

HERTFORD COUNTY, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2019

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FINANCIAL SECTION



INDEPENDENT AUDITORS' 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hertford County, North Carolina, as of and for the year ended June 30, 2019, 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.

Auditors' Responsibility

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

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

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 on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Schedule of Changes in the Net OPEB Liability and Related Ratios on pages 4 through 11 and 62 through 68, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Hertford County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, on our consideration of Hertford County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hertford County's internal control over financial reporting and compliance.

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

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Hertford 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, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

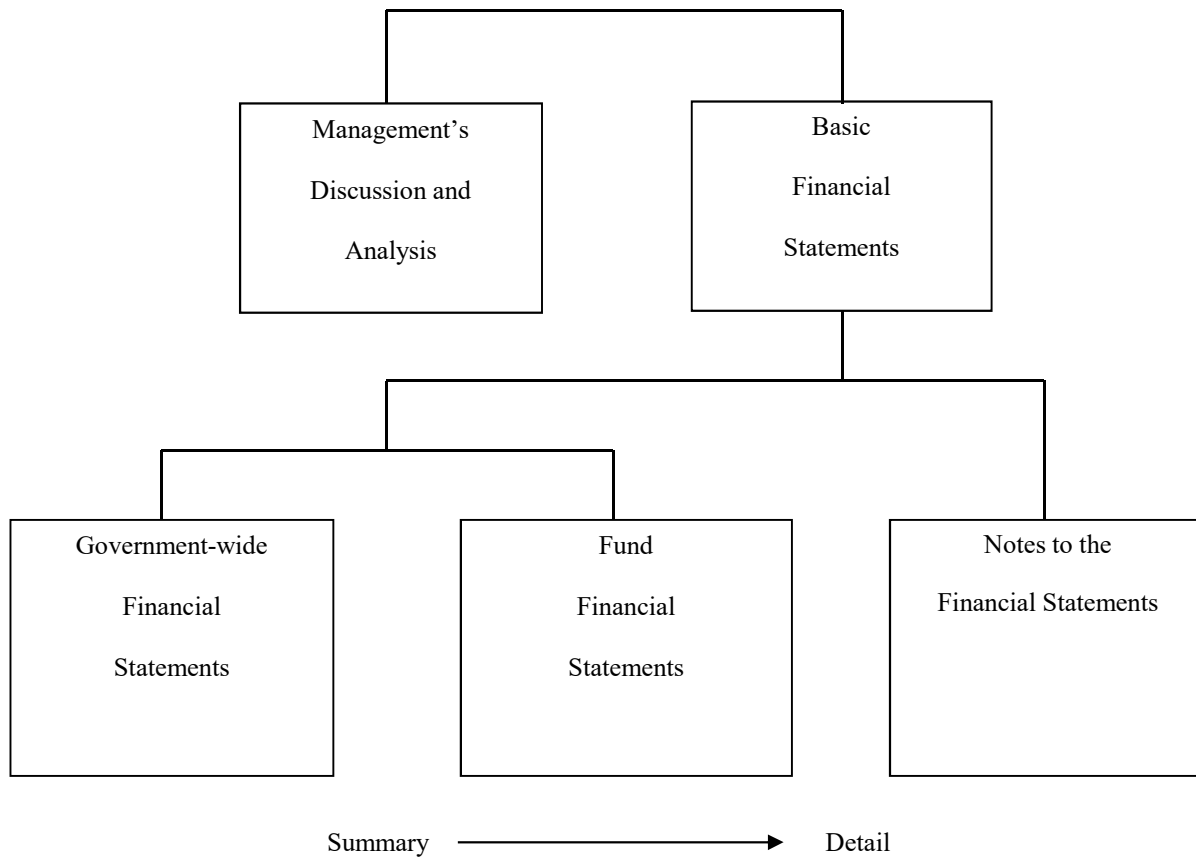
- The assets and deferred outflows of resources of Hertford County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,548,490 (net position).
- The government's total net position increased by \$363,682, primarily due to an increased net position in the Governmental Activities of \$50,231 and an increase in the Business-Type Activities of \$313,451.
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$11,068,506, an increase of \$797,213 in comparison with the prior year. Approximately 28.80 percent of this total amount, or \$3,187,812, is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,369,111 or 17.79 percent of total general fund expenditures for the fiscal year.
- Hertford County's total debt decreased by \$1,745,845 during the current fiscal year. The key factor is due largely to debt service payments exceeding debt proceeds for the year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) 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 pension and benefit plans.

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 one component unit, the Hertford County ABC Board, that is reported as a discretely presented component unit.

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 funds, proprietary funds, and fiduciary funds.

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

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 sanitation 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 five 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; the Tax Fund which accounts for taxes and fees collected by the County for the municipalities and special districts located within the county; and the Cooperative Extension Trust which accounts for the activity for Cooperative Extension activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 24 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. Hertford County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$19,548,490 as of June 30, 2019. One of the largest portions, \$17,809,350 (91.10%) reflects the County's net investment in its capital assets (e.g. land, buildings, machinery, and equipment). Hertford County uses these capital assets to provided services to citizens; consequently, these assets are not available for future spending. Although Hertford County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Hertford County's net position \$3,187,812 (16.31%) represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of (\$1,448,672) is unrestricted.

HERTFORD COUNTY'S NET POSITION

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 12,861,731	\$ 12,189,249	\$ 3,882,277	\$ 4,269,548	\$ 16,744,008	\$ 16,458,797
Capital assets	22,881,685	23,912,127	12,449,352	11,762,117	35,331,037	35,674,244
Total assets	35,743,416	36,101,376	16,331,629	16,031,665	52,075,045	52,133,041
Deferred outflows of resources	2,310,456	1,561,411	110,161	73,717	2,420,617	1,635,128
Long-term liabilities outstanding	24,630,549	25,235,391	6,772,458	7,116,065	31,403,007	32,351,456
Other liabilities	908,155	949,052	520,191	208,657	1,428,346	1,157,709
Total liabilities	25,538,704	26,184,443	7,292,649	7,324,722	32,831,353	33,509,165
Total deferred inflows of resources	2,009,354	1,022,761	106,465	51,435	2,115,819	1,074,196
Net position:						
Net investment in capital assets	11,317,740	11,095,410	6,491,610	5,436,302	17,809,350	16,531,712
Restricted	3,187,812	3,256,579	-	-	3,187,812	3,256,579
Unrestricted	(3,999,738)	(3,896,406)	2,551,066	3,292,923	(1,448,672)	(603,483)
Total net position	\$ 10,505,814	\$ 10,455,583	\$ 9,042,676	\$ 8,729,225	\$ 19,548,490	\$ 19,184,808

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

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

HERTFORD COUNTY'S CHANGES IN NET POSITION
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 2,174,580	\$ 2,535,806	\$ 2,652,041	\$ 2,573,699	\$ 4,826,621	\$ 5,109,505
Operating grants and contributions	3,620,198	3,737,708	-	-	3,620,198	3,737,708
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	14,173,766	13,434,075	-	-	14,173,766	13,434,075
Local option sales tax	5,107,114	4,829,161	-	-	5,107,114	4,829,161
Other taxes	232,951	233,038	-	-	232,951	233,038
Unrestricted grants and contributions	95,830	250,386	-	-	95,830	250,386
Investment Earnings	154,619	68,539	67,285	29,649	221,904	98,188
Miscellaneous	30,666	35,256	62,316	135,449	92,982	170,705
Total revenues	25,589,724	25,123,969	2,781,642	2,738,797	28,371,366	27,862,766
Expenses:						
General government	4,761,824	4,594,726	-	-	4,761,824	4,594,726
Public safety	8,055,377	7,620,413	-	-	8,055,377	7,620,413
Transportation	30,300	30,300	-	-	30,300	30,300
Economic and physical development	387,907	373,474	-	-	387,907	373,474
Human services	5,608,583	6,111,361	-	-	5,608,583	6,111,361
Cultural and recreation	105,942	110,810	-	-	105,942	110,810
Education	6,186,533	6,789,459	-	-	6,186,533	6,789,459
Interest on long-term debt	396,082	418,658	-	-	396,082	418,658
Sanitation	-	-	1,144,130	1,014,287	1,144,130	1,014,287
Water and sewer	-	-	1,331,006	1,211,598	1,331,006	1,211,598
Total expenses	25,532,548	26,049,201	2,475,136	2,225,885	28,007,684	28,275,086
Increase in net position before transfers and special items	57,176	(925,232)	306,506	512,912	363,682	(412,320)
Special Items	-	205,587	-	-	-	205,587
Transfers	(6,945)	-	6,945	-	-	-
Increase in net position	50,231	(719,645)	313,451	512,912	363,682	(206,733)
Net position, July 1	10,455,583	16,666,355	8,729,225	8,369,073	19,184,808	25,035,428
Restatement	-	(5,491,127)	-	(152,760)	-	(5,643,887)
Net position, July 1, as restated	10,455,583	11,175,228	8,729,225	8,216,313	19,184,808	19,391,541
Net position, June 30	\$ 10,505,814	\$ 10,455,583	\$ 9,042,676	\$ 8,729,225	\$ 19,548,490	\$ 19,184,808

Governmental activities. Governmental activities increased the County's net position by \$50,231. Key elements of this increase are as follows:

- Charges for services decreased by \$361,226 and property taxes and local option sales tax increased in the amounts of \$739,691 and \$277,953, respectively.

Business-type activities. Business-type activities increased Hertford County's net position by \$313,451 over the prior year. The key elements of this increase are as follows.

- Even though expenditures increased, charges for services increased by \$78,342.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Hertford County. At the end of the current fiscal year, Hertford County's fund balance available in the General Fund was \$7,907,291, while total fund balance reached \$10,397,370. 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 32.20% of general fund expenditures, while total fund balance represents 42.34% of that same amount.

At June 30, 2019, the governmental funds of Hertford County reported a combined fund balance of \$11,068,506, a 7.76% increase over last year. The primary reasons for this increase was a significant increase in property tax revenue and local option sales tax revenue.

There were other variances reflected in the governmental fund financial statements for 2019.

- Our 2019 overall collection rate is 96.37%, lower than the state average, but higher than the prior year rate of 96.19%.

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 \$670,326 or 2.63 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 \$102,389 and those for the Water and Sewer Districts equaled \$2,448,677. 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, 2019, totals \$35,331,037 (net of accumulated depreciation). These assets include buildings, water lines, land, machinery and equipment, facilities, and vehicles.

Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and Improvements	\$ 482,083	\$ 482,083	\$ 44,317	\$ 44,317	\$ 526,400	\$ 526,400
Construction in Progress	-	494,556	1,006,983	-	1,006,983	494,556
Buildings and Improvements	20,309,450	20,246,049	311,263	324,536	20,620,713	20,570,585
Plant and Distribution Systems	1,676,446	2,036,369	10,858,638	11,197,839	12,535,084	13,234,208
Equipment	413,706	653,070	203,898	161,199	617,604	814,269
Vehicle and Motor Equipment	-	-	24,253	34,225	24,253	34,225
Total	\$ 22,881,685	\$ 23,912,127	\$ 12,449,352	\$ 11,762,116	\$ 35,331,037	\$ 35,674,243

Additional information on the County's capital assets can be found in Note III(a)(5) on pages 36-39.

Long-term Debt. As of June 30, 2019, Hertford County had total debt outstanding of \$31,403,006 of which \$15,125,031 is bonded debt backed by the full faith and credit of the County.

Hertford County's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 9,167,289	\$ 9,817,081	\$ 5,957,742	\$ 6,325,815	\$ 15,125,031	\$ 16,142,896
Installment Purchases	2,396,656	3,124,636	-	-	2,396,656	3,124,636
Compensated Absences	536,463	603,838	41,212	37,066	577,675	640,904
Net pension liability (LGRS)	2,421,438	1,543,473	119,816	76,372	2,541,254	1,619,845
Total pension liability (LEOSSA)	680,289	663,501	-	-	680,289	663,501
Landfill closure payable	-	-	129,688	149,786	129,688	149,786
Net OPEB liability	9,428,414	9,482,862	524,000	527,026	9,952,414	10,009,888
Total Long-Term Debt	\$ 24,630,549	\$ 25,235,391	\$ 6,772,458	\$ 7,116,065	\$ 31,403,007	\$ 32,351,456

During the past fiscal year, Hertford County's total debt decreased by \$948,450 or 2.93 percent. General obligation debt of \$649,792 was retired in governmental activities and \$368,073 in the business-type activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. Hertford County's debt limit is \$121,569,525.

Additional information regarding Hertford County's long-term debt can be found in Note III(a)(8) beginning on page 55 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

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

- The County's top ten taxpayers have an assessed valuation of \$230,145,206, which makes up 15.44% of the total assessed value. These top ten taxpayers remain sound and viable industries with property values remaining steady.
- The County has managed to maintain the same level of service and funding for key agencies such as schools, the health department & community college, doing so while maintaining a fund balance above what is recommended by the Local Government Commission.
- In lieu of very narrow revenue streams, the County strives to keep revenues and expenditures closely aligned within its operations.

Budget Highlights for Fiscal Year Ending June 30, 2020

Government Activities: The County adopted Fiscal Year 2020 general fund budget in the amount of \$25,980,568, which represents less than a one percent increase over last year's adopted budget due largely in part to a loss in real property values as a result of the 2019 Octennial Revaluation. Even with the loss in property valuations, we will be able to maintain the same level of service to the citizens via debt retirement and final payment of certain non-recurring expenditures.

Business-type Activities: The rates for residential customers in the County's Sanitation fund increased 20% due to increased operational costs as a result of e-waste and loss recyclables market. Tipping Fees for commercial customers and the Water Funds rates will remain unchanged for fiscal year 2020.

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 Loria Williams, County Manager, Hertford County Government Center 115 Justice Drive, Suite 1, Winton, North Carolina 27986. You can also call (252) 358-7805, visit our website at www.hertfordcountync.gov, or send an email to hertford.county@hertfordcountync.gov for more information.

**BASIC
FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Hertford County, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hertford County ABC Board
<u>ASSETS</u>				
Cash and cash investments	\$ 7,314,321	\$ 3,230,906	\$ 10,545,227	\$ 181,607
Taxes receivable	791,529	-	791,529	-
Accrued interest receivable on taxes	93,970	-	93,970	-
Accounts receivables (net)	388,411	469,609	858,020	-
Due from other governments	2,112,734	51,328	2,164,062	-
Internal balances	-	-	-	-
Net pension asset	28,513	-	28,513	-
Inventory	-	24,744	24,744	359,589
Prepaid expenses	-	-	-	3,900
Restricted cash and cash equivalents	2,132,253	105,690	2,237,943	-
Capital assets:				
Land, improvements, and construction in progress	482,083	1,041,300	1,523,383	113,708
Other capital assets, net of depreciation	22,399,602	11,408,052	33,807,654	270,962
Total capital assets	22,881,685	12,449,352	35,331,037	384,670
Total assets	35,743,416	16,331,629	52,075,045	929,766
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	2,310,456	110,161	2,420,617	56,071
<u>LIABILITIES</u>				
Accounts payable & accrued liabilities	778,043	388,793	1,166,836	51,248
Customer deposits	39,400	105,690	145,090	-
Accrued interest payable	90,712	25,708	116,420	-
Due to primary government	-	-	-	-
Long-term liabilities:				
Due within one year	1,717,106	387,803	2,104,909	-
Due in more than one year	22,913,443	6,384,655	29,298,098	462,552
Total long-term liabilities	24,630,549	6,772,458	31,403,007	462,552
Total liabilities	25,538,704	7,292,649	32,831,353	513,800
<u>DEFERRED INFLOWS OF RESOURCES</u>	2,009,354	106,465	2,115,819	48,871
<u>NET POSITION</u>				
Net investment in capital assets	11,317,740	6,491,610	17,809,350	384,670
Restricted for:				
Stabalization by State Statute	2,501,145	-	2,501,145	-
Register of Deeds	8,384	-	8,384	-
Public Safety	-	-	-	-
Human Services	678,283	-	678,283	-
General Government	-	-	-	-
Working Capital	-	-	-	38,496
Capital Improvements	-	-	-	-
Unrestricted (deficit)	(3,999,738)	2,551,066	(1,448,672)	-
Total net position	\$ 10,505,814	\$ 9,042,676	\$ 19,548,490	\$ 423,166

Hertford County, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
					Governmental Activities	Business-type Activities	Total	Hertford County ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 4,761,824	\$ 447,752	\$ -	\$ -	\$ (4,314,072)	\$ -	\$ (4,314,072)	\$ -
Public safety	8,055,377	1,500,459	338,512	-	(6,216,406)	-	(6,216,406)	-
Transportation	30,300	-	-	-	(30,300)	-	(30,300)	-
Economic and physical development	387,907	4,575	110,420	-	(272,912)	-	(272,912)	-
Human services	5,608,583	221,794	3,171,266	-	(2,215,523)	-	(2,215,523)	-
Cultural and recreation	105,942	-	-	-	(105,942)	-	(105,942)	-
Education	6,186,533	-	-	-	(6,186,533)	-	(6,186,533)	-
Interest on long-term debt	396,082	-	-	-	(396,082)	-	(396,082)	-
Total governmental activities	25,532,548	2,174,580	3,620,198	-	(19,737,770)	-	(19,737,770)	-
Business-type activities:								
Sanitation	1,144,130	1,031,921	-	-	-	(112,209)	(112,209)	-
Water and Sewer	1,331,006	1,620,120	-	-	-	289,114	289,114	-
Total business-type activities	2,475,136	2,652,041	-	-	-	176,905	176,905	-
Total primary government	28,007,684	4,826,621	3,620,198	-	(19,737,770)	176,905	(19,560,865)	-
Component Units:								
ABC Board	2,404,499	2,459,310	-	-	-	-	-	54,811
Total component units	\$ 2,404,499	\$ 2,459,310	\$ -	\$ -	-	-	-	54,811
General revenues:								
Taxes:								
Property taxes, levied for general purpose					14,173,766	-	14,173,766	-
Local option sales tax					5,107,114	-	5,107,114	-
Other taxes					232,951	-	232,951	-
Grants and contributions, not restricted to specific programs					95,830	-	95,830	-
Investment earnings, unrestricted					154,619	67,285	221,904	1,145
Sale of Assets					-	-	-	-
Miscellaneous, unrestricted					30,666	62,316	92,982	-
Transfers					(6,945)	6,945	-	-
Total general revenues, special items, and transfers					19,788,001	136,546	19,924,547	1,145
Change in net position					50,231	313,451	363,682	55,956
Net position, beginning					10,455,583	8,729,225	19,184,808	367,210
Net position, ending					\$ 10,505,814	\$ 9,042,676	\$ 19,548,490	\$ 423,166

FUND
FINANCIAL STATEMENTS

Hertford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	<u>Major</u>	<u>Non-Major</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,609,069	\$ 705,252	\$ 7,314,321
Restricted cash	2,132,253	-	2,132,253
Taxes receivable	783,197	8,332	791,529
Accounts receivable, net	378,996	9,415	388,411
Due from other governments	2,111,083	1,651	2,112,734
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 12,014,598</u>	<u>\$ 724,650</u>	<u>\$ 12,739,248</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 732,861	\$ 45,182	\$ 778,043
Due to other funds	-	-	-
Deposits	39,400	-	39,400
Total liabilities	<u>772,261</u>	<u>45,182</u>	<u>817,443</u>
Deferred Inflows of Resources:	<u>844,967</u>	<u>8,332</u>	<u>853,299</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	2,490,079	11,066	2,501,145
Register of Deeds	8,384	-	8,384
Human Services	-	-	-
Public Safety	-	678,283	678,283
General Government	-	-	-
Committed:			
Revaluation	123,100	-	123,100
Capital Reserve	1,961,368	-	1,961,368
Assigned:			
Subsequent year's expenditures			
General Fund	1,445,328	-	1,445,328
Unassigned:			
General Fund	4,369,111	-	4,369,111
Capital projects fund	-	(18,213)	(18,213)
Total fund balances	<u>10,397,370</u>	<u>671,136</u>	<u>11,068,506</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,014,598</u>	<u>\$ 724,650</u>	<u>\$ 12,739,248</u>

Hertford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

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

Total equity and other credits (Exhibit 3)	\$ 11,068,506
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,881,685
Net Pension Asset	28,513
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	495,336
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	282,282
Deferred outflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	1,506,672
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	26,166
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	93,970
Net pension liability	(2,421,438)
Net OPEB liability	(9,428,414)
Total pension liability	(680,289)
Deferred inflows of resources for taxes receivable	791,529
Pension related deferrals	(43,957)
OPEB related deferrals	(1,903,627)
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	(12,191,120)
Net position of governmental activities (Exhibit 1)	<u>\$ 10,505,814</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>Major</u>	<u>Non-Major</u>	
		<u>Other</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
<u>REVENUES</u>			
Ad valorem taxes	\$ 14,143,331	\$ 101,107	\$ 14,244,438
Local option sales taxes	5,074,864	32,251	5,107,115
Other taxes and licenses	232,951	-	232,951
Unrestricted intergovernmental	95,830	-	95,830
Restricted intergovernmental	3,654,935	-	3,654,935
Permits and fees	168,098	-	168,098
Sales and services	1,930,230	-	1,930,230
Investment earnings	141,892	12,727	154,619
Miscellaneous	98,425	-	98,425
	<u>25,540,556</u>	<u>146,085</u>	<u>25,686,641</u>
Total revenues			
<u>EXPENDITURES</u>			
Current:			
General government	4,136,764	-	4,136,764
Public safety	6,536,561	316,626	6,853,187
Transportation	30,300	-	30,300
Economic and physical development	352,500	-	352,500
Human services	5,434,734	-	5,434,734
Cultural and recreational	105,016	-	105,016
Education	5,602,422	584,111	6,186,533
Capital Outlay	-	-	-
Debt service:			
Principal	1,352,980	-	1,352,980
Interest and other charges	430,469	-	430,469
	<u>23,981,746</u>	<u>900,737</u>	<u>24,882,483</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>1,558,810</u>	<u>(754,652)</u>	<u>804,158</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in from other funds	-	-	-
Transfers out to other funds	(572,843)	565,898	(6,945)
	<u>(572,843)</u>	<u>565,898</u>	<u>(6,945)</u>
Total other financing sources and uses			
Net change in fund balance	985,967	(188,754)	797,213
Fund Balances, beginning	9,411,403	859,890	10,271,293
Fund Balances, ending	<u>\$ 10,397,370</u>	<u>\$ 671,136</u>	<u>\$ 11,068,506</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 797,213
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.	140,538
The allocation of the costs of assets over the life of the assets through depreciation is not a current financial use in the funds; therefore, depreciation expense is not recorded in these statements.	(1,144,735)
Cost of assets sold and disposed of not recorded in the fund statements	(26,245)
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.	1,352,980
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	495,336
Benefit payments and pension administration costs for LEOSA are deferred outflows of resources on the Statement of Net Position	26,166
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	282,282
Some expenses reported in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in current financial resources and, therefore, are not reported as expenditures in governmental funds	(1,827,424)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	(45,880)
Total changes in net position of governmental activities	\$ 50,231

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances -Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<u>Revenues</u>				
Ad valorem taxes	\$ 13,616,867	\$ 13,616,867	\$ 14,143,331	\$ 526,464
Local option sales tax	4,775,640	4,775,640	5,074,864	299,224
Other taxes and licenses	217,796	217,796	232,951	15,155
Unrestricted intergovernmental	107,000	107,000	95,830	(11,170)
Restricted intergovernmental	3,217,349	3,541,607	3,654,935	113,328
Permits and fees	239,000	239,000	168,098	(70,902)
Sales and services	1,827,169	1,827,169	1,930,230	103,061
Investment earnings	50,000	50,000	141,892	91,892
Miscellaneous	75,580	95,922	98,425	2,503
Total revenues	24,126,401	24,471,001	25,540,556	1,069,555
<u>Expenditures</u>				
Current:				
General government	4,241,985	4,297,291	4,041,844	255,447
Public safety	6,820,764	6,934,258	6,536,561	397,697
Transportation	30,300	30,300	30,300	-
Economic and physical development	534,853	557,994	352,500	205,494
Human services	5,458,840	5,761,927	5,434,734	327,193
Cultural and recreational	105,016	105,016	105,016	-
Education	5,370,292	5,370,292	5,341,092	29,200
Debt service	1,528,308	1,783,003	1,783,449	(446)
Contingency	100,000	13,658	-	13,658
Total expenditures	24,190,358	24,853,739	23,625,496	1,228,243
Revenues over (under) expenditures	(63,957)	(382,738)	1,915,060	2,297,798
<u>Other financing sources (uses)</u>				
Transfers to other funds	(1,310,920)	(1,317,865)	(1,232,741)	85,124
Transfers from other funds	-	-	-	-
Contribution from Economic Development	-	-	-	-
Commission	-	-	-	-
Contribution from Public Housing Authority	-	-	-	-
Loan Proceeds	-	-	-	-
Appropriated fund balance	1,374,877	1,700,603	-	(1,700,603)
Total other financing sources (uses)	63,957	382,738	(1,232,741)	(1,615,479)
Net Change in fund balance	\$ -	\$ -	682,319	\$ 682,319
Fund balance, beginning			7,630,584	
Fund balance, ending			\$ 8,312,903	
A legally budgeted School Capital Reserve Fund, Capital Reserve Fund, and Revaluation Fund were consolidated into the General Fund for reporting purposes:				
Sales tax			-	
Education - Capital Outlay			(261,330)	
Transfers to Other Funds			(565,898)	
Transfers from General Fund			1,225,796	
Expenses - General Government			(94,920)	
Fund balance, Beginning			1,780,819	
Fund Balance, Ending (Exhibit 4)			\$ 10,397,370	

Hertford County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	MAJOR			NON-MAJOR	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,340,119	\$ 1,589,974	\$ 120,949	\$ 179,864	\$ 3,230,906
Restricted cash and cash equivalents	33,375	72,315	-	-	105,690
Receivables (net)	50,438	137,957	24,541	256,673	469,609
Due from other funds	-	1,359,000	-	-	1,359,000
Due from other governments	32,698	4,486	94	14,050	51,328
Inventory	6,928	17,816	-	-	24,744
Total current assets	<u>1,463,558</u>	<u>3,181,548</u>	<u>145,584</u>	<u>450,587</u>	<u>5,241,277</u>
Non-current assets:					
Capital assets:					
Land, improvements and construction in progress	1,006,983	-	11,271	23,046	1,041,300
Other capital assets, net of depreciation	2,861,669	6,473,510	1,826,743	246,130	11,408,052
Total capital assets	<u>3,868,652</u>	<u>6,473,510</u>	<u>1,838,014</u>	<u>269,176</u>	<u>12,449,352</u>
Total non-current assets	<u>3,868,652</u>	<u>6,473,510</u>	<u>1,838,014</u>	<u>269,176</u>	<u>12,449,352</u>
Total assets	<u>5,332,210</u>	<u>9,655,058</u>	<u>1,983,598</u>	<u>719,763</u>	<u>17,690,629</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>31,363</u>	<u>48,193</u>	<u>-</u>	<u>30,605</u>	<u>110,161</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	303,726	10,802	753	48,984	364,265
Customer deposits	33,375	72,315	-	-	105,690
Accrued interest payable	7,888	16,670	1,150	-	25,708
Compensated absences	3,605	1,847	-	4,851	10,303
Accrued payroll	4,183	8,759	-	11,586	24,528
Due to other funds	1,359,000	-	-	-	1,359,000
General obligation bonds payable	119,490	252,510	5,500	-	377,500
Total current liabilities	<u>1,831,267</u>	<u>362,903</u>	<u>7,403</u>	<u>65,421</u>	<u>2,266,994</u>
Noncurrent liabilities:					
Net pension liability	31,936	53,310	-	34,570	119,816
Compensated absences	10,815	5,540	-	14,554	30,909
General obligation bonds payable	1,700,887	3,594,355	285,000	-	5,580,242
Net OPEB obligation	206,484	205,712	-	111,804	524,000
Landfill closure payable	-	-	-	129,688	129,688
Total noncurrent liabilities	<u>1,950,122</u>	<u>3,858,917</u>	<u>285,000</u>	<u>290,616</u>	<u>6,384,655</u>
Total liabilities	<u>3,781,389</u>	<u>4,221,820</u>	<u>292,403</u>	<u>356,037</u>	<u>8,651,649</u>
DEFERRED INFLOWS OF RESOURCES	<u>41,868</u>	<u>41,831</u>	<u>-</u>	<u>22,766</u>	<u>106,465</u>
NET POSITION					
Net investment in capital assets	2,048,275	2,626,645	1,547,514	269,176	6,491,610
Restricted	-	-	-	-	-
Unrestricted	<u>(507,959)</u>	<u>2,812,955</u>	<u>143,681</u>	<u>102,389</u>	<u>2,551,066</u>
Total net position	<u>\$ 1,540,316</u>	<u>\$ 5,439,600</u>	<u>\$ 1,691,195</u>	<u>\$ 371,565</u>	<u>\$ 9,042,676</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Net Position - Proprietary Funds
For The Fiscal Year Ended June 30, 2019

	MAJOR			NON-MAJOR	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
OPERATING REVENUE					
Charges for Services	\$ 500,761	\$ 992,622	\$ 34,040	\$ 1,031,921	\$ 2,559,344
Tap on fees	26,847	65,850	-	-	92,697
Miscellaneous	2,094	8,955	-	51,267	62,316
Total Operating Revenues	<u>529,702</u>	<u>1,067,427</u>	<u>34,040</u>	<u>1,083,188</u>	<u>2,714,357</u>
OPERATING EXPENDITURES					
Administration and Operations	288,235	493,109	14,718	1,128,730	1,924,792
Depreciation	101,120	220,780	38,867	15,400	376,167
Capital Outlay	3,350	8,615	-	-	11,965
Total Operating Expenses	<u>392,705</u>	<u>722,504</u>	<u>53,585</u>	<u>1,144,130</u>	<u>2,312,924</u>
OPERATING INCOME (LOSS)	<u>136,997</u>	<u>344,923</u>	<u>(19,545)</u>	<u>(60,942)</u>	<u>401,433</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment earnings	11,245	49,644	1,340	5,056	67,285
Interest paid and bond issuance cost	<u>(49,853)</u>	<u>(105,351)</u>	<u>(7,008)</u>	<u>-</u>	<u>(162,212)</u>
Total Nonoperating Revenues (Expenses)	<u>(38,608)</u>	<u>(55,707)</u>	<u>(5,668)</u>	<u>5,056</u>	<u>(94,927)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>98,389</u>	<u>289,216</u>	<u>(25,213)</u>	<u>(55,886)</u>	<u>306,506</u>
Capital contributions	-	-	-	-	-
Transfers from (to) other funds	939	1,200	-	4,806	6,945
Total	<u>939</u>	<u>1,200</u>	<u>-</u>	<u>4,806</u>	<u>6,945</u>
CHANGE IN NET POSITION	99,328	290,416	(25,213)	(51,080)	313,451
NET POSITION, BEGINNING	<u>1,440,988</u>	<u>5,149,184</u>	<u>1,716,408</u>	<u>422,645</u>	<u>8,729,225</u>
NET POSITION, ENDING	<u>\$ 1,540,316</u>	<u>\$ 5,439,600</u>	<u>\$ 1,691,195</u>	<u>\$ 371,565</u>	<u>\$ 9,042,676</u>

Hertford County, North Carolina
Statement of Cash Flows - Proprietary Funds
For The Fiscal Year Ended June 30, 2019

	MAJOR			NON-MAJOR	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 495,205	\$ 1,069,005	\$ 26,022	\$ 1,013,386	\$ 2,603,618
Cash paid for goods and services	182,752	(307,908)	(14,727)	(823,043)	(962,926)
Cash paid to employees for services	(155,567)	(157,893)	-	(304,775)	(618,235)
Other operating revenue	2,094	8,955	-	51,267	62,316
Net cash provided (used) by operating activities	524,484	612,159	11,295	(63,165)	1,084,773
Cash flows from noncapital financing activities					
Due to other funds	1,359,000	(1,359,000)	-	-	-
Receipt of nonoperating grants	-	-	-	-	-
Transfers (to) from other funds	939	1,200	-	4,806	6,945
Net cash provided (used) by noncapital financial activities	1,359,939	(1,357,800)	-	4,806	6,945
Cash flows from capital and related financing activities:					
Purchase of capital assets	(1,006,983)	(56,419)	-	-	(1,063,402)
Principal paid on bond maturities	(116,462)	(246,111)	(5,500)	-	(368,073)
Interest paid on bond maturities	(50,358)	(106,417)	(7,030)	-	(163,805)
Net cash provided (used) by capital and related financing activities	(1,173,803)	(408,947)	(12,530)	-	(1,595,280)
Cash flows from investing activities:					
Interest on investments	11,245	49,644	1,340	5,056	67,285
Net cash provided by investing activities	11,245	49,644	1,340	5,056	67,285
Net increase (decrease) in cash and cash equivalents	721,865	(1,104,944)	105	(53,303)	(436,277)
Cash and cash equivalents, beginning	651,629	2,767,233	120,844	233,167	3,772,873
Cash and cash equivalents, ending	\$ 1,373,494	\$ 1,662,289	\$ 120,949	\$ 179,864	\$ 3,336,596

Hertford County, North Carolina
Statement of Cash Flows - Proprietary Funds
For The Fiscal Year Ended June 30, 2019

	MAJOR			NON-MAJOR	
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Total
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 136,997	\$ 344,923	\$ (19,545)	\$ (60,942)	\$ 401,433
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	101,120	220,780	38,867	15,400	376,167
Changes in assets and liabilities:					-
(Increase) decrease in accounts receivable	(32,353)	9,898	(8,018)	(18,535)	(49,008)
(Increase) decrease in inventory	-	-	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	299,693	5,668	(9)	4,299	309,651
Increase (decrease) in customer deposits	(50)	635	-	-	585
Increase (decrease) in compensated absences	(618)	1,884	-	2,881	4,147
Increase (decrease) in accrued payroll	(982)	3,085	-	788	2,891
Increase (decrease) in OPEB Liability	(1,193)	(1,188)	-	(645)	(3,026)
(Increase) decrease in deferred outflows of resources - pensions	(3,390)	(20,401)	-	(7,932)	(31,723)
(Increase) decrease in deferred outflows of resources - OPEB	(1,860)	(1,854)	-	(1,007)	(4,721)
Increase (decrease) in net pension liability	5,414	26,982	-	11,048	43,444
Increase (decrease) in deferred inflows of resources - pensions	(608)	(484)	-	(506)	(1,598)
Increase (decrease) in deferred inflows of resources - OPEB	22,314	22,231	-	12,083	56,628
Increase (decrease) in landfill closure and postclosure costs	-	-	-	(20,097)	(20,097)
Total adjustments	<u>387,487</u>	<u>267,236</u>	<u>30,840</u>	<u>(2,223)</u>	<u>683,340</u>
Net cash provided (used) by operating activities	<u>\$ 524,484</u>	<u>\$ 612,159</u>	<u>\$ 11,295</u>	<u>\$ (63,165)</u>	<u>\$ 1,084,773</u>

Hertford County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Agency Funds
Assets	
Cash and cash equivalents	\$ 43,752
Due from other governments	208
	<hr/>
Total Assets	43,960
	<hr/> <hr/>
Liabilities and Net Position	
Liabilities:	
Miscellaneous liabilities	43,960
	<hr/>
Total Liabilities	\$ 43,960
	<hr/> <hr/>

**NOTES TO THE
FINANCIAL STATEMENTS**

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component unit; a legally separate entity for which the County is financially accountable. Hertford County's 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. The Hertford County ABC Board (the *Board*), which has a June 30 year-end, are presented as if they are separate proprietary funds of the County (discrete presentation). The blended presentation method presents component units as a department or unit of the County, and offers no separate presentation as with the discrete method.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Hertford County Northern Water District	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing Board for the District.	None issued.
Hertford County Southern Water District	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing Board for the District.	None issued.
Hertford County Tunis Sewer District	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing Board for the District.	None issued.
Hertford County ABC Board	Discrete	The members of the ABC Board governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.	Hertford County ABC Board US 13 South Ahoskie, NC 27910

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

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

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

Fund Financial Statements - The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. 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 fund:

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.

The County reports the following major enterprise funds.

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

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

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

The County reports the following fund types:

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; the Inmates Money Fund, which accounts for monies of inmates that are held by the County for their personal expenses; and the Cooperative Extension Trust Fund, which accounts for monies collected and owed for the Ag Extension Trust and 4-H Trust.

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

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.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Since September 1, 2013, the State of North Carolina has been responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. These property taxes are due when vehicles are registered. Motor vehicle property tax revenues are applicable to the fiscal year in which they are received. Uncollected taxes that were billed by the County for periods prior to September 1, 2013 or those 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 beer and wine 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.

C. 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 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 Ahoskie Elementary School Project Fund.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department 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 appropriations by more than \$5,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the County and Hertford County ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The County 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 and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market deposit accounts, and certificates of deposit.

State Law [G.S. 159-30(c)] authorizes the County 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 and the ABC Board's investments are carried at fair value. Non-participating interest earning investment contracts are accounted for at cost. The North Carolina Capital Management Trust (NCCMT) is a SEC-registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAA rating from S&P. All NCCMT portfolios are reported 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 considered cash and cash equivalents. The ABC Board considers demand deposits and investments with a maturity date of 90 days or less at the time of purchase to be cash and cash equivalents.

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, 2019, 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. The following table illustrates the breakdown of Hertford County Restricted Cash.

Governmental Activities		
General Fund	Tax Revaluation	\$ 137,500
General Fund	Capital Reserve	1,961,369
General Fund	Register of Deeds	8,384
General Fund	Deposit - Sale of Home Health	25,000
Total Governmental Activities		<u>\$ 2,132,253</u>
Business-Type Activities		
Northern Water District	Customer Deposits	\$ 33,375
Southern Water District	Customer Deposits	72,315
Tunis Sewer District	Customer Deposits	-
Total Business-Type Activities		<u>\$ 105,690</u>
Total Restricted Cash		<u><u>\$ 2,237,943</u></u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

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, 2018.

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 County and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory of the County's enterprise funds as well as those of the ABC Board consists of materials and supplies held for consumption or resale, and is reported at lower of cost or market.

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.

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

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

10. Compensated Absences

The vacation policies of the County and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide, proprietary fund, and ABC Board statements.

The sick leave policies of the County 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.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

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 by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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.

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

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

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

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

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

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

12. Defined Benefit Pension and OPEB Plans

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

E. Reconciliation of Government-Wide and Fund Financial Statements

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

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 (\$562,692) consists of the following:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities that are not financial resources and are therefore not reported in the funds (total capital assets on governmental-wide statement in governmental activities column)	\$ 31,934,518
Less Accumulated Depreciation	(9,052,833)
Net capital assets	<u>22,881,685</u>
Net pension asset	28,513
Contributions to the pension plan in the current fiscal year	495,336
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	282,282
Deferred outflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	1,506,672
Benefit payments and pension administration costs for LEOSSA	26,166
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	93,970
Deferred inflows of resources for taxes receivable	791,529
Deferred inflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	(43,957)
Deferred inflows of resources reported in the government-wide statements but not the fund statements - OPEB related deferrals	(1,903,627)

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

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	(11,563,945)
Compensated absences	(536,463)
Net OPEB Liability	(9,428,414)
Net pension liability-LGERS	(2,421,438)
Net pension liability-LEOSSA	(680,289)
Accrued interest payable	(90,712)

Total adjustment	<u>\$ (562,692)</u>
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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 (\$746,982) 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	\$ 140,538
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,144,735)
Cost of disposed capital asset not recorded in fund statements	(26,245)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	1,352,980
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	495,336
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	26,166
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position	282,282
Expenses reported in that statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	9,595
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	67,375
OPEB Expense	(1,161,773)
County's portion of collective pension expense	(742,621)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Change in deferred inflows of resources - taxes receivable at the end of year	(57,937)
Change in accrued taxes receivable for year	(12,735)
Amortization of bond premium	24,792
Total adjustment	<u>\$ (746,982)</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

II: Stewardship, Compliance and Accountability

A. Noncompliance with North Carolina General Statutes

None to Report.

B. Deficit Fund Balance or Net Position of Individual Funds

The County reported a deficit of \$18,213 in the Ahoskie Elementary School Project as a result of invoices that were booked as accounts payable. The County is currently transferring money into the project to cover expenses until loan proceeds are received. A transfer was not made to cover the amount recorded as accounts payable. This was considered immaterial, so it was not listed as a finding in the audit report.

III. Detail Notes on All Funds

a. Assets

1. Deposits

All of the County's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's and the ABC Board's agent in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County 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 or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for the under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

At June 30, 2019 the County's deposits had a carrying amount of \$3,230,516 and a bank balance of \$3,810,566. Of the bank balance, \$250,075 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2019, Hertford County had \$1,280 cash on hand.

At June 30, 2019, the carrying amount of deposits for the ABC Board was \$181,607 and a bank balance of \$419,504. All of the bank balances were covered by federal depository insurance. The carrying value included cash on hand of \$1,550.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

2. Investments

At June 30, 2019, the County had the following investments and maturities.

<u>Investment</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>6-12 months</u>
NC Capital Management Trust - Government Portfolio	Fair Value - Level I	\$ 9,595,126	N/A

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

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

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

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

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

<u>Year</u>	<u>Levied</u>	<u>Total Taxes</u>	<u>Interest</u>	<u>Total</u>
2016	\$	1,108,396	\$ 362,551	\$ 1,470,947
2017		1,097,029	260,368	1,357,397
2018		1,107,390	163,125	1,270,515
2019		1,110,022	63,812	1,173,834
Total	\$	4,422,837	\$ 849,856	\$ 5,272,693

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

4. Receivables

Receivables at the government-wide level at June 30, 2019, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Total
Governmental Activities:				
General	\$ 1,889,332	\$ 1,447,167	\$ 2,111,083	\$ 5,447,582
Ahoskie Elementary School Project	-	-	-	-
Other Governmental	9,415	8,332	1,651	19,398
Total	1,898,747	1,455,499	2,112,734	5,466,980
Allowance for Doubtful Accts.	(1,510,336)	(570,000)	-	(2,080,336)
Total-governmental activities	<u>\$ 388,411</u>	<u>\$ 885,499</u>	<u>\$ 2,112,734</u>	<u>\$ 3,386,644</u>
Business-type Activities:				
Northern Water District	\$ 55,089	\$ -	\$ 32,698	\$ 87,787
Southern Water District	144,490	-	4,486	148,976
Tunis Sewer District	24,541	-	94	24,635
Sanitation	384,787	-	14,050	398,837
Total	\$ 608,907	\$ -	\$ 51,328	\$ 660,235
Allowance for Doubtful Accts.	(139,298)	-	-	(139,298)
Total-business-type activities	<u>\$ 469,609</u>	<u>\$ -</u>	<u>\$ 51,328</u>	<u>\$ 520,937</u>
Agency Funds:				
Cooperative Extension Trust Fund	\$ -	\$ -	\$ 208	\$ 208
Total Agency Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 208</u>

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

Local option sales tax	\$ 1,310,678
Franchise tax	7,236
Sales tax refund	157,314
Other grants, ABC Distributions	529,662
Scrap tire tax	8,724
White goods tax	-
Solid waste disposal tax	3,365
NCVTS	147,291
Total	<u>\$ 2,164,270</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

5. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 482,083	\$ -	\$ -	\$ 482,083
Construction in Progress	494,556	107,329	(601,885)	-
Total capital assets not being depreciated	976,639	107,329	(601,885)	482,083
Capital assets being depreciated:				
Buildings and Improvements	24,649,222	597,275	(211,195)	25,035,302
Equipment	4,104,815	37,819	-	4,142,634
Vehicles and motor equipment	2,304,782	-	(30,283)	2,274,499
Total capital assets being depreciated	31,058,819	635,094	(241,478)	31,452,435
Less accumulated depreciation for:				
Buildings and Improvements	4,403,173	533,874	(211,195)	4,725,852
Equipment	2,068,446	397,742	-	2,466,188
Vehicles and motor equipment	1,651,712	213,119	(4,038)	1,860,793
Total accumulated depreciation	8,123,331	\$ 1,144,735	\$ (215,233)	9,052,833
Total capital assets being depreciated, net	22,935,488			22,399,602
Governmental activities capital assets, net	<u>\$ 23,912,127</u>			<u>\$ 22,881,685</u>

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

General government	\$ 468,004
Public Safety	636,127
Human Services	31,566
Cultural and Recreational	926
Economic and Physical Development	8,112
Total depreciation expense	<u>\$ 1,144,735</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Northern Water District				
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 1,006,983	\$ -	\$ 1,006,983
Total capital assets not being depreciated	-	1,006,983	-	1,006,983
Capital assets being depreciated:				
Plant and distribution systems	\$ 4,579,543	\$ -	\$ -	\$ 4,579,543
Buildings	91,454	-	-	91,454
Vehicles and motor equipment	109,620	-	-	109,620
Total capital assets being depreciated	4,780,617	-	-	4,780,617
Less accumulated depreciation for:				
Plant and distribution systems	1,731,845	91,591	-	1,823,436
Buildings	5,110	3,658	-	8,768
Vehicles and motor equipment	80,873	5,871	-	86,744
Total accumulated depreciation	1,817,828	\$ 101,120	\$ -	1,918,948
Total capital assets being depreciated, net	2,962,789			2,861,669
Northern Water District Capital assets, net	<u>\$ 2,962,789</u>			<u>\$ 3,868,652</u>
Southern Water District				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets not being depreciated:	10,000	-	-	10,000
Capital assets being depreciated:				
Plant and distribution systems	10,213,751	-	-	10,213,751
Buildings	119,796	-	-	119,796
Machinery and equipment	66,596	56,419	-	123,015
Vehicles and motor equipment	115,536	-	-	115,536
Total capital assets being depreciated	10,515,679	56,419	-	10,572,098
Less accumulated depreciation for:				
Plant and distribution systems	3,729,220	208,743	-	3,937,963
Buildings	5,204	3,658	-	8,862
Machinery and equipment	43,327	4,277	-	47,604
Vehicles and motor equipment	110,058	4,101	-	114,159
Total accumulated depreciation	3,887,809	\$ 220,779	\$ -	4,108,588
Total capital assets being depreciated, net	6,627,870			6,463,510
Southern Water District capital assets, net	<u>\$ 6,637,870</u>			<u>\$ 6,473,510</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

Tunis Sewer District

Capital assets not being depreciated:

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

Capital assets being depreciated:

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

Less accumulated depreciation for:

Plant and distribution systems	77,734	38,867	-	116,601
Total accumulated depreciation	77,734	\$ 38,867	\$ -	116,601

Total capital assets being depreciated, net

Tunis Sewer District capital assets, net	\$ 1,876,881			\$ 1,838,014
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Beginning Balances	Increases	Decreases	Ending Balances
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Sanitation

Capital assets not being depreciated:

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

Capital assets being depreciated:

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

Less accumulated depreciation for:

Buildings	71,683	5,957	-	77,640
Machinery and equipment	142,823	9,443	-	152,266
Total accumulated depreciation	214,506	\$ 15,400	\$ -	229,906

Total capital assets being depreciated, net

Other business-type capital assets, net	\$ 284,576			\$ 269,176
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Business-type activities capital assets, net

\$ 11,762,116			\$ 12,449,352
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Construction Commitments

The government has active construction projects as of June 30, 2019. The projects include the Northern Water District Improvement project. At June 30, 2019, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Northern Water District	\$ 897,406	\$ 269,911
Total	\$ 897,406	\$ 269,911

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

Discretely presented component units

Capital assets at June 30, 2019 for the ABC Board were as follows:

Capital assets not being depreciated:	
Land	\$ 113,708
Capital assets not being depreciated:	<u>113,708</u>
Buildings, improvements	508,124
Furniture and equipment	65,603
Vehicles	29,801
Total capital assets being depreciated	<u>603,528</u>
Less accumulated depreciation for:	
Buildings, improvements	264,620
Furniture and equipment	38,145
Vehicles	29,801
Total accumulated depreciation	<u>332,566</u>
Total capital assets being depreciated, net	<u>270,962</u>
ABC Board capital assets, net	<u>\$ 384,670</u>

b. **Liabilities**

1. **Payables**

Payables at the government-wide level at June 30, 2019, were as follows :

	<u>Vendors</u>	<u>Accrued</u> <u>Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 732,861	\$ 90,712	-	\$ 823,573
Other governmental	45,182	-	-	45,182
Total-governmental activities	<u>\$ 778,043</u>	<u>\$ 90,712</u>	<u>\$ -</u>	<u>\$ 868,755</u>
Business-Type Activities				
Northern Water District	\$ 307,909	\$ 7,888	-	\$ 315,797
Southern Water District	19,561	16,670	-	36,231
Tunis Sewer District	753	1,150	-	1,903
Sanitation	60,570	-	-	60,570
Total Business-Type Activities	<u>\$ 388,793</u>	<u>\$ 25,708</u>	<u>\$ -</u>	<u>\$ 414,501</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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, 2019, was 8.50% of compensation for law enforcement officers and 7.84% 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 \$515,832 for the year ended June 30, 2019.

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

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

At June 30, 2019, the County reported a liability of \$2,541,253 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability 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, 2018, the County's proportion was 0.1071%, which was a increase of 0.0011% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$730,513. At June 30, 2019, 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	\$ 392,055	\$ 13,155
Changes of assumptions	674,350	-
Net difference between projected and actual earnings on pension plan investments	348,838	-
Changes in proportion and differences between County Contributions and proportionate share of contributions	72,678	984
County contributions subsequent to the measurement date	515,832	-
Total	<u>\$ 2,003,753</u>	<u>\$ 14,139</u>

\$515,832 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	\$ 702,300
2021	466,500
2022	97,939
2023	207,043
2024	-
Thereafter	-
Total	<u>\$ 1,473,782</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary Increases	3.50 percent
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

The plan actuary uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 6,104,309	\$ 2,541,253	\$ (436,093)

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Hertford County administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At the December 31, 2017 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	22
	<u>24</u>

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent
Discount rate	3.64 percent

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

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

4. Contributions

The County is required by article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The County paid \$44,763 as benefits came due for the reporting period.

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

At June 30, 2019, the County reported a total pension liability of \$680,289. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$37,933.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,573	\$ -
Changes of assumptions	24,702	29,184
County benefit payments and plan administrative expenses made subsequent to the measurement date	26,166	-
Total	<u>\$ 107,441</u>	<u>\$ 29,184</u>

The County paid \$26,166 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 11,845
2021	11,845
2022	11,845
2023	12,792
2024	3,588
Thereafter	176

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.64 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 735,714	\$ 680,289	\$ 629,875

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019**

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

	2019
Beginning balance	\$ 663,501
Service Cost	30,580
Interest paid on the total pension liability	20,259
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	36,670
Changes of assumptions or other inputs	(25,958)
Other changes	-
Benefit payments	(44,763)
Ending balance of the total pension liability	<u>\$ 680,289</u>

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.13 percent at June 30, 2017 to 3.64 percent at June 30, 2018.

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$107,701 which consisted of \$47,172 from the County and \$60,529 from the law enforcement officers.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Hertford County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Register of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Register of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,824 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$28,513 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the County's proportion was 0.1721%, which was a decrease of 0.0064% from its proportion measured as of June 30, 2017.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

For the year ended June 30, 2019, the County recognized pension expense of \$8,617. At June 30, 2019, 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	\$ 251	\$ 1,301
Changes of assumptions	1,341	-
Net difference between projected and actual earnings on pension plan investments	4,545	-
Changes in proportion and differences between County Contributions and proportionate share of contributions	1,492	-
County contributions subsequent to the measurement date	3,824	-
Total	<u>\$ 11,453</u>	<u>\$ 1,301</u>

\$3,824 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	\$ 3,480
2021	801
2022	1,339
2023	708
2024	-
Thereafter	-
Total	<u>\$ 6,328</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2019 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions will continue to follow the current funding policy. Based on these assumptions, the system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (22,481)	\$ (28,513)	\$ (33,600)

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

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

The net pension liability for LGERS and ROD was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2018, with an actuarial valuation date as of December 31, 2017.

The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 2,541,253	\$ (28,513)	\$ -	\$ 2,512,740
Proportion of the Net Pension Liability (Asset)	0.1071%	0.1721%	n/a	
Total Pension Liability	\$ -	\$ -	\$ 680,289	\$ 680,289
Pension Expense	\$ 730,513	\$ 8,617	\$ 37,933	\$ 777,063

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 392,055	\$ 251	\$ 56,573	\$ 448,879
Changes of assumptions	674,350	1,341	24,702	700,393
Net difference between projected and actual earnings on pension plan investments	348,838	4,545	-	353,383
Changes in proportion and differences between County contributions and proportionate share of contributions	72,678	1,492	-	74,170
County contributions (LGERS, ROD)/benefit payments and administrations costs (LEOSSA) subsequent to the measurement date	515,832	3,824	26,166	545,822

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 13,155	\$ 1,301	\$ -	\$ 14,456
Changes of assumptions	-	-	29,184	29,184
Changes in proportion and difference between County contributions and proportionate share of contributions	984	-	-	984

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

e. Other Postemployment Benefits

Healthcare Benefits

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

Benefits Provided. This plan provides postemployment healthcare benefits to retirees of the County as follows: (1) employees who were hired before July 1, 1988, retire under NCLGERS, are actively employed with the County at the time of retirement, and retire with 30 years of county service (24 for those who become disabled), or at age 62 with 20 years of County service or at age 65; (2) employees who were hired on and after July 1, 1988 but before July 1, 2007, retiree under the NCLGERS, are actively employed with the County at the time of retirement, and retire with 30 years of County service, or at age 62 with 20 years of County service, or at age 65 with 10 years of County service; (3) employees who were hired on and after July 1, 2007, retire under NCLGERS, are actively employed with the County at the time of retirement, and retire with 30 years of County service with the County; or (4) qualifying elected officials who serve four full consecutive terms with the County. The County Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	<u>Employees</u>
Retirees receiving benefits	67
Terminated plan members entitled to but not yet receiving benefits	-
Active Plan members	<u>177</u>
Total	<u><u>244</u></u>

Total OPEB Liability

The County's total OPEB liability of \$9,952,414 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability was determined by actuarial valuations as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General Employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.89%

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

Health Care Cost Trends

	7.25% for 2017 decreasing to an ultimate rate of
Pre-Medicare	4.75% by 2028
	5.38% for 2018 decreasing to an ultimate rate of
Medicare	4.75% by 2022

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

Changes in the Total OPEB Liability

	Total OPEB
Balances at June 30, 2017	\$ 10,009,888
Changes	
Service Cost	297,802
Interest	352,074
Change in benefit terms	968,059
Differences between Expected and Actual	(706,582)
Changes of assumptions	(726,371)
Benefit Payments	(242,456)
Net Changes	(57,474)
Balances at June 30, 2018	\$ 9,952,414

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

Discount Rate. The discount rate used to measure the total OPEB liability at June 30, 2019 and June 30, 2018 was 3.89% and 3.56%, respectively.

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

At June 30, 2019, the following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89%) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	\$ 11,794,366	\$ 9,952,414	\$ 8,507,630

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County at June 30, 2019, as well as what the County's total OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	\$ 8,528,931	\$ 9,952,414	\$ 11,791,879

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

For the year ended June 30, 2019, the County recognized OPEB expense of \$1,226,341. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 599,824
Changes of assumptions	-	1,409,600
Net Difference between projected and actual earnings on plan investments	-	-
County contributions subsequent to the measurement date	297,970	-
Total	<u>\$ 297,970</u>	<u>\$ 2,009,424</u>

\$297,970 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a decrease in the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2020	\$ (357,435)
2021	(357,435)
2022	(357,435)
2023	(357,435)
2024	(357,435)
Thereafter	(222,249)

f. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of 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 established for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

3. Closure and Postclosure Care Costs - Landfill Facility

State and Federal laws and regulations require the County to place a final cover on its Hertford County Landfill 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 \$129,688 reported as landfill closure payable liability at June 30, 2019, represents the latest estimate for costs remaining. The County budgets annually for postclosure care. In the event of a natural occurrence, inflation, or any other unforeseen event occurs, the County would appropriate funds from the Sanitation fund balance and/or increase charges to future sanitation customers.

4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions, OPEB - difference between expected and actual experience		
LGERS	\$ 392,055	\$ 13,155
LEOSSA	56,573	-
Register of Deeds	251	1,301
OPEB	-	599,824
Pensions, OPEB- changes in assumptions		
LGERS	674,350	-
LEOSSA	24,702	29,184
Register of Deeds	1,341	-
OPEB	-	1,409,600
Pensions - difference between projected and actual investment		
LGERS	348,838	-
Register of Deeds	4,545	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	72,678	984
Register of Deeds	1,492	-
Contributions to pension plan in 2017-2018 fiscal year		
LGERS	515,832	-
Register of Deeds	3,824	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	26,166	-
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	297,970	
Prepaid taxes not yet earned (General)	-	61,770
Taxes receivable, net (General)	-	783,197
Taxes receivable, net (Special Revenue)	-	8,332
	<u>\$ 2,420,617</u>	<u>\$ 2,907,347</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

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

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

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

The ABC Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. For the ABC Board, settled claims have not exceeded coverage in any of the past three fiscal years.

6. Contingent Liabilities

At June 30, 2019, the County was a defendant to various lawsuits. In the opinion of management and the County management and the County's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Operating Lease Commitments

The County leases certain equipment under operating leases that expire over the next three years. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2019:

<u>For Year Ending June 30</u>	<u>Amount</u>
2020	\$ 89,595
2021	81,567
2022	73,484
Total minimum payments required	<u>\$ 244,646</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

8. Long-Term Obligations

a. Direct Placement Installment Purchases

In May 2016, the County entered into a direct placement installment purchase agreement for \$2,855,613 to renovate the DSS building. The building is pledged as collateral for the debt. The contract requires twelve annual payments of \$237,968 plus 2.28% interest. The note contains provisions that an event of default would allow the Bank to sell the mortgaged property under power of sale.

\$ 2,141,709

In September 2017, the County entered into a direct placement installment purchase agreement for \$235,548 to purchase vehicles. The vehicles are pledged as collateral for the debt. The contract requires 3 annual payments of \$78,516 plus 2.24% interest. Upon the occurrence of default, the Bank may exercise any one or more of the following remedies as the Bank in its sole discretion shall elect to: (a) declare the entire principal amount immediately due, (b) proceed by appropriate court action to enforce performance by the Borrower, (c) exercise all the rights and remedies of a secured party or creditor under the UCC general laws with respect to the enforcement of the security interest granted (d) terminate the contract, or (e) take possession of any proceeds of the Equipment, including Net Proceeds.

152,017

Effective June 30, 2018, the County assumed the liabilities of the Hertford County Public Health Authority. In January 2015, the Authority entered into a direct placement installment purchase agreement to finance a building. The building is pledged as collateral for the debt. The contract requires monthly payments of \$1,744, including 4.49% interest. Upon default, the Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then the Borrower will be required to pay that amount.

102,930

Total

\$ 2,396,656

The future minimum payments of the installment purchases as of June 30, 2019, including \$263,688 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 332,990	\$ 56,769
2021	328,754	48,810
2022	256,057	40,818
2023	256,897	34,551
2024	257,775	28,247
2025-2029	964,183	54,493
2030-2034	-	-
Total	<u>\$ 2,396,656</u>	<u>\$ 263,688</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

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, the Northern and Southern Water Districts, and the Tunis Sewer District 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 and the Tunis Sewer Fund, 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. In the event of a default, the County agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the County under this Agreement.

The County's general obligation bonds payable at June 30, 2019 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$11,945,000 2013 Limited Obligation Bonds due in annual installments of \$525,000 to \$635,000 beginning April 1, 2014 through April 1, 2033; interest varying from 2.0 percent to 5.0 percent.	\$ 8,845,000
Total	<u>\$ 8,845,000</u>

Serviced by the County's Southern Water District:

\$4,332,850 Refunding, Series 2016 Bonds due in annual installments of \$352,528, through December 15, 2031, including interest at 2.60 percent.	\$ 3,846,865
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Serviced by the County's Northern Water District:

\$2,050,350 Refunding, Series 2016 Bonds due in annual installments of \$166,820 through December 15, 2031, including interest at 2.60 percent.	1,820,377
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Serviced by the County's Tunis Sewer District:

\$307,000 2014 USDA Sanitary Sewer Bonds due in monthly installments of \$5,500 to \$12,000 through June 1, 2054; interest at 2.375 percent.	290,500
Total	<u>\$ 5,957,742</u>

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

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
2020	\$ 625,000	\$ 314,718	\$ 377,500	\$ 154,248
2021	625,000	289,718	387,672	144,445
2022	625,000	264,718	397,596	134,379
2023	635,000	239,718	407,777	124,055
2024	635,000	210,968	418,223	113,466
2025-2029	3,175,000	717,566	2,259,567	398,720
2030-2034	2,525,000	212,794	1,516,407	103,175
2035-2039	-	-	40,500	21,020
2040-2044	-	-	46,000	15,972
2045-2049	-	-	51,500	10,260
2050-2054	-	-	55,000	3,848
2055-2059	-	-	-	214
Total	<u>\$ 8,845,000</u>	<u>\$ 2,250,200</u>	<u>\$ 5,957,742</u>	<u>\$ 1,223,802</u>

At June 30, 2019, Hertford County had a legal debt margin of \$121,569,525.

c. Advance Refundings

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

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

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

d. Long-Term Obligation Activity:

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental Activities:					
General obligation debt	\$ 9,470,000	\$ -	\$ 625,000	\$ 8,845,000	\$ 625,000
Premium	347,081	-	24,792	322,289	-
Net general obligation debt	9,817,081	-	649,792	9,167,289	625,000
Direct Placement Installment purchases	3,124,636	-	727,980	2,396,656	332,990
Compensated Absences	603,838	-	67,375	536,463	134,116
Net pension liability (LGERS)	1,543,473	877,965	-	2,421,438	-
Total pension liability (LEOSSA)	663,501	16,788	-	680,289	-
Total OPEB liability	9,482,862	-	54,448	9,428,414	-
Total	<u>\$ 35,052,472</u>	<u>\$ 894,753</u>	<u>\$ 2,149,387</u>	<u>\$ 24,630,549</u>	<u>\$ 1,717,106</u>
Business-type Activities:					
General Obligation Debt	\$ 6,325,815	\$ -	\$ 368,073	\$ 5,957,742	\$ 377,500
Compensated absences	37,066	4,146	-	41,212	10,302
Net pension liability (LGERS)	76,372	43,444	-	119,816	-
Landfill closure	149,786	-	20,098	129,688	-
Total OPEB Liability	527,026	-	3,026	524,000	-
Total	<u>\$ 7,116,065</u>	<u>\$ 47,590</u>	<u>\$ 391,197</u>	<u>\$ 6,772,458</u>	<u>\$ 10,302</u>

Net pension liability, total pension liability, and net other postemployment liability for governmental activities are all typically liquidated in the general fund. 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.

d. Interfund Balances and Activity

Transfers From/ To Other Funds:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	School Capital Reserve Fund	\$ 1,185,796	To transfer restricted sales tax
General Fund	Revaluation Fund	40,000	To contribute money for next revaluation
General Fund	Landfill	4,806	To transfer funds to cover Bonus and Longevity
General Fund	Northern Water District	939	To transfer funds to cover Bonus and Longevity
General Fund	Southern Water District	1,200	To transfer funds to cover Bonus and Longevity
School Capital Reserve Fund	Ahoskie Elementary School Project	565,898	To provide funding for project expenses incurred prior to receiving loan proceeds
		<u>\$ 1,798,639</u>	

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

f. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Capital assets	\$ 22,881,685	\$ 12,449,352
Capital debt calculation:		
Total debt, gross	11,563,945	5,957,742
Less:		
Community college debt for assets to which the County does not hold title	-	-
Total capital debt	11,563,945	5,957,742
Net investment in capital assets	<u>\$ 11,317,740</u>	<u>\$ 6,491,610</u>

g. Fund Balance

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

Total Fund Balance - General Fund	\$ 10,397,370
Less:	
Stabilization by State Statute	2,490,079
Register of Deeds	8,384
Revaluation	123,100
Capital Reserve	1,961,368
Appropriated Fund Balance in 2020 budget	1,445,328
Remaining Fund Balance	<u>\$ 4,369,111</u>

The County had no outstanding encumbrances at June 30, 2019.

IV. Joint Ventures

The County participates in a joint venture to operate Albemarle Regional Library with four other local governments. Each participating government appoints three board members to the twelve member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$105,016 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office in Winton, NC.

The County, in conjunction with the State of North Carolina and the Hertford County Board of Education, participates in a joint venture to operate the Roanoke Chowan Community College. Each of the three participants appoints four members of the thirteen-member board of trustees to the community college. The president of the community college's student government serves as an ex-office nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has a basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$0 is outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to providing funding for the community college's facilities. The County contributed \$949,474 and \$100,800 to the community college for operating purposes and capital outlay, respectively during the fiscal year ended June 30, 2019. In addition, the County made debt service payments of \$125,000 during the fiscal year on general obligation bonds issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2019. Complete financial statements for the community college may be obtained from the community college's administrative offices.

Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019

The County also participates in a joint venture to operate Trillium which serves a four county mental health district. Hertford County appoints seven members to the twenty-four member board of the mental health district. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$86,174 to the Center to supplement its activities. Complete financial statements for the Center can be obtained from the Center's office at Route 3, Box 22-A, Ahoskie, NC 27910.

The County also participates in a joint venture to operate Choanoke Public Transportation Authority with three other counties. The County appoints two members to the nine member board. The County has an ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2019. 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, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$20,000 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office at Route 1, Aulander, NC 27805.

V. Jointly Governed Organization

The County, in conjunction with five other counties and thirty-two municipalities, established the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the commission's governing board. The County paid membership fees of \$7,956 to the Commission during the fiscal year ended June 30, 2019. The County was a subrecipient of various grants and other sources totaling \$289,457 that was passed through the Commission.

VI. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

**Hertford County, North Carolina
Notes To The Financial Statements
For The Fiscal Year Ended June 30, 2019**

VI. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2019 and November 8, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no events that occurred during this time that were deemed to be significant enough to be disclosed.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

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

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.107%	0.106%	0.100%	0.097%	0.102%	0.103%
County's proportionate share of the net pension liability (asset)	\$ 2,541,253	\$1,619,845	\$2,124,670	\$ 436,138	\$ (599,123)	\$ 1,236,724
County's covered-employee payroll	\$ 7,042,654	\$6,795,799	\$6,426,685	\$ 6,046,680	\$ 5,911,581	\$ 6,077,841
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.08%	23.84%	33.06%	7.21%	-10.13%	20.35%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 515,832	\$ 535,485	\$ 507,255	\$ 441,786	\$ 421,035	\$ 419,855
Contributions in relation to the contractually required contribution	<u>515,832</u>	<u>535,485</u>	<u>507,255</u>	<u>441,786</u>	<u>421,035</u>	<u>419,855</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 6,562,211	\$ 7,042,654	\$ 6,795,799	\$ 6,426,685	\$ 6,046,680	\$ 5,911,581
Contributions as a percentage of covered-employee payroll	7.86%	7.60%	7.46%	6.87%	6.96%	7.10%

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

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

	2019	2018	2017	2016	2015	2014
County's proportionate share of the net pension liability (asset)	0.172%	0.179%	0.186%	0.186%	0.192%	0.184%
County's proportionate share of the net pension liability (asset)	\$ (28,513)	\$ (30,470)	\$ (34,715)	\$ (43,136)	\$ (43,562)	\$ (39,213)
County's covered-employee payroll	\$ 47,698	\$ 44,256	\$ 95,008	\$ 92,258	\$ 86,741	\$ 102,559
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-59.78%	-68.85%	-36.54%	-46.76%	-50.22%	-45.21%
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 3,824	\$ 3,577	\$ 3,262	\$ 1,596	\$ 1,194	\$ 1,569
Contributions in relation to contractually required contribution	<u>3,824</u>	<u>3,577</u>	<u>3,262</u>	<u>1,596</u>	<u>1,194</u>	<u>1,569</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 48,775	\$ 47,698	\$ 44,256	\$ 95,008	\$ 92,258	\$ 86,741
Contributions as a percentage of covered- employee payroll	7.84%	7.50%	7.37%	1.68%	1.29%	1.81%

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

Hertford County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For The Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 663,501	\$ 586,384	\$ 568,161
Service Cost	30,580	25,102	33,656
Interest on the total pension liability	20,259	21,770	19,899
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	36,670	38,402	-
Changes of assumptions or other inputs	(25,958)	36,606	(13,802)
Benefit payments	(44,763)	(44,763)	(21,530)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 680,289</u>	<u>\$ 663,501</u>	<u>\$ 586,384</u>

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

Hertford County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For The Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 680,289	\$ 663,501	\$ 586,384
Covered payroll	978,915	934,554	1,118,710
Total pension liability as a percentage of covered payroll	69.49%	71.00%	52.42%

Notes to the schedules:

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

Hertford County, North Carolina
Schedule of Changes in the Net OPEB Liability and Related Ratios
Healthcare Benefits Plan
For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 297,802	\$ 344,875
Interest	352,074	316,356
Changes of benefit terms	968,059	-
Differences between expected and actual experience	(706,582)	(188)
Changes of assumptions	(726,371)	(1,074,367)
Benefit payments	(242,456)	(172,657)
Net change in total OPEB liability	<u>(57,474)</u>	<u>(585,981)</u>
Total OPEB liability - beginning	<u>10,009,888</u>	<u>10,595,869</u>
Total OPEB liability - ending	<u><u>\$ 9,952,414</u></u>	<u><u>\$ 10,009,888</u></u>

MAJOR GOVERNMENTAL FUNDS

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

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019		2018
	Budget	Actual	Variance Positive (Negative)
Revenues			Actual
Ad valorem Taxes			
Taxes		\$ 13,961,024	\$ 13,494,698
Penalties and interest		182,307	150,823
Total	\$ 13,616,867	14,143,331	\$ 526,464
Local Option Sales Taxes			
Article 39 and 44		2,625,464	2,477,940
Article 40 one-half of one percent		1,453,428	1,374,898
Article 42 one-half of one percent		995,972	946,219
Total	4,775,640	5,074,864	299,224
Other Taxes and Licenses			
CATV franchise		32,229	44,131
Gas tax refund		786	3,863
Occupancy tax		63,140	48,248
Sales Tax Refund		-	-
E-911 Municipalities Share		136,796	136,796
Total	217,796	232,951	15,155
Unrestricted Intergovernmental Revenues			
ABC profit distribution		32,992	40,782
Beer and wine tax		62,838	63,354
Total	107,000	95,830	(11,170)
Restricted Intergovernmental Revenues			
Social services grants and fees		2,308,839	2,621,583
Federal and State grants		1,216,657	1,080,607
FEMA		-	-
Court facility fees		27,812	35,709
ABC bottle taxes		9,124	8,874
Miscellaneous		92,503	146,774
Total	3,541,607	3,654,935	113,328
Permits and Fees			
Building and inspection fees		58,420	212,203
Planning and zoning		4,575	4,250
Register of deeds		105,103	137,156
Total	239,000	168,098	(70,902)

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019		2018
	Budget	Actual	Variance Positive (Negative)
Sales and Services			Actual
Rents, concessions, and fees		155,610	182,995
Jail Fees		465,920	439,490
Ambulance and rescue squad fees		818,645	938,160
EMS cost share		205,214	119,190
Vehicle tax collection fees		149,129	127,341
Health Authority		14,543	
Cost Allocation (from Proprietary Funds)		121,169	91,832
Total	1,827,169	1,930,230	103,061
Investment Earnings	50,000	141,892	91,892
Miscellaneous Revenues			
Sale of materials		25,000	22,655
Other		73,425	73,871
Total	95,922	98,425	2,503
Total Revenues	24,471,001	25,540,556	1,069,555
Expenditures			
General Government			
Governing Body:			
Salaries and employee benefits		88,660	87,617
Other operating expenditures		69,464	21,887
Capital outlay		-	-
Total	161,132	158,124	3,008
Administration:			
Salaries and employee benefits		318,726	333,979
Other operating expenditures		128,519	37,463
Capital outlay		107,329	494,556
Total	570,509	554,574	15,935
Human Resources:			
Salaries and employee benefits		335,029	353,596
Other operating expenditures		48,304	37,059
Total	442,632	383,333	59,299
Elections:			
Salaries and employee benefits		103,351	110,768
Other operating expenditures		42,601	45,777
Total	151,376	145,952	5,424

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019		2018
	Budget	Actual	Variance Positive (Negative)
			Actual
Finance:			
Salaries and employee benefits		263,615	267,028
Other operating expenditures		100,772	105,167
Total	363,409	364,387	(978)
Taxes:			
Salaries and employee benefits		394,901	470,414
Other operating expenditures		158,455	179,330
Total	603,471	553,356	50,115
Legal:			
Contract services	78,000	76,140	1,860
Register of Deeds:			
Salaries and employee benefits		153,966	154,042
Other operating expenditures		38,763	61,424
Total	198,247	192,729	5,518
Public Buildings:			
Salaries and employee benefits		424,184	397,772
Other operating expenditures		312,923	303,928
Capital outlay		4,840	54,162
Total	790,257	741,947	48,310
Land Records:			
Salaries and employee benefits		107,563	107,622
Other operating expenditures		23,298	23,883
Capital outlay		-	9,017
Total	131,854	130,861	993
Data Center:			
Data processing contract services		-	-
Total	-	-	-
Court Facilities:			
Operating expenditures		74,463	67,079
Total	87,797	74,463	13,334

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019		2018
	Budget	Actual	Variance Positive (Negative)
			Actual
Central Services:			
Salaries and employee benefits		82,161	82,330
Operating expenditures		572,965	520,311
Capital outlay		10,852	20,033
Total	718,607	665,978	52,629
Total General Government	4,297,291	4,041,844	255,447
<u>Public Safety</u>			
Sheriff:			
Salaries and employee benefits		1,712,921	1,680,175
Other operating expenditures		264,071	274,488
Capital outlay		-	328,735
Total	2,035,972	1,976,992	58,980
Jail:			
Salaries and employee benefits		1,176,285	1,175,468
Other operating expenses		603,443	936,327
Capital outlay		-	8,761
Total	1,899,174	1,779,728	119,446
Emergency Communications:			
Salaries and employee benefits		591,298	724,507
Other operating expenditures		42,914	48,651
Total	701,982	634,212	67,770
Emergency Management:			
Salaries and employee benefits		170,483	183,517
Other operating expenditures		113,202	47,673
Total	322,600	283,685	38,915
Fire:			
Contribution to forest service		67,223	78,493
Assistance to local fire departments		336,124	344,576
Total	425,022	403,347	21,675
Inspections:			
Salaries and employee benefits		106,803	98,086
Other operating expenditures		15,098	13,228
Total	127,974	121,901	6,073

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019		2018
	Budget	Actual	Variance Positive (Negative)
			Actual
Rescue Units:			
Salaries and employee benefits		959,675	946,130
Other operating expenditures		259,662	243,618
Capital outlay		-	125,429
Total	1,290,657	1,219,337	71,320
Animal Control:			
Salaries and employee benefits		67,991	70,842
Other operating expenditures		24,768	18,095
Total	100,877	92,759	8,118
Medical Examiner:			
Contracted services		24,600	26,950
Total	30,000	24,600	5,400
Pesticide Recycling:			
Capital outlay		-	8,779
Total	-	-	8,779
Total Public Safety	6,934,258	6,536,561	397,697
<u>Transportation</u>			
Contribution to transit authority		10,300	10,300
Contribution to regional airport		20,000	20,000
Total transportation	30,300	30,300	-
<u>Economic and Physical Development</u>			
Planning and Zoning:			
Salaries and employee benefits		48,848	-
Other operating expenditures		2,832	2,043
Total	138,123	51,680	86,443
Economic Development:			
Salaries and employee benefits		-	107,866
Other operating expenditures		56,524	17,371
Total	110,000	56,524	53,476
Agricultural Extension:			
Salaries and employee benefits		94,553	103,557
Other operating expenditures		35,999	22,652
Total	177,995	130,552	47,443

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019		2018
	Budget	Actual	Variance Positive (Negative)
			Actual
Solid and Water Conservation:			
Salaries and employee benefits		107,683	107,953
Other operating expenditures		6,061	7,530
Total	131,876	113,744	18,132
Total Economic and Physical Development	557,994	352,500	205,494
<u>Human Services</u>			
Health:			
Administration:			
Salaries and Benefits		74,251	5,077
Contribution to health department		381,558	483,781
Other operating expenditures		63,711	25,407
Total	544,323	519,520	24,803
Aid to Aging:			
Salaries and employee benefits		235,000	266,960
Other operating expenditures		44,333	41,126
Capital outlay		5,225	11,105
Total	333,299	284,558	48,741
Respite:			
Other operating expenditures		383,918	367,690
Total	420,967	383,918	37,049
Mental Health:			
Administration:			
Other operating expenditures		86,174	86,099
Total	87,750	86,174	1,576
Social Services:			
Administration:			
Salaries and employee benefits		2,135,289	2,625,437
Other operating expenditures		644,856	709,514
Total	2,939,086	2,780,145	158,941

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019		2018
	Budget	Actual	Variance Positive (Negative)
			Actual
Public Assistance			
Work first:			
Operating expenditures		953,332	982,710
Foster care:			
Operating expenditures		19,484	22,661
Total	1,016,857	972,816	44,041
Elderly Handicapped:			
Operating expenditures	136,429	135,112	1,317
Community Based Alternatives:			
Other operating expenditures		117,618	117,656
Total	117,618	117,618	-
Veterans Service Office:			
Salaries and employee benefits		57,591	47,757
Other operating expenditures		6,139	6,109
Total	69,897	63,730	6,167
Other Programs:			
Other appropriations/contributions		91,143	139,136
Total	95,701	91,143	4,558
Total Human Services	5,761,927	5,434,734	327,193
<u>Cultural and Recreational</u>			
Library and Recreation:			
Operating expenditures		-	1,621
Contribution to regional library		105,016	108,263
Total Cultural and Recreational	105,016	105,016	-
<u>Education</u>			
Public schools-current expenses		4,290,818	4,423,524
Public schools-capital outlay		-	-
Community college- current		949,474	978,839
Community college- capital outlay		100,800	227,001
Total Education	5,370,292	5,341,092	29,200
<u>Debt Service</u>			
Principal retirement		1,352,980	1,014,279
Interest and other charges		430,469	438,899
Total debt services	1,783,003	1,783,449	(446)

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Contingency	13,658	-	13,658	-
Total Expenditures	24,853,739	23,625,496	1,228,243	25,453,861
Revenues Over (Under) Expenditures	(382,738)	1,915,060	(2,297,798)	(367,640)
<u>Other Financing Sources (Uses)</u>				
Transfers to other funds:				
School Capital Reserve Fund		(1,185,796)		(1,237,408)
Revaluation Fund		(40,000)		(1,093)
Sanitation Fund		(4,806)		-
Northern Water District Fund		(939)		-
Southern Water District Fund		(1,200)		-
Cooperative Extension		-		-
Total	(1,317,865)	(1,232,741)	(85,124)	(1,238,501)
Transfers from other funds:				
Capital Reserve Fund		-		930,080
Office Building #1 Renovation		-		26,045
Total	-	-	-	956,125
Contribution from Economic Development Commission (component unit)	-	-	-	146,251
Contribution from Public Health Authority (component unit)	-	-	-	136,806
Loan Proceeds	-	-	-	230,533
Appropriated fund balance	1,700,603	-	1,700,603	-
Total other financing sources (uses)	382,738	(1,232,741)	1,615,479	231,214
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	682,319	\$ 682,319	(136,427)
Fund Balance - July 1		7,630,584		7,767,011
Fund Balance-June 30		\$ 8,312,903		\$ 7,630,584

Hertford County, North Carolina
School Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Revenues</u>				
Restricted intergovernmental	\$ 2,400,000	\$ -	\$ (2,400,000)	\$ -
<u>Expenditures</u>				
Education				
Other operating expenses				
Capital Outlay	1,270,920	261,330	1,009,590	1,160,095
Revenues Over (Under) Expenditures	1,129,080	(261,330)	1,390,410	(1,160,095)
<u>Other Financing Sources (Uses)</u>				
Operating transfer in				
General fund	1,270,920	1,185,796	(85,124)	1,237,408
Operating transfer out				
School Capital Fund	(3,500,000)	(565,898)	2,934,102	-
Appropriated Fund Balance	1,100,000	-	(1,100,000)	-
Total	(1,129,080)	619,898	1,748,978	1,237,408
Revenues Over Expenditures and Other Uses	\$ -	358,568	\$ 3,139,388	77,313
Fund Balance - July 1		1,602,800		1,525,487
Fund Balance - June 30		\$ 1,961,368		\$ 1,602,800

Hertford County, North Carolina
Revaluation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Revenues</u>				
Investment Earnings	\$ -	\$ -	\$ -	\$ -
<u>Expenditures</u>				
Current:				
General government				
Tax listings:	218,020	94,920	123,100	168,480
<u>Other Financing Sources (Uses)</u>				
Transfer from (to) other funds				
General Fund	40,000	40,000	-	1,093
Fund Balance Appropriated	178,020	-	(178,020)	-
Total	218,020	40,000	(178,020)	1,093
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	(54,920)	\$ (301,120)	(167,387)
Fund Balance - July 1		178,020		345,407
Fund Balance - June 30		\$ 123,100		\$ 178,020

Hertford County, North Carolina
Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Revenues</u>				
Local option sales tax	\$ -	\$ -	\$ -	\$ -
<u>Other Financing Sources (Uses)</u>				
Transfer from (to) other funds				
General Fund	-	-	-	-
General Fund	-	-	-	(930,080)
Appropriated fund balance	-	-	-	-
Total	-	-	-	(930,080)
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	-	<u>\$ -</u>	(930,080)
Fund Balance - July 1		-		930,080
Fund Balance - June 30		<u>\$ -</u>		<u>\$ -</u>

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

- **Emergency Telephone System Fund:** This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.
- **Fire District Fund:** This fund accounts for the ad valorem tax levies of the two fire districts in Hertford County.

Capital Project Funds

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

- **Ahoskie Elementary School Project:** This fund is used to account for the expenses associated with the Ahoskie Elementary School Project.

Hertford County, North Carolina
Combining Balance Sheets
Non-Major Governmental Funds
June 30, 2019

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	
	<u>Emergency Telephone System Fund</u>	<u>Fire District Fund</u>	<u>Ahoskie Elementary School Project</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 640,399	\$ 48,752	\$ 16,101	\$ 705,252
Accounts receivable, net	-	9,415	-	9,415
Taxes receivable, net	-	8,332	-	8,332
Due from other governments	1,651	-	-	1,651
	<u>1,651</u>	<u>-</u>	<u>-</u>	<u>1,651</u>
Total assets	<u>\$ 642,050</u>	<u>\$ 66,499</u>	<u>\$ 16,101</u>	<u>\$ 724,650</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 788	\$ 10,080	\$ 34,314	\$ 45,182
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>788</u>	<u>10,080</u>	<u>34,314</u>	<u>45,182</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>	<u>8,332</u>	<u>-</u>	<u>8,332</u>
Fund balances:				
Restricted:				
Stabalization by State Statue	1,651	9,415	-	11,066
Public Safety	639,611	38,672	-	678,283
General Government	-	-	-	-
Unassigned	-	-	(18,213)	(18,213)
Total fund balances	<u>641,262</u>	<u>48,087</u>	<u>(18,213)</u>	<u>671,136</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 642,050</u>	<u>\$ 66,499</u>	<u>\$ 16,101</u>	<u>\$ 716,318</u>

Hertford County, North Carolina
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>	
	Emergency Telephone System Fund	Fire District Fund	Ahoskie Elementary School Project	Total
<u>Revenues</u>				
Ad valorem taxes	\$ -	\$ 101,107	\$ -	\$ 101,107
Local option sales tax	-	32,251	-	32,251
Restricted intergovernmental	-	-	-	-
Investment earnings	12,727	-	-	12,727
Total revenues	12,727	133,358	-	146,085
<u>Expenditures</u>				
Current:				
Public safety	183,268	133,358	-	316,626
Education			584,111	584,111
Capital outlay	-	-	-	-
Total expenditures	183,268	133,358	584,111	900,737
Revenues over (under) expenditures	(170,541)	-	(584,111)	(754,652)
<u>Other financing sources (uses)</u>				
Transfers (to) other funds				
General Fund	-	-	565,898	565,898
Total other financing sources (uses)	-	-	565,898	565,898
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(170,541)	-	(18,213)	(188,754)
Fund balances, beginning	811,803	48,087	-	859,890
Fund balances, ending	\$ 641,262	\$ 48,087	\$ (18,213)	\$ 671,136

Hertford County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2019
With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019			2018
	Final Budget	Actual	Variance Positive (Negative)	Actual
<u>Revenues</u>				
Restricted intergovernmental revenue				
Wireless 911 funds		\$ -		\$ 75,480
Contributions		-		-
Investment earnings		12,727		6,760
Total	<u>\$ 31,000</u>	<u>12,727</u>	<u>\$ (18,273)</u>	<u>82,240</u>
<u>Expenditures</u>				
Public safety	<u>192,977</u>	<u>183,268</u>	<u>9,709</u>	<u>145,605</u>
Revenues Over (Under) Expenditures	<u>(161,977)</u>	<u>(170,541)</u>	<u>(27,982)</u>	<u>(63,365)</u>
<u>Other financing sources (uses)</u>				
Operating transfer (out)				
General Fund	-	-	-	-
Appropriated fund balance	<u>161,977</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>161,977</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Financing Sources				
Over (Under) Expenditures and				
Other Financing Sources	<u>\$ -</u>	<u>(170,541)</u>	<u>\$ (27,982)</u>	<u>(63,365)</u>
Fund Balance July 1		<u>811,803</u>		<u>875,168</u>
Fund Balance - June 30		<u>\$ 641,262</u>		<u>\$ 811,803</u>

Emergency Telephone System Unspent Balance

Amounts reported above are different from the PSAP Revenue-Expenditure Report because:

Net Change in Fund Balance, reported on Budget to Actual	\$ (170,541)
Plus: Additional expenses on report not on General Ledger (accrual entries)	-
Net Change per PSAP Revenue-Expenditure Report	(170,541)
Beginning Balance, PSAP Revenue-Expenditure Report	811,803
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 641,262</u>

Hertford County, North Carolina
Fire District Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Revenues</u>				
Ad Valorem taxes:				
Taxes	\$ 109,060	\$ 101,107	\$ (7,953)	\$ 94,551
Other taxes and licenses	30,550	32,251	1,701	30,105
Total revenues	139,610	133,358	(6,252)	124,656
<u>Expenditures</u>				
Public Safety				
Woodland Fire District		4,638		4,860
Union Fire District		10,371		9,915
Ahoskie Fire District		118,349		114,411
Total expenditures	139,610	133,358	6,252	129,186
Revenues over (under) expenditures	\$ -	-	\$ (12,504)	(4,530)
Fund Balance - July 1		48,087		52,617
Fund Balance - June 30		\$ 48,087		\$ 48,087

**Hertford County, North Carolina
Ahoskie Elementary School Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019**

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
<u>Revenues</u>					
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-	-
Total	-	-	-	-	-
<u>Expenditures</u>					
Capital outlay					
Contingency	260,000	-	-	-	260,000
Administrative Cost	100,000	-	-	-	100,000
Architectural Fees	910,000	-	562,586	562,586	347,414
Testing and Geographical Survey	75,000	-	21,525	21,525	53,475
Fixtures, Furniture, and Equipment	500,000	-	-	-	500,000
Construction Cost	12,155,000	-	-	-	12,155,000
Site Development	800,000	-	-	-	800,000
Total	14,800,000	-	584,111	584,111	14,215,889
Revenues Over (Under) Expenditures	(14,800,000)	-	(584,111)	(584,111)	(14,215,889)
<u>Other Financing Sources (Uses)</u>					
Transfer from the General Fund	-	-	-	-	-
Transfer from School Capital Reserve	3,500,000	-	565,898	565,898	(2,934,102)
Proceeds from Debt	11,300,000	-	-	-	(11,300,000)
Total	14,800,000	-	565,898	565,898	(14,234,102)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ -	(18,213)	\$ (18,213)	\$ 18,213
Fund Balance - July 1			-		
Fund Balance - June 30			\$ (18,213)		

ENTERPRISE FUNDS

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

Major Enterprise Funds

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

Non-major Enterprise Funds

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

Hertford County, North Carolina
Northern Water District Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For The Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Exhibit D-1

	2019		Variance	2018
	Budget	Actual	Positive (Negative)	Actual
<u>Revenues</u>				
Operating Revenues				
Charges for services	\$ 490,150	\$ 500,761	\$ 10,611	\$ 554,488
Tap-on fees	25,000	22,247	(2,753)	20,178
Other	2,760	2,094	(666)	2,398
Total operating revenues	517,910	525,102	7,192	577,064
Nonoperating revenues:				
Interest Earned on Investments	3,124	11,245	8,121	4,905
Total Nonoperating Revenues	3,124	11,245	8,121	4,905
Total Revenues	521,034	536,347	15,313	581,969
<u>Expenditures</u>				
Administration and operations		269,158		302,878
Capital Outlay		3,350		-
Debt Service:				
Interest and fees		50,358		53,309
Debt principal		116,462		113,511
Total Expenditures	521,973	439,328	82,645	469,698
Revenues Over (Under) Expenditures	(939)	97,019	97,958	112,271
<u>Other Financing Sources (Uses)</u>				
Transfers from (to) Other Funds				
Northern Project Fund	-	-	-	(75,960)
General Fund	939	939	-	-
Fund Balance Appropriated	-	-	-	-
Total Other Financing Sources (Uses)	939	939	-	(75,960)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ 97,958	\$ 97,958	\$ 36,311
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		\$ 97,958		\$ 36,311
Debt principal		116,462		113,511
Depreciation		(101,120)		(109,719)
Capital Outlay		-		-
(Increase) decrease in bond interest accrued		505		492
(Increase) decrease in vacation payable		618		(216)
(Increase) decrease in accrued payroll		982		(744)
(Increase) decrease in net OPEB liability		1,193		8,575
Increase (decrease) in deferred outflows of resources - pension		3,390		(9,541)
Increase (decrease) in deferred outflows of resources - OPEB		1,860		4,309
(Increase) decrease in net pension liability		(5,414)		8,407
(Increase) decrease in deferred inflows of resources - pensions		608		439
(Increase) decrease in deferred inflows of resources - OPEB		(22,314)		(19,321)
Operating Income from Project Fund (Ex D-1a)		4,600		
Transfers (Ex D-1a)		-		75,960
Total reconciling items		1,370		72,152
Change in net position		\$ 99,328		\$ 108,463

Hertford County, North Carolina
Northern Water Improvement Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

		Actual			Variance Positive (Negative)
	Project Authorization	Prior Year	Current Year	Total to Date	
<u>Revenues</u>					
Restricted intergovernmental revenue					
USDA Rural Development grant	\$ 423,000	\$ -	\$ -	\$ -	\$ (423,000)
Tap on fees	12,200	-	4,600	4,600	(7,600)
Total	<u>435,200</u>	<u>-</u>	<u>4,600</u>	<u>4,600</u>	<u>(430,600)</u>
<u>Expenditures</u>					
Capital Outlay					
Contingency	50,150	-	-	-	50,150
Administrative Cost	5,000	-	-	-	5,000
Contract services - construction	206,000	-	140,554	140,554	65,446
Contract services - engineering	1,168,010	-	866,428	866,428	301,582
Interest Expense	18,000	-	-	-	18,000
Total	<u>1,447,160</u>	<u>-</u>	<u>1,006,982</u>	<u>1,006,982</u>	<u>440,178</u>
Revenues Over (Under) Expenditures	<u>(1,011,960)</u>	<u>-</u>	<u>(1,002,382)</u>	<u>(1,002,382)</u>	<u>9,578</u>
<u>Other Financing Sources (Uses)</u>					
USDA Loan Proceeds	936,000	-	-	-	(936,000)
Loan from Southern Water District	1,359,000	-	1,359,000	1,359,000	-
Repay loan from Southern Water District	(1,359,000)	-	-	-	1,359,000
Transfer from Northern Water District Fund	75,960	-	-	-	(75,960)
Total	<u>1,011,960</u>	<u>-</u>	<u>1,359,000</u>	<u>1,359,000</u>	<u>347,040</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 356,618</u>	<u>\$ 356,618</u>	<u>\$ 356,618</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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Exhibit D-2

	2019		Variance	2018
	Budget	Actual	Positive (Negative)	Actual
Revenues				
Operating Revenues				
Charges for services	\$ 936,757	\$ 992,622	\$ 55,865	\$ 1,017,187
Tap-on fees	36,000	65,850	29,850	41,126
Other	2,800	8,955	6,155	72,594
Total operating revenues	975,557	1,067,427	91,870	1,130,907
Nonoperating revenues:				
Interest Earned on Investments	13,311	49,644	36,333	21,349
Total Nonoperating Revenues	13,311	49,644	36,333	21,349
Total Revenues	988,868	1,117,071	128,203	1,152,256
Expenditures				
Administration and operations		462,854		326,558
Capital Outlay		65,034		27,673
Debt Service:				
Interest and fees		106,417		112,655
Debt principal		246,111		239,874
Bond issuance cost		-		-
Total Expenditures	990,068	880,416	109,652	706,760
Revenues Over (Under) Expenditures	(1,200)	236,655	237,855	445,496
Other Financing Sources (Uses)				
Transfers from (to) Other Funds				
General Fund	1,200	1,200	-	-
Total Other Financing Sources (Uses)	1,200	1,200	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ 237,855	\$ 237,855	\$ 445,496
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		\$ 237,855		\$ 445,496
Debt principal		246,111		239,874
Depreciation		(220,780)		(231,467)
Capital Outlay		56,419		28,342
(Increase) decrease in bond interest accrued		1,066		1,040
(Increase) decrease in accrued payroll		(3,085)		(1,279)
(Increase) decrease in vacation payable		(1,884)		(725)
(Increase) decrease in net OPEB obligation		1,188		8,544
Increase in deferred outflows of resources - pension		20,401		(9,749)
Increase in deferred outflows of resources - OPEB		1,854		4,267
Increase (decrease) in net pension liability		(26,982)		8,684
(Increase) Decrease in deferred inflows of resources - pensions		484		330
(Increase) Decrease in deferred inflows of resources - OPEB		(22,231)		(19,131)
Total reconciling items		52,561		28,730
Change in net position		\$ 290,416		\$ 474,226

Hertford County, North Carolina
Tunis Sewer District Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For The Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Exhibit D-3

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Revenues</u>				
Operating Revenues				
Charges for services	\$ 27,000	\$ 34,040	\$ 7,040	\$ 31,441
Total operating revenues	27,000	34,040	7,040	31,441
Nonoperating revenues:				
Interest Earned on Investments	1,000	1,340	340	1,053
Total Nonoperating Revenues	1,000	1,340	340	1,053
Total Revenues	28,000	35,380	7,380	32,494
<u>Expenditures</u>				
Administration and operations		14,718		14,057
Debt Service:				
Debt Principal		5,500		5,500
Interest and fees		6,986		7,115
Total Expenditures	28,000	27,204	796	26,672
Revenues Over (Under) Expenditures	-	8,176	8,176	5,822
<u>Other Financing Sources (Uses)</u>				
Transfers from (to) Other Funds				
Tunis Sewer District Capital Project Fund	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ 8,176	\$ 8,176	\$ 5,822
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		8,176		\$ 5,822
Debt Principal		5,500		5,500
Depreciation Expense		(38,867)		(38,867)
(Increase) decrease in bond interest accrued		(22)		(23)
Total reconciling items		(33,389)		(33,390)
Change in net position		\$ (25,213)		\$ (27,568)

Sanitation Fund

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

For The Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues				
Operating Revenues				
Charges for services	\$ 991,268	\$ 1,031,921	\$ 40,653	\$ 909,279
Other	68,621	51,267	(17,354)	60,457
Total Operating Revenues	1,059,889	1,083,188	23,299	969,736
Nonoperating revenues:				
Interest Earnings	1,256	5,056	3,800	2,342
Total Nonoperating Revenues	1,256	5,056	3,800	2,342
Total Revenues	1,061,145	1,088,244	27,099	972,078
Expenditures				
Landfill:				
Administration and operations		445,223		413,072
Contract services		686,894		603,189
Capital Outlay		-		-
Total Expenditures	1,150,951	1,132,117	18,834	1,016,261
Revenues Over (Under) Expenditures	(89,806)	(43,873)	45,933	(44,183)
Other Financing Sources (Uses)				
Transfers from (to) Other Funds				
General Fund	4,806	4,806	-	-
Fund Balance Appropriated	85,000	-	(85,000)	-
Total Other Financing Sources (Uses)	89,806	4,806	(85,000)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (39,067)	\$ (39,067)	\$ (44,183)
Reconciliation from budgetary basis (modified accrual) to full accrual				
Excess of revenues over (under) expenditures		\$ (39,067)		\$ (44,183)
Depreciation		(15,400)		(16,597)
Capital outlay		-		-
(Increase) decrease in vacation payable		(2,881)		(639)
(Increase) decrease in accrued payroll		(788)		1,640
(Increase) decrease in net OPEB liability		645		4,643
(Increase) decrease in landfill closure		20,097		21,762
Increase in deferred outflows of resources - pension		7,932		(7,766)
Increase in deferred outflows of resources - OPEB		1,007		2,301
Increase in net pension liability		(11,048)		6,711
Decrease in deferred outflows of resources - pensions		506		234
Decrease in deferred outflows of resources - OPEB		(12,083)		(10,315)
Total reconciling items		(12,013)		1,974
Change in net position		\$ (51,080)		\$ (42,209)

AGENCY FUNDS

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

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

Hertford County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2019

Exhibit E-1

	Restated Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<u>Social Services</u>				
Assets				
Cash	\$ 19,203	\$ 34,285	\$ 46,502	\$ 6,986
Liabilities				
Miscellaneous Liabilities	\$ 19,203	\$ 34,285	\$ 46,502	\$ 6,986
<u>Inmates Money</u>				
Assets				
Cash	\$ 15,451	\$ 133,907	\$ 132,752	\$ 16,606
Liabilities				
Miscellaneous Liabilities	\$ 15,451	\$ 133,907	\$ 132,752	\$ 16,606
<u>Cooperative Extension Trust</u>				
Assets				
Cash	\$ -	\$ 25,091	\$ 4,931	\$ 20,160
Due from other Governments	-	208	-	208
Liabilities				
Miscellaneous Liabilities	\$ -	\$ 25,299	\$ 4,931	\$ 20,368
<u>Fines and Forfeitures</u>				
Assets				
Cash	\$ -	\$ 70,454	\$ 70,454	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 70,454	\$ 70,454	\$ -
<u>Tax Fund</u>				
Assets				
Cash	\$ -	\$ 3,621,686	\$ 3,621,686	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 3,621,686	\$ 3,621,686	\$ -
<u>TOTAL - ALL AGENCY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 34,654	\$ 3,885,423	\$ 3,876,325	\$ 43,752
Due from other Governments	\$ -	\$ 208	\$ -	\$ 208
Liabilities:				
Miscellaneous Liabilities	\$ 34,654	\$ 3,885,631	\$ 3,876,325	\$ 43,960

OTHER SCHEDULES

This section includes additional information required on property taxes.

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

Hertford County, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2019

Exhibit F-1

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 14,035,485	\$ 13,525,554	\$ 509,931
2017-2018	526,697	-	283,653	243,044
2016-2017	246,091	1,354	98,706	148,739
2015-2016	130,987	-	42,048	88,939
2014-2015	79,481	48	14,869	64,660
2013-2014	81,983	-	12,557	69,426
2012-2013	80,564	-	9,587	70,977
2011-2012	63,751	-	6,060	57,691
2010-2011	58,606	1	4,078	54,529
2009-2010	56,594	-	3,001	53,593
2008-2009	54,712	-	54,712	-
Totals	\$ <u>1,379,466</u>	\$ <u>14,036,888</u>	\$ <u>14,054,825</u>	\$ <u>1,361,529</u>
Less: allowance for uncollectible accounts				<u>(570,000)</u>
Taxes Receivable (Net)				\$ <u>791,529</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund			\$ 14,143,331	
Interest and penalties			<u>(182,307)</u>	
				13,961,024
Reconciling items:				
Other adjustments				42,404
Amounts written off for 2008-2009 levy				<u>51,397</u>
Total Reconciling Items				<u>93,801</u>
Total Collections and Credits				\$ 14,054,825

Hertford County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Year Ended June 30, 2019

Exhibit F-2

	County - wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,660,139,762	0.840	\$ 13,945,174	\$ 12,519,048	\$ 1,426,126
Dog tax			5,280	5,280	-
Fire Districts			85,031	85,031	-
Total Original Levy	<u>1,660,139,762</u>		<u>14,035,485</u>	<u>12,609,359</u>	<u>1,426,126</u>
Discoveries	-	0.840	-	-	-
Abatements	<u>-</u>	0.840	<u>-</u>	<u>-</u>	<u>-</u>
Total Property Valuation	<u>\$ 1,660,139,762</u>				
Net levy			14,035,485	12,609,359	1,426,126
Uncollected taxes at June 30, 2019			<u>509,931</u>	<u>509,931</u>	<u>-</u>
Current year's taxes collected			<u>\$ 13,525,554</u>	<u>\$ 12,099,428</u>	<u>\$ 1,426,126</u>
Current levy collection percentage			<u>96.37%</u>	<u>95.96%</u>	<u>100.00%</u>

Hertford County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Year Ended June 30, 2019

Exhibit F-2

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 1,277,752,265
Personal Property	281,198,461
Public Service Companies	<u>101,189,036</u>
Total Assessed Valuation	1,660,139,762
Tax Rate per \$100	0.84
Levy (includes discoveries, releases and abatements)	<u><u>\$ 13,945,174</u></u>

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

Fire Protection Districts	<u><u>\$ 84,972</u></u>
---------------------------	-------------------------

**Hertford County, North Carolina
Ten Largest Taxpayers
For the Year Ended June 30, 2019**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Wackelnut Corrections Corp	Correctional Facility	\$ 60,107,493	3.62%
Nucor Corporation	Manufacturing	44,481,462	2.68%
Enviva Pellets Ahoskie, LLC	Manufacturing	40,426,993	2.44%
Kerr Group, LLC	Manufacturing	15,988,581	0.96%
Commercial Ready Mix Products, Inc	Construction	15,550,255	0.94%
Carrol's Foods of Virginia, Inc	Livestock	12,350,442	0.74%
Perdue Agribusiness LLC	Manufacturing	11,917,570	0.72%
Wal-Mart Real Estate Business Trust	Retail	10,589,935	0.64%
Perdue Grain and Oil Seed LLC	Farming	9,512,132	0.57%
Fresh Air Energy XXV LLC	Service	9,210,338	0.55%
		<u>\$ 230,135,200</u>	<u>13.86%</u>

COMPLIANCE SECTION



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**Report On Internal Control Over Financial Reporting And On Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises Hertford County's basic financial statements, and have issued our report thereon dated November 8, 2019. Our report includes a reference to other auditors who audited the financial statements of the Hertford County ABC Board, as described in our report on Hertford County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Hertford ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hertford County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 8, 2019



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

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Hertford County, North Carolina's, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Hertford County's major federal programs for the year ended June 30, 2019. Hertford County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hertford County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hertford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hertford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items [2019-001, 2019-002, 2019-003 and 2019-004] that we consider to be significant deficiencies.

The Hertford County's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 8, 2019

Section I. Summary of Auditors' Results

Internal control over financial reporting:

• Material Weakness(es) identified? yes X no

• Significant Deficiency(s) identified? yes X none reported

Noncompliance material to financial statements
noted yes X no

Federal Awards

Internal control over major federal programs:

• Material Weakness(es) identified? yes X no

• Significant Deficiency(s) identified? X yes none reported

Noncompliance material to federal awards _____yes Xno

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

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

Identification of major federal programs:

CFDA #
93.778

Program Name
Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
---	------------

Auditee qualified as low-risk auditee? X yes no

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II. Financial Statement Findings

None Reported.

Section III. Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA# 93.778

Finding: 2019-001

SIGNIFICANT DEFICENCY

Eligibility

Criteria: The Child Support Enforcement Agency (IV-D) can assist the family in obtaining financial and/or medical support or medical support payments from the child's non-custodial parent. Cooperation requirement with Social Services and Child Support Agencies must be met or good cause for not cooperating must be established when determining Medicaid eligibility.

Condition: There were six errors discovered during our procedures that referrals between DSS and Child Support Agencies were not properly made. One applicant received assistance although their Child Support case was indicating non cooperation and no good cause established.

Questioned Costs: The amounts paid out for the above ineligible participants did not exceed the threshold for a questioned cost determination.

Context: We examined 60 Medicaid applicants from the Medicaid Beneficiary report provided by NC Department of Health and Human Services to re-determine eligibility. These findings are being reported with the financial statement audit as it relates to the Medicaid administrative cost compliance audit.

Effect: One applicant received assistance for which they were not eligible.

Cause: Error in reading the ACTS report, and ineffective case review process.

Recommendation: Files should be reviewed internally to ensure proper information is in place and necessary procedures are taken when determining eligibility. The results found or documentation made in case notes should clearly indicate what actions were performed and the results of those actions.

Views of responsible officials and planned corrective actions: The County agrees with the finding. Supervisors will review action reports regularly to determine if corrective action was taken and that action was correctly closed out. Workers will be retrained on what information should be maintained in case files, the importance of complete and accurate record keeping, and reserve calculations.

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA# 93.778

Finding: 2019-002

SIGNIFICANT DEFICENCY

Eligibility

Criteria:	The State sends notification to the County when a participant is no longer eligible under SSI determination. The County has a certain time period to initiate an ex parte review to determine whether the recipient qualifies for Medicaid under any other coverage group, such as Family and Children's Medicaid, North Carolina Health Choice for Children, Work First Family Assistance, or Medicaid for the Aged, Blind and Disabled.
Condition:	Two applicants were not reviewed timely and determined to be eligible for Medicaid when their SSI benefits were terminated.
Questioned Costs:	The amounts paid out for the above ineligible participants did not exceed the threshold for a questioned cost determination.
Context:	We examined 60 Medicaid applicants from the Medicaid Beneficiary report provided by NC Department of Health and Human Services to re-determine eligibility. These findings are being reported with the financial statement audit as it relates to the Medicaid administrative cost compliance audit.
Effect:	The County did not initiate ex parte review timely, therefore, no eligibility review was completed in the required time period. The lack of follow up and certification lead to applicants receiving Medicaid benefits for which they were not eligible.
Cause:	Ineffective communication between departments within the Department of Social Services. One area within DSS received State communications that applicants would no longer be eligible for SSI benefits and the County needed to conduct an application process. This information was not shared with other departments in DSS from which the recipient was also receiving benefits.
Recommendation:	Any State communications related to applicants' benefits received by any DSS department should be shared with all areas from which the participant receives benefits. State files should be reviewed internally to ensure all actions have been properly closed and the corrective action has been taken. Workers should be retrained on what process needs to be followed when State communications are received.
Views of responsible officials and planned corrective actions:	The County agrees with the finding. Supervisors will review action reports regularly to determine if corrective action plan was taken and that action was correctly closed out. Workers will be retrained on what information should be maintained in case files, the importance of complete and accurate record keeping, and reserve calculations.

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA# 93.778

Finding: 2019-003

SIGNIFICANT DEFICIENCY

Eligibility

Criteria:	Medicaid for Aged, Blind and Disabled case records should contain documentation that verifications were done in preparation of the application and these items will agree to reports in the NC FAST system. In this process, the countable resources should be calculated correctly and agree back to the amounts in the NC FAST system. Any items discovered in the verification process should be considered countable or non-countable resources and explained within the documentation.
Condition:	There were fifteen errors discovered during our procedures that resources in the county documentation and those same resources contained in NC FAST were not the same amounts or files containing resources were not properly documented to be considered countable or non-countable.
Questioned Costs:	There was no affect to eligibility and there were no questioned costs.
Context:	We examined 60 Medicaid applicants from the Medicaid Beneficiary report provided by NC Department of Health and Human Services to re-determine eligibility. These findings are being reported with the financial statement audit as it relates to the Medicaid administrative cost compliance audit.
Effect:	For those certifications/re-certifications there was a chance that information was not properly documented and reconciled to NC FAST which could affect countable resource. Therefore, applicants could have received assistance for which they were not eligible.
Cause:	Ineffective record keeping and 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. We recommend that all files include online verifications, documented resources of income and those amounts agree to information in NC FAST. The results found or documentation made in case notes should clearly indicate what actions were performed and the results of those actions.

Views of responsible officials and planned corrective actions: The County agrees with the finding. Supervisors will review action reports regularly to determine if corrective action plan was taken and that action was correctly closed out. Workers will be retrained on what information should be maintained in case files, the importance of complete and accurate record keeping, and reserve calculations.

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA# 93.778

Finding: 2019-004

SIGNIFICANT DEFICENCY

Eligibility

Criteria:	In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific income standards, and documentation must be maintained to support eligibility determinations. In accordance with 2 CFR 200, management should have an adequate system of internal controls procedures in place to ensure an applicant is properly determined or redetermined for benefits.
Condition:	There were twenty-one errors discovered during our procedures that inaccurate information was entered when determining eligibility. One error resulted in an applicant receiving assistance from the wrong class of the program. One error resulted in an applicant receiving assistance for which the client was not eligible due to the case not being closed properly in NC FAST.
Questioned Costs:	The amounts paid out for the above in-eligible participants did not exceed the threshold for a questioned cost determination.
Context:	We examined 60 Medicaid applicants from the Medicaid Beneficiary report provided by NC Department of Health and Human Services to re-determine eligibility. These findings are being reported with the financial statement audit as it relates to the Medicaid administrative cost compliance
Effect:	For those certifications/re-certifications there was a chance that information was not properly documented and reconciled to NC FAST which could affect income. Therefore, a participant could have been approved to receive benefits for which they were not eligible.
Cause:	Ineffective record keeping and 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. We recommend that all files include online verifications, documented resources of income and those amounts agree to information in NC FAST. The results found or documentation made in case notes should clearly indicate what actions were performed and the results of those actions.
Views of responsible officials and planned corrective actions:	The County agrees with the finding. Supervisors will perform second party reviews to ensure proper documentation is contained in files to support eligibility determinations. Workers will be retrained on what information should be maintained in case files, the importance of complete and accurate record keeping, and reserve calculations.



Corrective Action Plan
For the Year Ended June 30, 2019

Section II - Financial Statement Findings

None Reported.

Section III - Federal Award Findings and Question Costs

Finding 2019-001

Name of contact person: Brenda Brown, DSS Director; Debra Myers, Adults Medicaid Supervisor; Angela Brown, IMS II

Corrective Action: Workers are retrained on how to read ACTS information and to determine a client's cooperation status. Keying of IV-D referrals is reiterated to workers that if a parent is receiving benefits a referral must be keyed on case that child(ren) is/are receiving benefits on.

Proposed completion date: Management will continue to monitor the progress of this issue and modify the controls as needed.

Finding 2019-002

Name of contact person: Brenda Brown, DSS Director; Debra Myers, Adults Medicaid Supervisor; Angela Brown, IMS II

Corrective Action: SSI termination reports are now being pulled and SSI termination tasks are being assigned to the workers and they will be informed via email that such task has been assigned to them with a time frame of 30 days for completion. Such emails are also shared with supervisors for follow-up monitoring to ensure tasks are completed.

Proposed completion date: Certain controls are currently being created and reviewed. Management will continue to monitor the progress of this issue and modify the controls as needed.

Finding 2019-003

Name of contact person: Brenda Brown, DSS Director; Debra Myers, Adults Medicaid Supervisor; Angela Brown, IMS II

Corrective Action: Workers are reminded that all properties, resources and vehicles must be looked at and entered into NCFast at time of application and recertification's.

Proposed completion date: Management will continue to monitor the progress of this issue and modify the controls as needed.

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Corrective Action Plan
For the Year Ended June 30, 2019

Finding 2019-004

Name of contact person: Brenda Brown,

Corrective Action: Workers are advised to toggle into determination history prior to case authorization to ensure that household composition and income are correct. Workers are to continue completing manual budget and such is to be compared to NCFAS budget for budgeting accuracy as well as correct program eligibility. In addition workers are also counseled on being more aware when entering income and income calculations.

Proposed completion date: Management will continue to monitor the progress of this issue and modify the controls as needed.

Section IV - State Award Findings and Question Costs

None Reported

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Hertford County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019

Finding: 18-01

Status: Corrected

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Dept. of Agriculture</u>						
Passed-through N.C. Dept. of Health and Human Services: Division of Social Services: Administration: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 287,388	\$ -	\$ -	\$ 287,388
Total U.S. Dept. of Agriculture			287,388	-	-	287,388
<u>US Dept. of Health and Human Services</u>						
Passed-through Mid East Commissions: Division of Aging and Adult Services: <u>Aging Cluster</u> Special Programs for the Aging Title IIIB Grants for Supportive Services and Senior Centers	93.044		27,807	1,636	-	3,271
Special Programs for the Aging Title IIIC Nutrition Services	93.045		143,875	8,463	-	16,927
Nutrition Services Incentive Program	93.053		23,341	-	-	-
Total Aging Cluster			195,023	10,099	-	20,198
Division of Social Services: Temporary Assistance Needy Family Cluster TANF-Work First	93.558		268,315	-	-	73,397
Total TANF Cluster			268,315	-	-	73,397
<u>Foster Care and Adoption Cluster</u> Foster Care - Title IV-E	93.658		36,117	9,746	-	22,592
Adoption Assistance	93.659		3,889	-	-	3,888
Foster Care	N/A		15,281	-	-	-
IV-E Adoption	N/A		251	-	-	-
Total Foster Care and Adoption Cluster			55,538	9,746	-	26,480
Child Support Enforcement	93.563		298,760	-	-	153,907
Low-Income Home Energy Assistance: Administration	93.568		31,630	-	-	-
Energy Assistance - Direct Benefit Payments	93.568		222,900	-	-	-
Crisis Intervention Program	93.568		183,640	-	-	-
Total Low-Income Energy Assistance			438,170	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program: Permanency Planning - Families for Kids	93.645		628	-	-	209
Total Stephanie Tubbs Jones Child Welfare Services Program:			628	-	-	209
SSBG - Other Service and Training	93.667		135,501	-	-	45,167
Division of Aging and Adult Services Division of Social Services SSBG - State In Home Service Fund	93.667		7,929	-	-	1,002
SSBG - State Adult Day Care	93.667		20,632	6,067	-	6,353
Pass-through Mid East Commission: Social Services Block Grant (SSBG)	93.667		4,783	137	-	547
Total Social Service Block Grant			168,845	6,204	-	53,069
<u>Administration for Children and Families</u>						
Passed-through the N.C. Dept. of Health and Human Services Subsidized Child Care: <u>Child Care Development Fund Cluster:</u> Division of Social Services: Child Care Development Fund-Administration	93.596		75,471	-	-	-
Total Subsidized Child Care Cluster			75,471	-	-	-
Passed-through the N.C. Department of Health and Human Services Division of Medical Assistance: Division of Social Services Administration Medical Assistance Program	93.778		980,256	11,627	-	421,000
State Children's Insurance Program - N.C. Health Choice	93.767		17,462	-	-	-
Total U. S. Department of Health and Human Services			2,498,468	37,676	-	748,260

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
<u>U.S. Dept. of Homeland Security</u>						
Passed through the NC Dept. of Public Safety						
Division of Emergency Management						
Emergency Management Performance Grant	97.042	EMPG-2018	38,524	-	-	-
Homeland Security Grant	97.067	2017-1704	10,000	-	-	-
Total U.S. Dept. of Homeland Security			48,524	-	-	-
<u>U.S. Dept. of Transportation</u>						
Pass through the NC Dept. of Public Safety						
Hazardous Materials Emergency Preparedness	20.703		5,085	-	-	-
Total U.S Dept. of Transportation			5,085	-	-	-
<u>U.S. Dept. of Justice</u>						
Edward Byrne Memorial Justice Assistance Grant Program	16.738		23,282	-	-	-
Total U.S. Dept. of Justice			23,282	-	-	-
Total Federal Awards			\$ 2,862,747	\$ 37,676	\$ -	\$ 1,035,648
State Awards:						
<u>N.C. Dept. of Health and Human Services</u>						
Division of Aging and Adult Services						
State Funds - Access			\$ -	\$ 6,156	\$ -	\$ 684
State Funds - In-Home Services			-	52,508	-	5,834
State Funds - Home Delivered Meals			-	22,399	-	2,489
State Appropriation			-	20,903	-	2,323
Senior Center General Purpose			-	7,128	-	-
Total Division of Aging and Adult Services			-	109,094	-	11,330
Division of Social Services:						
AFDC Incent/Program Integrity		N/A	-	117	-	-
DCD Smart Start		N/A	-	6,261	-	-
State Child Welfare/CPS/CS LD		N/A	-	7,910	-	-
County Funded Programs		N/A	-	-	-	295,533
Work First Non Reimbursable		N/A	-	-	-	126
Non-Allocating County Cost		N/A	-	-	-	137,274
State Foster Home			-	654	-	654
Total for Division of Social Services			-	14,942	-	433,587
Total N.C. Dept. Health and Human Services			-	124,036	-	444,917
<u>N. C. Dept. of Environmental Quality</u>						
Division of Waste Management						
Electronics Management			-	1,501	-	-
Scrap Tire Program		N/A	-	4,972	-	-
Total N.C. Dept. of Environmental Quality			-	6,473	-	-
<u>N.C. Dept. of Administration</u>						
Veterans Service		N/A	-	2,216	-	-
Total N.C. Dept. of Administration			-	2,216	-	-
<u>N.C. Dept. of Transportation</u>						
Rural Operating Assistance Program (ROAP) Cluster						
ROAP Elderly and Disabled Transportation Assistance Program	36220.10.8.1		-	57,566	-	-
ROAP Rural General Public Program	36228.22.8.1		-	53,049	-	-
ROAP Work First Transitional - Employment	36236.11.7.1		-	7,830	-	-
Total ROAP Cluster			-	118,445	-	-
<u>N.C. Dept. of Insurance</u>						
SHIIP Grant			-	2,421	-	-
Total N.C. Dept. of Insurance			-	2,421	-	-
<u>N.C. Dept. of Public Safety</u>						
JCPC Administration		N/A	-	6,000	-	-
Second Chance Courts			-	32,000	32,000	3,200
Power of U			-	28,804	28,804	2,880
Vocational Job and Education			-	40,667	40,667	4,067
Total JCPC Programs			-	107,471	101,471	10,147
Tier II Universal Grant		N/A	-	2,975	-	-
Surry Fund			-	1,400	-	-
Total N.C Dept. of Public Safety			-	111,846	101,471	10,147

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
<u>N.C. Department of Agriculture and Consumer Services</u>						
Soil & Water Conservation			-	30,420	-	-
Total N.C. Department of Agriculture and Consumer Services			-	30,420	-	-
<u>N.C. Department of Natural and Cultural Resources</u>						
DNCR Grant			-	38,099	-	-
Total N.C. Department of Natural and Cultural Resources			-	38,099	-	-
Total State Awards			-	433,956	101,471	455,064
Total Federal and State Awards			\$ 2,862,747	\$ 471,632	\$ 101,471	\$ 1,490,712

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of Hertford County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Hertford County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Hertford County.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Cluster of Programs

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

Note 5: 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 that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

Program Title	CFDA No.	Federal	State
Medical Assistance Program	93.778	\$ 32,696,008	\$ 17,685,299
Children's Health Insurance Program	93.767	382,056	-
Special Supplemental Nutrition Program for Women Infant and Children	10.557	730,060	-
Food and Nutrition Services	10.561	7,616,058	-
IV-E Adopt & Vendor	93.659	32,824	8,020
TANF Payments & Penalties	93.558	129,573	-
CWS Adopt, Vendor, Guard	N/A		52,018
SAA/SAD HB 1030	N/A		19,397
SC/SA Domiciliary Care	N/A		442,059