated fund balance	1,423,507	2,094,916	-	(2,094,916)
Total other financing sources (uses)	<u>1,646,607</u>	<u>2,774,137</u>	<u>397,468</u>	<u>(2,376,669)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	(27,882)	<u>\$ (27,882)</u>
Fund Balance - July 1			8,220,524	
Restatement			<u>139,119</u>	
Fund Balance, July 1, as restated			<u>8,359,643</u>	
Fund Balance - June 30			<u>\$ 8,331,761</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			\$ 409,492	
Transfers to General Fund			(1,643,983)	
Transfers from General Fund			<u>1,230,453</u>	
Fund Balance, Beginning			<u>2,636,828</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 10,964,551</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, 2016**

	Major Funds			Nonmajor Fund	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 531,816	\$ 1,955,530	\$ 16,167	\$ 301,297	\$ 2,804,810
Restricted cash and cash equivalents	-	-	221,475	-	221,475
Receivables (net)	21,192	92,164	4,366	321,480	439,202
Total Current Assets	553,008	2,047,694	242,008	622,777	3,465,487
Noncurrent Assets:					
Capital assets:					
Land, improvements, and construction in progress	-	-	11,271	23,046	34,317
Other capital assets, net of depreciation	3,088,986	6,979,542	1,943,344	230,829	12,242,701
Total Capital Assets	3,088,986	6,979,542	1,954,615	253,875	12,277,018
Total non-current assets	3,088,986	6,979,542	1,954,615	253,875	12,277,018
Total Assets	3,641,994	9,027,236	2,196,623	876,652	15,742,505
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	7,329	7,346	-	6,343	21,018
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and accrued liabilities	3,627	2,262	-	49,031	54,920
Customer deposits	32,096	69,490	-	-	101,586
Accrued interest payable	8,259	17,653	608	-	26,520
Compensated absences	2,875	1,493	-	3,088	7,456
General obligation bonds payable	62,500	123,500	5,500	-	191,500
Total Current Liabilities	109,357	214,398	6,108	52,119	381,982
Noncurrent Liabilities:					
Net pension liability	7,170	7,187	-	6,206	20,563
Compensated absences	8,624	4,480	-	9,262	22,366
General obligation bonds payable	1,970,500	4,192,000	301,500	-	6,464,000
OPEB obligation	62,277	82,978	-	217,047	362,302
Landfill closure payable	-	-	-	189,249	189,249
Total Noncurrent Liabilities	2,048,571	4,286,645	301,500	421,764	7,058,480
Total Liabilities	2,157,928	4,501,043	307,608	473,883	7,440,462
<b>DEFERRED INFLOWS OF RESOURCES</b>	3,802	3,811	-	3,291	10,904
<b>NET POSITION</b>					
Net investment in capital assets	1,055,986	2,664,042	1,647,615	253,875	5,621,518
Restricted	-	-	221,475	-	221,475
Unrestricted	431,607	1,865,686	19,925	151,946	2,469,164
Total Net Position	\$ 1,487,593	\$ 4,529,728	\$ 1,889,015	\$ 405,821	\$ 8,312,157

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, 2016**

	Major Funds			Nonmajor Fund	Total
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 467,337	\$ 960,611	\$ 28,498	\$ 997,593	\$ 2,454,039
Tap on fees	22,042	55,458	-	-	77,500
Miscellaneous	2,268	4,129	-	48,824	55,221
Total operating revenues	491,647	1,020,198	28,498	1,046,417	2,586,760
<b>OPERATING EXPENSES</b>					
Administration and Operations	254,073	287,110	13,145	969,134	1,523,462
Depreciation	106,479	228,550	-	18,607	353,636
Total Operating Expenses	360,552	515,660	13,145	987,741	1,877,098
<b>OPERATING INCOME (LOSS)</b>	131,095	504,538	15,353	58,676	709,662
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	-	-	-	1,418	1,418
Interest paid	(101,790)	(218,447)	(7,292)	-	(327,529)
Gain (loss) on sale of assets	-	-	-	2,738	2,738
Total Nonoperating Revenues (Expenses) - Net	(101,790)	(218,447)	(7,292)	4,156	(323,373)
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	29,305	286,091	8,061	62,832	386,289
Capital Contributions	-	-	13,115	-	13,115
Transfer from other funds	5,517	4,108	-	5,000	14,625
Total	5,517	4,108	13,115	5,000	27,740
<b>CHANGE IN NET POSITION</b>	34,822	290,199	21,176	67,832	414,029
<b>TOTAL NET POSITION, BEGINNING</b>	1,452,771	4,239,529	1,867,839	544,940	8,105,079
<b>RESTATEMENT</b>	-	-	-	(206,951)	(206,951)
<b>TOTAL NET POSITION, BEGINNING, AS RESTATED</b>	1,452,771	4,239,529	1,867,839	337,989	7,898,128
<b>TOTAL NET POSITION, ENDING</b>	\$ 1,487,593	\$ 4,529,728	\$ 1,889,015	\$ 405,821	\$ 8,312,157

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, 2016**

	Major Funds			Nonmajor Fund	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 490,961	\$ 1,019,317	\$ 27,576	\$ 1,003,358	\$ 2,541,212
Cash paid for goods and services	(151,927)	(162,845)	(20,536)	(617,928)	(953,236)
Cash paid to employees for services	(95,205)	(118,641)	-	(375,257)	(589,103)
Other operating revenue	2,268	4,129	-	48,824	55,221
Net cash provided by (used) by operating activities	<u>246,097</u>	<u>741,960</u>	<u>7,040</u>	<u>58,997</u>	<u>1,054,094</u>
<b>Cash flows from noncapital financing activities:</b>					
Due to other funds	(92,151)	(127,308)	-	-	(219,459)
Receipt of nonoperating grants	-	-	13,115	-	13,115
Transfers (to) from other funds	5,517	4,108	-	5,000	14,625
Net cash provided (used) by noncapital financing activities	<u>(86,634)</u>	<u>(123,200)</u>	<u>13,115</u>	<u>5,000</u>	<u>(191,719)</u>
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from sale of fixed assets	-	-	-	6,255	6,255
Purchase of capital assets	-	-	(159,188)	-	(159,188)
Principal paid on bond maturities	(60,000)	(142,500)	-	-	(202,500)
Interest paid on bond maturities	(101,790)	(218,447)	(7,292)	-	(327,529)
Net cash provided by capital and related financing activities	<u>(161,790)</u>	<u>(360,947)</u>	<u>(166,480)</u>	<u>6,255</u>	<u>(682,962)</u>
<b>Cash flows from investing activities:</b>					
Interest on investments	-	-	-	1,418	1,418
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,418</u>	<u>1,418</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,327)</u>	<u>257,813</u>	<u>(146,325)</u>	<u>71,670</u>	<u>180,831</u>
Cash and cash equivalents, July 1	<u>534,143</u>	<u>1,697,717</u>	<u>383,967</u>	<u>229,627</u>	<u>2,845,454</u>
Cash and cash equivalents, June 30	<u>\$ 531,816</u>	<u>\$ 1,955,530</u>	<u>\$ 237,642</u>	<u>\$ 301,297</u>	<u>\$ 3,026,285</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 131,095	\$ 504,538	\$ 15,353	\$ 58,676	\$ 709,662
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	106,479	228,550	-	18,607	353,636
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	1,582	3,248	(922)	5,765	9,673
Increase (decrease) in accounts payable and accrued liabilities	1,980	(1,873)	(7,391)	2,165	(5,119)
Increase (decrease) in customer deposits	(350)	1,295	-	-	945
Increase (decrease) in accrued interest payable	(244)	(601)	-	-	(845)
Increase (decrease) in compensated absences	(152)	1,257	-	(773)	332
Increase (decrease) in other postemployment benefits	6,679	7,342	-	19,678	33,699
Decrease in pension asset	7,429	8,747	-	25,583	41,759
(Increase) decrease in deferred outflows of resources-pensions	(1,267)	(222)	-	(148)	(1,637)
Increase in net pension liability	7,170	7,187	-	6,206	20,563
Decrease in deferred inflows of resources - pensions	(14,304)	(17,508)	-	(59,060)	(90,872)
Increase (decrease) in landfill closure and postclosure costs	-	-	-	(17,702)	(17,702)
Total adjustments	<u>115,002</u>	<u>237,422</u>	<u>(8,313)</u>	<u>321</u>	<u>344,432</u>
Net cash provided by operating activities	<u>\$ 246,097</u>	<u>\$ 741,960</u>	<u>\$ 7,040</u>	<u>\$ 58,997</u>	<u>\$ 1,054,094</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, 2016**

---

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 44,237</u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities:</b>	
Miscellaneous liabilities	<u>\$ 44,237</u>

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, 2016**

**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, 2016**

---

---

**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.

**E911 Communications Project Fund.** This fund is used to account for the construction of the E911 Communication Center.

**Office Building #1 Renovation Fund.** This fund is used to account for the renovation of the office building used for Social Services.

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.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

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

The County reports the following fund type:

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

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

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

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

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

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

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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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, the Office Building #1 Renovation Fund and the Enterprise Capital Projects Funds, which are consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the General Fund and functional level for all other annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers 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, 2016**

---

---

**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 majority of the County, the Economic Development Commission, Authority, and the ABC Board's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NC Capital Management Trust Cash Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

**2. Cash and Cash Equivalents**

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. 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, 2016, 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, 2016**

<u>Hertford County Restricted Cash</u>		
Governmental Activities		
General Fund	Tax Revaluation	\$ 245,407
General Fund	Capital Reserve	2,387,383
General Fund	Register of Deeds	10,546
Hertford County Judicial Center	Unexpended Bond Proceeds	630,621
Office Building #1 Renovation Fund	Unexpended Bond Proceeds	<u>2,541,268</u>
Total Governmental Activities		<u>\$ 5,815,225</u>
Business-type Activities		
Tunis Sewer District	Unexpended Grant Proceeds	<u>\$ 221,475</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, 2015. 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 received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; computer equipment, furniture and equipment, \$5,000; and vehicles \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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

	<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, improvements	10-33
Furniture/equipment	10
Vehicles	3-5

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

	<u>Years</u>
Building	40
Leasehold Improvement	40
Equipment and furniture	5-10
Vehicles	5-10

At June 30, 2016, 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.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

**10. Compensated Absences**

The vacation policies of the County, the ABC Board and the Authority provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The vacation policies of the County provide for an unlimited accumulation of earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds and the Authority, and the ABC Board, 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 sources to pay for the computer equipment and imaging technology for the Register of Deeds office.

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

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

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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

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

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

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

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the 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 (LGERS) 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 \$1,588,420 consists of the following:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<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)	\$ 26,909,942
Less Accumulated Depreciation	<u>6,559,323</u>
Net capital assets	<u>20,350,619</u>
Net pension asset	43,136
Contributions to the pension plan in the current fiscal year	429,648
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	225,414
Deferred inflows of resources for taxes receivable	1,180,495
Pension related deferrals	(221,763)
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	(14,395,498)
Compensated absences	(500,494)
Other postemployment benefits	(4,010,019)
Net pension liability-LGERS	(415,575)
Net pension liability-LEOSSA	(979,536)
Accrued interest payable	<u>(118,007)</u>
Total adjustment	<u>\$ 1,588,420</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 \$1,488,484 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	\$ 4,292,057
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	(434,089)
Cost of donated asset not recorded in fund statements	9,110
Cost of disposed capital asset not recorded in fund statements	(55,653)
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
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net position	(2,855,613)

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	422,574
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)	(825)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	17,340
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(360,939)
Net pension obligation is accrued in the government-wide statements but not in the fund statements because they do not use current resources	(23,378)
County's portion of collective pension expense	(199,407)
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	(73,265)
Increase in accrued taxes receivable for year	(14,107)
Amortization of bond premium	<u>24,792</u>
Total adjustment	<u>\$ 1,488,484</u>

**I. Stewardship, Compliance, and Accountability**

**A. Noncompliance with North Carolina General Statutes**

The finance officer authorized a wire transfer that was not properly approved by another official of the local government. State law [G.S. 159-25(b)] requires that all checks or drafts on the official depository of the County be signed by the finance officer and countersigned by another official of the local government.

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

In Exhibit B-5, the E911 Communications Center Project Fund had a deficit fund of \$408,109. This deficit fund balance resulted from incurring expenses prior to receipt of grant funding.

**II. 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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

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

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

At June 30, 2016, the County's deposits had a carrying amount of \$8,210,216 and a bank balance of \$8,863,540. 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, 2016, Hertford County had \$1,175 cash on hand.

At June 30, 2016, the Hertford County ABC Board deposits had a carrying amount of \$228,860 and a bank balance was \$273,773. All of the bank balances were covered by federal depository insurance.

At June 30, 2016, the carrying amount of deposits for the Economic Development Commission was \$141,066 and a bank balance of \$142,358. All of the bank balance was covered by federal depository insurance.

At June 30, 2016, the carrying amount of deposits for the Public Health Authority was \$486,838 and a bank balance of \$440,828. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$190,828 was covered by collateral held under the pooling method.

**2. Investments**

As of June 30, 2016, the County had the following investments and maturities.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Investment</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>6-12 months</u>
NC Capital Management Trust-Cash Portfolio	Amortized Cost	\$ 7,566,895	N/A

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

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

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

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

In accordance with the general statutes, agriculture, horticulture, and 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>
2013	\$ 972,949	\$ 317,979	\$ 1,290,928
2014	980,992	232,517	1,213,509
2015	1,010,789	148,797	1,159,586
2016	<u>976,086</u>	<u>56,082</u>	<u>1,032,168</u>
Totals	<u>\$ 3,940,816</u>	<u>\$ 755,375</u>	<u>\$ 4,696,191</u>

**4. Receivables**

Receivables at the government-wide level at June 30, 2016, were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from other governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 2,272,347	\$ 1,548,999	\$ 901,073	\$ 4,722,419
E911 Communications Project	-	-	51,391	51,391
Office Building #1 Renovation	-	-	1,018	1,018
Other Governmental	<u>13,861</u>	<u>6,910</u>	<u>2,196</u>	<u>22,967</u>
Total	2,286,208	1,555,909	955,678	4,797,795
Allowance for doubtful accounts	<u>(1,246,612)</u>	<u>(150,000)</u>	-	<u>(1,396,612)</u>
Total-governmental activities	<u>\$ 1,039,596</u>	<u>\$ 1,405,909</u>	<u>\$ 955,678</u>	<u>\$ 3,401,183</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Accounts</u>	Taxes and Related Accrued <u>Interest</u>	Due from other <u>governments</u>	<u>Total</u>
<b>Business-type Activities:</b>				
Northern Water District	\$ 42,091	\$ -	\$ -	\$ 42,091
Southern Water District	138,070	-	-	138,070
Tunis Sewer District	4,366	-	-	4,366
Sanitation	<u>308,395</u>	<u>-</u>	<u>13,418</u>	<u>321,813</u>
Total	<u>492,922</u>	<u>-</u>	<u>13,418</u>	<u>506,340</u>
Allowance for doubtful accounts	<u>(67,138)</u>	<u>-</u>	<u>-</u>	<u>(67,138)</u>
Total-business-type activities	<u>\$ 425,784</u>	<u>\$ -</u>	<u>\$ 13,418</u>	<u>\$ 439,202</u>

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

Local option sales tax	\$ 733,150
Sales tax refund	222,528
Scrap tire tax	8,410
White goods tax	2,012
Solid waste disposal tax	<u>2,996</u>
Total	<u>\$ 969,096</u>

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 462,083	\$ -	\$ -	\$ 462,083
Construction in progress	<u>12,063,615</u>	<u>3,969,524</u>	<u>(11,716,424)</u>	<u>4,316,715</u>
Total capital assets not being depreciated	<u>12,525,698</u>	<u>3,969,524</u>	<u>(11,716,424)</u>	<u>4,778,798</u>
Capital assets being depreciated:				
Buildings	6,146,418	11,716,424	(34,523)	17,828,319
Equipment	2,077,304	105,187	-	2,182,491
Vehicles and motor equipment	<u>2,142,048</u>	<u>263,741</u>	<u>(285,455)</u>	<u>2,120,334</u>
Total capital assets being depreciated	<u>10,365,770</u>	<u>12,085,352</u>	<u>(319,978)</u>	<u>22,131,144</u>
Less accumulated depreciation for:				
Buildings	3,333,775	135,093	(22,095)	3,446,773
Equipment	1,327,730	150,947	-	1,478,677
Vehicles and motor equipment	<u>1,728,054</u>	<u>148,049</u>	<u>(242,230)</u>	<u>1,633,873</u>
Total accumulated depreciation	<u>6,389,559</u>	<u>\$ 434,089</u>	<u>\$ (264,325)</u>	<u>6,559,323</u>
Total capital assets being depreciated, net	<u>3,976,211</u>			<u>15,571,821</u>
Governmental activity capital assets, net	<u>\$ 16,501,909</u>			<u>\$ 20,350,619</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<b>Northern Water District</b>				
Capital assets being depreciated:				
Plant and distribution systems	\$ 4,579,543	\$ -	\$ -	\$ 4,579,543
Vehicles and motor equipment	<u>109,620</u>	<u>-</u>	<u>-</u>	<u>109,620</u>
Total capital assets being depreciated	<u>4,689,163</u>	<u>-</u>	<u>-</u>	<u>4,689,163</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,457,072	91,591	-	1,548,663
Vehicles and motor equipment	<u>36,626</u>	<u>14,888</u>	<u>-</u>	<u>51,514</u>
Total accumulated depreciation	<u>1,493,698</u>	<u>\$ 106,479</u>	<u>\$ -</u>	<u>1,600,177</u>
Total capital assets being depreciated, net	<u>3,195,465</u>			<u>3,088,986</u>
Northern Water District capital assets, net	<u>\$ 3,195,465</u>			<u>\$ 3,088,986</u>
<b>Southern Water District</b>				
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	66,596	-	-	66,596
Vehicles and motor equipment	<u>115,536</u>	<u>-</u>	<u>-</u>	<u>115,536</u>
Total capital assets being depreciated	<u>10,395,883</u>	<u>-</u>	<u>-</u>	<u>10,395,883</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,103,276	208,648	-	3,311,924
Machinery and equipment	38,017	1,770	-	39,787
Vehicles and motor equipment	<u>56,499</u>	<u>18,131</u>	<u>-</u>	<u>74,630</u>
Total accumulated depreciation	<u>3,197,792</u>	<u>\$ 228,549</u>	<u>\$ -</u>	<u>3,426,341</u>
Total capital assets being depreciated, net	<u>7,198,091</u>			<u>6,969,542</u>
Southern Water District capital assets, net	<u>\$ 7,208,091</u>			<u>\$ 6,979,542</u>
<b>Tunis Sewer District</b>				
Capital assets not being depreciated:				
Land	\$ 11,271	\$ -	\$ -	\$ 11,271
Construction in progress	<u>1,784,155</u>	<u>159,188</u>	<u>(1,943,343)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,795,426</u>	<u>159,188</u>	<u>(1,943,343)</u>	<u>11,271</u>
Capital assets being depreciated:				
Plant and distribution systems	-	1,943,344	-	1,943,344
Machinery and equipment	-	-	-	-
Vehicles and motor equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	<u>-</u>	<u>\$1,943,344</u>	<u>\$ -</u>	<u>1,943,344</u>
Tunis Sewer District capital assets, net	<u>\$ 1,795,426</u>			<u>\$ 1,954,615</u>
<b>Sanitation</b>				
Capital assets not being depreciated:				
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	133,050	-	-	133,050

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Beginning <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balances</u>
Machinery and equipment	280,753	-	-	280,753
Vehicles and motor equipment	<u>97,718</u>	-	<u>(97,718)</u>	-
Total capital assets being depreciated	<u>511,521</u>	-	<u>(97,718)</u>	<u>413,803</u>
Less accumulated depreciation for:				
Plant and distribution systems	57,336	3,468	-	60,804
Machinery and equipment	108,936	13,234	-	122,170
Vehicles and motor equipment	<u>92,296</u>	<u>1,905</u>	<u>(94,201)</u>	-
Total accumulated depreciation	<u>258,568</u>	<u>\$ 18,607</u>	<u>\$ (94,201)</u>	<u>182,974</u>
Total capital assets being depreciated, net	<u>252,953</u>			<u>230,829</u>
Other business-type capital assets, net	<u>\$ 275,999</u>			<u>\$ 253,875</u>
Business-type activities capital assets, net	<u>\$ 12,474,981</u>			<u>\$ 12,277,018</u>

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

General Government	\$ 92,139
Public Safety	321,707
Human Services	12,694
Cultural and Recreational	926
Economic and Physical Development	<u>6,623</u>
Total depreciation expense	<u>\$ 434,089</u>

**Discretely presented component units**

Capital assets at June 30, 2016 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	116,702
Vehicles	<u>29,801</u>
Total capital assets being depreciated	<u>649,634</u>
Less accumulated depreciation for:	
Buildings, improvements	185,146
Furniture and equipment	109,603
Vehicles	<u>29,801</u>
Total accumulated depreciation	<u>324,550</u>
Total capital assets being depreciated, net	<u>325,084</u>
ABC Board capital assets, net	<u>\$ 349,304</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Activity for the Public Health Authority for the year ended June 30, 2016, 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>628,879</u>	<u>-</u>	<u>-</u>	<u>628,879</u>
Less accumulated depreciation				
Land improvements	7,500	-	-	7,500
Buildings	1,844	3,688	-	5,532
Leasehold improvements	48,191	3,772	-	51,963
Equipment and furniture	141,006	6,691	-	147,697
Vehicles	<u>164,081</u>	<u>22,287</u>	<u>-</u>	<u>186,368</u>
Total accumulated depreciation	<u>362,622</u>	<u>\$ 36,438</u>	<u>\$ -</u>	<u>399,060</u>
Public Health Authority capital assets, net	<u>\$ 266,257</u>			<u>\$ 229,819</u>

**b. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2016, were as follows:

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 434,460	\$ 118,007	\$ -	\$ 552,467
E911 Communications Project	28,623	-	-	28,623
Office Building #1 Renovation	166,000	-	-	166,000
Other governmental	<u>6,501</u>	<u>-</u>	<u>-</u>	<u>6,501</u>
Total-governmental activities	<u>\$ 635,584</u>	<u>\$ 118,007</u>	<u>\$ -</u>	<u>\$ 753,591</u>
Business-type Activities:				
Northern Water District	\$ 3,628	\$ 8,259	\$ -	\$ 11,887
Southern Water District	2,261	17,653	-	19,914
Tunis Sewer District	-	608	-	608
Sanitation	<u>49,031</u>	<u>-</u>	<u>-</u>	<u>49,031</u>
Total-business-type activities	<u>\$ 54,920</u>	<u>\$ 26,520</u>	<u>\$ -</u>	<u>\$ 81,440</u>

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

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

*Plan Description.* The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

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](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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 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 \$441,786 for the year ended June 30, 2016.

*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,

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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, 2016, the County reported an liability of \$436,138 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was .097%, which was a decrease of -.005% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the County recognized pension expense of \$199,259. At June 30, 2016, 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	\$ -	\$ 102,517
Net difference between projected and actual earnings on pension plan investments	-	124,167
Changes in proportion and differences between County contributions and proportionate share of contributions	3,988	4,580
County contributions subsequent to the measurement date	441,786	-
Total	\$ 445,774	\$ 231,265

\$441,786 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (144,542)
2018	(144,542)
2019	(144,398)
2020	206,206

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 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, 2014 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

*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)	\$3,041,251	\$436,138	\$(1,758,612)

*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 December 31, 2015, the Separation Allowance's membership consisted of:

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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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

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

**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 amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There was \$10,558 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.

**Annual Pension Cost and Net Pension Obligation.** The County’s annual pension cost and net pension obligation to the Separation Allowance for the current year is as follows:

Annual required contribution	\$ 83,233
Interest on net pension obligation	34,135
Adjustment to annual required contribution	<u>(84,432)</u>
Annual pension cost (expense)	33,936
Employer contributions made for fiscal year ending 06/30/16	<u>10,558</u>
Increase (decrease) in net pension obligation	23,378
Net pension obligation beginning of year	<u>956,158</u>
Net pension obligation end of year	<u>\$ 979,536</u>

Assets reserved to pay benefits are reported as committed fund balance in the General Fund. Benefit payments reduce the net pension obligation.

**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, 2016 were \$88,999, which consisted of \$48,237 from the County and \$40,762 from the law enforcement officers.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

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

*Plan Description.* Hertford County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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](http://www.osc.nc.gov).

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. 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 \$1,596 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$43,136 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was .186%, which was a decrease of .006% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the County recognized pension expense of \$(1,077). At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 211	\$ 714
Net difference between projected and actual earnings on pension plan investments	2,142	-
Changes in proportion and differences between County contributions and proportionate share of contributions	943	688
County contributions subsequent to the measurement date	1,596	-
Total	\$ 4,893	\$ 1,402

\$1,596 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 228
2018	545
2019	542
2020	579

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 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 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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.

*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)	\$ (38,918)	\$ (43,136)	\$ (46,766)

*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:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees receiving benefits	29	2
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>157</u>	<u>21</u>
Total	<u>186</u>	<u>23</u>

*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 10.06% of annual covered payroll. For the current year, the County contributed \$187,092 or 3.27% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 3.60% and 1.51% of covered payroll, respectively. The County's obligation to contribute to 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	\$ 574,621
Interest on net OPEB obligation	159,107
Adjustment to annual required contribution	<u>(151,997)</u>
Annual OPEB cost (expense)	581,731
Contributions made	<u>187,092</u>
Increase (decrease) in net OPEB obligation	394,639
Net OPEB obligation, beginning of year	<u>3,977,682</u>
Net OPEB obligation, end of year	<u>\$ 4,372,321</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2016 were as follows:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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>
2016	\$ 581,731	32.2%	\$ 4,372,321
2015	481,668	38.8%	3,977,684
2014	467,305	37.0%	3,683,106

*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 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 payrolls 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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

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

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

**3. Closure and Postclosure Care Costs – Landfill Facility**

State and federal laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Hertford County landfill closed in 1994. The \$189,249 reported as landfill closure payable liability at June 30, 2016, represents the latest estimate for costs remaining. The County budgets annually for postclosure care. In the event of a natural occurrence, inflation, or any other unforeseen event occurs, the County would appropriate funds from Solid Waste fund balance and/or increase charges to future solid waste customers.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions – difference between expected and actual experience		
LGERS	\$ -	\$ 102,517
Register of Deeds	211	715
Pensions – difference between projected and actual investment earnings		
LGERS	-	124,167
Register of Deeds	2,142	-
Pensions-change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	3,988	4,580
Register of Deeds	943	688
Contributions to pension plan in 2015-2016 fiscal year	443,382	-
Prepaid taxes not yet earned (General)	-	61,478
Taxes receivable, net (General)	-	1,173,585
Taxes receivable, net (Special Revenue)	-	6,910
Total	\$ 450,666	\$ 1,474,640

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

**5. Risk Management**

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

**6. Contingent Liabilities**

At June 30, 2016, 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.

**7. Operating Lease Commitments**

The County leases certain equipment under operating leases that expire over the next four years. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2016:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>For Year Ending June 30</u>	<u>Amount</u>
2017	\$ 187,094
2018	132,094
2019	<u>143,278</u>
Total minimum payments required	<u>\$ 462,466</u>

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, 2016 was \$11,100.

For the Authority, future minimum rental payments for these facilities as of June 30, 2016 are as follows:

<u>For Year Ending June 30</u>	<u>Amount</u>
2017	\$ 7,500
2018	7,500
2019	<u>7,500</u>
	<u>\$ 22,500</u>

**8. Long-Term Obligations**

**a. Installment Purchases**

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

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

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

The future minimum payments of the installment purchases as of June 30, 2016, including \$476,833 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 352,855	\$ 80,999
2018	299,634	72,262
2019	299,634	64,321
2020	299,634	56,379
2021	299,634	48,437
2022-2026	1,251,505	138,158
2027-2028	<u>475,937</u>	<u>16,277</u>
Total	<u>\$ 3,278,833</u>	<u>\$ 476,833</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**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, 2016 are comprised of the following individual issues:

Serviced by the County's General Fund:

<b>\$1,750,000</b> 2000 Community College Improvement Serial Bonds due in annual installments of \$100,000 beginning February 1, 2003 through February 1, 2017 with the last two installments of \$125,000 each due in 2018 and 2019; interest at 5.3%, which increases to 5.4% in 2017.	\$ 350,000
<b>\$11,945,000</b> 2013 Limited Obligation Bonds due in annual installments of \$525,000 to \$635,000 beginning April 1, 2014 through April 1, 2033; interest varying from 2.0 percent to 5.0 percent.	<u>10,370,000</u>
<b>Total</b>	<u>\$ 10,720,000</u>

Serviced by the County's Southern Water District:

<b>\$3,474,000</b> 1997 Water Serial Bonds due in annual installments of \$35,000 to \$140,000 through June 1, 2037; interest at 5.0 percent.	\$ 2,564,500
<b>\$1,400,000</b> 1996 Water Serial Bonds due in annual installments of \$25,000 to \$100,000 through June 1, 2016; interest at 5.7 percent.	-
<b>\$1,740,000</b> 2001 Water Serial Bonds due in annual installments of \$18,000 to \$72,000 through June 1, 2041; interest at 4.75 percent.	1,398,000
<b>\$435,000</b> 2001 Water Serial Bonds due in annual installments of \$4,500 to \$18,000 through June 1, 2041; interest at 4.875 percent.	353,000

Serviced by the County's Northern Water District:

<b>\$2,750,000</b> 1997 Water Serial Bonds due in annual installments of \$29,000 to \$116,000 through June 1, 2037; interest at 4.875 percent.	2,033,000
---	-----------

Serviced by the County's Tunis Sewer District:

<b>\$307,000</b> 2014 USDA Sanitary Sewer Bonds due in monthly installments of \$5,500 to \$12,000 through June 1, 2054; interest at 2.375%.	<u>307,000</u>
<b>Total</b>	<u>\$ 6,655,500</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 625,000	\$ 379,268	\$ 191,500	\$ 318,238
2018	625,000	358,218	201,500	308,981
2019	625,000	336,469	211,000	299,234
2020	625,000	314,719	219,500	289,018
2021	625,000	289,719	230,500	278,385
2022-2026	3,165,000	1,063,019	1,330,500	1,213,068
2027-2031	3,170,000	518,963	1,635,500	858,599
2032-2036	1,260,000	63,788	1,752,500	447,608
2037-2041	-	-	748,500	96,189
2042-2046	-	-	48,000	13,764
2047-2051	-	-	53,500	7,790
2052-2054	-	-	33,000	1,496
Total	<u>\$10,720,000</u>	<u>\$ 3,324,163</u>	<u>\$ 6,655,500</u>	<u>\$ 4,132,370</u>

At June 30, 2016, Hertford County had a legal debt margin of \$105,286,369.

**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, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
<b>Governmental Activities:</b>					
General obligation debt	\$11,345,000	\$ -	\$ (625,000)	\$ 10,720,000	\$ 625,000
Premium	421,457	-	(24,792)	396,665	-
Net general obligation debt	11,766,457	-	(649,792)	11,116,665	625,000
Installment purchases	538,107	2,855,613	(114,887)	3,278,833	352,854
Compensated absences	517,834	500,494	(517,834)	500,494	125,124
Net pension liability (LGERS)	-	415,575	-	415,575	-
Net pension liability (LEOSSA)	956,158	23,378	-	979,536	-
Other Postemployment Benefits	3,649,080	360,939	-	4,010,019	-
Total	<u>\$17,427,636</u>	<u>\$ 4,155,999</u>	<u>\$1,282,513</u>	<u>\$ 20,301,122</u>	<u>\$ 1,102,978</u>
<b>Business-type Activities:</b>					
General obligation debt	\$ 6,858,000	\$ -	\$ (202,500)	\$ 6,655,500	\$ 191,500
Compensated absences	29,491	29,822	(29,491)	29,822	7,456
Net pension liability (LGERS)	-	20,563	-	20,563	-
Landfill closure	206,951	-	(17,702)	189,249	-
Other Postemployment Benefits	328,602	33,700	-	362,302	-
Total	<u>\$ 7,423,044</u>	<u>\$ 84,085</u>	<u>\$ (249,693)</u>	<u>\$ 7,257,436</u>	<u>\$ 198,956</u>

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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016:

	Balance <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2016</u>
<b>Governmental activities:</b>				
Compensated absences	\$ 143,486	\$ 106,725	\$ 133,775	\$ 116,436
Net pension liability	-	128,400	-	128,400
Note Payable-building	162,232	-	13,805	148,427
Other postemployment benefits	<u>1,652,058</u>	<u>343,946</u>	<u>56,838</u>	<u>1,939,166</u>
Total	<u>\$ 1,957,776</u>	<u>\$ 579,071</u>	<u>\$ 204,418</u>	<u>\$ 2,332,429</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	\$ 915,453	To transfer restricted sales tax
General Fund	Emergency Telephone System Fund	1,437	To adjust prior year balance to actual
General Fund	Revaluation Fund	40,000	To contribute money for next revaluation
General Fund	Capital Reserve Fund	275,000	To set money aside for capital purposes
General Fund	Sanitation Fund	5,000	To provide employee bonuses
General Fund	Northern Water District Fund	5,517	To provide employee bonuses
General Fund	Southern Water District Fund	4,108	To provide employee bonuses
		<u>\$ 1,246,515</u>	
<u>Special Revenue Funds</u>			
Capital Reserve Fund	General Fund	\$ 654,100	To pay debt service for Courthouse
School Capital Reserve Fund	General Fund	989,883	To supplement capital outlay costs
		<u>\$ 1,643,983</u>	
<i>Due From/To Other Funds:</i>			
<u>Capital Project Fund</u>			
E911 Communications Project Fund	General Fund	<u>\$ 430,877</u>	Supplemental funding until grant funding is received

**e. Net Investment in Capital Assets**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Net capital assets	\$ 20,350,619	\$ 12,277,018
Capital debt calculation:		
Total debt, gross	13,998,833	6,655,500
Less:		
Community college debt for assets to which the county does not hold title	(350,000)	-
Add:		
Unamortized liabilities related to capital debt (excluding school related)	<u>396,665</u>	<u>-</u>
Total capital debt	<u>14,045,498</u>	<u>6,655,500</u>
Net investment in capital assets	<u>\$ 6,305,121</u>	<u>\$ 5,621,518</u>

**f. Fund Balance**

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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>Total Fund Balance – General Fund</b>	<b>\$ 10,964,551</b>
Less :	
Stabilization by State Statute	2,357,685
Register of Deeds	10,546
Revaluation	245,407
Capital Reserve	2,387,383
Appropriated Fund Balance in 2017 budget	1,890,438
Remaining Fund Balance	<u>\$ 4,073,092</u>

**III. Joint Ventures**

The County participates in a joint venture to operate Albemarle Regional Library with four other local governments. Each Participating government appoints three board members to the twelve member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$104,327 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at Winton, NC.

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, \$350,000 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 \$953,839 to the community college for operating purposes, respectively during the fiscal year ended June 30, 2016. In addition, the County made debt service payments of \$124,100 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, 2016. 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, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$88,766 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.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$10,300 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office in Rich Square, NC.

The County also participates in a joint venture to operate Tri-County Airport Authority with two other counties. The County appoints three members to the nine member board of the Authority. The County has an ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$23,000 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office at Route 1, Aulander, NC 27805.

**IV. Jointly Governed Organization**

The County, in conjunction with five other counties and thirty-two municipalities, established the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the commission's governing board. The County paid membership fees of \$7,092 to the Commission during the fiscal year ended June 30, 2016. The County was a sub recipient of various grants and other sources totaling \$313,017 that was passed through the Commission.

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

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 29,106,208	\$ 16,407,280
Health Choice	283,355	12,911
Temporary Assistance to Needy Families	123,009	(63)
CWS Adoption Subsidy	-	49,234
Adoption Assistance	56,631	14,473
State/County Special Assistance	-	490,973
SFHF Maximization	-	100
State Foster Home	-	2,621
Totals	<u>\$ 29,569,203</u>	<u>\$ 16,977,529</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**Federal and State Assisted Programs**

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

**VIII. Significant Effects of Subsequent Events**

The County has evaluated events and transactions that occurred between June 30, 2016 and January 27, 2017, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no events that occurred during this time that were deemed to be significant enough to be disclosed.

**IX. Restatement**

During the 15-16 audit, items were found that required adjustment to the financial statements. These items involve the booking of a liability for landfill closure, reclassification of funds and a liability for law enforcement officers' separation allowance (LEOSSA). The landfill closure liability was for a landfill closed in 1994. The County is required to include the liability on their books for closure of the facility for 30 years to account for property maintenance, capping the landfill, and monitoring the landfill gas levels. This liability had never been included on the books in the past. The reclassification of funds involved monies that were included with the Inmate trust funds that were actually collections that belonged to the General Fund. The liability for law enforcement officers' separation allowance had not been included before because an actuarial study had not been performed or required in the past. The study was performed for fiscal year 15-16 due to new requirements.

The beginning balance would have changed as follows:

	Governmental Activities <u>Net Position</u>	General Fund <u>Fund Balance</u>	Business- type Activities <u>Net Position</u>	Sanitation <u>Net Position</u>
Balance, July 1, 2015	\$ 13,157,032	\$ 10,857,352	\$ 8,105,079	\$ 544,940
Change due to:				
Liability for landfill closure	-	-	(206,951)	(206,951)
Reclassification from Agency Fund	139,119	139,119	-	-
Liability for LEOSSA	<u>(956,158)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>(817,039)</u>	<u>139,119</u>	<u>(206,951)</u>	<u>(206,951)</u>
Balance, July 1, 2015, as restated	<u>\$ 12,339,993</u>	<u>\$ 10,964,551</u>	<u>\$ 7,898,128</u>	<u>\$ 337,989</u>

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

---

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

---

- Schedule of Funding Progress for Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for Other Postemployment Benefits
- Schedule of Employer Contributions for Other Postemployment Benefits
- Schedule of County's Proportionate Share of the Net Pension Liability (Asset) – Local 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**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**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)
12/31/2015	\$ -	\$ 568,161	\$ 568,161	0.00%	\$ 1,118,710	50.79%

**HERTFORD COUNTY, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2016	\$ 83,233	12.68%

**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	12/31/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.50 - 7.35%
Cost-of-living adjustments	N/A

\*Includes inflation at 3.00% percent.

**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
2016	\$ 574,621	32.56%	\$ 4,372,321
2015	475,084	39.38%	3,977,684
2014	461,247	37.52%	3,683,107
2013	572,784	26.03%	3,388,881
2012	560,639	24.90%	2,959,874
2011	\$ 982,239	12.60%	\$ 2,538,716

**Notes to the Required Schedules:**

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

Valuation date	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 THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.097%	0.102%	0.103%
County's proportionate share of the net pension liability (asset)	\$ 436,138	\$ (599,123)	\$1,236,724
County's covered-employee payroll	\$6,046,680	\$5,911,581	\$6,077,841
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.21%	-10.13%	20.35%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 441,786	\$ 421,035	\$ 419,855
Contributions in relation to the contractually required contribution	<u>441,786</u>	<u>421,035</u>	<u>419,855</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 6,462,685	\$ 6,046,680	\$ 5,911,581
Contributions as a percentage of covered-employee payroll	6.84%	6.96%	7.10%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.186%	0.192%	0.184%
County's proportionate share of the net pension liability (asset)	\$ (43,136)	\$ (43,562)	\$ (39,213)
County's covered-employee payroll	\$ 92,258	\$ 86,741	\$ 102,559
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-46.76%	-50.22%	-45.21%
Plan fiduciary net position as a percentage of the total pension liability	197.29%	193.88%	190.50%

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,596	\$ 1,194	\$ 1,569
Contributions in relation to the contractually required contribution	<u>1,596</u>	<u>1,194</u>	<u>1,569</u>
Contribution deficiency (excess)	-	-	-
County's covered-employee payroll	\$ 95,008	\$ 92,258	\$ 86,741
Contributions as a percentage of covered-employee payroll	1.68%	1.29%	1.81%

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

**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.
- **E911 Communications Center Project Fund:** This fund is used to account for the construction of the E911 Communication Center. This project will be financed primarily with grants.
- **Office Building #1 Renovation Project Fund:** This fund is used to account for the renovation of the DSS office building.

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad Valorem Taxes:				
Taxes		\$ 13,448,708		\$ 13,232,336
Penalties and interest		178,711		177,134
Total	13,025,777	13,627,419	601,642	13,409,470
Local Option Sales Taxes:				
Article 39 and 44		1,522,561		1,451,016
Article 40 one-half of one percent		1,246,347		1,281,779
Article 42 one-half of one percent		946,403		806,678
Total	3,657,000	3,806,564	149,564	3,539,473
Other taxes and licenses:				
CATV franchise		37,782		39,751
Gas tax refund		3,841		3,950
Occupancy tax		55,895		47,414
Privilege licenses		-		857
Total	84,500	97,518	13,018	91,972
Unrestricted intergovernmental:				
ABC profit distribution		40,175		40,175
Beer and wine tax		66,609		72,671
Total	102,000	106,784	4,784	112,846
Restricted intergovernmental:				
Social service grants and fees		3,598,547		3,325,683
Federal and State grants		1,329,009		926,990
Court facility fees		30,062		37,485
ABC bottles taxes		8,016		8,298
Miscellaneous		192,273		228,631
Total	5,355,815	5,157,907	(197,908)	4,527,087

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Permits and fees:				
Building and inspection fees		137,636		96,427
Planning and zoning		7,100		5,245
Register of deeds		120,406		107,337
Total	149,500	265,142	115,642	209,009
Sales and services:				
Rents, concessions, and fees		148,337		126,319
Jail Fees		292,860		287,920
Ambulance and rescue squad fees		772,180		873,337
EMS cost share		117,000		-
Vehicle tax collection fees		142,339		150,078
Total	1,420,443	1,472,716	52,273	1,437,654
Investment earnings	19,000	32,781	13,781	18,248
Miscellaneous Revenues				
Sale of materials		16,021		15,848
Other		48,678		116,155
Total	50,132	64,699	14,567	132,003
Total Revenues	23,864,167	24,631,530	767,363	23,477,762
<u>EXPENDITURES</u>				
<u>General Government</u>				
Governing Body:				
Salaries and employee benefits		73,961		70,356
Other operating expenditures		34,148		67,944
Total	115,537	108,109	7,428	138,300
Administration:				
Salaries and employee benefits		335,097		324,712
Other operating expenditures		34,607		45,797
Total	376,396	369,704	6,692	370,509

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Human Resources:				
Salaries and employee benefits		277,616		214,888
Other operating expenditures		29,934		26,816
Total	317,584	307,550	10,034	241,704
Elections:				
Salaries and employee benefits		127,236		88,992
Other operating expenditures		73,302		52,997
Total	221,711	200,538	21,173	141,989
Finance:				
Salaries and employee benefits		191,934		182,128
Other operating expenditures		131,696		86,445
Capital outlay		-		68,518
Total	331,119	323,630	7,489	337,091
Taxes:				
Salaries and employee benefits		431,634		417,314
Other operating expenditures		237,085		264,003
Total	711,574	668,719	42,855	681,317
Legal:				
Contracted services	78,700	72,615	6,085	72,515
Register of Deeds:				
Salaries and employee benefits		138,006		132,198
Other operating expenditures		58,797		34,891
Capital outlay		-		10,605
Total	205,786	196,803	8,983	177,694
Public Buildings:				
Salaries and employee benefits		409,934		336,981
Other operating expenditures		308,613		271,529
Capital outlay		27,877		-
Total	781,410	746,424	34,986	608,510

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Land Records:				
Salaries and employee benefits		88,078		83,239
Other operating expenditures		25,510		21,735
Capital outlay		-		11,062
Total	118,247	113,588	4,659	116,036
Data Center:				
Data processing contract services		193,666		184,440
Total	193,667	193,666	1	184,440
Court Facilities:				
Operating expenditures		75,214		82,191
Total	95,311	75,214	20,097	82,191
Central Services:				
Operating expenditures		447,545		369,714
Capital outlay		95,798		92,527
Total	670,377	543,343	127,034	462,241
Total General Government	4,217,419	3,919,903	297,516	3,614,537
<u>Public Safety</u>				
Sheriff:				
Salaries and employee benefits		1,552,744		1,517,215
Other operating expenditures		493,702		392,441
Capital outlay		142,423		84,513
Total	2,189,103	2,188,869	234	1,994,169
Jail:				
Salaries and employee benefits		1,209,186		1,144,906
Other operating expenditures		677,197		640,240
Total	2,018,436	1,886,383	132,053	1,785,146

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Emergency Communications:				
Salaries and employee benefits		270,539		242,472
Other operating expenditures		43,706		14,050
Total	313,798	314,245	(447)	256,522
Emergency Management:				
Salaries and employee benefits		125,504		115,050
Other operating expenditures		43,391		66,397
Total	202,555	168,895	33,660	181,447
Fire:				
Contribution to forest service		79,091		63,275
Assistance to local fire departments		312,750		304,219
Total	395,618	391,841	3,777	367,494
Inspections:				
Salaries and employee benefits		103,195		98,286
Other Operating expenditures		18,539		27,862
Total	146,751	121,734	25,017	126,148
Rescue units:				
Salaries and employee benefits		777,969		828,939
Other operating expenditures		247,259		259,990
Capital outlay		12,790		-
Total	1,083,877	1,038,018	45,859	1,088,929
Animal Control:				
Salaries and employee benefits		79,016		79,999
Other operating expenditures		23,650		26,632
Capital outlay		-		25,870
Total	114,693	102,666	12,027	132,501

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Medical Examiner:				
Contracted services		11,150		15,250
Total	15,000	11,150	3,850	15,250
Total Public Safety	6,479,831	6,223,801	256,030	5,947,606
<u>Transportation</u>				
Contribution to transit authority		10,300		10,300
Contribution to regional airport		23,000		18,000
Total transportation	33,300	33,300	-	28,300
<u>Economic and physical development</u>				
Planning and Zoning				
Other operating expenditures		2,923		2,991
Total	4,031	2,923	1,108	2,991
Economic Development:				
Salaries and employee benefits		130,711		127,933
Other operating expenditures		17,918		18,153
Total	150,132	148,629	1,503	146,086
Agricultural Extension:				
Salaries and employee benefits		63,429		92,785
Other operating expenditures		26,877		26,151
Total	175,689	90,306	85,383	118,936

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Soil and Water Conservation:				
Salaries and employee benefits		104,607		106,342
Other operating expenditures		20,829		13,113
Capital outlay		27,294		-
Total	174,435	152,730	21,705	119,455
Total Economic and Physical Development	513,287	394,588	118,699	387,468
<u>Human Services</u>				
Health:				
Administration:				
Contribution to health department		292,572		292,572
Other operating expenditures		20,844		23,640
Total	317,312	313,416	3,896	316,212
Aid to Aging:				
Salaries and employee benefits		255,091		270,809
Other operating expenditures		52,781		46,697
Capital outlay		11,115		-
Total	335,600	318,987	16,613	317,506
Respite:				
Other operating expenditures		317,435		305,279
Total	338,917	317,435	21,482	305,279
Mental Health:				
Administration:				
Other operating expenditures		88,766		88,475
Total	89,350	88,766	584	88,475
Social Services:				
Administration:				
Salaries and employee benefits		2,472,339		2,456,151
Other operating expenditures		754,715		757,619
Capital outlay		58,554		-
Total	3,459,548	3,285,608	173,940	3,213,770

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Public Assistance				
Work first:				
Operating expenditures		1,871,542		1,859,796
Foster care:				
Operating expenditures		40,533		26,971
Total	2,046,834	1,912,075	134,759	1,886,767
Elderly handicapped:				
Operating expenditures	106,925	105,213	1,712	111,959
Community based alternatives:				
Other operating expenditures		118,932		116,341
Total	218,933	118,932	100,001	116,341
Veterans Service Office:				
Salaries and employee benefits		43,990		33,017
Other operating expenditures		7,097		8,591
Total	54,637	51,087	3,550	41,608
Other programs:				
Other appropriations/contributions		451,060		203,424
Total	474,061	451,060	23,001	203,424
Total Human Services	7,442,117	6,962,579	479,538	6,601,341

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<u>Cultural and Recreational</u>				
Library and Recreation:				
Operating expenditures		1,711		1,740
Contribution to regional library		104,327		103,150
Total Cultural and Recreational	106,067	106,038	29	104,890
<u>Education</u>				
Public schools-current expense		4,273,524		4,273,524
Public schools-capital outlay		989,883		274,234
Community college- current		953,839		878,839
Community college- capital outlay		99,000		142,590
Total Education	6,723,109	6,316,246	406,863	5,569,187
<u>Debt Service</u>				
Principal retirement		686,667		686,667
Interest and other charges		413,758		431,997
Total debt services	1,104,648	1,100,425	4,223	1,118,664
Contingency	18,526	-	-	-
Total Expenditures	26,638,304	25,056,880	1,581,424	23,371,993
Revenues Over (Under) Expenditures	(2,774,137)	(425,350)	2,348,787	105,769

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers to other funds:				
School Capital Reserve Fund		(915,453)		(877,587)
Emergency Telephone System Fund		(1,437)		-
Revaluation Fund		(40,000)		(40,000)
Hertford County Judicial Center Fund		-		(75,000)
Capital Reserve Fund		(275,000)		(175,000)
Sanitation Fund		(5,000)		(4,002)
Northern Water District Fund		(5,517)		(2,489)
Southern Water District Fund		(4,108)		(2,350)
Tunis Sewer District Fund		-		(31,200)
Total	(1,269,625)	(1,246,515)	23,110	(1,207,628)
Transfers from other funds:				
Capital Reserve Fund		654,100		653,000
School Capital Reserve Fund		989,883		189,442
Northern Water District Fund		-		3,000
Southern Water District Fund		-		3,000
Total	1,948,846	1,643,983	(304,863)	848,442
Appropriated fund balance	2,094,916	-	(2,094,916)	-
Total other financing sources (uses)	2,774,137	397,468	(2,376,669)	(359,186)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	(27,882)	\$ (27,882)	(253,417)
Fund Balance-July 1		8,220,524		8,473,941
Restatement		139,119		-
Fund Balance-July 1, as restated		8,359,643		8,473,941
Fund Balance-June 30		\$ 8,331,761		\$ 8,220,524

**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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	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	922,000	915,453	(6,547)	877,587
Operating transfer out				
General fund	(2,198,746)	(989,883)	1,208,863	(189,442)
Appropriated fund balance	1,276,746	-	(1,276,746)	-
Total	-	(74,430)	(74,430)	688,145
Revenues Over Expenditures and Other Uses	\$ -	(74,430)	\$ (74,430)	688,145
Fund Balance - July 1		1,769,726		1,081,581
Fund Balance - June 30		\$ 1,695,296		\$ 1,769,726

**HERTFORD COUNTY, NORTH CAROLINA  
REVALUATION FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	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		205,407		165,407
Fund Balance - June 30		\$ 245,407		\$ 205,407

**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, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
<u>REVENUES</u>				
Local option sales tax	\$ 495,000	\$ 409,492	\$ (85,508)	\$ 467,595
<u>EXPENDITURES</u>				
Capital outlay	770,000	-	770,000	-
Revenues Over (Under) Expenditures	(275,000)	409,492	684,492	467,595
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer from (to) other funds				
General Fund	275,000	275,000	-	175,000
General Fund	(654,100)	(654,100)	-	(653,000)
Appropriated fund balance	654,100	-	(654,100)	-
Total	275,000	(379,100)	(654,100)	(478,000)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	30,392	\$ 30,392	(10,405)
Fund Balance - July 1		661,695		672,100
Fund Balance - June 30		\$ 692,087		\$ 661,695

**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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b><u>REVENUES</u></b>					
Restricted intergovernmental revenue					
Grant	\$ 4,250,000	\$ 533,887	\$ 2,805,665	\$ 3,339,552	\$ (910,448)
Miscellaneous	-	-	51,391	51,391	51,391
Total	<u>4,250,000</u>	<u>533,887</u>	<u>2,857,056</u>	<u>3,390,943</u>	<u>(859,057)</u>
<b><u>EXPENDITURES</u></b>					
Capital outlay					
Material Testing		-	10,171	10,171	
Design Fee/Expense		305,729	-	305,729	
Furnishing and Equipment		-	69,900	69,900	
Technology		-	950,892	950,892	
Construction		481,819	1,876,726	2,358,545	
Engineers		-	100,482	100,482	
Contingency		-	3,333	3,333	
Total	<u>4,250,000</u>	<u>787,548</u>	<u>3,011,504</u>	<u>3,799,052</u>	<u>450,948</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (253,661)</u>	(154,448)	<u>\$ (408,109)</u>	<u>\$ (408,109)</u>
Fund Balance - July 1			<u>(253,661)</u>		
Fund Balance - June 30			<u>\$ (408,109)</u>		

**HERTFORD COUNTY, NORTH CAROLINA  
OFFICE BUILDING #1 RENOVATION PROJECT  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
<b><u>REVENUES</u></b>					
Miscellaneous	\$ -	\$ -	\$ 1,017	\$ 1,017	\$ 1,017
Investment earnings		-	34	34	34
Total	<u>-</u>	<u>-</u>	<u>1,051</u>	<u>1,051</u>	<u>1,051</u>
<b><u>EXPENDITURES</u></b>					
Capital outlay					
Construction		-	238,303	238,303	
Engineers		-	206,593	206,593	
Paving/Repaving		-	3,449	3,449	
Contingency		-	32,033	32,033	
Total	<u>2,855,613</u>	<u>-</u>	<u>480,378</u>	<u>480,378</u>	<u>2,375,235</u>
Revenues Over (Under) Expenditures	<u>(2,855,613)</u>	<u>-</u>	<u>(479,327)</u>	<u>(479,327)</u>	<u>2,376,286</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Proceeds from debt	<u>2,855,613</u>	<u>-</u>	<u>2,855,613</u>	<u>2,855,613</u>	
Total	<u>2,855,613</u>	<u>-</u>	<u>2,855,613</u>	<u>2,855,613</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>2,376,286</u>	<u>\$ 2,376,286</u>	<u>\$ 2,376,286</u>
Fund Balance - July 1			<u>-</u>		
Fund Balance - June 30			<u>\$ 2,376,286</u>		

## **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.

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	
	<u>Emergency Telephone System Fund</u>	<u>Fire District Fund</u>	<u>Hertford County Judicial Center Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and cash equivalents	\$ 383,486	\$ 49,585	\$ -	\$ 433,071
Restricted cash and cash equivalents	-	-	630,621	630,621
Accounts receivable, net	8,210	5,650	2,197	16,057
Taxes receivable, net	-	6,910	-	6,910
Total assets	<u>\$ 391,696</u>	<u>\$ 62,145</u>	<u>\$ 632,818</u>	<u>\$ 1,086,659</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 6,501	\$ -	\$ 6,501
Total liabilities	<u>-</u>	<u>6,501</u>	<u>-</u>	<u>6,501</u>
Deferred inflows of resources	<u>-</u>	<u>6,910</u>	<u>-</u>	<u>6,910</u>
Fund Balances:				
Restricted				
Stabilization by State Statue	8,210	5,650	2,197	16,057
Public Safety	383,486	43,084	-	426,570
General Government	-	-	630,621	630,621
Total fund balances	<u>391,696</u>	<u>48,734</u>	<u>632,818</u>	<u>1,073,248</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 391,696</u>	<u>\$ 62,145</u>	<u>\$ 632,818</u>	<u>\$ 1,086,659</u>

**HERTFORD COUNTY, NORTH CAROLINA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	
	<u>Emergency Telephone System Fund</u>	<u>Fire District Fund</u>	<u>Hertford County Judicial Center Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>REVENUES</u></b>				
Ad valorem taxes	\$ -	\$ 93,790	\$ -	\$ 93,790
Local option sales taxes	-	26,122	-	26,122
Restricted intergovernmental	98,517	-	-	98,517
Investment earnings	1,601	-	1,199	2,800
Miscellaneous	-	-	2,197	2,197
Total revenues	<u>100,118</u>	<u>119,912</u>	<u>3,396</u>	<u>223,426</u>
<b><u>EXPENDITURES</u></b>				
Current:				
Public safety	87,867	120,638	-	208,505
Capital outlay	-	-	440,357	440,357
Total expenditures	<u>87,867</u>	<u>120,638</u>	<u>440,357</u>	<u>648,862</u>
Revenues Over (Under) Expenditures	12,251	(726)	(436,961)	(425,436)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from other funds				
General Fund	1,437	-	-	1,437
Total Other Financing Sources (Uses) - Net	<u>1,437</u>	<u>-</u>	<u>-</u>	<u>1,437</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	13,688	(726)	(436,961)	(423,999)
Fund Balance - July 1	<u>378,008</u>	<u>49,460</u>	<u>1,069,779</u>	<u>1,497,247</u>
Fund Balance - June 30	<u>\$ 391,696</u>	<u>\$ 48,734</u>	<u>\$ 632,818</u>	<u>\$ 1,073,248</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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
<b><u>REVENUES</u></b>				
Restricted intergovernmental revenue				
Wireless 911 funds		\$ 98,517		\$ 84,934
Investment earnings		1,601		822
Total	<u>\$ 109,291</u>	<u>100,118</u>	<u>\$ (9,173)</u>	<u>85,756</u>
<b><u>EXPENDITURES</u></b>				
Public safety	<u>156,190</u>	<u>87,867</u>	<u>68,323</u>	<u>78,839</u>
Revenues Over (Under) Expenditures	<u>(46,899)</u>	<u>12,251</u>	<u>59,150</u>	<u>6,917</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating transfer in				
General Fund	-	1,437	1,437	-
Appropriated fund balance	<u>46,899</u>	<u>-</u>	<u>(46,899)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>46,899</u>	<u>1,437</u>	<u>45,462</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>13,688</u>	<u>\$ 13,688</u>	<u>6,917</u>
Fund Balance - July 1		<u>378,008</u>		<u>371,091</u>
Fund Balance - June 30		<u>\$ 391,696</u>		<u>\$ 378,008</u>
<b><u>Explanation for transfers</u></b>				
Transfer from the General Fund to adjust beginning balance to actual			<u>\$ 1,437</u>	
<b><u>Emergency Telephone System Unspent Balance</u></b>				
Amounts reported above are different from the PSAP Revenue-Expenditure Report because:				
Net Change in Fund Balance, reported on Budget to Actual			\$ 13,688	
Plus: Transfers to General Fund to adjust fund balance to the proper beginning balance			<u>(1,437)</u>	
Net Change per PSAP Revenue-Expenditure Report			12,251	
Beginning Balance, PSAP Revenue-Expenditure Report			<u>379,445</u>	
Ending Balance, PSAP Revenue-Expenditure Report			<u>\$ 391,696</u>	

**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, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<u>REVENUES</u>				
Ad Valorem taxes:				
Taxes	\$ 103,132	\$ 93,790	\$ (9,342)	\$ 91,828
Other taxes and licenses	18,450	26,122	7,672	25,057
Total revenues	<u>121,582</u>	<u>119,912</u>	<u>(1,670)</u>	<u>116,885</u>
<u>EXPENDITURES</u>				
Public safety				
Woodland Fire District		4,052		3,698
Union Fire District		8,743		7,761
Ahoskie Fire District		107,843		102,343
Total expenditures	<u>121,582</u>	<u>120,638</u>	<u>944</u>	<u>113,802</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	(726)	<u>\$ (726)</u>	3,083
Fund Balance - July 1		<u>49,460</u>		<u>46,377</u>
Fund Balance - June 30		<u>\$ 48,734</u>		<u>\$ 49,460</u>

**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, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
<b><u>REVENUES</u></b>					
Investment earnings	\$ -	\$ 2,835	\$ 1,199	\$ 4,034	\$ 4,034
Miscellaneous	-	76,734	2,197	78,931	78,931
Total	-	79,569	3,396	82,965	82,965
<b><u>EXPENDITURES</u></b>					
Capital outlay					
Construction Cost		8,837,758	362,485	9,200,243	
Furnishing and Equipment		993,493	20,662	1,014,155	
Design Fees & Expense		1,019,676	4,836	1,024,512	
Geotechnical Survey		89,777	-	89,777	
Materials/Testing/Special Inspection		109,738	-	109,738	
Contingency		226,178	52,374	278,552	
Land		70,052	-	70,052	
Debt Service					
Bond Issuance Costs		338,045	-	338,045	
Total	12,582,230	11,684,717	440,357	12,125,074	457,156
Revenues Over (Under) Expenditures	(12,582,230)	(11,605,148)	(436,961)	(12,042,109)	540,121
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfer from the General Fund	141,400	234,095	-	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	12,674,927	-	12,674,927	92,697
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 1,069,779	(436,961)	\$ 632,818	\$ 632,818
Fund Balance - July 1			1,069,779		
Fund Balance - June 30			\$ 632,818		

# 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, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b><u>REVENUES</u></b>				
Operating Revenues				
Charges for services	\$ 468,400	\$ 467,337	\$ (1,063)	\$ 466,472
Tap-on fees	21,500	22,042	542	23,280
Other	3,800	2,268	(1,532)	3,501
Total Operating Revenues	<u>493,700</u>	<u>491,647</u>	<u>(2,053)</u>	<u>493,253</u>
Total Revenues	<u>493,700</u>	<u>491,647</u>	<u>(2,053)</u>	<u>493,253</u>
<b><u>EXPENDITURES</u></b>				
Administration and operations		245,984		254,056
Capital Outlay		-		36,548
Debt Service:				
Interest and fees		102,034		104,813
Debt principal		60,000		57,000
Total Expenditures	<u>499,217</u>	<u>408,018</u>	<u>91,199</u>	<u>452,417</u>
Revenues Over (Under) Expenditures	<u>(5,517)</u>	<u>83,629</u>	<u>89,146</u>	<u>40,836</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from (to) other funds				
General Fund	-	-	-	(3,000)
General Fund	5,517	5,517	-	2,489
Total Other Financing Sources (Uses)	<u>5,517</u>	<u>5,517</u>	<u>-</u>	<u>(511)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 89,146</u>	<u>\$ 89,146</u>	<u>\$ 40,325</u>
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL</b>				
Excess of revenues over (under) expenditures		\$ 89,146		\$ 40,325
Debt principal		60,000		57,000
Depreciation		(106,479)		(104,770)
Capital outlay		-		36,548
Contributions to the pension plan in the current fiscal year		-		5,995
(Increase) decrease in bond interest accrued		244		232
(Increase) decrease in vacation pay		152		(4,364)
(Increase) decrease in OPEB obligation		(6,679)		(5,985)
Decrease in net pension asset		(7,429)		-
Increase in deferred outflows of resources - pensions		(1,267)		-
Increase in net pension liability		(7,170)		-
Decrease in deferred inflows of resources - pensions		14,304		-
Pension expense		-		(482)
Total reconciling items		<u>(54,324)</u>		<u>(15,826)</u>
Change in net position		<u>\$ 34,822</u>		<u>\$ 24,499</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, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b><u>REVENUES</u></b>				
Operating Revenues				
Charges for services	\$ 1,025,050	\$ 960,611	\$ (64,439)	\$ 959,349
Tap-on fees	48,000	55,458	7,458	51,069
Other	3,100	4,129	1,029	87,106
Total Operating Revenues	<u>1,076,150</u>	<u>1,020,198</u>	<u>(56,981)</u>	<u>1,097,524</u>
Total Revenues	<u>1,076,150</u>	<u>1,020,198</u>	<u>(56,981)</u>	<u>1,097,524</u>
<b><u>EXPENDITURES</u></b>				
Administration and operations		279,863		386,074
Capital Outlay		-		36,548
Debt Service:				
Interest and fees		219,048		230,260
Debt principal		142,500		212,000
Total Expenditures	<u>1,080,258</u>	<u>641,411</u>	<u>438,847</u>	<u>864,882</u>
Revenues Over (Under) Expenditures	<u>(4,108)</u>	<u>378,787</u>	<u>382,895</u>	<u>232,642</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from (to) other funds				
General Fund	-	-	-	(3,000)
General Fund	4,108	4,108	-	2,350
Total Other Financing Sources (Uses)	<u>4,108</u>	<u>4,108</u>	<u>-</u>	<u>(650)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 382,895</u>	<u>\$ 382,895</u>	<u>\$ 231,992</u>
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL</b>				
Excess of revenues over (under) expenditures		\$ 382,895		\$ 231,992
Debt principal		142,500		212,000
Depreciation		(228,550)		(226,840)
Capital outlay		-		36,548
Contributions to the pension plan in the current fiscal year		-		7,047
(Increase) decrease in bond interest accrued		601		934
(Increase) decrease in vacation pay		(1,257)		4,124
(Increase) decrease in OPEB obligation		(7,342)		(7,049)
Decrease in net pension asset		(8,747)		-
Increase in deferred outflows of resources - pensions		(222)		-
Increase in net pension liability		(7,187)		-
Decrease in deferred inflows of resources - pensions		17,508		-
Pension expense		-		(568)
Total reconciling items		<u>(92,696)</u>		<u>26,196</u>
Change in net position		<u>\$ 290,199</u>		<u>\$ 258,188</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, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b><u>REVENUES</u></b>				
Operating Revenues				
Charges for services	\$ 30,048	\$ 28,498	\$ (1,550)	\$ 22,418
Total Operating Revenues	<u>30,048</u>	<u>28,498</u>	<u>(1,550)</u>	<u>22,418</u>
Total Revenues	<u>30,048</u>	<u>28,498</u>	<u>(1,550)</u>	<u>22,418</u>
<b><u>EXPENDITURES</u></b>				
Administration and operations		13,145		48,145
Debt Service:				
Interest and fees		7,292		-
Total Expenditures	<u>30,048</u>	<u>20,437</u>	<u>9,611</u>	<u>48,145</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>8,061</u>	<u>8,061</u>	<u>(25,727)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from (to) other funds				
General Fund	-	-	-	31,200
Tunis Sewer District Capital Project Fund	-	-	-	7,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,200</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 8,061</u>	<u>\$ 8,061</u>	<u>\$ 12,473</u>
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL</b>				
Excess of revenues over (under) expenditures		\$ 8,061		\$ 12,473
Restricted intergovernmental revenue for Tunis Sewer District				
Project Fund		13,115		382,555
Transfer out for Tunis Sewer District Project Fund		-		(7,000)
Total reconciling items		<u>13,115</u>		<u>375,555</u>
Change in net position		<u>\$ 21,176</u>		<u>\$ 388,028</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, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b><u>REVENUES</u></b>					
Restricted intergovernmental revenue					
USDA Rural Utilities Services grant (initial)	\$ 1,255,000	\$ 1,255,000	\$ -	\$ 1,255,000	\$ -
USDA Rural Utilities Services grant (subsequent)	73,937	60,822	13,115	73,937	-
Rural Center supplemental grant	500,000	382,555	-	382,555	(117,445)
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>1,833,537</u>	<u>1,744,867</u>	<u>13,115</u>	<u>1,757,982</u>	<u>(75,555)</u>
<b><u>EXPENDITURES</u></b>					
Capital outlay					
Contingency		50,000	-	50,000	
Administrative Cost		69,570	10,320	79,890	
Capitalized Interest		13,832	-	13,832	
Contract services-construction		1,400,039	129,938	1,529,977	
Contract services-engineering		262,691	18,930	281,621	
Debt Service		307,000	-	307,000	
Total	<u>2,167,537</u>	<u>2,103,132</u>	<u>159,188</u>	<u>2,262,320</u>	<u>(94,783)</u>
Revenues Over (Under) Expenditures	<u>(334,000)</u>	<u>(358,265)</u>	<u>(146,073)</u>	<u>(504,338)</u>	<u>(170,338)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
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	307,000	307,000	-	307,000	-
Fund balance appropriated	7,000	-	-	-	(7,000)
Total	<u>334,000</u>	<u>725,204</u>	<u>-</u>	<u>725,204</u>	<u>391,204</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 366,939</u>	<u>\$ (146,073)</u>	<u>\$ 220,866</u>	<u>\$ 220,866</u>

**HERTFORD COUNTY, NORTH CAROLINA**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b><u>REVENUES</u></b>				
Operating Revenues				
Charges for services	\$ 945,000	\$ 997,593	\$ 52,593	\$ 884,723
Other	55,300	48,824	(6,476)	58,405
Total Operating Revenues	<u>1,000,300</u>	<u>1,046,417</u>	<u>46,117</u>	<u>943,128</u>
Nonoperating Revenues				
Interest Earnings	200	1,418	1,218	621
Total Nonoperating Revenues	<u>200</u>	<u>1,418</u>	<u>1,218</u>	<u>621</u>
Total Revenues	<u>1,000,500</u>	<u>1,047,835</u>	<u>47,335</u>	<u>943,749</u>
<b><u>EXPENDITURES</u></b>				
Landfill:				
Administration and operations		413,519		409,396
Contract services		568,412		521,041
Total Expenditures	<u>1,005,500</u>	<u>981,931</u>	<u>23,569</u>	<u>930,437</u>
Revenues Over (Under) Expenditures	<u>(5,000)</u>	<u>65,904</u>	<u>70,904</u>	<u>13,312</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from (to) other funds				
General Fund	5,000	5,000	-	4,002
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>4,002</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 70,904</u>	<u>\$ 70,904</u>	<u>\$ 17,314</u>

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

Excess of revenues over (under) expenditures	\$ 70,904	\$ 17,314
Depreciation	(18,607)	(22,490)
Gain on sale of assets	2,738	-
Contributions to the pension plan in the current fiscal year	-	5,967
(Increase) decrease in vacation pay	(12,350)	(4,776)
(Increase) decrease OPEB obligation	(19,678)	(20,545)
(Increase) decrease in landfill closure	17,702	-
Decrease in net pension asset	(25,583)	-
Increase in deferred outflows of resources - pensions	(148)	-
Increase in net pension liability	(6,206)	-
Decrease in deferred inflows of resources - pensions	59,060	-
Pension expense	-	(1,661)
Total reconciling items	<u>(3,072)</u>	<u>(43,505)</u>
Change in net position	<u>\$ 67,832</u>	<u>\$ (26,191)</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, 2016**

	Restated Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Social Services</u>				
Assets				
Cash	\$ 36,763	\$ 27,958	\$ 25,690	\$ 39,031
Liabilities				
Miscellaneous liabilities	\$ 36,763	\$ 27,958	\$ 25,690	\$ 39,031
<u>Inmates Money</u>				
Assets				
Cash	\$ 6,245	\$ 70,172	\$ 71,211	\$ 5,206
Liabilities				
Intergovernmental payable	\$ 6,245	\$ 70,172	\$ 71,211	\$ 5,206
<u>Fines and Forfeitures</u>				
Assets				
Cash	\$ -	\$ 57,007	\$ 57,007	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 57,007	\$ 57,007	\$ -
<u>Tax Fund</u>				
Assets				
Cash	\$ -	\$ 4,063,314	\$ 4,063,314	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 4,063,314	\$ 4,063,314	\$ -
<u>Totals - All Agency Funds</u>				
Assets				
Cash	\$ 43,008	\$ 4,218,451	\$ 4,217,222	\$ 44,237
Liabilities				
Miscellaneous liabilities	\$ 43,008	\$ 4,218,451	\$ 4,217,222	\$ 44,237

## **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, 2016**

Fiscal Year	Uncollected Balance July 1, 2015	Additions	Collections and Adjustments	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 13,557,837	\$ 13,004,579	\$ 553,258
2014-2015	562,105	-	374,951	187,154
2013-2014	236,909	-	102,517	134,392
2012-2013	146,955	-	42,360	104,595
2011-2012	99,643	-	20,332	79,311
2010-2011	74,755	-	7,485	67,270
2009-2010	67,657	-	5,278	62,379
2008-2009	61,780	-	2,810	58,970
2007-2008	56,394	-	1,652	54,742
2006-2007	50,874	-	22,450	28,424
2005-2006	46,688	-	46,688	-
	<u>\$ 1,403,760</u>	<u>\$ 13,557,837</u>	<u>\$ 13,631,102</u>	1,330,495
				Less: allowance for uncollectible accounts
				<u>(150,000)</u>
				<u>\$ 1,180,495</u>
<b>Reconciliation with revenues:</b>				
Ad valorem taxes - General Fund			\$ 13,627,419	
Interest and discounts			<u>(41,725)</u>	
				13,585,694
<b>Reconciling items:</b>				
Amounts written off for 2005-2006 levy				<u>45,408</u>
Total Reconciling Items				<u>45,408</u>
Total Collections and Credits				<u>\$ 13,631,102</u>

**HERTFORD COUNTY, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
JUNE 30, 2016**

	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	\$ 1,506,063,879	0.840	\$ 12,650,937	\$ 11,183,841	\$ 1,467,096
Dog tax	-		6,155	6,155	-
Fire Districts	-		77,106	77,106	-
Total Original Levy	<u>1,506,063,879</u>		<u>12,734,198</u>	<u>11,267,102</u>	<u>1,467,096</u>
Discoveries	98,052,262	0.840	823,639	823,639	-
Abatements	<u>(24,899,048)</u>	0.840	<u>(209,152)</u>	<u>(194,532)</u>	<u>(14,620)</u>
Total Property Valuation	<u><u>\$ 1,579,217,093</u></u>				
Net Levy			13,348,685	11,896,209	1,452,476
Uncollected taxes at June 30, 2016			<u>(553,258)</u>	<u>(471,093)</u>	<u>(82,165)</u>
Current year's taxes collected			<u>\$ 12,795,427</u>	<u>\$ 11,425,116</u>	<u>\$ 1,370,311</u>
Current levy collection percentage			<u>95.86%</u>	<u>96.04%</u>	<u>94.34%</u>

**HERTFORD COUNTY, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
JUNE 30, 2016**

---

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 1,108,152,852
Personal Property	470,366,998
Public Service Companies	<u>697,243</u>
Total Assessed Valuation	1,579,217,093
Tax Rate per \$100	0.84
Levy (includes discoveries, releases and abatements)	<u>\$ 13,348,685</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>\$ 77,106</u>
---------------------------	------------------

**HERTFORD COUNTY, NORTH CAROLINA  
TOP TEN TAXPAYERS  
JUNE 30, 2016**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Wackenhut Corrections Corp	Correctional Facility	\$ 56,459,465	3.58%
Enviva Pellets Ahoskie, LLC	Manufacturing	47,870,595	3.03%
Nucor Corporation	Manufacturing	46,370,074	2.94%
Perdue Grain and Oil Seed, LLC	Manufacturing	23,225,524	1.47%
Kerr Group LLC	Manufacturing	15,588,058	0.99%
Carroll's Foods of Virginia, Inc.	Livestock	13,318,880	0.84%
Wal-Mart Real Estate Bus Trust	Retail	10,589,935	0.67%
Fresh Air Energy & Real Estate, LLC	Solar Farm	8,748,765	0.55%
Ahoskie Center LLC	Shopping Center	8,439,682	0.53%
Alfiniti Inc	Manufacturing	6,679,807	0.42%
		<u>\$ 237,290,786</u>	<u>11.45%</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  
Tara H. Roberson, CPA

## 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, 2016 and the related notes to the financial statements, which collectively comprises Hertford County's basic financial statements, and have issued our report thereon dated January 27, 2017. 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.

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

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

[www.wwcecpa.com](http://www.wwcecpa.com)



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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [16-1].

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies [16-2 and 16-3].

### **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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 16-1, 16-2, and 16-3.

### **Hertford County's Response to Findings**

Hertford County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hertford County's responses were 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  
January 27, 2017

# 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  
Tara H. Roberson, CPA

---

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

### Independent 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 *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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hertford County's

---

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

[www.wwcecpa.com](http://www.wwcecpa.com)



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.

### **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 16-4, 16-5 and 16-6 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, 2016.

### **Other matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 16-4, 16-5 and 16-6. 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 16-4, 16-5, and 16-6 to be material weaknesses.

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 Uniform Guidance. 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  
January 27, 2017

# 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  
Tara H. Roberson, CPA

---

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

### Independent 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, 2016. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about 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](http://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 16-4, 16-5, and 16-6 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, 2016.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 16-4, 16-5, and 16-6. 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 16-4, 16-5, and 16-6 to be material weaknesses.

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 Uniform Guidance. 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  
January 27, 2017

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

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

---

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        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        yes   X   none reported

Type of auditor's report issued on compliance for major federal programs: 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   \$ 990,788  

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, 2016**

---

---

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        yes   X   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

---

**Section II – Financial Statement Findings**

---

**Finding 16-1**

**RESTATEMENT OF FUND BALANCE/NET POSITION**

**MATERIAL WEAKNESS  
MATERIAL NONCOMPLIANCE**

Criteria: Three items were found that required an adjustment to the financial statements.

Condition: One item that required an adjustment involved booking an estimate of the remaining cost to satisfy the landfill closure in 1994, \$206,951. A post closure liability is recorded for solid waste landfills to accrue the total cost to close the landfill and properly maintain and monitor the landfill for the term defined by DENR. These costs include the cost to cap the landfill, monitor gas levels, and maintain the property for a time of usually 30 years after the facility is closed. Another item involved the reclassification of funds included in the Inmate Trust Funds in the past that were actually collections that belonged to the General Fund, \$139,119. The other item was recording the liability for law enforcement officers' separation allowance, \$956,158, as it had not previously been included in the financials since an actuarial study had not been performed in the past. The first and third amounts are larger than individual materiality for the Governmental Activities and Sanitation Fund, the second item is larger than performance materiality and when viewed with multiple restatements this year, are seen as a material weaknesses and material noncompliance due to the size of this correction and number of corrections required.

Effect: A prior period adjustment was done to the financial statements that affected the fund balances in the General Fund and Sanitation Fund and net position for Governmental and Business-Type Activities.

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

Cause: It is unknown whether the landfill closure was actually booked when the landfill was closed or was booked as expenses were incurred. This amount should have been estimated at closure and updated for new information each year. The Inmate Trust Account amounts were not always fully reviewed to understand that amounts in those accounts were actually payments for services/products provided by the General Fund. The LEOSSA study had not been performed in the past by the County since it was not required by the LGC. The study was done in this fiscal year in order to prepare for upcoming implementation of GASB standards.

Recommendation: Review of estimated post closure costs should be reviewed annually to ensure that they are recorded properly each year and any changes to the estimate for regulatory requirements or other items are reflected timely. Collections for the Inmates should be reviewed to ensure they are deposits into their trust account or are actually payment to the County. A LEOSSA study should continue to be performed in future years since it is now known that the liability is not immaterial and there are GASB statements becoming effective that will be related to this liability.

Views of Responsible officials and corrective action plans: The County agrees with this finding. Management will strive to ensure that this type error does not occur in the future.

**Finding 16-2**

**Drafts on the Official Depository**

SIGNIFICANT DEFICIENCY  
SIGNIFICANT NONCOMPLIANCE

Criteria: G.S. 159-25(b) states that that all checks or drafts on the official depository be signed by the finance officer or a properly designated deputy finance officer and countersigned by another official of the local government designated by the board for this purpose.

Condition: The finance officer authorized a wire transfer that was not properly approved by another official of the local government.

Effect: Expenditures are over appropriations in the annual budget ordinance and amendments, payment is made to a fictitious vendor, or a payment could be made before the work was completed.

Cause: The finance officer received an email that she believed to be from another official of the local government however the email address was not actually that person's email. The finance officer did not seek verbal confirmation or written confirmation from that official before completing the transfer.

Recommendation: The County should look to limit email communications as approval for transfer of funds electronically. This could be done by requiring a conversation to verify the email was accurate and included all required information to initiate the transfer, including which fund/account to book the transfer from/to. The County could also require that a signed authorization be faxed or scanned and sent to office if that additional signer could not be present.

Views of Responsible officials and corrective action plans: The County agrees with this finding.

**Finding 16-3**

**Crosscutting Requirements**

SIGNIFICANT DEFICIENCY

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

**SIGNIFICANT NONCOMPLIANCE**

Criteria: Any equipment with a cost over \$5,000 charged directly or indirectly on the 1571 should have written approval from DHHS.

Condition: The County included an expense for 3 vehicles on two separate 1571's but no request was made for approval of this inclusion until after the fiscal year end. An approval was received.

Effect: NC DHHS reimbursed local DSS for equipment for which there is no documentation indicating it was approved in advance. It is possible that these errors could lead NC DHHS to reimburse the local DSS from funding that is actually not available. DHHS may also prefer that the expenses be spread over time instead of the actual month the expense was incurred.

Cause: Ineffective file review process and incomplete documentation to support approval determination. Employees may not understand the rules that govern large purchases.

Recommendation: Files should be reviewed internally to ensure proper documentation is in place for approval before expenses are claimed on the Form 1571. Workers should be retrained on what files should contain and the importance of complete and accurate recordkeeping should be stressed.

Views of Responsible officials and corrective action plans: The County agrees with this finding.

---

**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: 16-4**

**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 11 errors in 8 files (consisting of 9 certification periods) regarding the budget and income sections of Medical Assistance audit.

Questioned Costs: There were questioned costs of \$17,773 on these cases.

Context: Out of 91 cases, one file contained four errors across 2 different certification periods where retirement income was not confirmed with the agency paying retirement. One file did not include Social Security in the budget. One file contained a budget with self-employment income obtained

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

from a Food Stamps file. This income was marked as unearned income. The food stamps file was not provided to allow verification of the self-employment income. One file included a summary OLV and did not include the detailed section for Employment Security Commission. An OLV run at a later date showed wages for the time period that the review was conducted however there is no notation in the file that the applicant was no longer employed and that is why wages were excluded. One file did not have an OLV to support amounts used on budget or to show verification of the income. Two files did not contain a budget to show that calculated monthly net income was below the State maintenance amount for that program. One file contained a budget that did not include any income however the OLV that was in the file showed wages. There was no notation as to why those wages were not included in the budget.

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.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 15-2.

Cause: Ineffective case review process 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.

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 and NCFast, 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 16-5**

**MATERIAL WEAKNESS**

**MATERIAL NONCOMPLIANCE**

Liquid Assets and Reserve Calculations for Eligibility

Criteria: Medicaid for Aged, Blind and Disabled case records should contain documentation that liquid assets were verified and whether countable or non-countable for purposes of determining eligibility. Liquid Assets include cash, bank accounts, certificates of deposits, securities, or any asset which can be converted to cash. The record should contain verification of liquid assets and whether countable or non-countable for the purposes of eligibility. The countable reserves are then compared to and must be below the State-provided reserve limits for the particular Medicaid program. Most

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

Medicaid for Families and Children do not require resource verification but if required, it is similar to that in the Medicaid for Aged, Blind and Disabled rules.

Condition: Of the files tested, there were 22 errors noted in 9 files that covered 15 different certification periods.

Questioned Costs: There were questioned costs of \$5,988 on these cases.

Context: There were 64 adult Medicaid files that included 94 certifications/recertifications of benefits examined. There were 15 certifications that contained 22 errors.

One case file contained an OLV that included 2 vehicles however only one was included in the resources in NC FAST as a noncountable vehicle. There were no vehicles included as countable. There was also no documentation as to why the vehicle was excluded from resources or a proper rebuttal to rebut the tax value assigned to the vehicle.

There was one file that had 4 errors spread over 2 different certification periods. One of those errors was that a vehicle included on the OLV was not rebutted by the applicant and was not included in NCFast. The vehicle would have been noncountable as it would be declared essential for transportation. There was also a life insurance policy that was not included in NCFast as a noncountable resource for either of the certification periods. The vehicle and the life insurance policy were finally added to NCFast with only 1 month left on the 2nd certification.

A file was noted to have 2 errors regarding liquid assets over 2 different certifications. In one certification there is documentation that the County verified vehicles and confirmed cash accounts in the paper file however none of the results from either verification were entered into evidence in NCFast. On the 2nd certification, one file contained an OLV that was inconclusive on DMV hits. There was no documentation that the County confirmed vehicles through any other means to determine if there were cars owned by the applicant and what the value assigned to that vehicle was.

One file contained 2 errors on 2 separate certifications. In one certification, the cars returned on the OLV were not included in the resource budget. There was not a rebuttal in the file, nor was there a spousal protection worksheet completed since the spouse was not receiving Medicaid. A rebuttal was received during the audit but it was after the certification period ended. The other certification period included the rebuttal however there was a car on the OLV that was noted to have expired tags that was not included in the rebuttal and was not listed as a resource in NCFast.

One file did not contain any evidence of verification was performed for liquid assets. The file did not contain an AVS check; there was no client statement on liquid assets, no bank statements, etc.

One file contained 6 errors spread over 3 different certifications. Two different certifications contained an error where the County performed an AVS check however did not enter any of the hits into evidence and the bank balances were therefore excluded from the resource calculation. A second error was noted on two different certifications after reviewing the OLV and seeing 2 cars included that were not included in the evidence or resource budget. There was no rebuttal in the file. A third certification had this same issue however there was only 1 car noted that was not in resources and did not have a rebuttal in the file. A sixth error was encountered where cash was confirmed but the balance used for the resource calculation did not include the cash as of the first moment of the month.

A file contained 2 errors on 1 certification in which there were 4 cars entered into evidence even though there was a signed client statement that they only had 2 cars. There was also a bank account confirmed through AVS that was not entered into evidence and therefore not included in the total resource calculation.

Another file contained 2 errors on 1 certification in which there was cash confirmed that was not included in evidence and therefore not included in total resources. The other error was on a car that

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

was on the OLV that was co-owned. This vehicle was not included in evidence until after the person was declared eligible.

One file contained 2 errors spread over 2 different certifications. On both certifications there was no confirmation sent to an institution that is known to not return information through AVS. There was an account at this institution in the certification period prior to these two. There is also no notation in the file that the client no longer has this account.

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.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 15-3.

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

Views of responsible officials and planned corrective actions: 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 16-6**

MATERIAL WEAKNESS  
MATERIAL NONCOMPLIANCE  
Real Property Owned

Criteria: Medicaid for Aged, Blind and Disabled case records should contain documentation that tax records and Register of Deeds were checked to verify if the individual owns property. The files should also contain documentation on any property found as to whether it is a countable resource or is exempt from the resources calculation.

Condition: There were 6 errors in 5 files dealing with verifying real property ownership and the determination of whether it is a countable resource or is exempt from resource calculations.

Questioned Costs: There were questioned costs of \$11,387 on this case.

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

Context: There were 64 adult Medicaid files that included 94 certifications/recertifications of benefits examined. There were 6 certifications that did not contain documentation of the verification with the tax records or the register of deeds.

Effect: For those certifications / recertifications that there was no documentation this is a chance that property was owned that would not have been treated as a non-countable resource and a person could have been approved for benefits that they were not eligible.

Cause: Ineffective record keeping, ineffective case review process, incomplete documentation, and incorrect application of rules 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. We recommend that all files include a print out as evidence that the Register of Deeds was checked and the results found or documentation made in case notes that clearly indicates what actions were performed and the results of those actions.

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

---

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

---

See Findings 16-4, 16-5, and 16-6.

**HERTFORD COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

**Section II – Financial Statement Findings**

---

**Finding: 16-1**

Name of Contact Person: Sandy Pittman, Finance Director

Corrective Action: The County will continue to review transactions that are non-routine in nature to ensure they are recorded correctly in fund statement and reflected correctly in the entity-wide financial statements.

Proposed Completion Date: June 30, 2017

**Finding: 16-2**

Name of Contact Person: Loria Williams, County Manager

Corrective Action: The County will review internal processes and make changes as needed to ensure unauthorized transactions are not processed in the future.

Proposed Completion Date: June 30, 2017

**Finding: 16-3**

Name of Contact Person: Viola Benthall, Social Services Administrative Officer

Corrective Action: The County will review internal processes and make changes as needed to ensure unauthorized transactions are not included on the 1571 for reimbursement in the future.

Proposed Completion Date: June 30, 2017

---

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

---

**Finding: 16-4**

Name of Contact Person: Rachel Askew, Patricia Vann, 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 and NCFast, how to calculate income, and the appropriate deductions. Our county experiences turnover in the Universal Unit substantially. However, we

**HERTFORD COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

continually provide training to all staff. This corrective action is ongoing. However, we would like to rebut some of the findings.

Proposed Completion Date: Ongoing (June 2017)

**Finding: 16-5**

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

Corrective Action: 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. This corrective action is ongoing. However, we would like to rebut some of the findings.

Proposed Completion Date: Ongoing (June 2017)

**Finding: 16-6**

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

Corrective Action: 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. This corrective action is ongoing. However, we would like to rebut some of the findings.

Proposed Completion Date: Ongoing (June 2017)

---

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

---

See Findings 16-3, 16-4, and 16-5.

**HERTFORD COUNTY, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**Finding: 15-1**

Status: Corrected.

**Finding: 15-2**

Status: See 16-4

**Finding: 15-3**

Status: See 16-5

**Finding: 15-4**

Status: Corrected.

**Finding: 15-5**

Status: There has been more stability in the department administration. Second party reviews have increased however there are still issues being encountered with second party reviews as evidenced by 16-4, 16-5, and 16-6.

**Finding: 14-1**

Status: See 16-4

**Finding: 14-2**

Status: See 16-5

**Finding: 14-3**

Status: Corrected.

**Finding: 14-4**

Status: See 15-5

**Finding: 13-1**

Status: See 16-4

**Finding: 13-2**

Status: See 16-4

**Finding: 13-3**

Status: See 16-5

**HERTFORD COUNTY, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

**Finding: 12-1**

Status: See 16-4

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<b>FEDERAL AWARDS:</b>			
<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	\$ 319,517	\$ -
Direct Program:			
<u>Rural Utilities Service</u>			
Water and Waste Disposal Systems for Rural Communities			
	10.760	13,115	-
Total U.S. Dept. of Agriculture		<u>332,632</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	38,542	-
Edward Byrne Memorial Justice Assistance Grant			
	16.738	73,350	-
Total U.S. Dept of Homeland Security		<u>111,892</u>	<u>-</u>
<u>U.S. Department of Justice:</u>			
Passed-through N.C. Dept. of Public Safety:			
Recovery Act-Edward Byrne Memorial Justice Asst. Grant			
	16.804	3,813	-
<u>U.S. Dept. of Health &amp; 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	129,382	164,669
Nutrition Services Incentive Program			
	93.053	18,966	-
Total Aging Cluster		<u>148,348</u>	<u>164,669</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:</u>			
Child Care Development Fund Cluster:			
Division of Social Services			
Child Care and Development Mandatory and Match Fund-Admin			
	93.596	94,808	-
Division of Child Development:			
Child Care and Development Block Grant			
	93.575	413,234	-
Child Care and Development Fund-Mandatory			
	93.596	111,527	-
Child Care and Development Fund-Match			
	93.596	167,921	58,679
Total Child Care Development Fund Cluster		<u>787,490</u>	<u>58,679</u>
Temporary Assistance for Needy Families (TANF)			
	93.558	109,322	-
Foster Care Title IV-E			
	93.658	7,920	4,060
TANF-Maintenance-of-Effort			
	n/a	-	119,093
Total Subsidized Child Care		<u>904,732</u>	<u>181,832</u>

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	93.658	22,803	1,283
Adoption Assistance-Title IV-E	93.659	3,067	-
Adoption Assistance - Direct Benefit Payments	93.659	56,631	14,473
Total Foster Care and Adoption Cluster		82,501	15,756
Temporary Assistance for Needy Families (TANF)	93.558	278,644	-
TANF - Direct Benefit Payments	93.558	123,009	(62)
N.C. Child Support Enforcement	93.563	260,873	-
Refugee and Entrant Assistance - State Administered Programs	93.566	(52)	-
Low-Income Home Energy Assistance Program:			
Crisis Intervention	93.568	161,086	-
Energy Assistance-Direct Benefit Payments	93.568	159,875	-
Administration	93.568	33,035	-
Stephanie Tubbs Jones Child Welfare Services:			
Permanency Planning-Families for Kids	93.645	2,476	-
Social Services Block Grant -Other Services and Training	93.667	174,318	20,713
Chafee Foster Care Independence Program	93.674	510	128
Total		1,193,774	20,779
<u>Centers for Medicare and Medicaid Services</u>			
Passed-through the N.C. Dept. of Health and Human Services			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medical Assistance Program	93.778	29,106,208	16,407,280
Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	766,624	28,999
Total Medical Assistance Program		29,872,832	16,436,279
Direct Benefit Payments:			
State Children's Health Insurance Program - N.C. Health Choice	93.767	283,355	12,911
Division of Social Services:			
Administration:			
State Children's Health Insurance Program - N.C. Health Choice	93.767	76,347	8,552
Total State Children's Health Insurance Program - N.C. Health Choice		359,702	21,463
Passed-through the N.C. Dept. of Insurance, Division of SHIIP			
Centers for Medicare and Medicaid Services Research, Demonstrations, and Evaluations	93.779	5,190	-
Total U.S. Dept. of Health and Human Services		32,567,079	16,840,778
<u>U.S. Election Assistance Commission</u>			
Passed through the N.C. State Board of Elections:			
HAVA Grant	90.401	10,863	-
Total federal awards		33,026,279	16,840,778

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<b>STATE AWARDS:</b>			
<u>N.C. Dept. of Health and Human Services</u>			
Division of Aging and Adult Services:			
Division of Social Services:			
State/County Special Assistance for Adults - Direct Benefit Payments		-	490,972
Incent/Program Entegrity		-	706
State Foster Home-Direct Benefit Payments		-	2,621
CWS Adoption Subsidy-Direct Benefit Payments		-	49,234
Smart Start		-	10,415
Child Welfare/CPS		-	5,936
State Foster Home Maximization-Direct Benefit Payments		-	100
Total N.C. Dept. of Health and Human Services		-	559,984
<u>N.C. Dept. of Agriculture and Consumer Services</u>			
Division of Soil and Water Conservation			
SWS-Administration		-	3,600
Soil Technician Grant		-	26,629
Soil Technology Grant		-	5,525
Total N.C. Dept. of Agriculture and Consumer Services		-	35,754
<u>N.C. Division of Aging and Adult Services</u>			
Passed-through Mid-East Commission:			
Senior Center General Purpose		-	11,396
<u>N.C. Dept. of Public Safety</u>			
Division of Community Services		-	107,471
<u>N.C. Dept. of Environmental Quality</u>			
Division of Waste Management			
Electronics Man.		-	2,366
Scrap Tire Program		-	11,966
Total N.C. Dept. of Environmental and Natural Resources		-	14,332
<u>N.C. Dept. of Transportation</u>			
Rural Operating Assistance Program (ROAP) Cluster			
ROAP Elderly and Disabled Transportation Assistance Program		-	49,800
ROAP Rural General Public Program		-	53,188
ROAP Work First Transitional-Employment		-	2,225
Total N.C. Dept. of Transportation		-	105,213
<u>N.C. Dept. of Administration</u>			
Veteran Services Officer		-	1,907
<u>N.C. Dept. of Information Technology</u>			
NC 911		-	2,805,665
Total State awards		-	3,641,722
Total federal and State awards		\$ 33,026,279	20,482,500

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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 under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Hertford County, it is not intended to and does not present the financial positions, changes in net position or cash flows of Hertford County.

2. Summary of Significant Accounting Policies

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

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

3. Loans Outstanding

Hertford County had the following loan balances outstanding at June 30, 2016 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2016 consist of:

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

4. Cluster of Programs

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