

**HOKE COUNTY  
NORTH CAROLINA**

**ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**

**MARTIN  STARNES**  

---

**& ASSOCIATES, CPAs, P.A.**

*"A Professional Association of Certified Public Accountants and Management Consultants"*



**HOKE COUNTY  
RAEFORD, NORTH CAROLINA**

**Principal Officials**

**June 30, 2018**

**Board of County Commissioners**

James Leach - Chairman

Harry Southerland- Vice Chairman

Allen Thomas, Jr.

Robert Wright

Tony Hunt

**County Officials**

Letitia Edens

County Manager

Grady L. Hunt

County Attorney

Gwen McGougan

Clerk to the Board

Ellis Prevatte

Finance Director



# HOKE COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR END JUNE 30, 2018

### TABLE OF CONTENTS

		<u>Page</u>
	<b>Financial Section</b>	
	<b>Independent Auditor's Report</b>	1-3
	<b>Management's Discussion and Analysis</b>	4-12
<b><u>Exhibit</u></b>	<b>Basic Financial Statements - Overview</b>	
	<b>Government-Wide Financial Statements:</b>	
A	Statement of Net Position	13
B	Statement of Activities	14-15
	<b>Fund Financial Statements:</b>	
C	Balance Sheet - Governmental Funds	16-17
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	20
G	Statement of Net Position - Proprietary Funds	21
H	Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	22
I	Statement of Cash Flows - Proprietary Funds	23
J	Statement of Fiduciary Net Position - Fiduciary Funds	24
	<b>Notes to the Financial Statements</b>	25-74

# HOKE COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR END JUNE 30, 2018

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Required Supplemental Financial Data:</b>	
A-1	Schedule of Changes in Total OPEB Liability and Related Ratios Required Supplementary Information	75
A-2	Local Government Employees' Retirement System - Schedule of County's Proportionate Share of Net Pension Liability (Asset)	76
A-3	Local Government Employees' Retirement System - Schedule of County's Contributions	77
A-4	Register of Deeds' Supplemental Pension Fund - Schedule of County's Proportionate Share of Net Pension Liability (Asset)	78
A-5	Register of Deeds' Supplemental Pension Fund - Schedule of County's Contributions	79
A-6	Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability	80
A-7	Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll (LEO)	81
	<b>Combining and Individual Fund Statements and Schedules:</b>	
	<b>General Fund:</b>	
B-1	General Fund Consolidated - Statement of Revenues, Expenditures, and Changes in Fund Balance	82
B-2	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	83-91
B-3	Register of Deeds Automation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	92
B-4	Revaluation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	93

# HOKE COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR END JUNE 30, 2018

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>General Fund (continued):</b>	
B-5	Law Enforcement Officer Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	94
	<b>Nonmajor Governmental Funds:</b>	
C-1	Nonmajor Governmental Funds - Combining Balance Sheet	95
C-2	Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	96
	<b>Special Revenue Funds:</b>	
D-1	Nonmajor Special Revenue Funds - Combining Balance Sheet	97-98
D-2	Nonmajor Special Revenue Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	99-100
D-3	Revolving Loan Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	101
D-4	Emergency Systems Telephone Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	102
D-5	Asset Forfeiture Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	103
D-6	Grant Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	104
D-7	Fire Districts Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	105

# HOKE COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR END JUNE 30, 2018

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Special Revenue Funds (continued):</b>	
D-8	Multi-Year Grants Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	106
	<b>Capital Project Funds:</b>	
E-1	Nonmajor Capital Project Funds - Combining Balance Sheet	107
E-2	Nonmajor Capital Project Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance:	108
E-3	Administrative Capital Projects Fund - Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actua	109
E-4	CDBG Capital Projects Fund - Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actua	110-111
E-5	Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	112
	<b>Major Enterprise Funds:</b>	
F-1	Water and Sewer District Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	113-114
F-2	Water Construction Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	115
F-3	Water Rate Stabilization Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	116
F-4	Waste Water Treatment Plant Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	117

# HOKE COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR END JUNE 30, 2018

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Major Enterprise Funds (continued):</b>	
F-5	Solid Waste Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP)	118
	<b>Agency Funds:</b>	
G-1	Combining Statement of Changes in Assets and Liabilities	119
	<b>Supplemental Financial Data:</b>	
H-1	Schedule of Ad Valorem Taxes Receivable	120
H-2	Analysis of Current Tax Levy	121
	<b>Compliance Section:</b>	
	Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	122-123
	Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance Required By Uniform Guidance And The State Single Audit Implementation Act	124-126
	Report On Compliance For Each Major State Program Report On Internal Control Over Compliance; Required By Uniform Guidance And The State Single Audit Implementation Act	127-129
	Schedule of Findings, Responses, and Questioned Costs	130-137
	Corrective Action Plan	138-139
	Schedule of Prior Year Audit Findings	140-141
	Schedule of Expenditures of Federal and State Awards	142-146

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# MARTIN STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Hoke County  
Raeford, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hoke County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hoke County ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hoke 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 of material misstatement. The financial statements of the Hoke County ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

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

### ***Change in Accounting Principle***

As discussed in Note 5 to the financial statements, for the fiscal year ended June 30, 2018, Hoke County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the County's Proportionate Share of Net Pension (Liability) Asset and County Contributions, the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions, and 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 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, economical, or historical context. We and the 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 Hoke County, North Carolina. The combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal*

*Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the 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 30, 2018 on our consideration of Hoke County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hoke County's 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 Hoke County's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
November 30, 2018

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## **Management's Discussion and Analysis**

As management of Hoke County, we offer readers of Hoke County's financial statements this narrative overview and analysis of the financial activities of Hoke County for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### **Financial Highlights**

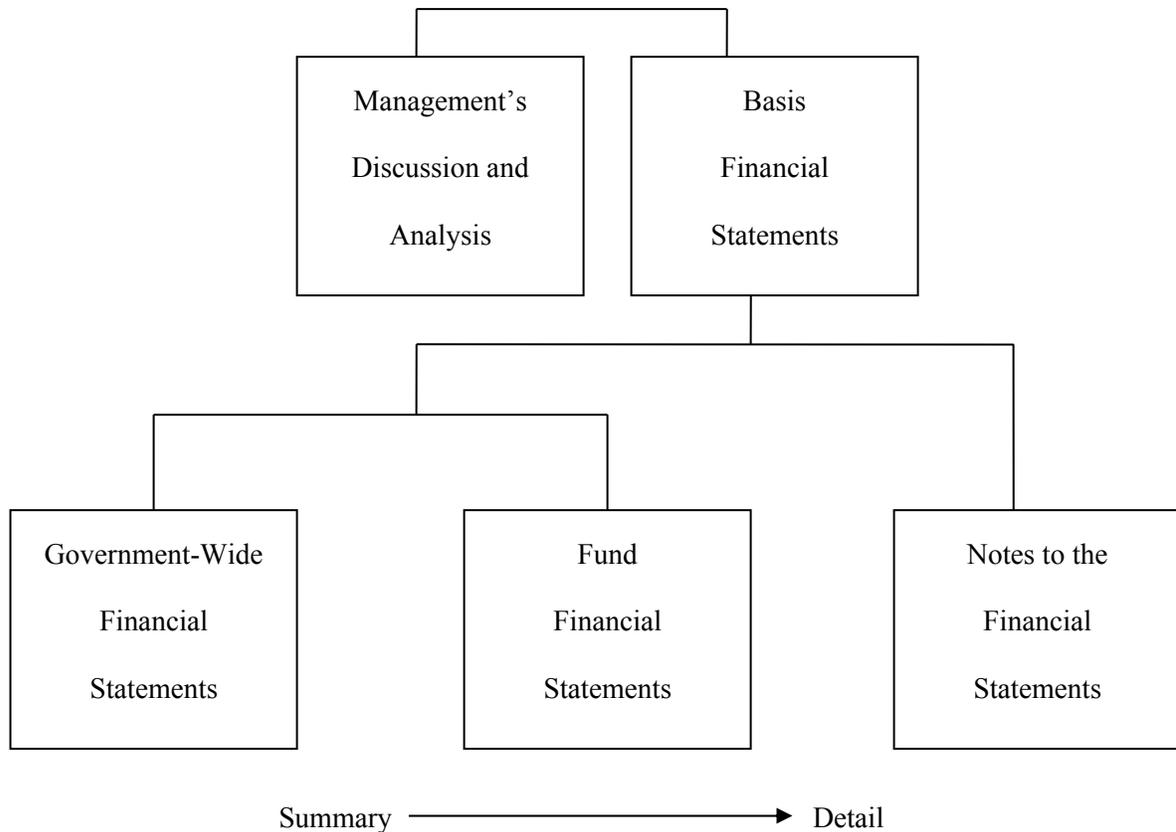
- The assets and deferred outflows of resources of Hoke County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$65,756,656 (net position).
- The County's total net position increased by \$7,113,870, primarily due to increased net position in the governmental activities.
- As of the close of the current fiscal year, Hoke County's governmental funds reported combined ending fund balances of \$29,619,980, after a net increase in fund balance of \$6,064,067. Approximately 15.96% of this total amount, or \$4,727,595, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$21,586,602, or 50.84%, of total General Fund expenditures and transfers out for the fiscal year. Total fund balance of the General Fund, \$26,599,198, was 62.64% of total General Fund expenditures and transfers out for the year.
- Hoke County's total debt decreased by \$3,268,022. The decrease was mainly due to timely payments of debt service expenditures.
- Hoke County maintains an A rating from Standard and Poor's Corporation and an A1 rating from Moody's Investor Service.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Hoke 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 Hoke County.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through J) 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 to the financial statements**. The notes 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 nonmajor governmental 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 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 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 federal and state 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 landfill services offered by Hoke County. The final category is the component unit. Hoke County ABC Board is legally separate from the County; however, the County is financially accountable for the Board by appointing its members. Also, the ABC Board is required to distribute its profit to the County. The government-wide financial statements include not only the County itself (primary government) but also the ABC Board.

The government-wide financial statements are on Exhibits A and B 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. Hoke 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 Hoke 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.

Hoke 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.** Hoke 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. Hoke County uses enterprise funds to account for its water and sewer activity, and for its landfill 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. Hoke County has four fiduciary funds, all of which are agency funds.

**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 25 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Hoke County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 75 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. The assets and deferred outflows of resources of Hoke County exceeded its liabilities and deferred inflows of resources by \$65,756,656 as of June 30, 2018. The County's net position increased by \$7,113,870 in the same period. One of the largest portions, \$53,245,034, reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). Hoke County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hoke 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 Hoke County's net position, \$4,823,474 (7.3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,688,148 is unrestricted.

## Hoke County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 33,940,256	\$ 28,332,960	\$ 16,437,647	\$ 15,354,456	\$ 50,377,903	\$ 43,687,416
Capital assets, net of depreciation	21,884,878	22,480,161	68,139,248	68,779,185	90,024,126	91,259,346
Total assets	<u>55,825,134</u>	<u>50,813,121</u>	<u>84,576,895</u>	<u>84,133,641</u>	<u>140,402,029</u>	<u>134,946,762</u>
<b>Deferred Outflows of Resources</b>	<u>2,898,828</u>	<u>4,336,984</u>	<u>274,772</u>	<u>425,199</u>	<u>3,173,600</u>	<u>4,762,183</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	33,830,084	39,223,372	24,380,067	25,574,254	58,210,151	64,797,626
Other liabilities	14,381,127	10,588,641	4,550,512	3,462,163	18,931,639	14,050,804
Total liabilities	<u>48,211,211</u>	<u>49,812,013</u>	<u>28,930,579</u>	<u>29,036,417</u>	<u>77,141,790</u>	<u>78,848,430</u>
<b>Deferred Inflows of Resources</b>	<u>632,127</u>	<u>410,656</u>	<u>45,056</u>	<u>26,241</u>	<u>677,183</u>	<u>436,897</u>
<b>Net Position:</b>						
Net investment in capital assets	10,721,286	10,312,302	42,523,748	42,461,967	53,245,034	52,774,269
Restricted	4,823,474	6,141,070	-	-	4,823,474	6,141,070
Unrestricted	(5,664,136)	(11,525,936)	13,352,284	13,034,215	7,688,148	1,508,279
Total net position	<u>\$ 9,880,624</u>	<u>\$ 4,927,436</u>	<u>\$ 55,876,032</u>	<u>\$ 55,496,182</u>	<u>\$ 65,756,656</u>	<u>\$ 60,423,618</u>

## Hoke County's Changes in Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,248,242	\$ 3,226,276	\$ 9,837,428	\$ 9,545,753	\$ 13,085,670	\$ 12,772,029
Operating grants	7,453,591	9,741,805	-	-	7,453,591	9,741,805
Capital grants	-	-	38,985	720,528	38,985	720,528
General revenues:						
Property taxes	28,180,880	28,420,677	-	-	28,180,880	28,420,677
Other taxes	9,633,938	8,721,567	-	-	9,633,938	8,721,567
Unrestricted:						
Intergovernmental	239,772	281,564	-	-	239,772	281,564
Investment income	402,624	111,487	42,351	42,662	444,975	154,149
Total revenues	<u>49,159,047</u>	<u>50,503,376</u>	<u>9,918,764</u>	<u>10,308,943</u>	<u>59,077,811</u>	<u>60,812,319</u>
<b>Expenses:</b>						
General government	6,094,725	5,768,923	-	-	6,094,725	5,768,923
Public safety	14,712,836	14,331,030	-	-	14,712,836	14,331,030
Economic and physical development	757,532	698,014	-	-	757,532	698,014
Human services	11,449,969	12,500,618	-	-	11,449,969	12,500,618
Cultural and recreational	1,214,387	848,185	-	-	1,214,387	848,185
Transportation	995,844	1,295,584	-	-	995,844	1,295,584
Education	6,506,656	6,461,722	-	-	6,506,656	6,461,722
Interest on long-term debt	853,352	1,059,755	-	-	853,352	1,059,755
Water Fund	-	-	6,997,532	6,201,383	6,997,532	6,201,383
Sanitation	-	-	2,381,108	2,612,847	2,381,108	2,612,847
Total expenses	<u>42,585,301</u>	<u>42,963,831</u>	<u>9,378,640</u>	<u>8,814,230</u>	<u>51,963,941</u>	<u>51,778,061</u>
Change in net position	<u>6,573,746</u>	<u>7,539,545</u>	<u>540,124</u>	<u>1,494,713</u>	<u>7,113,870</u>	<u>9,034,258</u>
<b>Net Position:</b>						
Beginning of year - July 1	4,927,436	(2,589,599)	55,496,182	54,001,469	60,423,618	51,411,870
Restatement	<u>(1,620,558)</u>	<u>(22,510)</u>	<u>(160,274)</u>	<u>-</u>	<u>(1,780,832)</u>	<u>(22,510)</u>
Beginning of year - July 1, as restated	<u>3,306,878</u>	<u>(2,612,109)</u>	<u>55,335,908</u>	<u>54,001,469</u>	<u>58,642,786</u>	<u>51,389,360</u>
End of year - June 30	<u>\$ 9,880,624</u>	<u>\$ 4,927,436</u>	<u>\$ 55,876,032</u>	<u>\$ 55,496,182</u>	<u>\$ 65,756,656</u>	<u>\$ 60,423,618</u>

**Governmental Activities.** Governmental activities increased the County's net position by \$6,573,746 mainly due to increases in property tax and other tax revenues and decreases in human services and transportation expenditures in the current year.

**Business-Type Activities.** Business-type activities increased the County's net position by \$540,124 mainly due to an increase in charges for services.

### **Financial Analysis of the County's Funds**

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

**Governmental Funds.** The focus of Hoke County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Hoke 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 Hoke County. At the end of the current fiscal year, available fund balance of the General Fund was \$23,493,064, while total fund balance reached \$26,599,198. The County currently has an available fund balance of 55.33% of total General Fund expenditures and transfers out, while total fund balance represents 62.64% of that same amount.

At June 30, 2018, the governmental funds of Hoke County reported a combined fund balance of \$29,619,980, a 25.74% increase over last year. This increase is mainly due to an increase of fund balance in the General Fund of \$6 million.

**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 revenues by \$1,373,146 (3.1%).

**Proprietary Funds.** Hoke County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. At the end of the fiscal year, unrestricted net position of the Water and Sewer District Fund amounted to \$8,822,254 and \$4,530,030 for the Solid Waste Fund. The Water and Sewer District Fund reported a change in net position deficit of (\$95,479) and the Solid Waste Fund reported a growth in net position of \$635,603 for a combined total increase in net position of \$540,124.

Other factors concerning the finances of these funds have already been addressed in the discussion of Hoke County's business-type activities.

## Capital Asset and Debt Administration

**Capital Assets.** Hoke County's capital assets for its governmental and business-type activities as of June 30, 2018 totals \$90,024,126 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Continued construction of water and sewer infrastructure
- Purchase of vehicles in the General and Water and Sewer Funds
- Star Witness Interview System, Fingerprinting Equipment, X-ray Inspection System and Bi-directional Antenna System for the General Fund
- Water Treatment System, Ground Penetrating Radar, Grinder and Mahindra Tractor for the Water Plant
- Back loader for Solid Waste

**Hoke County's Capital Assets  
(Net of Depreciation)  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,680,785	\$ 3,680,785	\$ 671,456	\$ 671,456	\$ 4,352,241	\$ 4,352,241
Building	16,292,212	16,669,089	65,394,472	43,016,909	81,686,684	59,685,998
Equipment	937,902	1,131,537	735,243	468,089	1,673,145	1,599,626
Vehicles	973,979	998,750	346,255	432,392	1,320,234	1,431,142
Construction in progress	-	-	991,822	24,190,339	991,822	24,190,339
Total	<u>\$ 21,884,878</u>	<u>\$ 22,480,161</u>	<u>\$ 68,139,248</u>	<u>\$ 68,779,185</u>	<u>\$ 90,024,126</u>	<u>\$ 91,259,346</u>

Additional information on the County's capital assets can be found in Note 2.A of the basic financial statements.

**Long-Term Debt.** As of June 30, 2018, Hoke County had total debt outstanding of \$61,487,735.

**Hoke County's Outstanding Debt  
General Obligation Bonds and Other Obligations  
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 7,100,000	\$ 7,800,000	\$ 3,787,000	\$ 3,887,000	\$ 10,887,000	\$ 11,687,000
Installment purchases	12,069,656	13,343,600	977,500	1,255,218	13,047,156	14,598,818
Revenue bonds	-	-	20,851,000	21,175,000	20,851,000	21,175,000
Limited obligation bonds	16,330,645	16,806,516	-	-	16,330,645	16,806,516
Capital leases	371,934	488,423	-	-	371,934	488,423
Total	<u>\$ 35,872,235</u>	<u>\$ 38,438,539</u>	<u>\$ 25,615,500</u>	<u>\$ 26,317,218</u>	<u>\$ 61,487,735</u>	<u>\$ 64,755,757</u>

As mentioned in the financial highlights section of this document, Hoke County maintains a bond rating of A from Standard and Poor's and an A1 rating from Moody's Investor Service.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Hoke County is approximately \$247,998,700.

Additional information regarding Hoke County's long-term debt can be found in Note 2.B. beginning on page 64 of this audited financial report.

### **Economic Factors and Next Year's Budget**

Hoke County continues to experience residential and commercial growth in the northeast portion of the County due to the proximity to Ft. Bragg. With the establishment of two hospital systems, First Health of the Carolinas, Cape Fear Valley Health Center and a New Veterans Medical Facility bordering the County line, the medical field is also poised for strong growth in Hoke County.

The County is in the process of developing a ten-year capital improvement plan. Current plans include a new Recreation Center and Agricultural Cooperative building.

The County continued to take a fiscally conservative approach in preparing and adopting the fiscal year 2019 budget, an approach that has been effective in increasing the County's General Fund balance in recent years.

### **Budget Highlights for the Fiscal Year Ending June 30, 2019**

**Governmental Activities.** The valuation of property for the upcoming year is estimated to be \$3.2 billion. This is consistent with last year. The tax rate remains \$.75 per one hundred dollars of valuation of property listed as of January 1, 2018.

Budgeted expenditures in the General Fund are expected to increase to \$50,991,624 compared to an original budget of \$45,277,687 in fiscal year 2018. The increase is primarily due to increases in Health Department and non-departmental expenditures.

**Business-Type Activities.** Water, Sewer and Solid Waste revenues are anticipated to remain stable.

**Governmental Activities.** Property taxes are expected to reflect 53.8% of the total General Fund budget of \$50.9 million.

The largest component of General Fund expenditures is expected to be employee compensation, which represents 44.02 % of the total General Fund budget.

### **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 the Director of Finance, Hoke County, 227 North Main Street, Raeford, North Carolina 28376.

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## HOKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hoke County ABC Board
<b>Assets:</b>				
Cash and cash equivalents	\$ 28,053,149	\$ 13,305,268	\$ 41,358,417	\$ 217,307
Receivables, net	5,453,960	1,011,141	6,465,101	7,660
Inventories	8,637	343,088	351,725	220,626
Prepaid expenses	2,500	-	2,500	2,752
Non-current assets:				
Restricted cash and cash equivalents	346,007	1,778,150	2,124,157	-
Net pension asset	76,003	-	76,003	5,633
Other assets	-	-	-	7,145
Capital assets:				
Land, improvements, and construction in progress	3,680,785	1,663,278	5,344,063	3,000
Other capital assets, net of depreciation	18,204,093	66,475,970	84,680,063	116,455
Capital assets, net	<u>21,884,878</u>	<u>68,139,248</u>	<u>90,024,126</u>	<u>119,455</u>
Total assets	<u>55,825,134</u>	<u>84,576,895</u>	<u>140,402,029</u>	<u>580,578</u>
<b>Deferred Outflows of Resources:</b>				
OPEB deferrals	108,104	10,691	118,795	-
Pension deferrals	2,790,724	264,081	3,054,805	5,565
Total deferred outflows of resources	<u>2,898,828</u>	<u>274,772</u>	<u>3,173,600</u>	<u>5,565</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	1,841,548	540,941	2,382,489	163,089
Liability to be paid from restricted assets	114,335	482,796	597,131	-
Accrued interest payable	298,742	55,032	353,774	-
Due in less than one year	3,116,378	1,342,566	4,458,944	34,955
Payable from restricted assets	-	1,295,354	1,295,354	-
Non-current liabilities:				
Net pension liability - LGERS	3,537,575	349,870	3,887,445	14,513
Total pension liability - LEOSSA	778,869	-	778,869	-
Total OPEB liability	4,693,680	483,953	5,177,633	-
Due in more than one year	<u>33,830,084</u>	<u>24,380,067</u>	<u>58,210,151</u>	<u>94,036</u>
Total liabilities	<u>48,211,211</u>	<u>28,930,579</u>	<u>77,141,790</u>	<u>306,593</u>
<b>Deferred Inflows of Resources:</b>				
OPEB deferrals	261,538	25,867	287,405	-
Pension deferrals	208,506	19,189	227,695	28,766
Prepaid taxes	162,083	-	162,083	-
Total deferred inflows of resources	<u>632,127</u>	<u>45,056</u>	<u>677,183</u>	<u>28,766</u>
<b>Net Position:</b>				
Net investment in capital assets	10,721,286	42,523,748	53,245,034	119,455
Restricted:				
Stabilization for state statute	3,327,653	-	3,327,653	-
Human services	1,076,156	-	1,076,156	-
Register of Deeds	9,771	-	9,771	-
Register of Deeds' pension plan	107,016	-	107,016	-
Public safety	302,878	-	302,878	-
Working capital	-	-	-	61,911
Unrestricted	<u>(5,664,136)</u>	<u>13,352,284</u>	<u>7,688,148</u>	<u>69,418</u>
Total net position	<u>\$ 9,880,624</u>	<u>\$ 55,876,032</u>	<u>\$ 65,756,656</u>	<u>\$ 250,784</u>

The accompanying notes are an integral part of the financial statements.

HOKE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 6,094,725	\$ 2,094,420	\$ 298,738	\$ -
Public safety	14,712,836	684,365	279,326	-
Economic and physical development	757,532	16,347	-	-
Human services	11,449,969	242,972	6,253,191	-
Cultural and recreational	1,214,387	117,534	-	-
Transportation	995,844	92,604	602,035	-
Education	6,506,656	-	20,301	-
Interest on long-term debt	853,352	-	-	-
Total governmental activities	<u>42,585,301</u>	<u>3,248,242</u>	<u>7,453,591</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water and sewer	6,997,532	6,863,068	-	38,985
Landfill	2,381,108	2,974,360	-	-
Total business-type activities	<u>9,378,640</u>	<u>9,837,428</u>	<u>-</u>	<u>38,985</u>
Total primary government	<u>\$ 51,963,941</u>	<u>\$ 13,085,670</u>	<u>\$ 7,453,591</u>	<u>\$ 38,985</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 2,196,782</u>	<u>\$ 2,269,875</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

HOKE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position			Component Unit Hoke County ABC Board
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (3,701,567)	\$ -	\$ (3,701,567)	
Public safety	(13,749,145)	-	(13,749,145)	
Economic and physical development	(741,185)	-	(741,185)	
Human services	(4,953,806)	-	(4,953,806)	
Cultural and recreational	(1,096,853)	-	(1,096,853)	
Transportation	(301,205)	-	(301,205)	
Education	(6,486,355)	-	(6,486,355)	
Interest on long-term debt	(853,352)	-	(853,352)	
Total governmental activities	<u>(31,883,468)</u>	<u>-</u>	<u>(31,883,468)</u>	
<b>Business-Type Activities:</b>				
Water and sewer	-	(95,479)	(95,479)	
Landfill	-	593,252	593,252	
Total business-type activities	<u>-</u>	<u>497,773</u>	<u>497,773</u>	
Total primary government	<u>(31,883,468)</u>	<u>497,773</u>	<u>(31,385,695)</u>	
<b>Component Unit:</b>				
ABC Board				\$ <u>73,093</u>
<b>General Revenues:</b>				
<b>Taxes:</b>				
Ad valorem taxes	28,180,880	-	28,180,880	-
Local option sales tax	9,612,758	-	9,612,758	-
Other taxes	21,180	-	21,180	-
Unrestricted intergovernmental	239,772	-	239,772	-
Investment earnings	402,624	42,351	444,975	11
Total general revenues	<u>38,457,214</u>	<u>42,351</u>	<u>38,499,565</u>	<u>11</u>
Change in net position	<u>6,573,746</u>	<u>540,124</u>	<u>7,113,870</u>	<u>73,104</u>
<b>Net Position:</b>				
Beginning of year - July 1	4,927,436	55,496,182	60,423,618	177,680
Restatement	<u>(1,620,558)</u>	<u>(160,274)</u>	<u>(1,780,832)</u>	<u>-</u>
Beginning of year - July 1, as restated	<u>3,306,878</u>	<u>55,335,908</u>	<u>58,642,786</u>	<u>177,680</u>
End of year - June 30	<u>\$ 9,880,624</u>	<u>\$ 55,876,032</u>	<u>\$ 65,756,656</u>	<u>\$ 250,784</u>

The accompanying notes are an integral part of the financial statements.

HOKE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 25,156,717	\$ 2,896,432	\$ 28,053,149
Taxes receivable, net	1,941,332	184,975	2,126,307
Accounts receivable, net	3,094,997	53,567	3,148,564
Note receivable	-	179,089	179,089
Inventory	8,637	-	8,637
Prepays	2,500	-	2,500
Restricted cash and cash equivalents	231,672	114,335	346,007
Total assets	<u>\$ 30,435,855</u>	<u>\$ 3,428,398</u>	<u>\$ 33,864,253</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,733,242	\$ 108,306	\$ 1,841,548
Liability to be paid from restricted assets	-	114,335	114,335
Total liabilities	<u>1,733,242</u>	<u>222,641</u>	<u>1,955,883</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	1,941,332	184,975	2,126,307
Prepaid taxes	162,083	-	162,083
Total deferred inflows of resources	<u>2,103,415</u>	<u>184,975</u>	<u>2,288,390</u>
<b>Fund Balances:</b>			
Non-spendable:			
Inventories	8,637	-	8,637
Prepaid items	2,500	-	2,500
Restricted:			
Stabilization for state statute	3,094,997	232,656	3,327,653
Human services	1,076,156	-	1,076,156
Register of Deeds	9,771	-	9,771
Public safety	-	302,878	302,878
Committed	231,672	2,032,455	2,264,127
Assigned	588,863	452,793	1,041,656
Unassigned	21,586,602	-	21,586,602
Total fund balances	<u>26,599,198</u>	<u>3,020,782</u>	<u>29,619,980</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,435,855</u>	<u>\$ 3,428,398</u>	<u>\$ 33,864,253</u>

The accompanying notes are an integral part of the financial statements.

**HOKE COUNTY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

		<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances		\$ 29,619,980
Capital assets used in governmental activities are not financial resources and, therefore, are not reported:		
Total capital assets	\$ 33,907,700	
Less accumulated depreciation	<u>(12,022,822)</u>	
Net capital assets	<u>\$ 21,884,878</u>	21,884,878
Net pension asset		76,003
Net pension liability (LGERS)		(3,537,575)
Total pension liability (LEOSSA)		(778,869)
Total OPEB liability		(4,693,680)
Deferred inflows of resources related to pensions are not reported in the funds.		
ROD	\$ (2,729)	
LGERS	(194,034)	
LEOSSA	<u>(11,743)</u>	
	<u>\$ (208,506)</u>	(208,506)
Deferred inflows of resources related to OPEB are not reported in the funds.		
		(261,538)
Deferred outflows of resources related to pensions are not reported in the funds.		
ROD	\$ 33,742	
LGERS	2,670,156	
LEOSSA	<u>86,826</u>	
	<u>\$ 2,790,724</u>	2,790,724
Deferred outflows of resources related to OPEB are not reported in the funds.		
		108,104
Liabilities for deferred inflows in the fund statements but not the government-wide statements		
		2,126,307
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bond and installment financing	\$ (35,872,235)	
Accrued interest payable	(298,742)	
Compensated absences	<u>(1,074,227)</u>	
Total	<u>\$ (37,245,204)</u>	<u>(37,245,204)</u>
Net position of governmental activities		<u>\$ 9,880,624</u>

*The accompanying notes are an integral part of the financial statements.*

## HOKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 26,384,158	\$ 2,578,740	\$ 28,962,898
Local option sales taxes	9,612,758	-	9,612,758
Other taxes and licenses	21,180	-	21,180
Unrestricted intergovernmental	239,772	-	239,772
Restricted intergovernmental	7,286,766	138,620	7,425,386
E-911 wireless	-	294,116	294,116
Permits and fees	1,668,701	-	1,668,701
Sales and services	1,313,630	-	1,313,630
Investment earnings	402,624	-	402,624
Total revenues	<u>46,929,589</u>	<u>3,011,476</u>	<u>49,941,065</u>
<b>Expenditures:</b>			
Current:			
General government	5,949,300	-	5,949,300
Public safety	10,889,071	3,057,534	13,946,605
Economic and physical development	695,076	41,652	736,728
Human services	11,210,286	-	11,210,286
Cultural and recreational	1,131,406	-	1,131,406
Transportation	976,361	-	976,361
Education	6,506,656	-	6,506,656
Debt service:			
Principal retirements	2,566,304	-	2,566,304
Interest and fees	853,352	-	853,352
Total expenditures	<u>40,777,812</u>	<u>3,099,186</u>	<u>43,876,998</u>
Revenues over (under) expenditures	<u>6,151,777</u>	<u>(87,710)</u>	<u>6,064,067</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	1,685,854	1,685,854
Transfers out	(1,685,854)	-	(1,685,854)
Total other financing sources (uses)	<u>(1,685,854)</u>	<u>1,685,854</u>	<u>-</u>
Net change in fund balances	4,465,923	1,598,144	6,064,067
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>22,133,275</u>	<u>1,422,638</u>	<u>23,555,913</u>
End of year - June 30	<u>\$ 26,599,198</u>	<u>\$ 3,020,782</u>	<u>\$ 29,619,980</u>

The accompanying notes are an integral part of the financial statements.

## HOKE COUNTY, NORTH CAROLINA

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 6,064,067
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities:	
Current year capital outlay	501,672
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not the fund statements	(1,096,955)
Principal repayments on debt owed are recorded as a use of funds on the fund statements but affect only the Statement of Net Position in the government-wide statements.	2,566,304
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	(41,139)
Pension expense - LEOSSA	(95,960)
Pension expense - LGERS	(144,215)
Pension expense - ROD	(18,858)
OPEB plan expense	(379,152)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	<u>(782,018)</u>
Changes in net position of governmental activities (Exhibit B)	<u>\$ 6,573,746</u>

*The accompanying notes are an integral part of the financial statements.*

## HOKE COUNTY, NORTH CAROLINA

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 25,027,440	\$ 26,172,079	\$ 26,384,158	\$ 212,079
Local option sales taxes	7,905,593	7,905,593	9,612,758	1,707,165
Other taxes and licenses	10,200	10,200	21,180	10,980
Unrestricted intergovernmental	192,200	192,200	239,772	47,572
Restricted intergovernmental	8,831,857	9,037,636	7,286,766	(1,750,870)
Permits and fees	1,278,800	1,298,300	1,668,701	370,401
Sales and services	1,310,722	1,313,950	1,313,630	(320)
Investment earnings	85,000	85,000	402,624	317,624
Total revenues	<u>44,641,812</u>	<u>46,014,958</u>	<u>46,929,589</u>	<u>914,631</u>
<b>Expenditures:</b>				
Current:				
General government	7,123,789	7,442,729	5,944,300	1,498,429
Public safety	11,163,834	11,521,914	10,884,363	637,551
Economic and physical development	751,554	805,554	695,076	110,478
Human services	12,336,961	12,938,619	11,210,286	1,728,333
Cultural and recreational	1,181,848	1,235,248	1,131,406	103,842
Transportation	1,225,621	1,235,621	976,361	259,260
Intergovernmental - education	6,506,977	6,506,977	6,506,656	321
Debt service:				
Principal retirements	2,617,334	2,617,334	2,566,304	51,030
Interest and fees	1,669,769	1,669,769	853,352	816,417
Total expenditures	<u>44,577,687</u>	<u>45,973,765</u>	<u>40,768,104</u>	<u>5,205,661</u>
Revenues over (under) expenditures	<u>64,125</u>	<u>41,193</u>	<u>6,161,485</u>	<u>6,120,292</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(700,000)	(2,718,910)	(1,760,854)	958,056
Transfers in	50,000	50,000	-	50,000
Appropriated fund balance	585,875	2,627,717	-	2,627,717
Total other financing sources (uses)	<u>(64,125)</u>	<u>(41,193)</u>	<u>(1,760,854)</u>	<u>(1,719,661)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,400,631	<u>\$ 4,400,631</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>21,954,136</u>	
End of year - June 30			<u>\$ 26,354,767</u>	

*The accompanying notes are an integral part of the financial statements.*

## HOKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	<b>Major</b>		<b>Total</b>
	<b>Water and Sewer District</b>	<b>Solid Waste</b>	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 8,612,068	\$ 4,693,200	\$ 13,305,268
Accounts receivable, net	799,769	211,372	1,011,141
Inventories	343,088	-	343,088
Total current assets	<u>9,754,925</u>	<u>4,904,572</u>	<u>14,659,497</u>
Non-current assets:			
Restricted cash and cash equivalents	1,778,150	-	1,778,150
Land and construction in progress	1,480,626	182,652	1,663,278
Other capital assets, net of depreciation	65,283,196	1,192,774	66,475,970
Total non-current assets	<u>68,541,972</u>	<u>1,375,426</u>	<u>69,917,398</u>
Total assets	<u>78,296,897</u>	<u>6,279,998</u>	<u>84,576,895</u>
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	7,056	3,635	10,691
Pension deferrals	176,054	88,027	264,081
Total deferred outflows of resources	<u>183,110</u>	<u>91,662</u>	<u>274,772</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	421,055	119,886	540,941
Accrued interest expense	55,032	-	55,032
Compensated absences	35,384	18,182	53,566
Current portion of long-term debt	1,289,000	-	1,289,000
Liabilities to be paid from restricted assets:			
Advances from grantors	482,796	-	482,796
Customer deposits	1,295,354	-	1,295,354
Total current liabilities	<u>3,578,621</u>	<u>138,068</u>	<u>3,716,689</u>
Non-current liabilities:			
Net pension liability	233,247	116,623	349,870
Total OPEB liability	305,813	178,140	483,953
Long-term obligations	24,361,885	18,182	24,380,067
Total non-current liabilities	<u>24,900,945</u>	<u>312,945</u>	<u>25,213,890</u>
Total liabilities	<u>28,479,566</u>	<u>451,013</u>	<u>28,930,579</u>
<b>Deferred Inflows of Resources:</b>			
OPEB deferrals	17,072	8,795	25,867
Pension deferrals	12,793	6,396	19,189
Total deferred inflows of resources	<u>29,865</u>	<u>15,191</u>	<u>45,056</u>
<b>Net Position:</b>			
Net investment in capital assets	41,148,322	1,375,426	42,523,748
Unrestricted	8,822,254	4,530,030	13,352,284
Total net position	<u>\$ 49,970,576</u>	<u>\$ 5,905,456</u>	<u>\$ 55,876,032</u>

The accompanying notes are an integral part of the financial statements.

## HOKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	<b>Major</b>		<b>Total</b>
	<b>Water and Sewer District</b>	<b>Solid Waste</b>	
<b>Operating Revenues:</b>			
Water and sewer charges	\$ 6,291,174	\$ -	\$ 6,291,174
Tap and impact fees	529,857	-	529,857
Solid waste collection fees	-	2,828,030	2,828,030
Other operating revenues	42,037	146,330	188,367
Total operating revenues	<u>6,863,068</u>	<u>2,974,360</u>	<u>9,837,428</u>
<b>Operating Expenses:</b>			
Water administration	1,064,472	-	1,064,472
Water treatment	992,171	-	992,171
Water distribution	1,317,081	-	1,317,081
Sewer operations	384,398	-	384,398
Sewer plant operations	622,251	-	622,251
Landfill operations	-	2,266,123	2,266,123
Depreciation	1,509,275	114,985	1,624,260
Total operating expenses	<u>5,889,648</u>	<u>2,381,108</u>	<u>8,270,756</u>
Operating income (loss)	<u>973,420</u>	<u>593,252</u>	<u>1,566,672</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	-	42,351	42,351
Interest and other charges	(1,107,884)	-	(1,107,884)
Total non-operating revenues (expenses)	<u>(1,107,884)</u>	<u>42,351</u>	<u>(1,065,533)</u>
Income (loss) before capital contributions	(134,464)	635,603	501,139
Capital contributions	<u>38,985</u>	<u>-</u>	<u>38,985</u>
Change in net position	<u>(95,479)</u>	<u>635,603</u>	<u>540,124</u>
<b>Net Position:</b>			
Beginning of year - July 1	50,171,836	5,324,346	55,496,182
Restatement	(105,781)	(54,493)	(160,274)
Beginning of year, restated	<u>50,066,055</u>	<u>5,269,853</u>	<u>55,335,908</u>
End of year - June 30	<u>\$ 49,970,576</u>	<u>\$ 5,905,456</u>	<u>\$ 55,876,032</u>

The accompanying notes are an integral part of the financial statements.

## HOKE COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	<b>Major</b>		<b>Total</b>
	<b>Water and Sewer District</b>	<b>Solid Waste</b>	
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 7,345,693	\$ 2,974,793	\$ 10,320,486
Cash paid for goods and services	(3,245,408)	(1,624,454)	(4,869,862)
Cash paid to employees for services	(1,279,726)	(649,899)	(1,929,625)
Net cash provided (used) by operating activities	<u>2,820,559</u>	<u>700,440</u>	<u>3,520,999</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal payments on long-term debt	(701,718)	-	(701,718)
Interest paid on debt	(1,114,939)	-	(1,114,939)
Capital contribution - grants	38,985	-	38,985
Acquisition and construction of capital assets	(879,198)	(105,125)	(984,323)
Net cash provided (used) by capital and related financing activities	<u>(2,656,870)</u>	<u>(105,125)</u>	<u>(2,761,995)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	-	42,351	42,351
Net increase (decrease) in cash and cash equivalents	163,689	637,666	801,355
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>10,226,529</u>	<u>4,055,534</u>	<u>14,282,063</u>
End of year - June 30	<u>\$ 10,390,218</u>	<u>\$ 4,693,200</u>	<u>\$ 15,083,418</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 973,420	\$ 593,252	\$ 1,566,672
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,509,275	114,985	1,624,260
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
(Increase) decrease in accounts receivable	(71,503)	433	(71,070)
(Increase) decrease in inventory	(210,766)	-	(210,766)
(Increase) decrease in deferred outflows of resources - pensions	107,412	53,706	161,118
Increase (decrease) in net pension liability	(93,202)	(46,601)	(139,803)
Increase (decrease) in deferred inflows of resources - pensions	(4,701)	(2,351)	(7,052)
Increase (decrease) in accounts payable	21,413	(25,735)	(4,322)
Increase (decrease) in customer deposits	71,332	-	71,332
Increase (decrease) in advances from grantors	482,796	-	482,796
Increase (decrease) in deferred inflows of resources - OPEB	17,072	8,795	25,867
(Increase) decrease in deferred outflows of resources - OPEB	(7,056)	(3,635)	(10,691)
Increase (decrease) in OPEB payable	14,734	7,591	22,325
Increase (decrease) in accrued vacation pay	10,333	-	10,333
Total adjustments	<u>1,847,139</u>	<u>107,188</u>	<u>1,954,327</u>
Net cash provided (used) by operating activities	<u>\$ 2,820,559</u>	<u>\$ 700,440</u>	<u>\$ 3,520,999</u>

The accompanying notes are an integral part of the financial statements.

**HOKE COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 42,959
Accounts receivable	<u>44,120</u>
Total assets	<u>\$ 87,079</u>
 <b>Liabilities:</b>	
Accounts payable and other liabilities	<u>\$ 87,079</u>

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 1. Summary of Significant Accounting Policies

The accounting policies of Hoke County, North Carolina (the “County”) and its discretely presented 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. The discretely presented component unit presented below is reported in a separate column in the County’s financial statements in order to emphasize that it is legally separate from the County.

#### **Discretely Presented Component Unit**

##### **Hoke County ABC Board**

The members of the ABC Board’s governing board are appointed by the County. The ABC Board is required by state statute to distribute its surpluses to the General Fund of the County. The ABC Board issues separate financial statements, which may be obtained from the Hoke County ABC Board, Highway 401S, Raeford, North Carolina 28376.

#### **Blended Component Units**

##### **Hoke County Water and Sewer District**

The District exists to provide and maintain a water system for the County residents within the District. The District is reported as an Enterprise Fund in the County’s financial statements.

##### **Hoke County Industrial Facility and Pollution Control Financing Authority**

The Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

##### **Hoke County Facilities Corp.**

The corporation exists to operate exclusively for the purpose of promoting the general welfare of the citizens of the County by assisting the County in carrying out its governmental functions through the acquisition, construction, operation, sale or lease of real estate and improvement, facilities, and equipment. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **B. 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 unit. 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. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the County's funds, including its fiduciary funds 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 displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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 that are required to be accounted for in another fund. The Register of Deeds Automation Fund, Revaluation Fund, and Law Enforcement Officer Fund are legally budgeted funds under North Carolina General Statutes; however, for statement presentation, in accordance with GASB Statement No. 54, they are consolidated in the General Fund.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The County reports the following major enterprise funds:

**Water and Sewer District Fund.** This fund is used to account for the operations of the water and sewer district within the County.

**Solid Waste Fund.** This fund is used to account for the operations of the solid waste fund 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 monies deposited with the Department of Social Services for the benefit of certain individuals; the Sheriff Execution Fund, which accounts for monies collected by the Sheriff's office for the execution of writs; the Jail Inmate Fund, which accounts for monies deposited by the inmates for the inmates use; and the Municipal 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.

**Nonmajor Funds.** The County maintains nine legally budgeted funds. The Revolving Loan Fund, the Emergency Systems Telephone Fund, the Asset Forfeiture Fund, the Grant Projects Fund, the Fire District Fund, and the Multi-Year Grants Fund are reported as nonmajor special revenue funds. The Administrative Capital Projects Fund, the CDBG Capital Projects Fund, and the Capital Reserve Fund are reported as nonmajor capital projects funds.

### **Measurement Focus, Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of Hoke 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, 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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's 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 the 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 the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

### **C. Budgetary Data**

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund and all special revenue funds except for the Multi-Year Grants Special Revenue Fund. All annual appropriations lapse at fiscal year-end. Except for the Capital Reserve Fund, project ordinances are adopted for the Capital Project Funds and the Enterprise Capital Projects Funds, which are consolidated with the Enterprise Operating Funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$10,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

#### **Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the County 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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Carolina Capital Management Trust (NCCMT). The majority of the County's investments are carried at fair value. The NCCMT Government Portfolio, a SEC-registered 2a-7 government money market fund, is measured at amortized cost, which is the NCCMT's share price.

### 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 County considers demand deposits and investments with a maturity date of 90 days or less at time of purchase to be cash and cash equivalents.

### Restricted Assets

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 is also classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Unexpended grant proceeds of the General Fund and the Water and Sewer District Fund are restricted for the purpose of capital construction.

Restricted cash was comprised of the following at June 30, 2018:

#### Governmental Activities:

##### General Fund:

Restricted for revaluation	\$ 231,672
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##### Other Governmental Funds:

Unexpended grant proceeds	114,335
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Total governmental activities	<u>\$ 346,007</u>
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#### Business-Type Activities

##### Water and Sewer District Fund:

Unexpended grant proceeds	482,796
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Customer deposits	1,295,354
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Total business-type activities	<u>1,778,150</u>
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Total restricted cash	<u>\$ 2,124,157</u>
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### 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 September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017. As allowed by state law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **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.

### **Inventories and Prepaid Items**

The inventories of the County is valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the County's enterprise funds consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed or sold.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Capital Assets**

Purchased or constructed assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair market value on the date donated. Donated capital assets received after June 30, 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, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. 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 Hoke County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Hoke County Board of Education.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Plant and distribution systems	40 years
Infrastructure	30 years
Improvements	25 years
Furniture and equipment	10 years
Vehicles	6 years
Computer equipment	3 years

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 two items that meet this criterion – OPEB deferrals and pension deferrals.

In addition to liabilities, the Statement of Net 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, OPEB deferrals and pension deferrals.

### Long-Term Obligations

In the government-wide financial statements and in the 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.

### Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The County has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The County's sick leave policy provides 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 the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

### **Management Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates. A significant area where estimates are made is allowance for doubtful accounts.

### **Net Position/Fund Balances**

#### **Net Position**

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent 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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Non-Spendable Fund Balance.** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Inventories* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Prepaid Items* – portion of fund balance not available to pay for any commitments because it represents prepaid expenses of the next year, which are not spendable resources.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

*Restricted for Human Services* – portion of fund balance available for appropriation but legally segregated for health department expenditures. It represents the balance of the total unexpended health department grants and related fees.

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

*Restricted for Public Safety* – portion of fund balance that is restricted by revenue source for public safety activities such as fire protection, police, and E911 expenditures.

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Human services	\$ 1,076,156	\$ -	\$ 1,076,156
Register of Deeds	9,771	-	9,771
Public safety	-	302,878	302,878
<b>Total</b>	<b>\$ 1,085,927</b>	<b>\$ 302,878</b>	<b>\$ 1,388,805</b>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of the Register of Deeds’ pension plan of \$107,016.

**Committed Fund Balance.** This classification represents a portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the County’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose 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 Future Capital Projects* – portion of fund balance that is committed by resolution approved by the Board for future capital projects.

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Tax revaluation	\$ 231,672	\$ -	\$ 231,672
Capital projects	-	2,032,455	2,032,455
<b>Total</b>	<b>\$ 231,672</b>	<b>\$ 2,032,455</b>	<b>\$ 2,264,127</b>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Assigned Fund Balance.** This classification represents a portion of fund balance that the County’s governing board intends to use for specific purposes budgeted for.

*Assigned for Public Safety* – portion of fund balance that had been budgeted by the Board for public safety activities such as fire protection, police, and E911 expenditures.

*Assigned for Education* – portion of fund balance that has been budgeted in a special revenue fund by the Board for education purposes.

*Assigned for Economic Development* – portion of fund balance that has been budgeted by the Board for the economic development.

*Assigned for Subsequent Year’s Expenditures* – portion of fund balance that is appropriated in the next year’s budget that is not already in restricted or committed approved by the Board.

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Public safety	\$ 2,988	\$ 34,840	\$ 37,828
Education	-	11,401	11,401
Economic development	-	406,552	406,552
Subsequent year's expenditures	585,875	-	585,875
Total	\$ 588,863	\$ 452,793	\$ 1,041,656

**Unassigned Fund Balance.** This classification represents the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance.

Hoke County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it’s in the best interest of the County.

The County has not officially adopted a fund balance policy.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Total fund balance - General Fund	\$ 26,599,198
<b>Less:</b>	
Inventories	8,637
Prepays	2,500
Stabilization for state statute	<u>3,094,997</u>
Total available fund balance	<u>\$ 23,493,064</u>

### Defined Benefit Cost-Sharing Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the state; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset 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. Investments are reported at fair value.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund to the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds

A legally budgeted Register of Deeds Automation Fund, Revaluation Fund, and Law Enforcement Officer Fund are consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds (Exhibit D). Fund balance for the General Fund is reconciled as follows:

Fund balance, ending - General Fund (Exhibit F)	<u>\$ 26,354,767</u>
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#### Register of Deeds Automation Fund:

Expenditures:

General government	5,000
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Fund balance, beginning	<u>14,771</u>
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Fund balance, ending	<u>9,771</u>
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#### Revaluation Fund:

Transfers in	75,000
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Fund balance, beginning	<u>156,672</u>
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Fund balance, ending	<u>231,672</u>
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#### Law Enforcement Officer Fund:

Expenditures:

Public safety	4,708
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Fund balance, beginning	<u>7,696</u>
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Fund balance, ending	<u>2,988</u>
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Total ending fund balance (Exhibit D)	<u>\$ 26,599,198</u>
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# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 2. Detail Notes On All Funds

#### A. Assets

##### Deposits

All of the County'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 agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by their agents in their 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 with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institutions used by the County. The County does not have policies regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the County's deposits had a carrying amount of \$7,095,933 and a bank balance of \$7,710,931. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2018, Hoke County had \$3,703 cash on hand.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Investments

At June 30, 2018, the County's investments consisted of \$36,425,897 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

*Interest Rate Risk.* The County does not have a formal investment policy.

*Credit Risk.* The County does not have a formal policy regarding credit risk.

### Property Tax-Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at present-use value as opposed to market value. When the property loses its eligibility for use-valuation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with 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>Tax</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 908,576	\$ -	\$ 908,576
2016	937,271	-	937,271
2017	958,681	-	958,681
2018	966,811	-	966,811
Total	<u>\$ 3,771,339</u>	<u>\$ -</u>	<u>\$ 3,771,339</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Receivables

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

	<u>Accounts</u>	<u>Taxes</u>	<u>Due From Other Governments</u>	<u>Note Receivable</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 30,639	\$ 2,598,635	\$ 3,064,358	\$ -	\$ 5,693,632
Other governmental	-	252,975	53,567	179,089	485,631
Allowance for doubtful accounts	-	(725,303)	-	-	(725,303)
<b>Total receivables</b>	<u>\$ 30,639</u>	<u>\$ 2,126,307</u>	<u>\$ 3,117,925</u>	<u>\$ 179,089</u>	<u>\$ 5,453,960</u>
<b>Business-Type Activities:</b>					
Water and sewer district	\$ 1,437,910	\$ -	\$ -	\$ -	\$ 1,437,910
Solid waste	490,372	-	-	-	490,372
Allowance for doubtful accounts	(917,141)	-	-	-	(917,141)
<b>Total business-type activities</b>	<u>\$ 1,011,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,011,141</u>

Due from other governments consists of the following:

<b>Governmental Activities:</b>	
Local option sales tax	\$ 1,397,584
Refundable sales tax	264,636
MV taxes, state	91,730
Gasoline taxes, state	18,122
ABC beer and wine privilege tax	16,000
Other governmental, state	1,212,597
Grants receivable	<u>117,256</u>
<b>Total</b>	<u>\$ 3,117,925</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Capital Assets

#### Primary Government

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

	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance</b>
	<b>June 30, 2017</b>	<b>June 30, 2017</b>	<b>June 30, 2017</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 3,680,785	\$ -	\$ -	\$ -	\$ 3,680,785
<b>Depreciable Assets:</b>					
Buildings	21,307,016	74,278	-	-	21,381,294
Equipment	4,650,603	113,681	-	-	4,764,284
Vehicles and motor equipment	3,849,161	313,713	81,537	-	4,081,337
Total depreciable capital assets	29,806,780	501,672	81,537	-	30,226,915
<b>Less Accumulated Depreciation:</b>					
Buildings	4,637,927	451,155	-	-	5,089,082
Equipment	3,519,066	307,316	-	-	3,826,382
Vehicles and motor equipment	2,850,411	338,484	81,537	-	3,107,358
Total accumulated depreciation	11,007,404	\$ 1,096,955	\$ 81,537	\$ -	12,022,822
Total depreciable capital assets, net	18,799,376				18,204,093
Governmental activity capital assets, net	\$ 22,480,161				\$ 21,884,878

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

General government	\$ 112,319
Public safety	778,585
Economic and physical development	7,293
Human services	107,809
Cultural and recreational	90,949
Total	\$ 1,096,955

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The following is a summary of the County's business-type capital assets:

	<b>Balance</b> <b>June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance</b> <b>June 30, 2018</b>
<b>Business-Type Activities:</b>					
<b>Water and Sewer District:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 488,804	\$ -	\$ -	\$ -	\$ 488,804
Construction in progress	24,190,339	582,819	-	(23,781,336)	991,822
Total non-depreciable capital assets	24,679,143	582,819	-	(23,781,336)	1,480,626
<b>Depreciable Assets:</b>					
Plant and distribution system	55,660,947	-	-	23,781,336	79,442,283
Furniture and maintenance equipment	1,223,805	273,203	-	-	1,497,008
Buildings	124,620	-	-	-	124,620
Vehicles	797,872	23,176	-	-	821,048
Total depreciable capital assets	57,807,244	296,379	-	23,781,336	81,884,959
<b>Less Accumulated Depreciation:</b>					
Plant and distribution system	13,584,513	1,379,771	-	-	14,964,284
Furniture and maintenance equipment	910,474	66,646	-	-	977,120
Buildings	20,770	2,492	-	-	23,262
Vehicles	576,731	60,366	-	-	637,097
Total accumulated depreciation	15,092,488	\$ 1,509,275	\$ -	\$ -	16,601,763
Total depreciable capital assets, net	42,714,756				65,283,196
Water and sewer capital assets, net	67,393,899				66,763,822
<b>Solid Waste:</b>					
<b>Non-Depreciable Assets:</b>					
Land	182,652	\$ -	\$ -	\$ -	182,652
<b>Depreciable Assets:</b>					
Plant and distribution system	1,075,504	-	-	-	1,075,504
Furniture and maintenance equipment	822,602	105,125	-	-	927,727
Vehicles	549,149	-	-	-	549,149
Total depreciable capital assets	2,447,255	105,125	-	-	2,552,380
<b>Less Accumulated Depreciation:</b>					
Plant and distribution system	238,879	21,510	-	-	260,389
Furniture and maintenance equipment	667,844	44,528	-	-	712,372
Vehicles	337,898	48,947	-	-	386,845
Total accumulated depreciation	1,244,621	\$ 114,985	\$ -	\$ -	1,359,606
Total depreciable capital assets, net	1,202,634				1,192,774
Solid waste capital assets, net	1,385,286				1,375,426
Business-type activities, net	\$ 68,779,185				\$ 68,139,248

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2018 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 21,884,878	\$ 68,139,248
Long-term debt	35,872,235	25,615,500
<b>Less:</b>		
School debt to which County does not hold title	24,708,643	-
Total capital debt	11,163,592	25,615,500
Net investment in capital assets	\$ 10,721,286	\$ 42,523,748

### Construction Commitments

The government has active construction projects at year-end. At June 30, 2018, the government's commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
<b>Water and Sewer Fund:</b>		
Drainage repair	\$ 461,068	\$ 662,474
Vass Road production wells	655,511	50,002
VFD	390,399	155,431
Total	\$ 1,506,978	\$ 867,907

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### B. Liabilities

#### Payables

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

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Total</u>
<b>Governmental Activities:</b>			
General	\$ 1,524,895	\$ 208,347	\$ 1,733,242
Other governmental	<u>108,306</u>	<u>-</u>	<u>108,306</u>
Total governmental activities	<u>\$ 1,633,201</u>	<u>\$ 208,347</u>	<u>\$ 1,841,548</u>
<b>Business-Type Activities:</b>			
Water and sewer district	\$ 403,526	\$ 17,529	\$ 421,055
Solid waste	<u>110,718</u>	<u>9,168</u>	<u>119,886</u>
Total business-type activities	<u>\$ 514,244</u>	<u>\$ 26,697</u>	<u>\$ 540,941</u>

#### Pension Plan Obligations

##### Local Government Employees' Retirement System

**Plan Description.** The County is a participating employer in the state-wide 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](http://www.osc.nc.gov).

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2018 was 8.25% of compensation for law enforcement officers and 7.50% 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 \$1,165,976 for the year ended June 30, 2018.

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

At June 30, 2018, the County reported a liability of \$3,887,445 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension 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, 2017, the County's proportion was .254%, which was a decrease of .002% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$1,324,453. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 223,953	\$ 110,041
Changes of assumptions	555,181	-
Net difference between projected and actual earnings on pension plan investments	943,877	-
Changes in proportion and differences between County contributions and proportionate share of contributions	45,251	103,182
County contributions subsequent to the measurement date	<u>1,165,976</u>	<u>-</u>
Total	<u>\$ 2,934,238</u>	<u>\$ 213,223</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$1,165,976 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 end June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2019	\$ 203,958
2020	1,109,335
2021	538,546
2022	(296,800)
2023	-
Thereafter	-
Total	<u>\$ 1,555,039</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

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

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

*Sensitivity of the County's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the County's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(6.20%)</b>	<b>(7.20%)</b>	<b>(8.20%)</b>
County's proportionate share of the net pension liability (asset)	\$ 11,670,195	\$ 3,887,445	\$ (2,608,696)

*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.

### **Law Enforcement Officers' Special Separation Allowance**

**Plan Description.** Hoke 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 .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. A separate report was not issued for the Plan.

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

Inactive members currently receiving benefits	1
Active plan members	67
Total	68

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Summary of Significant Accounting Policies

*Basis of Accounting.* The County has chosen to fund the Separate 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 and refunds 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 Statements 73.

### Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

**Deaths After Retirement (Healthy):** RP-2014 Healthy annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**Deaths Before Retirement:** RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

**Deaths After Retirement (Beneficiary):** RP-2014 Healthy annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

**Deaths After Retirement (Disabled):** RP-2014 Disabled retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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 operation budget. There were no contributions made by the employees. The County's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$4,708 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, 2018, the County reported a total pension liability of \$778,869. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$103,021.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 23,517	\$ -
Changes of assumptions	60,955	11,743
County benefit payments and plan administrative expense made subsequent to the measurement date	2,353	-
Total	\$ 86,825	\$ 11,743

\$2,353 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2019	\$ 13,923
2020	13,923
2021	13,923
2022	13,926
2023	13,946
Thereafter	3,088
Total	\$ 72,729

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

*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 3.16%, 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 (2.16%) or 1-percentage-point higher (4.16%) than the current rate:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(2.16%)</b>	<b>(3.16%)</b>	<b>(4.16%)</b>
Total pension liability	\$ 854,864	\$ 778,869	\$ 710,276

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

	<b>2017</b>
Beginning balance	\$ 593,731
Service cost	66,271
Interest on the total pension liability	22,827
Difference between expected and actual experience in the measurement of the total pension liability	28,048
Changes of assumptions or other inputs	72,700
Benefit payments	(4,708)
Ending balance of the total pension liability	\$ 778,869

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate of 3.86 percent at December 31, 2016 to 3.16 percent at December 31, 2017.

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

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

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

### **Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The County contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. The County contributed \$132,488 for the reporting year. No amounts were forfeited.

### **Register of Deeds' Supplemental Pension Fund**

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

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

**Contributions.** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$4,051 for the year ended June 30, 2018.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

At June 30, 2018, the County reported an asset of \$76,003 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on 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, 2017, the County's proportion was .445%, which was an decrease of .056% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$22,910. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,305	\$ 245
Changes of assumptions	12,824	-
Net difference between projected and actual earnings on pension plan investments	6,461	-
Changes in proportion and differences between County contributions and proportionate share of contributions	9,101	2,484
County contributions subsequent to the measurement date	4,051	-
Total	<u>\$ 33,742</u>	<u>\$ 2,729</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$4,051 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2019	\$ 14,711
2020	9,865
2021	739
2022	1,647
2023	-
Thereafter	-
Total	<u>\$ 26,962</u>

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

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2017 is 1.4%.

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

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

*Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75%, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current rate:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(2.75%)</b>	<b>(3.75%)</b>	<b>(4.75%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ (59,737)</u>	<u>\$ (76,003)</u>	<u>\$ (89,682)</u>

*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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	\$3,887,445	\$ (76,003)	\$ -	\$3,811,442
Proportion of the net pension liability (asset)	0.25446%	0.44527%	n/a	
Total pension liability	-	-	778,869	778,869
Pension expense	1,324,453	22,910	103,021	1,450,384

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	<b>LGERS</b>	<b>ROD</b>	<b>LEOSSA</b>	<b>Total</b>
<b>Deferred Outflows of Resources:</b>				
Pensions - difference between expected and actual experience	\$ 223,953	\$ 1,305	\$ 23,517	\$ 248,775
Pensions - difference between projected and actual investment earnings	943,877	6,461	-	950,338
Changes of assumptions	555,181	12,824	60,955	628,960
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	45,251	9,101	-	54,352
County contributions (LGERS, ROD)/ benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>1,165,976</u>	<u>4,051</u>	<u>2,353</u>	<u>1,172,380</u>
Total	<u><u>\$ 2,934,238</u></u>	<u><u>\$ 33,742</u></u>	<u><u>\$ 86,825</u></u>	<u><u>\$ 3,054,805</u></u>
<b>Deferred Inflows of Resources:</b>				
Pensions - difference between expected and actual experience	\$ 110,041	\$ 245	\$ -	\$ 110,286
Changes of assumptions	-	-	11,743	11,743
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	<u>103,182</u>	<u>2,484</u>	<u>-</u>	<u>105,666</u>
Total	<u><u>\$ 213,223</u></u>	<u><u>\$ 2,729</u></u>	<u><u>\$ 11,743</u></u>	<u><u>\$ 227,695</u></u>

### **Other Post-Employment Benefits – Healthcare Benefits**

**Plan Description.** Under a County resolution, Hoke County provides healthcare benefits to employees through the County’s Retiree Health Plan as a single employer defined benefit plan to cover retirees of the County who participate in the North Carolina Local Governmental Employees’ Retirement System (the “System”). The County has elected to partially pay the future overall cost of coverage for these benefits. The benefits are available to qualified retirees until the age of sixty-five (65).

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Effective July 1, 2000, to be eligible for the County’s Retiree Health Plan, the retiree must be eligible for state retirement benefits and by either: (a) having reached age sixty (60) *and* having worked the last five (5) years in continuous full-time service with Hoke County or (b) having reached age fifty-five (55) *and* having worked the last twelve (12) years in full-time services with Hoke County. Upon separation of regular permanent employment, an employee may continue coverage under the County’s medical insurance plan subject to COBRA provisions.

### County Contributions Based on Years of Creditable Service

<u>Years of Creditable Service with County</u>	<u>County Pays</u>
30+	100%
25 - 29	75%
15 - 24	50%
12 - 14	25%
5 - 11	0%

Premiums will be calculated annually and will be subject to adjustments as necessary. Coverage is transferred to a supplemental policy when retiree becomes eligible for Medicare. If a retiree becomes eligible for another employer-sponsored plan, then County coverage shall immediately become secondary. Retirees can purchase coverage for their dependents at the County’s group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the Plan consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefit payments	7
Active plan members	<u>349</u>
Total	<u><u>356</u></u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Total OPEB Liability

The County's total OPEB liability of \$5,177,633 was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2016.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases:	
General employees & Firefighters	3.50 to 7.75 percent, including wage inflation
Law enforcement officers	3.50 to 7.35 percent, including wage inflation
Municipal Bond Index Rate:	
Prior measurement date	3.01 percent
Measurement date	3.56 percent
Health care cost trends:	
Pre-Medicare	7.75 percent for 2016 decreasing to an ultimate rate of 5.00% 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

	<b>Total OPEB Liability</b>
Balance at June 30, 2017	<u>\$ 5,003,061</u>
Changes for the year:	
Service cost	428,343
Interest	149,495
Differences between expected and actual experience	(13,129)
Changes of assumptions or other inputs	(316,667)
Benefit payments	<u>(73,470)</u>
Net changes	<u>174,572</u>
Balance at June 30, 2018	<u><u>\$ 5,177,633</u></u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

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

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

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

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* 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 (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	<b>1% Decrease (2.56%)</b>	<b>Current Discount Rate (3.56%)</b>	<b>1% Increase (4.56%)</b>
Total OPEB liability	<u>\$5,768,457</u>	<u>\$ 5,177,633</u>	<u>\$4,651,162</u>

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 4,441,777</u>	<u>\$ 5,177,633</u>	<u>\$ 6,070,423</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

For the year ended June 30, 2018, the County recognized OPEB expense of \$535,447. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 11,441
Changes of assumptions	-	275,964
Benefit payments and plan administrative expense made subsequent to the measurement date	118,795	-
<b>Total</b>	<b>\$ 118,795</b>	<b>\$ 287,405</b>

\$118,795 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year end June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2019	\$ (42,391)
2020	(42,391)
2021	(42,391)
2022	(42,391)
2023	(42,391)
Thereafter	(75,450)
<b>Total</b>	<b>\$ (287,405)</b>

### 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 (the "Death Benefit Plan"), a multiple-employer, state-administered, cost-sharing plan funded on a one-year 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 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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

### Closure and Post-Closure Care Costs

The County closed its landfill prior to the requirements for closure and post-closure expenditures. At that time, the County contracted to have its solid waste transported to other locations outside the County.

### Deferred Outflows and Inflows of Resources

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB deferrals	\$ 118,795	\$ 287,405
Pension deferrals	3,054,805	227,695
Prepaid taxes not yet earned (general)	-	162,083
Taxes receivable, net (general)	-	1,941,332
Taxes receivable, net (special revenue)	-	184,975
Total	<u>\$ 3,173,600</u>	<u>\$ 2,803,490</u>

### Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency.

Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$200 million for any one occurrence, general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage for owned autos to actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the North Carolina statutory limits.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 a \$500,000 retention up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,000.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through commercial crime coverage with a \$250,000 occurrence limit. The director of finance is bonded for \$200,000, and the tax collector is bonded for \$100,000.

Since the County is not located in an area of the state that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the County does not need nor carries flood insurance.

The County carries commercial coverage for all other risk 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.

### **Contingent Liabilities**

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

### **Long-Term Obligations**

As authorized by state law [G.S. 160A-20 and 153A-158.1], the County financed various property acquisitions for use by the Hoke County Board of Education during the fiscal year ended June 30, 2018, by issuing school bonds. The purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with the Hoke County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education.

The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the bond obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Capital Lease

The County entered into an agreement to lease certain equipment. The lease agreement qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement was executed on August 1, 2015 for the lease of equipment and requires five annual payments of \$131,679. The future minimum lease obligations and the net present value of these lease payments as of June 30, 2018 were as follows:

<u>Year Ending June 30</u>	
2019	\$ 131,679
2020	131,679
2021	<u>131,679</u>
Total minimum lease payments	395,037
Less: amount representing interest	<u>(23,103)</u>
Present value of the minimum lease payments	<u>\$ 371,934</u>

### General Obligations 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. Hoke County's water and sewer districts issue general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Water and Sewer District Fund, are collateralized by the full-faith credit and taxing power of the district. Principal and interest payments are appropriated when due.

The County's general long-term debt at June 30, 2018 is comprised of the following individual issues:

#### General Obligation Bonds:

##### General Fund:

Series 2007 school bonds, annual payments, including interest at a rate of 4%, maturing in 2027 \$ 7,100,000

##### Water and Sewer Fund:

\$4,770,000 2014B refunding series, due in semi-annual payments, including interest at a rate of 2.39%, maturing in 2026 \$ 3,787,000

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

<b>Year Ending June 30</b>	<b>General Fund</b>		<b>Water and Sewer</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 700,000	\$ 292,000	\$ 786,000	\$ 81,164
2020	700,000	264,000	405,000	71,724
2021	700,000	236,000	412,000	62,044
2022	900,000	208,000	424,000	52,198
2023	900,000	172,000	426,000	42,064
2024-2027	3,200,000	313,375	1,334,000	64,172
Total	<u>\$ 7,100,000</u>	<u>\$ 1,485,375</u>	<u>\$ 3,787,000</u>	<u>\$ 373,366</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The County's notes payable debt at June 30, 2018 is comprised of the following individual issues:

### Notes Payable - General Fund:

\$3,830,000 note, payable in semi-annual installments of \$127,167, including interest at 3.11%, maturing in 2022	\$ 1,021,333
\$2,585,000 note, payable in semi-annual installments of \$85,667, including interest at 2.12%, maturing in 2022	685,333
\$5,000,000 note, payable in annual installments of \$333,333, including interest at 2.65%, maturing in 2021	1,000,000
\$525,000 note, payable in annual installments of \$35,000, including interest at 4.64%, maturing in 2019	35,000
\$3,865,000 note, payable in semi-annual installments of \$128,833, including interest at 3.79%, maturing in 2023	1,288,333
\$2,790,450 USDA note, payable in annual installments of \$168,823, including interest at 4.375%, maturing in 2035	1,857,444
\$7,034,000 USDA note, payable in annual installments of \$362,040, including interest at the rate of 4.125%, maturing in 2045	5,790,353
\$700,000 USDA note, payable in annual installments of \$36,029, including interest at 4.125%, maturing in 2034	<u>391,860</u>
Total notes payable - General Fund	<u>12,069,656</u>

### Notes Payable - Water and Sewer Fund:

\$1,360,000 note, payable in monthly installments of \$14,167, at zero interest, maturing in 2024	<u>977,500</u>
Total notes payable - Water and Sewer Fund	<u>977,500</u>

Total notes payable	<u><u>\$ 13,047,156</u></u>
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# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Annual debt service requirements for the County's notes payables are as follows:

Year Ending June 30	General Fund		Water and Sewer	
	Principal	Interest	Principal	Interest
2019	\$ 1,283,281	\$ 454,188	\$ 170,000	\$ -
2020	1,258,011	412,662	170,000	-
2021	1,268,154	372,346	170,000	-
2022	945,390	331,605	170,000	-
2023	529,742	302,140	170,000	-
2024-2028	1,542,636	1,291,824	127,500	-
2029-2033	1,887,283	937,563	-	-
2034-2038	1,281,057	586,042	-	-
2039-2043	1,501,267	308,933	-	-
2044-2045	572,835	33,300	-	-
Total	<u>\$ 12,069,656</u>	<u>\$ 5,030,603</u>	<u>\$ 977,500</u>	<u>\$ -</u>

**Limited Obligation Bonds Payable - General Fund:**

\$18,710,000 Non-General Obligation Qualified School Construction

Bond, tax credit rate 4.38%, maturing in 2032

\$ 16,330,645

Annual debt service requirements for the County's limited obligation bonds payable is as follows:

Year Ending June 30	General Fund	
	Principal	Interest
2019	\$ 475,871	\$ 919,409
2020	475,871	919,409
2021	475,871	919,409
2022	571,798	919,409
2023	903,217	919,409
2024-2028	6,436,054	4,597,045
2029-2032	6,991,963	3,677,636
Total	<u>\$ 16,330,645</u>	<u>\$ 12,871,726</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Revenue Bonds Payable - Water and Sewer Fund:

<p>\$9,423,000 USDA Water &amp; Sewer Revenue Bonds, Series 2013, issued for water and sewer system improvements. Only interest installments are due for the first two years annually on June 1. Principal and interest installments are due annually beginning on June 1, 2016, at an annual interest rate of 3.5%, maturing in 2053.</p>	\$ 9,043,000
<p>\$9,000,000 USDA Water &amp; Sewer Revenue Bonds, Series 2016A, issued for certain improvements to the water system. Only interest installments are due for the first two years annually on June 1. Principal and interest installments are due annually beginning on June 1, 2018, at an annual interest rate of 2.5%, maturing in 2055.</p>	8,855,000
<p>\$1,703,000 USDA Water &amp; Sewer Revenue Bonds, Series 2016B, issued for certain improvements to the water system. Only interest installments are due for the first two years annually on June 1. Principal and interest installments are due annually beginning on June 1, 2018, at an annual interest rate of 2.5%, maturing in 2055.</p>	1,676,000
<p>\$1,298,000 USDA Water &amp; Sewer Revenue Bonds, Series 2016C, issued for certain improvements to the water system. Only interest installments are due for the first two years annually on June 1. Principal and interest installments are due annually beginning on June 1, 2018, at an annual interest rate of 2.5%, maturing in 2055.</p>	<u>1,277,000</u>
<p>Total revenue bonds payable</p>	<u>\$ 20,851,000</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Revenue bond debt service requirements to maturity for the County are as follows:

<b>Year Ending</b> <b>June 30</b>	<b>Water and Sewer</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 333,000	\$ 611,705
2020	343,000	602,020
2021	352,000	592,045
2022	363,000	581,795
2023	375,000	571,220
2024-2028	2,041,000	2,685,600
2029-2033	2,357,000	2,368,850
2034-2038	2,725,000	2,001,290
2039-2043	3,151,000	1,574,760
2044-2048	3,647,000	1,079,065
2049-2053	4,221,000	503,185
2054-2055	943,000	35,400
Total	<u>\$ 20,851,000</u>	<u>\$ 13,206,935</u>

The County is in compliance with the covenants as to rates and charges in Section 5.01 of the Bond Order, authorizing the issuances of the Water and Sewer System, Series 2013 and Series 2016A, 2016B, and 2016C USDA Revenue Bonds. The County agrees that the net revenues for the fiscal year be no less than 110% of the debt service requirement for that year, not less than 100% of the amount necessary to pay annual debt services obligations on subordinated indebtedness, if any, and not less than 100% of the amount necessary to meet annual debt service obligations coming due in that fiscal year with respect to the County's general obligation bonds and installment financing obligations, if any, used to finance system improvements.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The debt service coverage ratio calculation for the year ended June 30, 2018 is as follows:

Operating revenues	\$ 6,863,068
Operating expenses*	<u>4,380,373</u>
Net revenues	<u>\$ 2,482,695</u>

Net revenues must be no less than 110% for current year debt service requirements

Current year debt service	\$ 945,115
Current year debt service percent coverage	263%

Net revenues may not be less than 100% of the amount necessary to pay annual debt service obligations on subordinated indebtedness

Debt service on subordinated indebtedness	\$ 472,802
Debt service on subordinated indebtedness percent coverage	525%

Net revenues may not be less than 100% of the amount necessary to meet annual debt service obligations coming due with respect to general obligation bonds and installment financing obligations

Debt service	\$ 1,037,164
Debt services on debt coming due in next fiscal year percent of coverage	239%

\*Per revenue bond covenant, this does not include depreciation expense of \$1,509,275.

The County has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$9,423,000 in water and sewer system revenue bonds issued in June 2013 and \$12,001,000 issued in June 2016. Proceeds from the bonds provided financing for system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2053 and 2055, respectively. Annual principal and interest payments on the bonds are expected to require less than 8% of net revenues. The total principal and interest remaining to be paid on the bonds is \$34,057,935. Principal and interest paid for the current year and total customer net revenues were \$945,115 and \$2,397,957, respectively.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Debt Related to Capital Activities** – Of the total governmental activities debt listed, only \$11,163,592 relates to assets the County holds title.

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

	<b>Balance</b>			<b>Balance</b>	<b>Current</b>
	<b>June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2018</b>	<b>Portion</b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 7,800,000	\$ -	\$ 700,000	\$ 7,100,000	\$ 700,000
Limited obligation bonds	16,806,516	-	475,871	16,330,645	475,871
Installment purchases	13,343,600	-	1,273,944	12,069,656	1,283,281
Capital leases	488,423	-	116,489	371,934	120,112
Compensated absences	1,007,467	3,565,885	3,499,125	1,074,227	537,114
Total OPEB liability	4,467,962	225,718	-	4,693,680	-
Net pension liability (LGERS)	4,951,145	-	1,413,570	3,537,575	-
Total pension liability (LEOSSA)	593,731	185,138	-	778,869	-
Total governmental activities	<u>\$ 49,458,844</u>	<u>\$ 3,976,741</u>	<u>\$ 7,478,999</u>	<u>\$ 45,956,586</u>	<u>\$ 3,116,378</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer District:</b>					
General obligation bonds	\$ 3,887,000	\$ -	\$ 100,000	\$ 3,787,000	\$ 786,000
Revenue bond	21,175,000	-	324,000	20,851,000	333,000
Installment purchases	1,255,218	-	277,718	977,500	170,000
Compensated absences	60,436	195,534	185,201	70,769	35,384
Total OPEB liability	291,079	14,734	-	305,813	-
Net pension liability (LGERS)	326,449	-	93,202	233,247	-
Total water and sewer	<u>26,995,182</u>	<u>210,268</u>	<u>980,121</u>	<u>26,225,329</u>	<u>1,324,384</u>
<b>Solid Waste:</b>					
Compensated absences	36,364	103,079	103,079	36,364	18,182
Total OPEB liability	170,549	7,591	-	178,140	-
Net pension liability (LGERS)	163,224	-	46,601	116,623	-
Total solid waste	<u>370,137</u>	<u>110,670</u>	<u>149,680</u>	<u>331,127</u>	<u>18,182</u>
Total business-type activities	<u>\$ 27,365,319</u>	<u>\$ 320,938</u>	<u>\$ 1,129,801</u>	<u>\$ 26,556,456</u>	<u>\$ 1,342,566</u>

Compensated absences, pension obligations, and OPEB for governmental activities typically have been liquidated in the General Fund.

At June 30, 2018, the County had a legal debt margin of approximately \$247,998,700.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **Conduit Debt Obligations**

The County Industrial Facility and Pollution Control Authority have issued industrial revenue bonds to provide financial assistance to private business for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the state, nor any political subdivision thereof, is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2018, there were no industrial revenue bonds outstanding.

### **3. Jointly Governed Organizations**

#### **Southeastern Family and Community Services, Inc.**

The County appoints four members of the 45 member Board for the Southeastern Community and Family Services, Inc. Board to oversee various functions of communities and secure funding when available. The County paid no fees or contributions to the Board and received no grants or monies through the Board.

#### **Justice Board**

The County appoints seven of the 12 members of the Criminal Justice Board, which oversees the judicial system in Hoke County and Scotland County. The County neither contributes nor receives financial benefits from the Board.

#### **Southeastern Economic Development Commission**

The County, along with four other counties, has established the Southeastern Economic Development Commission to oversee economic and industrial development in the region. The County made a contribution to the Commission of \$4,226 during the year and received no financial benefit or responsibility from or for the Commission.

#### **Sandhills Center for Mental Health, Developmental Disabilities and Substance Abuse Services**

The County appoints two of the 20-member Board of the Sandhills Center for Mental Health, Developmental Disabilities and Substance Abuse Services, an organization that covers nine counties. The organization provides mental health, substance abuse, and intellectual & developmental disabilities services to residents in the coverage area through locally established branches.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **Joint Economic Development Board**

The County, jointly with the City of Raeford, appointed the four-member Board of the Joint Economic Development Board to enhance the industrial and economic development of the City of Raeford and Hoke County. No contributions were made during the year.

### **Joint Nursing Home/Adult Care Home Community Advisory Committee**

The County appointed the four-member Board of the Hoke Joint Nursing Home/Adult Care Home Community Advisory Committee to provide monitoring assistance for industries in Hoke County. The County has no financial responsibilities in connection with this Board and makes no operating contributions to the Board's operations.

### **4. 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.

### **5. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning net OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County to OPEB during the measurement period (fiscal year ending June 30, 2017). As a result, net position for governmental activities decreased \$1,620,558 and \$160,274 for the business-type activities.

## HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Total OPEB Liability</u>	
	<u>2018</u>
Beginning balance	\$ 5,003,061
Service cost	428,343
Interest on TOL and cash flows	149,495
Differences between expected and actual experience	(13,129)
Changes of assumptions or other inputs	(316,667)
Benefit payments	(73,470)
Ending balance of the total OPEB liability	<u>\$ 5,177,633</u>
Covered payroll	\$ 12,985,118
Total OPEB liability as a percentage of covered payroll	39.87%

**Notes to Schedule:**

*Changes of Assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%

**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF NET  
PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARS\***

	<b>Local Government Employees' Retirement System</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Hoke County's proportion of the net pension liability (asset) %	0.25446%	0.25636%	0.26065%	0.24745%	0.24320%
Hoke County's proportionate share of the net pension liability (asset) \$	\$ 3,887,445	\$ 5,440,818	\$ 1,169,782	\$ (1,459,327)	\$ 2,931,494
Hoke County's covered payroll	\$ 15,610,906	\$ 14,222,807	\$ 14,477,764	\$ 13,843,764	\$ 12,040,294
Hoke County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.90%	38.25%	8.08%	-10.54%	24.35%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

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

This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF COUNTY CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARS**Local Government Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,165,976	\$ 1,165,712	\$ 972,034	\$ 1,032,713	\$ 987,199
Contributions in relation to the contractually required contribution	<u>1,165,976</u>	<u>1,165,712</u>	<u>972,034</u>	<u>1,032,713</u>	<u>987,199</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hoke County's covered payroll	\$ 15,160,605	\$ 15,610,906	\$ 14,222,807	\$ 14,477,764	\$ 13,843,764
Contributions as a percentage of covered payroll	7.69%	7.47%	6.83%	7.13%	7.13%

This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.

## HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF NET  
PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARS\***

	<b>Register of Deeds' Supplemental Pension Fund</b>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Hoke County's proportion of the net pension liability (asset) %	0.44527%	0.50084%	0.47544%	0.50351%	0.51401%
Hoke County's proportionate share of the net pension liability (asset) \$	\$ (76,003)	\$ (93,637)	\$ (110,178)	\$ (114,142)	\$ (109,793)
Hoke County's covered payroll	\$ 52,424	\$ 48,153	\$ 47,971	\$ 46,805	\$ 55,480
Hoke County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-144.98%	-194.46%	-229.68%	-243.87%	-197.90%
Plan fiduciary net position as a percentage of the total pension liability	153.77%	160.17%	197.29%	193.88%	190.50%

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

This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF COUNTY CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARSRegister of Deeds' Supplemental Pension Fund

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,051	\$ 4,266	\$ 4,092	\$ 3,392	\$ 3,309
Contributions in relation to the contractually required contribution	<u>4,051</u>	<u>4,266</u>	<u>4,092</u>	<u>3,392</u>	<u>3,309</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Hoke County's covered payroll	\$ 48,271	\$ 52,424	\$ 48,153	\$ 47,971	\$ 46,805
Contributions as a percentage of covered payroll	8.39%	8.14%	8.50%	7.07%	7.07%

This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.

**HOKE COUNTY, NORTH CAROLINA****SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST TWO FISCAL YEARS\*****Law Enforcement Officers' Special Separation Allowance**

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 593,731	\$ 531,032
Service cost	66,271	60,189
Interest on the total pension liability	22,827	18,958
Differences between expected and actual experience in the measurement of the total pension liability	28,048	-
Changes of assumptions or other inputs	72,700	(16,448)
Benefit payments	(4,708)	-
Ending balance of the total pension liability	<u>\$ 778,869</u>	<u>\$ 593,731</u>

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

This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.

**HOKE COUNTY, NORTH CAROLINA****SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST TWO FISCAL YEARS****Law Enforcement Officers' Special Separation Allowance**

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 778,869	\$ 593,731
Covered payroll	3,109,566	2,740,426
Total pension liability as a percentage of covered payroll	25.05%	21.67%

**Notes to the Schedules:**

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

This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.

## HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Register of Deeds Automation Fund</u>	<u>Revaluation Fund</u>	<u>Law Enforcement Officer Fund</u>	<u>Total</u>
<b>Revenues:</b>					
Ad valorem taxes	\$ 26,384,158	\$ -	\$ -	\$ -	\$ 26,384,158
Local option sales taxes	9,612,758	-	-	-	9,612,758
Other taxes and licenses	21,180	-	-	-	21,180
Unrestricted intergovernmental	239,772	-	-	-	239,772
Restricted intergovernmental	7,286,766	-	-	-	7,286,766
Permits and fees	1,668,701	-	-	-	1,668,701
Sales and services	1,313,630	-	-	-	1,313,630
Investment earnings	402,624	-	-	-	402,624
Total revenues	<u>46,929,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,929,589</u>
<b>Expenditures:</b>					
Current:					
General government	5,944,300	5,000	-	-	5,949,300
Public safety	10,884,363	-	-	4,708	10,889,071
Economic and physical development	695,076	-	-	-	695,076
Human services	11,210,286	-	-	-	11,210,286
Cultural and recreational	1,131,406	-	-	-	1,131,406
Transportation	976,361	-	-	-	976,361
Intergovernmental - education	6,506,656	-	-	-	6,506,656
Debt service:					
Principal retirements	2,566,304	-	-	-	2,566,304
Interest and fees	853,352	-	-	-	853,352
Total expenditures	<u>40,768,104</u>	<u>5,000</u>	<u>-</u>	<u>4,708</u>	<u>40,777,812</u>
Revenues over (under) expenditures	<u>6,161,485</u>	<u>(5,000)</u>	<u>-</u>	<u>(4,708)</u>	<u>6,151,777</u>
<b>Other Financing Sources (Uses):</b>					
Intrafund transfers	(75,000)	-	75,000	-	-
Transfers out	(1,685,854)	-	-	-	(1,685,854)
Total other financing sources (uses)	<u>(1,760,854)</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>(1,685,854)</u>
Net change in fund balance	4,400,631	(5,000)	75,000	(4,708)	4,465,923
<b>Fund Balance:</b>					
Beginning of year - July 1	<u>21,954,136</u>	<u>14,771</u>	<u>156,672</u>	<u>7,696</u>	<u>22,133,275</u>
End of year - June 30	<u>\$ 26,354,767</u>	<u>\$ 9,771</u>	<u>\$ 231,672</u>	<u>\$ 2,988</u>	<u>\$ 26,599,198</u>

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 25,997,179	\$ 26,190,980	\$ 193,801	\$ 25,568,676
Interest	174,900	193,178	18,278	167,542
Total	<u>26,172,079</u>	<u>26,384,158</u>	<u>212,079</u>	<u>25,736,218</u>
<b>Local Option Sales Tax:</b>				
Article 39 - one percent	1,600,000	1,808,304	208,304	1,610,461
Article 40 - 1/2 of a percent	3,000,000	3,372,317	372,317	2,937,724
Article 42 - 1/2 of a percent	1,020,000	1,357,754	337,754	1,200,074
Article 44 - 1/2 of a percent	1,785,593	2,165,298	379,705	1,989,549
Medicaid hold harmless	500,000	909,085	409,085	962,174
Total	<u>7,905,593</u>	<u>9,612,758</u>	<u>1,707,165</u>	<u>8,699,982</u>
<b>Other Taxes and Licenses:</b>				
Privilege licenses	-	1,084	1,084	1,062
Cable TV franchise tax	10,200	20,096	9,896	20,523
Total	<u>10,200</u>	<u>21,180</u>	<u>10,980</u>	<u>21,585</u>
<b>Unrestricted Intergovernmental:</b>				
Payments in lieu of taxes	12,200	34,994	22,794	2,201
Beer and wine tax	180,000	204,778	24,778	279,363
Total	<u>192,200</u>	<u>239,772</u>	<u>47,572</u>	<u>281,564</u>
<b>Restricted Intergovernmental:</b>				
Social services	4,736,588	3,755,625	(980,963)	6,128,575
Health department	2,093,381	2,181,263	87,882	1,920,284
Law enforcement grants	210,000	220,000	10,000	220,500
Juvenile justice	120,529	106,695	(13,834)	150,460
Veteran services	1,500	2,175	675	2,130
Transportation	658,835	602,035	(56,800)	731,234
Emergency management grant	-	1,000	1,000	-
Senior services grants	321,303	314,474	(6,829)	312,137
ABC profits for law enforcement	95,500	103,499	7,999	141,741
Other	800,000	-	(800,000)	-
Total	<u>9,037,636</u>	<u>7,286,766</u>	<u>(1,750,870)</u>	<u>9,607,061</u>
<b>Permits and Fees:</b>				
Inspection fees	562,000	710,607	148,607	648,972
Sheriff fees	198,500	309,887	111,387	314,285
Court facility fees	6,500	46,593	40,093	57,813
Register of Deeds fees	395,000	445,737	50,737	441,354
Tax administration	136,300	155,877	19,577	160,457
Total	<u>1,298,300</u>	<u>1,668,701</u>	<u>370,401</u>	<u>1,622,881</u>

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Sales and Services:</b>				
Health department fees	155,232	152,443	(2,789)	137,770
Jail fees	107,400	79,501	(27,899)	137,417
Corporative extensions	116,170	116,000	(170)	124,122
Economic development	16,000	16,347	347	18,515
Library	4,900	10,965	6,065	8,282
Parks and recreation	81,400	75,572	(5,828)	93,173
Elections	-	14,622	14,622	111
Transportation	408,220	92,604	(315,616)	116,731
Planning and zoning	115,700	181,820	66,120	109,780
Miscellaneous revenue	308,928	573,756	264,828	548,823
Total	<u>1,313,950</u>	<u>1,313,630</u>	<u>(320)</u>	<u>1,294,724</u>
<b>Investment Earnings</b>	<u>85,000</u>	<u>402,624</u>	<u>317,624</u>	<u>110,548</u>
Total revenues	<u>46,014,958</u>	<u>46,929,589</u>	<u>914,631</u>	<u>47,374,563</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	337,501	331,547	5,954	239,891
Operating expenses	132,010	110,389	21,621	103,639
Charges for services	(24,997)	(24,997)	-	(24,997)
Total	<u>444,514</u>	<u>416,939</u>	<u>27,575</u>	<u>318,533</u>
<b>Administration:</b>				
Salaries and employee benefits	191,535	163,234	28,301	201,026
Operating expenses	2,428,134	1,536,784	891,350	1,380,185
Charges for services	(288,913)	(288,913)	-	(288,913)
Total	<u>2,330,756</u>	<u>1,411,105</u>	<u>919,651</u>	<u>1,292,298</u>
<b>Human Resources:</b>				
Salaries and employee benefits	220,073	170,532	49,541	157,633
Operating expenses	47,900	15,398	32,502	12,118
Charges for services	(46,710)	(46,710)	-	(46,710)
Total	<u>221,263</u>	<u>139,220</u>	<u>82,043</u>	<u>123,041</u>
<b>Elections:</b>				
Salaries and employee benefits	172,888	115,057	57,831	158,689
Operating expenses	113,100	73,785	39,315	99,583
Capital outlay	4,000	3,937	63	3,112
Total	<u>289,988</u>	<u>192,779</u>	<u>97,209</u>	<u>261,384</u>

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Finance:</b>				
Salaries and employee benefits	542,827	534,627	8,200	422,460
Operating expenses	317,800	270,667	47,133	137,026
Charges for services	(211,111)	(211,111)	-	(211,111)
Total	649,516	594,183	55,333	348,375
<b>Tax Administration:</b>				
Salaries and employee benefits	422,591	412,423	10,168	417,404
Operating expenses	66,805	48,458	18,347	55,920
Capital outlay	13,845	8,282	5,563	-
Total	503,241	469,163	34,078	473,324
<b>Tax Collections:</b>				
Salaries and employee benefits	341,770	330,851	10,919	335,291
Operating expenses	64,994	43,251	21,743	71,950
Total	406,764	374,102	32,662	407,241
<b>DMV:</b>				
Operating expenses	126,900	105,515	21,385	122,685
<b>Legal:</b>				
Special legal services	129,147	110,836	18,311	113,908
<b>Register of Deeds:</b>				
Salaries and employee benefits	167,962	160,298	7,664	164,518
Operating expenses	69,773	56,847	12,926	59,049
Capital outlay	5,000	5,000	-	-
Total	242,735	222,145	20,590	223,567
<b>Central Garage:</b>				
Salaries and employee benefits	112,008	109,996	2,012	109,423
Operating expenses	12,240	4,345	7,895	4,807
Charges for services	(31,736)	(31,736)	-	(31,736)
Total	92,512	82,605	9,907	82,494
<b>Public Buildings:</b>				
Salaries and employee benefits	472,025	470,556	1,469	416,971
Operating expenses	495,193	428,915	66,278	381,242
Capital outlay	226,304	209,266	17,038	351,803
Charges for services	-	(39,862)	39,862	(39,862)
Total	1,193,522	1,068,875	124,647	1,110,154

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Groundskeeping:</b>				
Salaries and employee benefits	52,417	50,701	1,716	49,556
Operating expenses	28,870	17,389	11,481	23,038
Capital outlay	13,000	9,715	3,285	-
Total	94,287	77,805	16,482	72,594
<b>Information Technology:</b>				
Salaries and employee benefits	318,650	307,446	11,204	261,156
Operating expenses	455,605	428,253	27,352	299,236
Charges for services	(56,671)	(56,671)	-	(56,671)
Total	717,584	679,028	38,556	503,721
Total general government	7,442,729	5,944,300	1,498,429	5,453,319
<b>Public Safety:</b>				
<b>Sheriff:</b>				
Salaries and employee benefits	4,190,898	3,954,277	236,621	4,224,361
Operating expenses	758,900	625,428	133,472	651,747
Capital outlay	288,048	261,553	26,495	1,032,425
Total	5,237,846	4,841,258	396,588	5,908,533
<b>Court Facilities:</b>				
Operating expenses	99,500	95,497	4,003	91,331
Capital outlay	50,000	36,699	13,301	31,760
Total	149,500	132,196	17,304	123,091
<b>Jail:</b>				
Salaries and employee benefits	2,646,062	2,643,112	2,950	2,668,879
Operating expenses	1,211,600	1,199,500	12,100	977,094
Total	3,857,662	3,842,612	15,050	3,645,973
<b>Communications:</b>				
Salaries and employee benefits	921,368	887,995	33,373	750,734
Operating expenses	208,580	161,446	47,134	110,013
Capital outlay	-	-	-	4,500
Total	1,129,948	1,049,441	80,507	865,247
<b>Emergency Management:</b>				
Salaries and employee benefits	218,016	167,699	50,317	141,214
Operating expenses	39,900	29,748	10,152	24,737
Capital outlay	37,500	31,763	5,737	6,290
Total	295,416	229,210	66,206	172,241
<b>Animal Control:</b>				
Salaries and employee benefits	242,511	232,306	10,205	205,075
Operating expenses	90,405	76,520	13,885	45,166
Capital outlay	24,000	23,660	340	-
Total	356,916	332,486	24,430	250,241

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Juvenile Justice:</b>				
Operating expenses	136,029	127,166	8,863	142,556
<b>Inspections:</b>				
Salaries and employee benefits	214,927	214,166	761	211,298
Operating expenses	27,000	17,238	9,762	16,357
Capital outlay	1,670	1,665	5	1,665
Total	243,597	233,069	10,528	229,320
<b>Medical Examiner:</b>				
Contracted services	115,000	96,925	18,075	92,025
Total public safety	11,521,914	10,884,363	637,551	11,429,227
<b>Economic and Physical Development:</b>				
<b>Planning and Zoning:</b>				
Salaries and employee benefits	128,310	115,010	13,300	112,104
Operating expenses	21,550	8,530	13,020	6,139
Total	149,860	123,540	26,320	118,243
<b>Economic Development:</b>				
Operating expenditures	93,405	71,744	21,661	82,801
<b>Cooperative Extension:</b>				
Salaries and employee benefits	415,048	382,711	32,337	326,483
Operating expenses	77,489	53,183	24,306	40,476
Capital outlay	1,000	-	1,000	1,000
Total	493,537	435,894	57,643	367,959
<b>Conservation:</b>				
Salaries and employee benefits	59,002	57,702	1,300	57,361
Operating expenses	9,750	3,986	5,764	4,373
Capital outlay	-	2,210	(2,210)	1,412
Total	68,752	63,898	4,854	63,146
Total economic and physical development	805,554	695,076	110,478	632,149
<b>Human Services:</b>				
<b>Environmental Health:</b>				
Operating expenses	35,969	32,397	3,572	26,496
Capital outlay	-	-	-	8,319
Total	35,969	32,397	3,572	34,815
<b>Client Services:</b>				
Operating expenses	56,000	53,070	2,930	30,068
<b>Child Health:</b>				
Operating expenses	50,009	42,594	7,415	49,457

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Child Services Coordinator:</b>				
Operating expenses	35,637	29,902	5,735	5,655
<b>Pregnancy Care Management:</b>				
Operating expenses	37,037	28,128	8,909	8,001
<b>Ed/Risk Reduction:</b>				
Operating expenses	16,700	14,264	2,436	6,602
<b>WIC - Nutrition:</b>				
Operating expenses	3,000	1,976	1,024	873
<b>WIC - Administration:</b>				
Operating expenses	1,100	657	443	-
<b>NC Partnership for Children:</b>				
Operating expenses	4,000	4,000	-	3,943
<b>WIC - Breastfeeding:</b>				
Operating expenses	20,250	5,255	14,995	5,372
<b>WorkFirst Block Grant:</b>				
Operating expenses	40,500	19,470	21,030	22,188
<b>Program Integrity:</b>				
Operating expenses	750	427	323	666
<b>Public Assistance:</b>				
Operating expenses	1,413,568	1,089,652	323,916	935,330
<b>DSS - IV-D:</b>				
Operating expenses	71,652	48,830	22,822	42,725

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Title XX:</b>				
Operating expenses	1,392,184	1,013,047	379,137	2,433,782
<b>DSS - Eligibility:</b>				
Salaries and employee benefits	-	(588)	588	5,879
Operating expenses	2,000	1,613	387	843
Total	2,000	1,025	975	6,722
<b>DSS-Food Stamps:</b>				
Salaries and employee benefits	-	-	-	547
Operating expenses	16,600	16,581	19	15,103
Total	16,600	16,581	19	15,650
<b>Veterans Service:</b>				
Salaries and employee benefits	38,533	35,806	2,727	33,512
Operating expenses	9,610	5,900	3,710	4,621
Capital outlay	2,000	-	2,000	-
Total	50,143	41,706	8,437	38,133
<b>Health Administration:</b>				
Salaries and employee benefits	2,234,743	2,114,432	120,311	2,039,252
Operating expenses	497,337	398,899	98,438	393,684
Capital outlay	-	-	-	20,000
Total	2,732,080	2,513,331	218,749	2,452,936
<b>Communicable Diseases:</b>				
Operating expenses	32,000	27,426	4,574	27,037
<b>Bioterrorism Grant:</b>				
Operating expenses	20,250	5,722	14,528	6,485
<b>Breast and Cervical Cancer Program:</b>				
Operating expenses	11,400	11,086	314	10,996
<b>Women's Preventive Health:</b>				
Operating expenses	78,734	73,344	5,390	86,710
<b>Maternal Care:</b>				
Salaries and employee benefits	14,300	9,953	4,347	17,599
Operating expenses	32,031	26,788	5,243	28,920
Total	46,331	36,741	9,590	46,519

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Activities Routes to School:</b>				
Operating expenses	25,000	18,256	6,744	7,791
<b>Immunization:</b>				
Operating expenses	20,000	18,570	1,430	17,396
<b>DSS - Administration:</b>				
Salaries and employee benefits	4,288,563	4,008,354	280,209	3,944,381
Operating expenses	526,883	386,453	140,430	333,718
Capital outlay	111,100	105,734	5,366	122,748
Total	4,926,546	4,500,541	426,005	4,400,847
<b>Senior Services:</b>				
Salaries and employee benefits	352,736	304,441	48,295	295,686
Operating expenses	615,972	483,283	132,689	486,169
Capital outlay	1,000	-	1,000	21,272
Total	969,708	787,724	181,984	803,127
<b>Health Primary Care:</b>				
Operating expenses	41,800	36,428	5,372	45,973
<b>Special Appropriations</b>				
	787,671	738,136	49,535	746,926
Total human services	12,938,619	11,210,286	1,728,333	12,292,725
<b>Cultural and Recreational:</b>				
<b>Recreation:</b>				
Salaries and employee benefits	476,648	456,161	20,487	424,112
Operating expenses	208,750	183,298	25,452	182,007
Capital outlay	68,772	50,125	18,647	66,000
Total	754,170	689,584	64,586	672,119
<b>Literacy Council:</b>				
Salaries and employee benefits	66,811	65,554	1,257	63,474
Operating expenses	4,575	3,064	1,511	2,546
Capital outlay	10,000	6,406	3,594	-
Total	81,386	75,024	6,362	66,020
<b>Library:</b>				
Salaries and employee benefits	307,245	292,819	14,426	293,142
Operating expenses	92,447	73,979	18,468	62,133
Total	399,692	366,798	32,894	355,275
Total cultural and recreational	1,235,248	1,131,406	103,842	1,093,414

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Transportation:</b>				
Salaries and employee benefits	815,059	716,735	98,324	740,332
Operating expenses	296,735	231,260	65,475	185,391
Capital outlay	123,827	28,366	95,461	343,754
Total	<u>1,235,621</u>	<u>976,361</u>	<u>259,260</u>	<u>1,269,477</u>
<b>Education:</b>				
Public school - current	4,824,884	4,824,884	-	4,847,979
Community colleges	432,762	432,762	-	447,762
Capital outlay	1,086,331	1,086,331	-	1,022,481
Total	<u>6,343,977</u>	<u>6,343,977</u>	<u>-</u>	<u>6,318,222</u>
<b>Special Appropriations</b>				
	<u>163,000</u>	<u>162,679</u>	<u>321</u>	<u>143,500</u>
Total education	<u>6,506,977</u>	<u>6,506,656</u>	<u>321</u>	<u>6,461,722</u>
<b>Debt Service:</b>				
Principal retirement - government	2,617,334	2,566,304	51,030	2,553,830
Interest and fees	1,669,769	853,352	816,417	1,059,752
Total debt service	<u>4,287,103</u>	<u>3,419,656</u>	<u>867,447</u>	<u>3,613,582</u>
Total expenditures	<u>45,973,765</u>	<u>40,768,104</u>	<u>5,205,661</u>	<u>42,245,615</u>
Revenues over (under) expenditures	<u>41,193</u>	<u>6,161,485</u>	<u>6,120,292</u>	<u>5,128,948</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	(75,000)	(75,000)	-	(75,000)
Transfers to other funds:				
Capital project funds	(2,540,883)	(1,578,027)	962,856	-
Special revenue funds	(103,027)	(107,827)	(4,800)	-
Transfers from other funds:				
Capital project funds	50,000	-	(50,000)	-
Long-term debt issued	-	-	-	601,399
Appropriated fund balance	2,627,717	-	(2,627,717)	-
Total other financing sources (uses)	<u>(41,193)</u>	<u>(1,760,854)</u>	<u>(1,719,661)</u>	<u>526,399</u>
Net change in fund balance	<u>\$ -</u>	<u>4,400,631</u>	<u>\$ 4,400,631</u>	<u>5,655,347</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>21,954,136</u>		<u>16,298,789</u>
End of year - June 30		<u>\$ 26,354,767</u>		<u>\$ 21,954,136</u>

## HOKE COUNTY, NORTH CAROLINA

**REGISTER OF DEEDS AUTOMATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Operating expenditures	\$ 25,000	\$ 5,000	\$ 20,000
Revenues over (under) expenditures	(25,000)	(5,000)	20,000
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(5,000)</u>	<u>\$ (5,000)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>14,771</u>	
End of year - June 30		<u>\$ 9,771</u>	

## HOKE COUNTY, NORTH CAROLINA

**REVALUATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Operating expenditures	\$ 50,000	\$ -	\$ 50,000
Revenues over (under) expenditures	(50,000)	-	50,000
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	<u>50,000</u>	<u>75,000</u>	<u>25,000</u>
Net change in fund balance	<u>\$ -</u>	75,000	<u>\$ 75,000</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>156,672</u>	
End of year - June 30		<u>\$ 231,672</u>	

## HOKE COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Operating expenditures	\$ 5,084	\$ 4,708	\$ 376
Revenues over (under) expenditures	(5,084)	(4,708)	376
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>5,084</u>	<u>-</u>	<u>(5,084)</u>
Net change in fund balance	<u>\$ -</u>	<u>(4,708)</u>	<u>\$ (4,708)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>7,696</u>	
End of year - June 30		<u>\$ 2,988</u>	

## HOKE COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 863,977	\$ 2,032,455	\$ 2,896,432
Taxes receivable	184,975	-	184,975
Accounts receivable	53,567	-	53,567
Notes receivable	179,089	-	179,089
Restricted cash and cash equivalents	114,335	-	114,335
Total assets	<u>\$ 1,395,943</u>	<u>\$ 2,032,455</u>	<u>\$ 3,428,398</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 108,306	\$ -	\$ 108,306
Liability to be paid from restricted assets	114,335	-	114,335
Total liabilities	<u>222,641</u>	<u>-</u>	<u>222,641</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	<u>184,975</u>	<u>-</u>	<u>184,975</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	232,656	-	232,656
Public safety	302,878	-	302,878
Committed	-	2,032,455	2,032,455
Assigned	452,793	-	452,793
Total fund balances	<u>988,327</u>	<u>2,032,455</u>	<u>3,020,782</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,395,943</u>	<u>\$ 2,032,455</u>	<u>\$ 3,428,398</u>

## HOKE COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,578,740	\$ -	\$ 2,578,740
Restricted intergovernmental	138,620	-	138,620
E-911 wireless	294,116	-	294,116
Total revenues	<u>3,011,476</u>	<u>-</u>	<u>3,011,476</u>
<b>Expenditures:</b>			
Current:			
Public safety	3,057,534	-	3,057,534
Economic and physical development	41,652	-	41,652
Total expenditures	<u>3,099,186</u>	<u>-</u>	<u>3,099,186</u>
Revenues over (under) expenditures	<u>(87,710)</u>	<u>-</u>	<u>(87,710)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	<u>107,827</u>	<u>1,578,027</u>	<u>1,685,854</u>
Net change in fund balances	20,117	1,578,027	1,598,144
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>968,210</u>	<u>454,428</u>	<u>1,422,638</u>
End of year - June 30	<u>\$ 988,327</u>	<u>\$ 2,032,455</u>	<u>\$ 3,020,782</u>

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HOKE COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018

	<u>Revolving Loan Fund</u>	<u>Emergency Systems Telephone Fund</u>	<u>Asset Forfeiture Fund</u>	<u>Grant Projects Fund</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 406,552	\$ 249,969	\$ 118,824	\$ 11,402
Taxes receivable	-	-	-	-
Accounts receivable	-	24,510	-	-
Notes receivable	179,089	-	-	-
Restricted cash and cash equivalents	-	-	-	-
Total assets	<u>\$ 585,641</u>	<u>\$ 274,479</u>	<u>\$ 118,824</u>	<u>\$ 11,402</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 108,304	\$ 1	\$ 1
Liability to be paid from restricted assets	-	-	-	-
Total liabilities	<u>-</u>	<u>108,304</u>	<u>1</u>	<u>1</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by state statute	179,089	24,510	-	-
Public safety	-	141,665	118,823	-
Assigned	406,552	-	-	11,401
Total fund balances	<u>585,641</u>	<u>166,175</u>	<u>118,823</u>	<u>11,401</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 585,641</u>	<u>\$ 274,479</u>	<u>\$ 118,824</u>	<u>\$ 11,402</u>

HOKE COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018

	<b>Fire District Fund</b>	<b>Multi-Year Grants Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 35,117	\$ 42,113	\$ 863,977
Taxes receivable	184,975	-	184,975
Accounts receivable	29,057	-	53,567
Notes receivable	-	-	179,089
Restricted cash and cash equivalents	-	114,335	114,335
Total assets	<u>\$ 249,149</u>	<u>\$ 156,448</u>	<u>\$ 1,395,943</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 108,306
Liability to be paid from restricted assets	-	114,335	114,335
Total liabilities	<u>-</u>	<u>114,335</u>	<u>222,641</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	184,975	-	184,975
Total deferred inflows of resources	<u>184,975</u>	<u>-</u>	<u>184,975</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	29,057	-	232,656
Public safety	35,117	7,273	302,878
Assigned	-	34,840	452,793
Total fund balances	<u>64,174</u>	<u>42,113</u>	<u>988,327</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 249,149</u>	<u>\$ 156,448</u>	<u>\$ 1,395,943</u>

## HOKE COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Revolving Loan Fund</b>	<b>Emergency Systems Telephone Fund</b>	<b>Asset Forfeiture Fund</b>	<b>Grant Projects Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	-	-	114,313	-
E-911 wireless	-	294,116	-	-
Total revenues	<u>-</u>	<u>294,116</u>	<u>114,313</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Public safety	-	383,912	45,994	-
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>383,912</u>	<u>45,994</u>	<u>-</u>
Revenues over (under) expenditures	-	(89,796)	68,319	-
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(89,796)	68,319	-
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>585,641</u>	<u>255,971</u>	<u>50,504</u>	<u>11,401</u>
End of year - June 30	<u>\$ 585,641</u>	<u>\$ 166,175</u>	<u>\$ 118,823</u>	<u>\$ 11,401</u>

## HOKE COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Fire District Fund</b>	<b>Multi-Year Grants Funds</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,578,740	\$ -	\$ 2,578,740
Restricted intergovernmental	-	24,307	138,620
E-911 wireless	-	-	294,116
Total revenues	<u>2,578,740</u>	<u>24,307</u>	<u>3,011,476</u>
<b>Expenditures:</b>			
Current:			
Public safety	2,571,986	55,642	3,057,534
Economic and physical development	-	41,652	41,652
Total expenditures	<u>2,571,986</u>	<u>97,294</u>	<u>3,099,186</u>
Revenues over (under) expenditures	6,754	(72,987)	(87,710)
<b>Other Financing Sources (Uses):</b>			
Transfers in	<u>-</u>	<u>107,827</u>	<u>107,827</u>
Net change in fund balances	6,754	34,840	20,117
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>57,420</u>	<u>7,273</u>	<u>968,210</u>
End of year - June 30	<u>\$ 64,174</u>	<u>\$ 42,113</u>	<u>\$ 988,327</u>

## HOKE COUNTY, NORTH CAROLINA

**SPECIAL REVENUE FUND - REVOLVING LOAN FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous revenue	\$ 83,016	\$ 80,245	\$ (2,771)
Total revenues	<u>83,016</u>	<u>80,245</u>	<u>(2,771)</u>
<b>Expenditures:</b>			
Economic incentive	<u>83,016</u>	-	<u>83,016</u>
Total expenditures	<u>83,016</u>	-	<u>83,016</u>
Net change in fund balance	<u>\$ -</u>	80,245	<u>\$ 80,245</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(80,245)</u>	
Net change in fund balance		-	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>585,641</u>	
End of year - June 30		<u>\$ 585,641</u>	

## HOKE COUNTY, NORTH CAROLINA

**SPECIAL REVENUE FUND - EMERGENCY SYSTEMS TELEPHONE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
E-911	\$ 294,117	\$ 294,116	\$ (1)
<b>Expenditures:</b>			
Implemental functions	42,535	42,535	-
Telephone & furniture	204,486	204,486	-
Software and software maintenance	50,071	50,071	-
Hardware and hardware maintenance	85,272	85,272	-
Training	1,546	1,546	-
Capital outlay	174,288	174,411	(123)
Total expenditures	<u>432,343</u>	<u>383,912</u>	<u>48,431</u>
Revenues over (under) expenditures	(138,226)	(89,796)	48,430
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>138,226</u>	-	<u>(138,226)</u>
Net change in fund balance	<u>\$ -</u>	(89,796)	<u>\$ (89,796)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>255,971</u>	
End of year - June 30		<u>\$ 166,175</u>	

## HOKE COUNTY, NORTH CAROLINA

**SPECIAL REVENUE FUND - ASSET FORFEITURE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Drug forfeiture funds	\$ 20,000	\$ 114,313	\$ 94,313
<b>Expenditures:</b>			
Operating expenditures	35,000	45,994	(10,994)
Revenues over (under) expenditures	(15,000)	68,319	83,319
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	15,000	-	(15,000)
Net change in fund balance	<u>\$ -</u>	68,319	<u>\$ 68,319</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>50,504</u>	
End of year - June 30		<u>\$ 118,823</u>	

## HOKE COUNTY, NORTH CAROLINA

### SPECIAL REVENUE FUND - GRANT PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	\$ -	\$ -
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>11,401</u>	
End of year - June 30		<u>\$ 11,401</u>	

## HOKE COUNTY, NORTH CAROLINA

**SPECIAL REVENUE FUND - FIRE DISTRICTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,731,395	\$ 2,578,740	\$ (152,655)
<b>Expenditures:</b>			
<b>Public Safety:</b>			
<b>Fire Districts:</b>			
North Raeford Fire Department	232,645	202,030	30,615
Antioch Fire Department	150,150	128,059	22,091
North Scotland Fire Department	16,250	11,337	4,913
Puppy Creek Fire Department	919,000	908,476	10,524
Rockfish Fire Department	445,677	430,698	14,979
Hillcrest Fire Department	465,288	447,460	17,828
West Hoke Fire Department	144,116	139,632	4,484
Pine Hill Fire Department	133,347	94,138	39,209
Stonewall Fire Department	182,770	174,120	8,650
Crestline Fire Department	42,152	36,036	6,116
Total expenditures	<u>2,731,395</u>	<u>2,571,986</u>	<u>159,409</u>
Net change in fund balance	<u>\$ -</u>	6,754	<u>\$ 6,754</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>57,420</u>	
End of year - June 30		<u>\$ 64,174</u>	

## HOKE COUNTY, NORTH CAROLINA

**SPECIAL REVENUE FUND - MULTI-YEAR GRANTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
<b>Restricted Intergovernmental Revenues:</b>				
Urgent Home Repair Grant 2017	\$ 100,000	\$ -	\$ 41,652	\$ 41,652
Emergency Management Performance Grant	145,712	303,267	(17,345)	285,922
Total revenues	<u>245,712</u>	<u>303,267</u>	<u>24,307</u>	<u>327,574</u>
<b>Expenditures:</b>				
<b>Emergency Management Performance Grant:</b>				
Operating expenses	321,601	230,280	55,642	285,922
Total	<u>321,601</u>	<u>230,280</u>	<u>55,642</u>	<u>285,922</u>
<b>Urgent Home Repair 2017</b>	<u>100,000</u>	<u>-</u>	<u>41,652</u>	<u>41,652</u>
Total expenditures	<u>421,601</u>	<u>230,280</u>	<u>97,294</u>	<u>327,574</u>
Revenues over (under) expenditures	<u>(175,889)</u>	<u>72,987</u>	<u>(72,987)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	-	(297,394)	-	(297,394)
Transfers from other funds	175,889	231,680	107,827	339,507
Total other financing sources (uses)	<u>175,889</u>	<u>(65,714)</u>	<u>107,827</u>	<u>42,113</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,273</u>	34,840	<u>\$ 42,113</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>7,273</u>	
End of year - June 30			<u>\$ 42,113</u>	

**HOKE COUNTY, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018**

	<u>Administrative Capital Projects Fund</u>	<u>CDBG Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,092,301	\$ -	\$ 940,154	\$ 2,032,455
<b>Fund Balances:</b>				
Committed	\$ 1,092,301	\$ -	\$ 940,154	\$ 2,032,455

## HOKE COUNTY, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Administrative Capital Projects Fund</u>	<u>CDBG Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	\$ 1,576,837	\$ 1,190	\$ -	\$ 1,578,027
Net change in fund balances	1,576,837	1,190	-	1,578,027
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>(484,536)</u>	<u>(1,190)</u>	<u>940,154</u>	<u>454,428</u>
End of year - June 30	<u>\$ 1,092,301</u>	<u>\$ -</u>	<u>\$ 940,154</u>	<u>\$ 2,032,455</u>

## HOKE COUNTY, NORTH CAROLINA

**ADMINISTRATIVE CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND -  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 865,800	\$ 865,800	\$ -	\$ 865,800
E911 Board Grant	-	299,100	-	299,100
Miscellaneous	-	891	-	891
Total revenues	<u>865,800</u>	<u>1,165,791</u>	<u>-</u>	<u>1,165,791</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Governing body project	4,162,000	4,714,082	-	4,714,082
PARTF project	865,800	865,800	-	865,800
STNWL project	65,000	65,680	-	65,680
Rockfish Community Building	90,000	143,902	-	143,902
South Hoke Community Building	75,000	75,817	-	75,817
Total general government	<u>5,257,800</u>	<u>5,865,281</u>	<u>-</u>	<u>5,865,281</u>
<b>Public Safety:</b>				
Jail roof project	247,582	254,291	-	254,291
E-911 Center	982,833	939,564	-	939,564
Total public safety	<u>1,230,415</u>	<u>1,193,855</u>	<u>-</u>	<u>1,193,855</u>
Total expenditures	<u>6,488,215</u>	<u>7,059,136</u>	<u>-</u>	<u>7,059,136</u>
Revenues over (under) expenditures	<u>(5,622,415)</u>	<u>(5,893,345)</u>	<u>-</u>	<u>(5,893,345)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from General Fund	4,953,221	5,083,317	1,576,837	6,660,154
Transfers from Special Revenue Fund	343,702	-	-	-
Long-term debt issued	325,492	325,492	-	325,492
Total other financing sources (uses)	<u>5,622,415</u>	<u>5,408,809</u>	<u>1,576,837</u>	<u>6,985,646</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (484,536)</u>	1,576,837	<u>\$ 1,092,301</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>(484,536)</u>	
End of year - June 30			<u>\$ 1,092,301</u>	

HOKE COUNTY, NORTH CAROLINA

**CDBG CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
CDBG - Scatter Housing 2009	\$ 400,000	\$ 400,000	\$ -	\$ 400,000
CDBG - Ethanol	710,000	710,001	-	710,001
NC Rural Center - Ethanol	810,000	440,000	-	440,000
CDBG - Scatter Housing 2012	225,000	225,000	-	225,000
CDBG - Cheraw Acres	250,000	205,627	-	205,627
CDBG - Scatter Housing 2015	14,283	-	-	-
Single Family Rehab Disaster Recovery	150,000	-	-	-
Single Family Rehabilitation Program 2012	382,600	374,389	-	374,389
Total revenues	<u>2,941,883</u>	<u>2,355,017</u>	<u>-</u>	<u>2,355,017</u>
<b>Expenditures:</b>				
<b>CDBG - Single Family Rehab:</b>				
Maintenance and repair	-	750	-	750
<b>CDBG - Scatter Housing 2009:</b>				
Professional services	47,000	60,187	-	60,187
Housing replacement	323,000	318,664	-	318,664
Clearing activities	30,000	34,194	-	34,194
Total CDBG Scatter Housing 2009	<u>400,000</u>	<u>413,045</u>	<u>-</u>	<u>413,045</u>
<b>Ethanol:</b>				
Professional services	50,000	265,626	-	265,626
Construction	1,570,000	1,118,538	-	1,118,538
Total CDBG - Ethanol	<u>1,620,000</u>	<u>1,384,164</u>	<u>-</u>	<u>1,384,164</u>
<b>CDBG - Scatter Housing 2012:</b>				
Professional services	42,500	42,500	-	42,500
Clearing activities	182,500	182,500	-	182,500
Total CDBG Scatter Housing 2012	<u>225,000</u>	<u>225,000</u>	<u>-</u>	<u>225,000</u>
<b>CDBG - Cheraw Acres:</b>				
Administration	25,000	24,092	-	24,092
Street improvements	193,000	181,655	-	181,655
Water improvements	32,000	-	-	-
Total CDBG - Cheraw Acres	<u>250,000</u>	<u>205,747</u>	<u>-</u>	<u>205,747</u>
<b>CDBG - Scatter Housing 2015:</b>				
Rehabilitation	14,283	14,311	-	14,311

**HOKE COUNTY, NORTH CAROLINA**

**CDBG CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Single Family Rehab Disaster Recovery</b>				
Professional services	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-			
<b>Single Family Rehab Program 2012:</b>				
Professional services	15,000	13,044	-	13,044
Construction	<u>367,600</u>	<u>348,055</u>	<u>-</u>	<u>348,055</u>
Total Single Family Rehab Program 2012	<u>382,600</u>	<u>361,099</u>	<u>-</u>	<u>361,099</u>
Total expenditures	<u>3,041,883</u>	<u>2,604,116</u>	<u>-</u>	<u>2,604,116</u>
Revenues over (under) expenditures	(100,000)	(249,099)	-	(249,099)
<b>Other Financing Sources (Uses):</b>				
Transfers from General Fund	<u>100,000</u>	<u>247,909</u>	<u>1,190</u>	<u>249,099</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,190)</u>	1,190	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>(1,190)</u>	
End of year - June 30			<u>\$ -</u>	

## HOKE COUNTY, NORTH CAROLINA

## CAPITAL RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to General Fund	\$ (50,000)	\$ -	\$ 50,000
Appropriated fund balance	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>940,154</u>	
End of year - June 30		<u>\$ 940,154</u>	

## HOKE COUNTY, NORTH CAROLINA

**MAJOR ENTERPRISE FUND - WATER AND SEWER DISTRICT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Operating Revenues:</b>			
Water and sewer charges	\$ 6,791,100	\$ 6,291,174	\$ (499,926)
Tap and impact fees	814,080	529,857	(284,223)
Other operating revenues	<u>111,338</u>	<u>42,037</u>	<u>(69,301)</u>
Total revenues	<u>7,716,518</u>	<u>6,863,068</u>	<u>(853,450)</u>
<b>Expenditures:</b>			
<b>Operating Expenses:</b>			
<b>Water and Sewer Operations:</b>			
Salaries and benefits	1,326,564	1,290,059	36,505
Other operating expenses	3,630,149	2,762,561	867,588
Capital outlay	720,204	600,206	119,998
Charges for services	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total	<u>5,686,917</u>	<u>4,652,826</u>	<u>1,034,091</u>
<b>Debt Service:</b>			
Interest and fees	770,942	770,942	-
Debt principal	<u>887,507</u>	<u>701,718</u>	<u>185,789</u>
Total	<u>1,658,449</u>	<u>1,472,660</u>	<u>185,789</u>
Total expenditures	<u>7,345,366</u>	<u>6,125,486</u>	<u>1,219,880</u>
Revenues over (under) expenditures	<u>371,152</u>	<u>737,582</u>	<u>366,430</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in (out):			
Intrafund transfers, net - to Waste Water Treatment Plant Fund	<u>(11,654,053)</u>	<u>(1,417,585)</u>	<u>10,236,468</u>
Appropriated fund balance	<u>11,282,901</u>	<u>-</u>	<u>(11,282,901)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (680,003)</u>	<u>\$ (680,003)</u>

## HOKE COUNTY, NORTH CAROLINA

**MAJOR ENTERPRISE FUND - WATER AND SEWER DISTRICT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (680,003)	
Reconciling items:			
Depreciation		(1,509,275)	
Debt principal		701,718	
Intrafund transfer		1,417,585	
Capital outlay		296,379	
Change in advances from grantors		(336,942)	
Capital contributions - project		38,985	
Compensated absences		10,333	
Change in deferred outflows of resources - OPEB		7,056	
Change in OPEB liability		(14,734)	
Change in deferred inflows of resources - OPEB		(17,072)	
Change in deferred outflows of resources - pensions		(107,412)	
Change in net pension liability		93,202	
Change in deferred inflows of resources - pensions		<u>4,701</u>	
Change in net position		<u>\$ (95,479)</u>	

## HOKE COUNTY, NORTH CAROLINA

WATER CONSTRUCTION CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
NC Rural Center Grant	\$ -	\$ 336,942	\$ (336,942)	\$ -
NC DOT Reimbursement	56,600	61,221	-	61,221
Investment earnings	-	107,110	-	107,110
Total revenues	56,600	505,273	(336,942)	168,331
<b>NC211 / B-5127 Water Main Replacement:</b>				
Professional services	11,300	11,300	-	11,300
Construction cost	45,300	49,921	74,347	124,268
Total NC211 / B-5127 Water Main Replacement	56,600	61,221	74,347	135,568
<b>Best Rd and Trudeau Avenue Drainage Repair:</b>				
Professional services	10,000	12,729	4,229	16,958
Construction cost	1,094,542	-	444,110	444,110
Contingencies	19,000	-	-	-
Total Best Rd and Trudeau Avenue Drainage Repair	1,123,542	12,729	448,339	461,068
<b>Vass Rd Production Wells:</b>				
Professional services	134,623	147,073	10,200	157,273
Construction cost	560,390	492,028	6,210	498,238
Contingencies	10,500	-	-	-
Total Vass Rd Production Wells	705,513	639,101	16,410	655,511
<b>Gillis Hill Water Improvements</b>				
Professional services	34,162	282,738	-	282,738
Construction cost	228,254	64,980	-	64,980
Contingencies	22,825	-	-	-
Total Gillis Hill Water Improvements	285,241	347,718	-	347,718
Total expenditures	2,170,896	1,060,769	539,096	1,599,865
Revenues over (under) expenditures	(2,114,296)	(555,496)	(876,038)	(1,431,534)
<b>Other Financing Sources (Uses) :</b>				
Transfers in:				
Water and Sewer Fund	2,114,296	1,873,669	240,627	2,114,296
Total other financing sources (uses)	2,114,296	1,873,669	240,627	2,114,296
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,318,173	\$ (635,411)	\$ 682,762

## HOKE COUNTY, NORTH CAROLINA

**WATER RATE STABILIZATION FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Other Financing Sources (Uses) :</b>				
Transfers in:				
Water and Sewer Fund	\$ 276,000	\$ 568,927	\$ -	\$ 568,927
Transfers out:				
Water and sewer projects	(276,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>568,927</u>	<u>-</u>	<u>568,927</u>
Revenues and other financing sources over				
(under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 568,927</u>	<u>\$ -</u>	<u>\$ 568,927</u>

## HOKE COUNTY, NORTH CAROLINA

**WASTE WATER TREATMENT PLANT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
CDBG grants	\$ 510,000	\$ -	\$ -	\$ -
NC Rural Center Grant - Walmart	1,000,000	910,480	-	910,480
Restricted intergovernmental - VFD	150,000	-	-	-
Contribution - VFD	395,830	357,898	38,985	396,883
Restricted intergovernmental - Golf Course	161,625	-	-	-
Total revenues	<u>2,217,455</u>	<u>1,268,378</u>	<u>38,985</u>	<u>1,307,363</u>
<b>Expenditures:</b>				
<b>SCBLD, Walmart and Others:</b>				
Professional services	502,328	730,809	-	730,809
Construction	1,374,800	1,584,228	-	1,584,228
Contingencies	164,600	-	-	-
Total SCBLD, Walmart and others	<u>2,041,728</u>	<u>2,315,037</u>	<u>-</u>	<u>2,315,037</u>
<b>VFD:</b>				
Professional services	56,720	-	-	-
Construction	477,543	351,466	38,933	390,399
Contingencies	11,567	-	-	-
Total VFD	<u>545,830</u>	<u>351,466</u>	<u>38,933</u>	<u>390,399</u>
<b>Golf Course Road Water Main Relocation:</b>				
Construction	153,945	-	4,790	4,790
Contingency	7,680	-	-	-
Total Golf Course	<u>161,625</u>	<u>-</u>	<u>4,790</u>	<u>4,790</u>
Total expenditures	<u>2,749,183</u>	<u>2,666,503</u>	<u>43,723</u>	<u>2,710,226</u>
Revenues over (under) expenditures	(531,728)	(1,398,125)	(4,738)	(1,402,863)
<b>Other Financing Sources (Uses) :</b>				
Intrafund transfers, net:				
Water Sewer District Fund	<u>531,728</u>	<u>261,671</u>	<u>1,176,958</u>	<u>1,438,629</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,136,454)</u>	<u>\$ 1,172,220</u>	<u>\$ 35,766</u>

## HOKE COUNTY, NORTH CAROLINA

**MAJOR ENTERPRISE FUND - SOLID WASTE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Solid waste charges	\$ 2,730,600	\$ 2,828,030	\$ 97,430
Other	123,000	146,330	23,330
Total operating revenues	<u>2,853,600</u>	<u>2,974,360</u>	<u>120,760</u>
Non-operating revenues:			
Investment earnings	44,000	42,351	(1,649)
Total non-operating revenues	<u>44,000</u>	<u>42,351</u>	<u>(1,649)</u>
Total revenues	<u>2,897,600</u>	<u>3,016,711</u>	<u>119,111</u>
<b>Expenditures:</b>			
Landfill operations:			
Salaries and benefits	724,880	649,899	74,981
Other operating expenses	1,539,015	1,232,000	307,015
Capital outlay	586,783	121,844	464,939
Charges for services	350,000	350,000	-
Total expenditures	<u>3,200,678</u>	<u>2,353,743</u>	<u>846,935</u>
Revenues over (under) expenditures	(303,078)	662,968	966,046
Appropriated fund balance	<u>303,078</u>	<u>-</u>	<u>(303,078)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 662,968</u>	<u>\$ 662,968</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 662,968	
Reconciling items:			
Capital outlay		105,125	
Depreciation		(114,985)	
Change in deferred outflows of resources - OPEB		3,635	
Change in OPEB liability		(7,591)	
Change in deferred inflows of resources - OPEB		(8,795)	
Change in deferred outflows of resources - pensions		(53,706)	
Change in net pension liability		46,601	
Change in deferred inflows of resources - pensions		<u>2,351</u>	
Change in net position		<u>\$ 635,603</u>	

## HOKE COUNTY, NORTH CAROLINA

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>
<b>Social Services Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 16,007	\$ 116,678	\$ 113,441	\$ 19,244
<b>Liabilities:</b>				
Accounts payable	\$ 16,007	\$ 231,243	\$ 228,006	\$ 19,244
<b>Sheriff Execution Fund</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 98	\$ 2,175	\$ 2,260	\$ 13
<b>Liabilities:</b>				
Accounts payable	\$ 98	\$ 4,350	\$ 4,435	\$ 13
<b>Jail Inmate Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 8,549	\$ 56,319	\$ 56,049	\$ 8,819
<b>Liabilities:</b>				
Accounts payable	\$ 8,549	\$ 159,282	\$ 159,012	\$ 8,819
<b>Municipal Tax Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 186,240	\$ 171,357	\$ 14,883
Accounts receivable	48,125	19,317	23,322	44,120
Total assets	\$ 48,125	\$ 205,557	\$ 194,679	\$ 59,003
<b>Liabilities:</b>				
Accounts payable	\$ 13,075	\$ 175,871	\$ 159,179	\$ 29,767
Other liabilities	35,050	-	5,814	29,236
Total liabilities	\$ 48,125	\$ 175,871	\$ 164,993	\$ 59,003
<b>Total - All Agency Funds:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 24,654	\$ 361,412	\$ 343,107	\$ 42,959
Accounts receivable	48,125	19,317	23,322	44,120
Total assets	\$ 72,779	\$ 380,729	\$ 366,429	\$ 87,079
<b>Liabilities:</b>				
Accounts payable	\$ 37,729	\$ 570,746	\$ 550,632	\$ 57,843
Other liabilities	35,050	-	5,814	29,236
Total liabilities	\$ 72,779	\$ 570,746	\$ 556,446	\$ 87,079

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2018

Year Ended June 30	Uncollected Balance July 1, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2018	\$ -	\$ 26,597,971	\$ 25,590,602	\$ 1,007,369
2017	1,187,675	-	810,649	377,026
2016	554,997	-	379,519	175,478
2015	382,306	-	292,153	90,153
2014	213,962	-	39,638	174,324
2013	236,821	-	20,817	216,004
2012	187,999	-	12,563	175,436
2011	145,130	-	7,295	137,835
2010	127,690	-	5,980	121,710
2009	128,967	-	5,667	123,300
2008	126,668	-	126,668	-
Total	<u>\$ 3,292,215</u>	<u>\$ 26,597,971</u>	<u>\$ 27,291,551</u>	2,598,635
Less: allowance for uncollectible accounts				<u>(657,303)</u>
Ad valorem taxes receivable, net				<u>\$ 1,941,332</u>
<b>Reconciliation with Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
General Fund				<u>\$ 26,384,158</u>
Reconciling items:				
Interest collected				(193,178)
Discounts allowed				353,916
Taxes written off				126,668
Miscellaneous				549,427
Other				<u>70,560</u>
Total reconciling items				<u>907,393</u>
Total collections and credits				<u>\$ 27,291,551</u>

## HOKE COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2018

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 3,534,542,267	\$ 0.75	\$ 26,509,067	\$ 23,603,870	\$ 2,905,197
Interest and penalties	9,351,200	0.75	70,134	45,927	24,207
Total	<u>3,543,893,467</u>		<u>26,579,201</u>	<u>23,649,797</u>	<u>2,929,404</u>
<b>Discoveries:</b>					
Current year's taxes	2,075,333		15,565	15,565	-
Prior year's taxes and rollbacks	<u>2,438,000</u>		<u>18,285</u>	<u>18,285</u>	-
Total	<u>4,513,333</u>		<u>33,850</u>	<u>33,850</u>	-
<b>Abatements</b>	<u>(20,107)</u>		<u>(15,080)</u>	<u>(15,080)</u>	-
Total property valuation	<u>\$ 3,548,386,693</u>				
<b>Net Levy</b>			26,597,971	23,668,567	2,929,404
Uncollected taxes at June 30, 2018			<u>1,007,369</u>	<u>817,504</u>	<u>189,865</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 25,590,602</u>	<u>\$ 22,851,063</u>	<u>\$ 2,739,539</u>
<b>Current Levy Collection Percentage</b>			<u>96.21%</u>	<u>96.55%</u>	<u>93.52%</u>

# MARTIN STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

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

### **Independent Auditor's Report**

To the Board of Commissioners  
Hoke County  
Raeford, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Hoke County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the Hoke County ABC Board, as described in our report on Hoke County's financial statements. The financial statements of the Hoke County 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 Hoke County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hoke County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hoke 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 County'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal controls, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2018-001 and 2018-002 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hoke County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **County's Responses to Findings**

Hoke County's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
November 30, 2018

# MARTIN STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance Required By The Uniform Guidance And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Hoke County  
Raeford, North Carolina

#### **Report on Compliance for Each Major Federal Program**

We have audited Hoke 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 Hoke County's major federal programs for the year ended June 30, 2018. Hoke County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Hoke 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 the Comptroller General of the United States; 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, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Hoke 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of Hoke County's compliance.

### **Basis for Qualified Opinion on CFDA# 93.778 Medicaid Cluster**

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, Hoke County did not comply with requirements regarding CFDA# 93.778 Medicaid Cluster as described in finding number 2018-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Hoke County to comply with the requirements applicable to that program.

### **Qualified Opinion on CFDA# 93.778 Medicaid Cluster**

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, Hoke County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2018.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, Hoke County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs for the year ended June 30, 2018.

### **Other Matters**

Hoke County's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. Hoke 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.

### **Report on Internal Control over Compliance**

Management of Hoke 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 Hoke County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Hoke 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 controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls

over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2018-003 and 2018-004 that we consider to be material weaknesses.

Hoke County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Hoke County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
November 30, 2018

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# MARTIN STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; Required by Uniform Guidance; And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Hoke County  
Raeford, North Carolina

#### **Report on Compliance for Each Major State Program**

We have audited Hoke County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Hoke County's major state programs for the year ended June 30, 2018. Hoke County's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Hoke County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Hoke 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 qualified and unmodified opinions on compliance for each major state program. However, our audit does not provide a legal determination of Hoke County's compliance.

### **Basis for Qualified Opinion on Medicaid Cluster**

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, Hoke County did not comply with requirements regarding the Medicaid Cluster as described in finding number 2018-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Hoke County to comply with the requirements applicable to that program.

### **Qualified Opinion on Medicaid Cluster**

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, Hoke County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2018.

### **Unmodified Opinion on Each of the Other Major State Programs**

In our opinion, Hoke County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major state programs identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs for the year ended June 30, 2018.

### **Other Matters**

Hoke County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Hoke 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.

### **Report on Internal Control over Compliance**

Management of Hoke 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 Hoke County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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 Hoke 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, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control*

*over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2018-003 that we consider to be a material weakness.

Hoke County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Hoke 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.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
November 30, 2018

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**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**Financial Statements**

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

Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes
- Significant deficiency (s) identified? None reported

Non-compliance material to financial statements noted?

No

**Federal Awards**

Internal control over major federal programs:

- Material weakness (es) identified? Yes
- Significant deficiency (s) identified? No

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

Unmodified for all major federal programs except for Medicaid Cluster, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes

Identification of major federal programs:

<b><u>Program Name</u></b>	<b><u>CFDA #</u></b>
Medicaid Cluster	93.778
Supplemental Nutrition Assistance Program Cluster	10.561
Child Support Enforcement	93.563
Formula Grants for Rural Areas	20.509

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

No

**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Section I – Summary of Auditor’s Results (Continued)**

**State Awards**

Internal control over major state programs:

- Material weakness (es) identified? Yes
- Significant deficiency (s) identified? No

Type of auditor’s report issued on compliance for major state programs:

Unmodified for all major state programs except for Medicaid Cluster, which was qualified.

Any findings disclosed that are required to be Reported in accordance with the State Single Audit Implementation Act?

Yes

Identification of major state programs:

**Program Name**

- Medicaid Cluster
- Formula Grants for Rural Areas
- School Nursing Funding Initiative
- Active Routes to School
- DOT Cluster
- General Aid to Counties

# HOKE COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

### Section II – Financial Statement Findings

#### Material Weakness

##### **Finding 2018-001**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules. Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by the County’s personnel with regard to drafting full accrual, full disclosure financial statements. Although management of the County does not possess expertise to draft full accrual, full disclosure financial statements, they do accept responsibility for the preparation and fair presentation of the financial statements and they possess the skills and knowledge to adequately oversee and perform a detail review of the drafted full accrual, full disclosure financial statements and reconcile the financial statements to the records of the County.

**Effect:** Errors in financial reporting could occur.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2017-001.

**Cause:** There are limited resources as it related to the preparation of full accrual, full disclosure yearend financial statements.

**Recommendation:** The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears cost prohibitive. Therefore, the County should exercise due care in overseeing drafting services, reconciling, and reviewing the financial statements drafted by the external auditor as the County is responsible for the accuracy of the audited financial statements.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

# HOKE COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

### Section II – Financial Statement Findings (Continued)

#### Material Weakness

##### **Finding 2018-002**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicated that the County's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

**Effect:** Financial reports used for budget monitoring throughout the year do not properly reflect the account balances.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2017-002.

**Cause:** The general ledger is not reconciled to subsidiary ledgers on a regular basis, and year-end journal entries are not booked prior to providing the auditors a final trial balance.

**Recommendation:** Management should reconcile the subsidiary ledgers on a regular basis, reconcile year-end balances to subsidiary ledgers and post-closing entries needed, and improve the internal control system to prevent the adjustments in the future.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

# HOKE COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

### 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: Medicaid Cluster

CFDA # 93.778

Grant Number: XIX-MAP18

#### Finding 2018-003

##### Material Weakness, Material Non-Compliance

##### Eligibility

**Criteria:** In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific eligibility standards, and documentation must be maintained to support those determinations. In accordance with 2 CFR 200, management should have an adequate system of internal control procedures in place to ensure that active cases are eligible for benefits and that closed casefiles are terminated or redetermined timely, and to properly review and assess the eligibility of individuals to ensure the accuracy of benefits being provided is within program requirements. Management must monitor activities under federal awards to assure compliance with federal requirements.

**Condition:** Two participants had a change in SSI benefits but continued to receive Medicaid benefits while terminated from SSI benefits. The cases were not redetermined in a timely manner so the participant continued to receive Medicaid benefits under SSI. The casefiles do not have documentation of eligibility for the dates of services tested. Upon further review, one participant was determined to be eligible to receive Medicaid benefits through eligibility in another program category. The other one was found to be ineligible and casefile was closed by the state and benefits were terminated.

One participant had a change in SSI benefits prior to the certification period, however, the ex parte was never completed by the caseworker. The participant received benefits for the certification period, covering our date of service tested, while there was no eligibility documentation to support the ex parte review. Participant was redetermined and was found to be eligible under a different program category and ultimately was eligible for benefits during the certification period tested.

One participant did not have a property check performed for the certification period covering our date of service tested. Documentation of participant's resource was incomplete. Upon further review, the participant was eligible to receive Medicaid benefits.

One participant received benefits for a date of service after participant was deceased. There was no eligibility documentation for the certification period covering the date of service we tested. Participant was not eligible.

## HOKE COUNTY, NORTH CAROLINA

### SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

#### Section III – Federal Award Findings and Questioned Costs (continued)

**Context:** Of the 249,381 Medicaid benefit payments (valued at \$42,849,125), we examined 96 (valued at \$10,291) and determined that \$90.58 was ineligible. The above conditions applied to five participants (5%). These applicants did not have evidence of eligibility documentation in their casefiles for the period tested as indicated above; the participants continued to receive Medicaid benefits. Of the \$42,849,125 in payments, we examined \$10,291 and determined that three participants (3%) were found to be eligible to receive Medicaid benefits upon redetermination at a later date, while two (2%) of them were ineligible.

**Effect:** Participants could receive benefits for which they are not eligible.

**Cause:** Caseworkers did not have proper documentation of the eligibility in the casefile for the dates of services tested.

**Indication of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2017-012, modified.

**Questioned Costs:** In accordance with 2 CFR 200.516 (a)(3), auditors are required to report known questioned costs when likely questioned costs are greater than \$25,000. Even though the sample results identified only \$90.58 (federal share \$59.89 and state share \$30.69) in questioned costs, if tests were extended to the entire population, questioned costs could exceed \$25,000.

**Recommendation:** Caseworkers should review their eligibility determinations and ensure required information is documented correctly and retained.

**View of Responsible Officials and Planned Corrective Actions:** See Corrective Action Plan submitted with this report.

# HOKE COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

### Section III – Federal Award Findings and Questioned Costs (continued)

#### US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: SNAP Cluster

CFDA # 10.561

Grant Number: 185NC406S2514

#### Finding 2018-004

##### Material Weakness

##### Special Tests and Provisions

**Criteria:** In accordance with 2 CFR section 200.514(c)(4), management should have an adequate system of internal control procedures in place to prevent or detect noncompliance with compliance requirements of a federal program. Counties must maintain adequate case documentation to substantiate a claim entry into the Enterprise Program Integrity Control System (EPICS). This information includes, but is not limited to the dates of the overpayment period, documentary evidence to substantiate that an overpayment occurred, such as wage stubs or verification from an employer, other income verification and household composition verification, and the budgets used to compute the amount of the overpayment.

**Condition:** The County could not provide us with a casefile for a claim we selected for testing from the Enterprise Program Integrity Control System (EPICS).

**Context:** Of the 40 casefiles we tested, one was not supported with case documentation to substantiate the claim in EPICS; the record was not found and provided to us. The rest of the casefiles contained sufficient case documentation of the claim entries in EPICS.

**Effect:** There is no documentation for one EPICS claim.

**Cause:** The County indicated that the casefile record was lost during a fire at DSS building during 2006.

**Questioned Costs:** The finding represents an internal control issue; therefore, no questioned costs are applicable.

**Recommendation:** The County should put controls and procedures in place to have backups of case documentation as required by compliance requirements.

**View of Responsible Officials and Planned Corrective Actions:** See Corrective Action Plan submitted with this report.

**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**NC Dept. of Health and Human Services**

Program Name: Medicaid Cluster

**Material Weakness, Material Non-Compliance:** Finding 2018-003 also applies to state requirements and state awards.

**James Leach**  
Chairman

**Harry Southerland**  
Vice Chairman

**Tony Hunt**  
Commissioner

**Allen Thomas, Jr.**  
Commissioner



**Robert Wright**  
Commissioner

**Grady Hunt**  
County Attorney

**Letitia Edens**  
County Manager

**Gwen McGougan**  
Clerk to the Board

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statements Findings**

**Finding: 2018-001**

**Name of Contact Person:** E.J. Prevatte, Finance Director

**Corrective Action/Management’s Response:** Management concurs and will diligently review financial data to ensure agreement with audited financial records. Finance Director and Assistant Finance Director will diligently review financial data. A position has been added to the Finance Department, the position has been posted and applications are being reviewed.

**Proposed Completion Date:** Management and the Board will implement the above procedure immediately.

**Finding: 2018-002**

**Name of Contact Person:** E.J. Prevatte, Finance Director

**Corrective Action/Management’s Response:** Management is aware that year-end audit adjustments are typically required. While the number of adjusting entries required by the auditors decreased in FY18 further improvement is needed. The following procedures are being implemented to resolve this issue: Assistant Finance Director and Finance Specialist will review end of year payables and receivables accounts, in addition to revenue and expense accounts to ensure all accruals and reversals have been made prior to providing the preliminary trial balance to the auditors. Adjusting Journal entries will be prepared by the Assistant Finance Director, approved by the Finance Director and posted by the Accounting Technician. Assistant Finance Director and or Finance Specialist will reconcile grant revenue and expenditures to confirmations provided by grantors and or reports submitted for reimbursement.

**Proposed Completion Date:** Management and the Board will implement the above procedure immediately.

MICKA T. STANTON  
DIRECTOR

**County of Hoke**  
**Department of Social Services**

P.O. Box 340  
RAEFORD, NC 28376-0340

TELEPHONE  
(910) 875-8725

FAX  
(910) 848-7766

**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**Finding: 2018-003**

**Name of Contact Person:** Micka Terry Stanton, DSS Director

**Corrective Action/Management’s Response:** Management concurs with the condition, context and recommendations. The agency will continue the process which was put in place after the last audit by having identified an Adult Medicaid caseworker who reviews and works the SSI termination reports to ensure that documentation of the SSI termination is contained in the case file. Once report is worked, caseworker will continue to submit copy of worked report to Supervisor for verification. Caseworkers will review their eligibility determinations and ensure required information is documented correctly and retained. Supervisors and/or leadworkers will continue to 2nd party review randomly pulled cases each month to ensure caseworkers are following eligibility policy in determining client eligibility and to ensure that documentation of any and all resources are complete.

**Proposed Completion Date:** Management and the Board will review this implemented process and make changes as necessary to the above procedure immediately.

**Finding: 2018-004**

**Name of Contact Person:** Micka Terry Stanton, DSS Director

**Corrective Action/Management’s Response:** Management concurs with the condition, context and recommendations. The requested case file was lost during the DSS building fire during 2006. The agency will require Program Integrity staff to back up any documentation for Enterprise Program Integrity Control System (EPICS) case files in an encrypted document on computer until such time that EPICS is added to the NC FAST case management system. EPICS is scheduled to be added to NC FAST in January 2019. Any prior documentation will be scanned into NC FAST once the system is available. The Program Integrity supervisor will also have access to the case documentation files when cases are pulled for 2<sup>nd</sup> party review.

**Proposed Completion Date:** Management and the Board will review this implemented process and make changes as necessary to the above procedure immediately.

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

Finding 2018-003 also applies to State requirements and State Awards. See Corrective Action/Management’s Response in Section III above.

**HOKE COUNTY, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Finding: 2017-001**

Status: Repeated as 2018-001

**Finding: 2017-002**

Status: Repeated as 2018-002

**Finding: 2017-003**

Status: Corrected

**Finding: 2017-004**

Status: Corrected

**Finding: 2017-005**

Status: Corrected

**Finding: 2017-006**

Status: Corrected

**Finding: 2017-007**

Status: Corrected

**Finding: 2017-008**

Status: Corrected

**Finding: 2017-009**

Status: Corrected

**Finding: 2017-010**

Status: Corrected

**Finding: 2017-011**

Status: Corrected

**HOKE COUNTY, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Finding: 2017-012**

Status: Condition and context modified and repeated as 2018-003. The individual casefiles from 2016 were corrected based on follow up.

**Finding: 2017-013**

Status: Corrected

**Finding: 2017-014**

Status: Corrected

**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<b>FEDERAL AWARDS:</b>					
<b><u>U.S. Department of Agriculture</u></b>					
Passed-through the NC Department of Health and Human Services: Division of Social Services:					
<u>Supplemental Nutrition Assistance Program Cluster:</u>					
Administration:					
State Administrative Matching Grants for the					
Supplemental Nutrition Assistance Program - Administration	10.561	185NC406S2514	\$ 461,723	\$ -	\$ -
Total Supplemental Nutrition Assistance Program Cluster			461,723	-	-
Division of Public Health:					
Administration:					
WIC Special Supplemental Nutrition Program for Woman, Infants, & Children	10.557	13A25403GH47	324,696	-	-
<b>Total U.S. Department of Agriculture</b>			<b>786,419</b>	<b>-</b>	<b>-</b>
<b><u>U. S. Department of Transportation</u></b>					
Passed-through NC Department of Transportation: Formula Grants for Rural Areas:					
WBS - Admin 36233.51.17.1	20.509	WBS36233.51.17.1	17,889	17,473	-
WBS - Admin 36233.51.18.1	20.509	WBS36233.51.18.1	106,005	6,625	-
Total for N.C. Department of Transportation			123,894	24,098	-
<b><u>U.S. Department of Health and Human Services</u></b>					
<b>Centers for Medicare and Medicaid Services</b>					
Passed through NC Dept. of Health and Human Services					
<u>Medicaid Cluster:</u>					
Division of Medical Assistance:					
Administration:					
Medical Assistance Program	93.778	XIX-MAP18	1,107,522	3,282	-
Total Medicaid Cluster			1,107,522	3,282	-
Division of Medical Assistance:					
Administration:					
Children's Health Insurance Program	93.767	CHIP18	18,901	5	-
Total Centers for Medicare and Medicaid Services			1,126,423	3,287	-
<b>Centers for Disease Control and Prevention</b>					
Passed through NC Dept. of Health and Human Services					
Division of Public Health:					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements					
	93.074	12642680EX47	26,685	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs					
	93.116	1460272BNF47	50	-	-
	93.217	13A1592BFP47 13A1592CFP47	32,296	-	-
Family Planning Services					
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds					
	93.539	1331627CVP47	14,410	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)					
	93.758	12615503PF47	39,984	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations					
	93.898	1320310AD747	4,080	-	-

**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<u>NC Community and Clinical Connections for Prevention and Health (1) Community Liaisons for Health and (2) Obesity, Diabetes, Heart Disease and Stroke Prevention Cluster (Note 3):</u>					
Assistance Programs for Chronic Disease Prevention and Control	93.945	126C587EMD47	21,808	-	-
Total NC Community and Clinical Connections for Prevention and Health (1) Community Liaisons for Health and (2) Obesity, Diabetes, Heart Disease and Stroke Prevention Cluster (Note 3):			21,808	-	-
<u>HIV Cluster (Note 3):</u>					
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	1311462DNB47	692	-	-
Total HIV Cluster (Note 3)			692	-	-
Total Centers for Disease Control and Prevention			140,005	-	-
<b>Health Resources and Services Administration</b>					
Passed through NC Dept. of Health and Human Services					
Division of Public Health:					
Maternal and Child Health Services Block Grant to the States	93.994	12715318/12715351/12715745/13A15735/13A15740AP47	42,041	31,535	-
<b>Administration for Children and Families</b>					
Passed through NC Dept. of Health and Human Services					
Division of Social Services					
<u>Subsidized Child Care (Note 3)</u>					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Administration	93.596	G1801NCCCDF	78,992	-	-
Division of Child Development:					
Child Care and Development Block Grant - Discretionary	93.575	G1801NCCCDF	296,700	-	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory	93.596	G1801NCCCDF	94,016	-	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Matching	93.596	G1801NCCCDF	109,142	53,637	-
Total Child Care Development Fund Cluster			578,850	53,637	-
Temporary Assistance For Needy Families	93.558	1801NCTANF	51,129	-	-
State Appropriations		536142	-	30,834	-
TANF - MOE		536142/536146	-	38,403	-
Total Subsidized Child Care Cluster (Note 3)			629,979	122,874	-
Passed through NC Dept. of Health and Human Services					
Division of Social Services:					
<u>Foster Care and Adoption Cluster (Note 3):</u>					
Administration:					
Foster Care Title IV-E	93.658	1801NCFOST	175,503	53,410	-
Adoption Assistance	93.659	1801NCADPT	7,876	-	-
Direct Benefit Payments:					
Foster Care Title IV-E	93.658	1801NCFOST	136,923	43,756	-
Total Foster Care and Adoption Cluster (Note 3)			320,302	97,166	-

**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
Passed through NC Dept. of Health and Human Services					
<u>Temporary Assistance for Needy Families Cluster:</u>					
Division of Public Health					
Administration:					
Temporary Assistance for Needy Families	93.558	1801NCTANF	8,986	-	-
Division of Social Services					
Administration:					
Temporary Assistance for Needy Families (TANF)/Work First	93.558	1801NCTANF	57,821	-	-
Total TANF Cluster			<u>66,807</u>	<u>-</u>	<u>-</u>
<u>Special Children Adoption Fund Cluster (Note 3)</u>					
Promoting Safe and Stable Families	93.556	G1801NCFPSS	19,901	-	-
Total Special Children Adoption Fund Cluster (Note 3)			<u>19,901</u>	<u>-</u>	<u>-</u>
Passed through NC Dept. of Health and Human Services					
Division of Social Services					
Administration:					
Social Services Block Grant	93.667	G1801NCSOSR	211,675	155	-
Low-Income Home Energy Assistance	93.568	G18B1NCLIEA	585,748	-	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G1801NCCWSS	17,168	-	-
Child Support Enforcement	93.563	G1804NC4005	439,992	-	-
Chafee Foster Care Independence Program	93.674	1801NCC1LP	10,102	2,526	-
Direct Benefit Payments:					
Chafee Foster Care Independence Program	93.674	WC 302	4,059	-	-
Total Administration for Children and Families			<u>2,305,733</u>	<u>222,721</u>	<u>-</u>
<b>Administration for Community Living</b>					
Passed through the Lumber River Council of Governments					
Division of Aging and Adult Services:					
<u>Aging Cluster:</u>					
Special Programs for the Aging - Title III, Part C Nutrition Services					
Congregate Nutrition Services	93.045	ZGA370-A-YTD 047 Hoke	41,809	2,459	-
Home-Delivered Nutrition Services	93.045	ZGA370-A-YTD 047 Hoke	42,563	2,504	-
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers					
In-Home and Support Services	93.044	ZGA370-A-YTD 047 Hoke	106,806	6,283	-
Access Services	93.044	ZGA370-A-YTD 047 Hoke	68,692	4,041	-
Nutrition Services Incentive Program	93.053	ZGA370-A-YTD 047 Hoke	24,985	-	-
Total Aging Cluster			<u>284,855</u>	<u>15,287</u>	<u>-</u>
Passed through N.C. Dept of Insurance SHIIP Division					
Medicare Enrollment Assistance Program	93.071	1701NCMISH-01	2,244	-	-
Total Administration for Community Living			<u>287,099</u>	<u>15,287</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>3,901,301</u>	<u>272,830</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
Passed-through the N.C. Emergency Management Agency					
Emergency Management Performance Grants	97.042	EMPG 37093	55,642	-	-

**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<b>U.S. Department of Justice</b>					
Direct Program:					
Equitable Sharing Program	16.922	NC0470000	38,919	-	-
<b>U.S. Department of Treasury</b>					
Direct Program:					
Equitable Sharing	21.016	NC0470000	292	-	-
<b>TOTAL FEDERAL AWARDS</b>			<u>4,906,467</u>	<u>296,928</u>	<u>-</u>
<b>STATE AWARDS:</b>					
<b>N.C. Dept of Administration</b>					
Veterans Service			-	2,175	-
<b>N.C. Dept of Health and Human Services</b>					
Division of Social Services					
Administration:					
DCD Smart Start			-	48,000	-
ST Child Welfare/CPS/CS LD			-	30,232	-
Energy Assistance Private Grants			-	1,679	-
AFDC Incentive/Program Integrity			-	1,495	-
Direct benefits:					
F/C at Risk Maximization			-	3,892	-
SFHF Maximization			-	36,913	-
State Foster Home			-	20,780	-
Total Division of Social Services			<u>-</u>	<u>142,991</u>	<u>-</u>
Division of Aging and Adult Services					
Division of Social Services					
Senior Services of Hoke County			-	3,647	-
Division of Public Health					
Other Receipts / State Supported Expenditures					
Food and Lodging Fees			-	5,313	-
General Aid to Counties			-	99,374	-
Public Health Nursing			-	600	-
General Communicable Disease Control			-	3,652	-
Breast & Cervical Cancer Control			-	8,925	-
Active Routes to School			-	88,216	-
Child Health			-	14,231	-
Family Planning - State			-	3,139	-
Maternal Health			-	12,896	-
HIV/STD State			-	500	-
Gonorrhea Partner Services			-	2,383	-
STD Drugs			-	495	-
Women Health Service Fund			-	8,107	-
TB Control			-	13,282	-
School Nursing Funding Initiative			-	150,000	150,000
Total Division of Public Health			<u>-</u>	<u>411,113</u>	<u>150,000</u>
Office of Rural Health and Community Care					
Medication Assistance Program			-	4,275	-
<b>Total N.C. Dept of Health and Human Services</b>			<u>-</u>	<u>562,026</u>	<u>150,000</u>

**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<b>N.C. Dept of Transportation</b>					
DOT Cluster					
ROAP Elderly and Disabled Transportation Assistance Program	DOT-16CL	36220.10.7.1	-	60,411	-
ROAP Rural General Public Program	DOT-16CL	36228.22.7.1	-	55,723	-
ROAP Employment	DOT-16CL	36236.11.6.1	-	13,337	-
Total DOT Cluster			-	129,471	-
NCDOT Replacement of Bridge No. 41 & No. 42	DOT-18	B-4550	-	4,790	-
<b>Total N.C. Dept of Transportation</b>			-	134,261	-
<b>N.C. Dept of Public Safety</b>					
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Council Program			-	106,695	-
<b>N.C. Dept of Insurance</b>					
SHIIP Grant					
			-	2,215	-
<b>N.C. Dept of Environmental Quality</b>					
Division of Waste Management					
Scrap Tire Program			-	69,740	-
<b>N.C. Housing Finance Agency</b>					
NC Housing Trust Fund/Urgent Repair Program					
Urgent Home Repair 2017		URP-17	-	41,652	-
<b>TOTAL STATE ASSISTANCE</b>			-	918,764	150,000
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>			\$ 4,906,467	\$ 1,215,692	\$ 150,000

**Notes to the Schedule of Expenditures of Federal and State Financial 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 Hoke County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. 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 Hoke County, it is not intended to and does not present the financial position, changes in net position or cash flows of Hoke 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: 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, Foster Care and Adoption, Special Children Adoption Fund, NC Community and Clinical Connections for Prevention and Health (1) Community Liaisons for Health and (2) Obesity, Diabetes, Heart Disease, and Stroke Prevention, and HIV Clusters.

**Note 4: Indirect Cost Rates**

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

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