

**HOKE COUNTY  
NORTH CAROLINA**

**ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2020**

**MARTIN  STARNES**  

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

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



**HOKE COUNTY  
RAEFORD, NORTH CAROLINA**

**Principal Officials**

**June 30, 2020**

**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

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# MARTIN STARNES

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## & 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, 2020, 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 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 from 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 on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2020, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other 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 December 7, 2020 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  
December 7, 2020

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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, 2020. 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

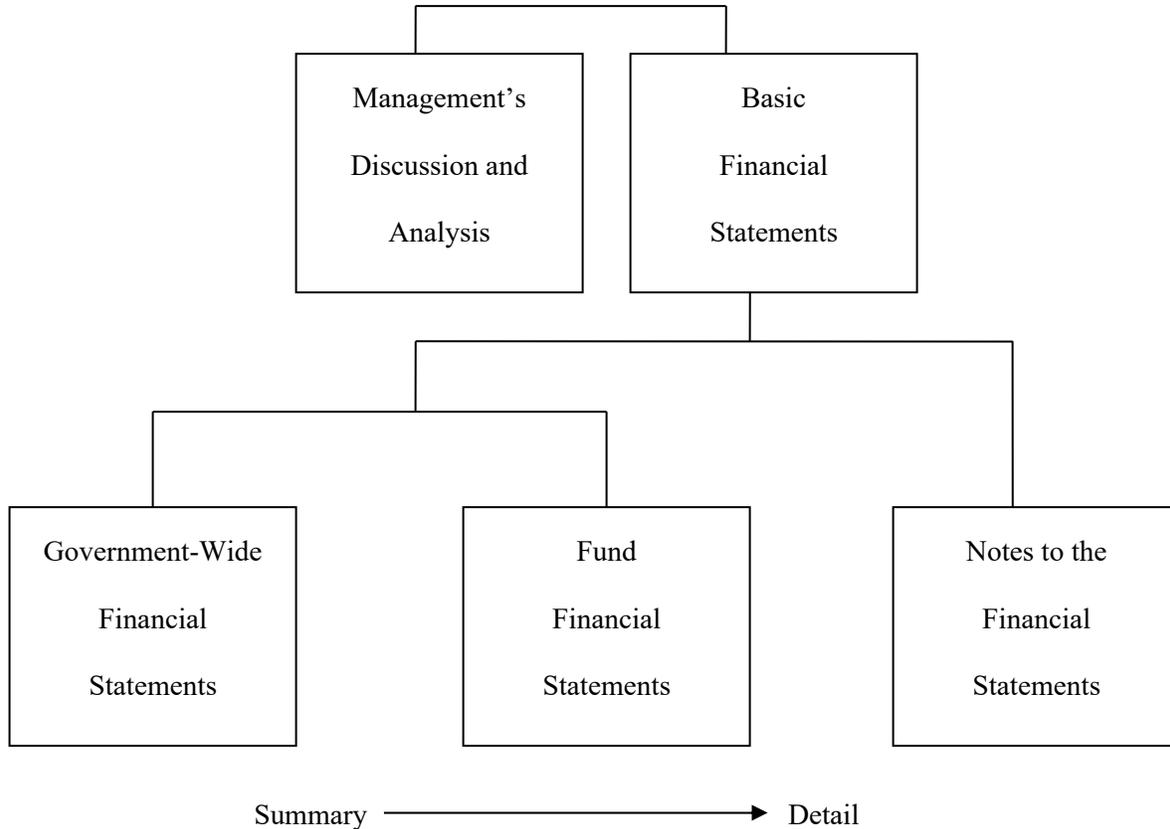
- The assets and deferred outflows of resources of Hoke County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$81,185,590 (net position).
- The County's total net position increased by \$8,460,354, primarily due to increased net position in the governmental activities.
- As of the close of the current fiscal year, Hoke County's governmental funds reported combined ending fund balances of \$33,324,642, after a net increase in fund balance of \$963,144. Approximately 28.61% of this total amount, or \$9,532,758, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,619,341, or 29.95%, of total General Fund expenditures and transfers out for the fiscal year. Total fund balance of the General Fund, \$30,422,337, was 58.34% of total General Fund expenditures and transfers out for the year.
- Hoke County's total debt decreased by \$3,475,729. The decrease was mainly due to timely payments of debt service expenditures.
- S&P Global Ratings raised its long-term rating to 'AA-' from 'A+' on Hoke County's N.C. general obligation (GO) bonds outstanding. At the same time, S&P Global Ratings raised its long-term rating to 'A+' from 'A' on the County's limited obligation appropriation debt outstanding. Moody's Investor Service maintains its Aa3 rating.

### 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 77 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 \$81,185,590 as of June 30, 2020. The County's net position increased by \$8,460,354 in the same period. One of the largest portions, \$61,959,496, 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, \$9,449,655 (11.64%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,776,439 is unrestricted.

## Hoke County's Net Position

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Assets:</b>						
Current and other assets	\$ 38,647,329	\$ 36,300,981	\$ 18,204,056	\$ 16,447,355	\$ 56,851,385	\$ 52,748,336
Capital assets, net of depreciation	29,415,986	24,070,059	65,102,683	66,808,282	94,518,669	90,878,341
Total assets	<u>68,063,315</u>	<u>60,371,040</u>	<u>83,306,739</u>	<u>83,255,637</u>	<u>151,370,054</u>	<u>143,626,677</u>
<b>Deferred Outflows of Resources</b>	<u>4,133,119</u>	<u>4,390,106</u>	<u>398,175</u>	<u>423,924</u>	<u>4,531,294</u>	<u>4,814,030</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	28,571,870	30,505,372	22,535,620	23,466,506	51,107,490	53,971,878
Other liabilities	18,355,800	15,997,295	3,910,994	4,123,175	22,266,794	20,120,470
Total liabilities	<u>46,927,670</u>	<u>46,502,667</u>	<u>26,446,614</u>	<u>27,589,681</u>	<u>73,374,284</u>	<u>74,092,348</u>
<b>Deferred Inflows of Resources</b>	<u>1,245,318</u>	<u>1,502,642</u>	<u>96,156</u>	<u>120,481</u>	<u>1,341,474</u>	<u>1,623,123</u>
<b>Net Position:</b>						
Net investment in capital assets	20,265,313	13,923,694	41,694,183	42,481,782	61,959,496	56,405,476
Restricted	9,449,655	5,144,549	-	-	9,449,655	5,144,549
Unrestricted	<u>(5,691,522)</u>	<u>(2,312,406)</u>	<u>15,467,961</u>	<u>13,487,617</u>	<u>9,776,439</u>	<u>11,175,211</u>
Total net position	<u>\$ 24,023,446</u>	<u>\$ 16,755,837</u>	<u>\$ 57,162,144</u>	<u>\$ 55,969,399</u>	<u>\$ 81,185,590</u>	<u>\$ 72,725,236</u>

## Hoke County's Changes in Net Position

**Figure 3**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,576,798	\$ 4,056,714	\$ 11,868,612	\$ 10,176,399	\$ 16,445,410	\$ 14,233,113
Operating grants	10,469,879	7,748,781	-	-	10,469,879	7,748,781
Capital grants		63,737	74,347	4,790	74,347	68,527
General revenues:						
Property taxes	30,634,362	29,691,605	-	-	30,634,362	29,691,605
Other taxes	11,759,939	10,169,137	-	-	11,759,939	10,169,137
Unrestricted:						
Intergovernmental	242,737	228,542	-	-	242,737	228,542
Investment income	581,965	889,732	42,814	44,856	624,779	934,588
Total revenues	<u>58,265,680</u>	<u>52,848,248</u>	<u>11,985,773</u>	<u>10,226,045</u>	<u>70,251,453</u>	<u>63,074,293</u>
<b>Expenses:</b>						
General government	8,190,559	6,423,451	-	-	8,190,559	6,423,451
Public safety	17,744,520	15,721,045	-	-	17,744,520	15,721,045
Economic and physical development	828,826	802,361	-	-	828,826	802,361
Human services	7,600,952	10,354,351	-	-	7,600,952	10,354,351
Cultural and recreational	6,215,550	2,779,909	-	-	6,215,550	2,779,909
Transportation	1,486,726	1,386,204	-	-	1,486,726	1,386,204
Education	7,765,076	7,629,201	-	-	7,765,076	7,629,201
Interest on long-term debt	1,165,862	876,513	-	-	1,165,862	876,513
Water Fund	-	-	7,865,310	7,498,195	7,865,310	7,498,195
Sanitation	-	-	2,927,718	2,634,483	2,927,718	2,634,483
Total expenses	<u>50,998,071</u>	<u>45,973,035</u>	<u>10,793,028</u>	<u>10,132,678</u>	<u>61,791,099</u>	<u>56,105,713</u>
Change in net position	7,267,609	6,875,213	1,192,745	93,367	8,460,354	6,968,580
<b>Net Position:</b>						
Beginning of year - July 1	<u>16,755,837</u>	<u>9,880,624</u>	<u>55,969,399</u>	<u>55,876,032</u>	<u>72,725,236</u>	<u>65,756,656</u>
End of year - June 30	<u>\$ 24,023,446</u>	<u>\$ 16,755,837</u>	<u>\$ 57,162,144</u>	<u>\$ 55,969,399</u>	<u>\$ 81,185,590</u>	<u>\$ 72,725,236</u>

**Governmental Activities.** Governmental activities increased the County's net position by \$7,267,609 mainly due to increases in capital assets.

**Business-Type Activities.** Business-type activities increased the County's net position by \$1,192,745 mainly due to increases in water and sewer charges and tap and impact fees collected.

### **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 \$24,838,463, while total fund balance reached \$30,422,337. The County currently has an available fund balance of 47.63% of total General Fund expenditures and transfers out, while total fund balance represents 58.34% of that same amount.

At June 30, 2020, the governmental funds of Hoke County reported a combined fund balance of \$33,324,642, a 2.98% increase over last year. This increase is mainly due to an increase of fund balance in the General fund of \$3,315,983.

**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 \$3,698,250 (7.7%).

**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 \$9,820,286 and \$5,647,675 for the Solid Waste Fund. The Water and Sewer District Fund reported a growth in net position of \$420,945, and the Solid Waste Fund reported a growth in net position of \$771,800 for a combined total increase in net position of \$1,192,745.

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, 2020 totals \$94,518,669 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of 22 vehicles in the General Fund
- Purchase of roll off truck, backhoe, and building addition in solid waste
- Purchase of 3 vehicles in solid waste
- Construction of the Cameron Village Community Center and DMV building
- Construction was substantially completed at year end on the \$4 million Robert A. Wright Agricultural building to be placed in service in July 2020 without incurring debt
- Continued water sewer infrastructure improvements

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,680,785	\$ 3,680,785	\$ 671,456	\$ 671,456	\$ 4,352,241	\$ 4,352,241
Building	16,606,748	16,059,274	63,208,686	63,488,343	79,815,434	79,547,617
Equipment	860,065	855,482	699,400	705,699	1,559,465	1,561,181
Vehicles	1,603,792	1,555,570	518,351	450,962	2,122,143	2,006,532
Construction in progress	6,664,596	1,918,948	4,790	1,491,822	6,669,386	3,410,770
Total	<u>\$ 29,415,986</u>	<u>\$ 24,070,059</u>	<u>\$ 65,102,683</u>	<u>\$ 66,808,282</u>	<u>\$ 94,518,669</u>	<u>\$ 90,878,341</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, 2020, Hoke County had total debt outstanding of \$53,936,108.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds - direct placement	\$ 5,700,000	\$ 6,400,000	\$ 2,596,000	\$ 3,001,000	\$ 8,296,000	\$ 9,401,000
Installment purchases - direct placement	9,528,364	10,786,375	-	-	9,528,364	10,786,375
Installment purchases - direct borrowing	-	-	637,500	807,500	637,500	807,500
Revenue bonds - direct placement	-	-	20,175,000	20,518,000	20,175,000	20,518,000
Limited obligation bonds - direct placement	15,171,269	15,647,140	-	-	15,171,269	15,647,140
Capital leases	127,975	251,822	-	-	127,975	251,822
Total	<u>\$ 30,527,608</u>	<u>\$ 33,085,337</u>	<u>\$ 23,408,500</u>	<u>\$ 24,326,500</u>	<u>\$ 53,936,108</u>	<u>\$ 57,411,837</u>

As mentioned in the financial highlights section of this document, S&P Global Ratings raised its long-term rating to 'AA-' from 'A+' on Hoke County, N.C.'s general obligation (GO) bonds outstanding. At the same time, S&P Global Ratings raised its long-term rating to 'A+' from 'A' on the county's limited obligation appropriation debt outstanding. Hoke County maintained a rating of Aa3 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 \$273,986,461.

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 encompasses 391 square miles of which (37%) is located on the Fort Bragg military reservation. Fort Bragg is one of the largest military complexes in the world with approximately 56,000 military personnel, 14,000 civilian employees and 23,000 family members associated with the base. The base contributes to growth in the local economy, particularly for sales tax revenues. The County anticipates continued commercial and residential growth along the highway 401 corridor with the addition in recent years of two hospital systems and Veteran's Medical Facility.

The County continued to take a fiscally conservative approach in preparing and adopting the fiscal year 2021 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, 2021**

**Governmental Activities.** The valuation of property for the upcoming year is estimated to be \$3.8 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, 2020.

Budgeted expenditures in the General Fund are expected to increase to \$55,284,211 compared to an original budget of \$55,181,931 in fiscal year 2020. This is primarily due to modest increases in salaries.

**Business-Type Activities.** Water, sewer and solid waste revenues are anticipated to remain stable.

**Governmental Activities.** Property taxes are expected to reflect 49.7% of the total General Fund budget of \$55.2 million.

The largest component of General Fund expenditures is expected to be employee compensation, which represents 46.9% 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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hoke County ABC Board
<b>Assets:</b>				
Cash and cash equivalents	\$ 30,060,767	\$ 15,450,201	\$ 45,510,968	\$ 427,913
Receivables, net	7,850,674	1,195,171	9,045,845	-
Inventories	7,047	146,241	153,288	242,262
Prepaid expenses	169,456	-	169,456	29,643
Non-current assets:				
Restricted cash and cash equivalents	478,275	1,412,443	1,890,718	-
Net pension asset	81,110	-	81,110	-
Other assets	-	-	-	5,023
Capital assets:				
Land, improvements, and construction in progress	10,345,381	676,246	11,021,627	3,000
Other capital assets, net of depreciation	19,070,605	64,426,437	83,497,042	138,813
Capital assets, net	29,415,986	65,102,683	94,518,669	141,813
Total assets	68,063,315	83,306,739	151,370,054	846,654
<b>Deferred Outflows of Resources:</b>				
OPEB deferrals	361,302	35,733	397,035	-
Pension deferrals	3,771,817	362,442	4,134,259	25,831
Total deferred outflows of resources	4,133,119	398,175	4,531,294	25,831
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	3,037,420	347,958	3,385,378	162,289
Advances from grantor	146,603	-	146,603	-
Accrued interest payable	246,525	51,956	298,481	-
Due in less than one year	3,188,262	995,122	4,183,384	31,336
Payable from restricted assets	-	1,412,443	1,412,443	-
Non-current liabilities:				
Net pension liability - LGERS	6,014,782	594,869	6,609,651	-
Total pension liability - LEOSSA	778,845	-	778,845	-
Total OPEB liability	4,943,363	508,646	5,452,009	-
Due in more than one year	28,571,870	22,535,620	51,107,490	58,722
Total liabilities	46,927,670	26,446,614	73,374,284	252,347
<b>Deferred Inflows of Resources:</b>				
OPEB deferrals	857,997	84,858	942,855	-
Pension deferrals	257,619	11,298	268,917	37,653
Prepaid taxes	129,702	-	129,702	-
Total deferred inflows of resources	1,245,318	96,156	1,341,474	37,653
<b>Net Position:</b>				
Net investment in capital assets	20,265,313	41,694,183	61,959,496	141,813
Restricted:				
Stabilization by state statute	5,922,822	-	5,922,822	-
Human services	1,076,156	-	1,076,156	-
Register of Deeds	63,263	-	63,263	-
Register of Deeds' pension plan	93,400	-	93,400	-
Public safety	2,294,014	-	2,294,014	-
Working capital	-	-	-	91,502
Unrestricted	(5,691,522)	15,467,961	9,776,439	349,170
Total net position	\$ 24,023,446	\$ 57,162,144	\$ 81,185,590	\$ 582,485

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

HOKE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

	<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	\$ 8,190,559	\$ 2,451,589	\$ 2,313,227	\$ -
Public safety	17,744,520	837,543	411,681	-
Economic and physical development	828,826	8,088	-	-
Human services	7,600,952	229,201	6,521,339	-
Cultural and recreational	6,215,550	44,955	640	-
Transportation	1,486,726	1,005,422	51,713	-
Education	7,765,076	-	1,171,279	-
Interest on long-term debt	1,165,862	-	-	-
Total governmental activities	<u>50,998,071</u>	<u>4,576,798</u>	<u>10,469,879</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water and sewer	7,865,310	8,211,908	-	74,347
Landfill	2,927,718	3,656,704	-	-
Total business-type activities	<u>10,793,028</u>	<u>11,868,612</u>	<u>-</u>	<u>74,347</u>
Total primary government	<u>\$ 61,791,099</u>	<u>\$ 16,445,410</u>	<u>\$ 10,469,879</u>	<u>\$ 74,347</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 3,190,583</u>	<u>\$ 3,364,576</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, 2020

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hoke County ABC Board
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (3,425,743)	\$ -	\$ (3,425,743)	
Public safety	(16,495,296)	-	(16,495,296)	
Economic and physical development	(820,738)	-	(820,738)	
Human services	(850,412)	-	(850,412)	
Cultural and recreational	(6,169,955)	-	(6,169,955)	
Transportation	(429,591)	-	(429,591)	
Education	(6,593,797)	-	(6,593,797)	
Interest on long-term debt	(1,165,862)	-	(1,165,862)	
Total governmental activities	<u>(35,951,394)</u>	<u>-</u>	<u>(35,951,394)</u>	
<b>Business-Type Activities:</b>				
Water and sewer	-	420,945	420,945	
Landfill	-	728,986	728,986	
Total business-type activities	<u>-</u>	<u>1,149,931</u>	<u>1,149,931</u>	
Total primary government	<u>(35,951,394)</u>	<u>1,149,931</u>	<u>(34,801,463)</u>	
<b>Component Unit:</b>				
ABC Board				\$ <u>173,993</u>
<b>General Revenues:</b>				
<b>Taxes:</b>				
Ad valorem taxes	30,634,362	-	30,634,362	-
Local option sales tax	11,740,917	-	11,740,917	-
Other taxes	19,022	-	19,022	-
Unrestricted intergovernmental	242,737	-	242,737	-
Investment earnings	581,965	42,814	624,779	29
Total general revenues	<u>43,219,003</u>	<u>42,814</u>	<u>43,261,817</u>	<u>29</u>
Change in net position	7,267,609	1,192,745	8,460,354	174,022
<b>Net Position:</b>				
Beginning of year - July 1	<u>16,755,837</u>	<u>55,969,399</u>	<u>72,725,236</u>	<u>408,463</u>
End of year - June 30	<u>\$ 24,023,446</u>	<u>\$ 57,162,144</u>	<u>\$ 81,185,590</u>	<u>\$ 582,485</u>

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

HOKE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<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	\$ 26,852,352	\$ 3,208,415	\$ 30,060,767
Taxes receivable, net	1,714,941	162,309	1,877,250
Accounts receivable, net	5,495,368	81,468	5,576,836
Note receivable	-	396,588	396,588
Inventory	7,047	-	7,047
Prepays	132,061	37,395	169,456
Restricted cash and cash equivalents	<u>332,285</u>	<u>145,990</u>	<u>478,275</u>
 Total assets	 <u>\$ 34,534,054</u>	 <u>\$ 4,032,165</u>	 <u>\$ 38,566,219</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 2,215,859	\$ 821,561	\$ 3,037,420
Advances from grantor	<u>613</u>	<u>145,990</u>	<u>146,603</u>
Total liabilities	<u>2,216,472</u>	<u>967,551</u>	<u>3,184,023</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	1,714,941	162,309	1,877,250
Prepaid taxes	129,702	-	129,702
Unavailable revenues - grants	<u>50,602</u>	<u>-</u>	<u>50,602</u>
Total deferred inflows of resources	<u>1,895,245</u>	<u>162,309</u>	<u>2,057,554</u>
<b>Fund Balances:</b>			
Non-spendable:			
Inventories	7,047	-	7,047
Prepaid items	132,061	37,395	169,456
Restricted:			
Stabilization by state statute	5,444,766	478,056	5,922,822
Human services	1,076,156	-	1,076,156
Register of Deeds	63,263	-	63,263
Public safety	2,093,298	200,716	2,294,014
Committed	328,065	2,080,810	2,408,875
Assigned	5,658,340	200,454	5,858,794
Unassigned	<u>15,619,341</u>	<u>(95,126)</u>	<u>15,524,215</u>
Total fund balances	<u>30,422,337</u>	<u>2,902,305</u>	<u>33,324,642</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 34,534,054</u>	 <u>\$ 4,032,165</u>	 <u>\$ 38,566,219</u>

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

HOKE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balances	\$ 33,324,642
Capital assets used in governmental activities are not financial resources and, therefore, are not reported:	
Total capital assets	\$ 42,894,883
Less accumulated depreciation	<u>(13,478,897)</u>
Net capital assets	<u>\$ 29,415,986</u>
Net pension asset	81,110
Net pension liability (LGERS)	(6,014,782)
Total pension liability (LEOSSA)	(778,845)
Total OPEB liability	(4,943,363)
Deferred inflows of resources related to pensions are not are not reported in the funds.	
ROD	\$ (9,285)
LGERS	(114,241)
LEOSSA	<u>(134,093)</u>
	<u>\$ (257,619)</u>
Deferred inflows of resources related to OPEB are not reported in the funds.	(857,997)
Deferred outflows of resources related to pensions are not reported in the funds.	
ROD	\$ 21,575
LGERS	3,664,712
LEOSSA	<u>85,530</u>
	<u>\$ 3,771,817</u>
Deferred outflows of resources related to OPEB are not reported in the funds.	361,302
Liabilities for deferred inflows in the fund statements but not the government-wide statements	1,927,852
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	\$ (30,527,608)
Accrued interest payable	(246,525)
Compensated absences	<u>(1,232,524)</u>
Total	<u>\$ (32,006,657)</u>
Net position of governmental activities	<u>\$ 24,023,446</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, 2020

	<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>Revenues:</b>			
Ad valorem taxes	\$ 27,982,966	\$ 2,728,909	\$ 30,711,875
Local option sales taxes	11,740,917	-	11,740,917
Other taxes and licenses	19,022	-	19,022
Unrestricted intergovernmental	242,737	-	242,737
Restricted intergovernmental	10,605,629	768,141	11,373,770
E-911 wireless	-	278,457	278,457
Permits and fees	1,946,227	-	1,946,227
Sales and services	1,405,558	-	1,405,558
Investment earnings	581,965	-	581,965
Total revenues	<u>54,525,021</u>	<u>3,775,507</u>	<u>58,300,528</u>
<b>Expenditures:</b>			
Current:			
General government	7,876,511	532,330	8,408,841
Public safety	13,865,277	3,152,692	17,017,969
Economic and physical development	695,182	110,627	805,809
Human services	12,169,165	-	12,169,165
Cultural and recreational	1,220,156	4,844,528	6,064,684
Transportation	1,382,249	-	1,382,249
Education	7,765,076	-	7,765,076
Debt service:			
Principal retirements	2,557,729	-	2,557,729
Interest and fees	1,165,862	-	1,165,862
Total expenditures	<u>48,697,207</u>	<u>8,640,177</u>	<u>57,337,384</u>
Revenues over (under) expenditures	<u>5,827,814</u>	<u>(4,864,670)</u>	<u>963,144</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	940,154	3,451,985	4,392,139
Transfers out	<u>(3,451,985)</u>	<u>(940,154)</u>	<u>(4,392,139)</u>
Total other financing sources (uses)	<u>(2,511,831)</u>	<u>2,511,831</u>	<u>-</u>
Net change in fund balances	3,315,983	(2,352,839)	963,144
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>27,106,354</u>	<u>5,255,144</u>	<u>32,361,498</u>
End of year - June 30	<u>\$ 30,422,337</u>	<u>\$ 2,902,305</u>	<u>\$ 33,324,642</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, 2020**

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)	\$ 963,144
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities:	
Current year capital outlay	6,450,515
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not the fund statements	(1,104,588)
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.	2,557,729
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.	(8,159)
Pension expense - LEOSSA	(59,735)
Pension expense - LGERS	(1,190,313)
Pension expense - ROD	(4,130)
OPEB plan expense	(302,006)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	<u>(34,848)</u>
Changes in net position of governmental activities (Exhibit B)	<u>\$ 7,267,609</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, 2020**

	Budget Amounts		Actual	Variance with Final Budget Over/Under
	Original Budget	Final Budget		
<b>Revenues:</b>				
Ad valorem taxes	\$ 27,039,306	\$ 27,680,006	\$ 27,982,966	\$ 302,960
Local option sales taxes	9,299,000	11,049,000	11,740,917	691,917
Other taxes and licenses	10,200	10,200	19,022	8,822
Unrestricted intergovernmental	192,200	192,200	242,737	50,537
Restricted intergovernmental	8,621,258	9,343,937	10,605,629	1,261,692
Permits and fees	1,469,600	1,791,471	1,946,227	154,756
Sales and services	1,016,453	1,134,453	1,405,558	271,105
Investment earnings	400,000	545,000	581,965	36,965
Total revenues	<u>48,048,017</u>	<u>51,746,267</u>	<u>54,525,021</u>	<u>2,778,754</u>
<b>Expenditures:</b>				
Current:				
General government	10,905,393	10,493,694	7,851,396	2,642,298
Public safety	13,644,741	14,684,752	13,843,815	840,937
Economic and physical development	816,857	843,414	695,182	148,232
Human services	13,053,790	13,672,188	12,169,165	1,503,023
Cultural and recreational	1,357,144	1,430,289	1,220,156	210,133
Transportation	1,689,430	1,741,004	1,382,249	358,755
Intergovernmental - education	7,544,416	7,776,145	7,765,076	11,069
Debt service:				
Principal retirements	4,116,941	3,901,868	2,557,729	1,344,139
Interest and fees	1,429,807	1,469,880	1,165,862	304,018
Total expenditures	<u>54,558,519</u>	<u>56,013,234</u>	<u>48,650,630</u>	<u>7,362,604</u>
Revenues over (under) expenditures	<u>(6,510,502)</u>	<u>(4,266,967)</u>	<u>5,874,391</u>	<u>10,141,358</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(623,412)	(3,930,397)	(3,575,397)	355,000
Transfers in	940,156	940,156	940,154	2
Appropriated fund balance	6,193,758	7,257,208	-	7,257,208
Total other financing sources (uses)	<u>6,510,502</u>	<u>4,266,967</u>	<u>(2,635,243)</u>	<u>(6,902,210)</u>
Net change in fund balance	\$ -	\$ -	3,239,148	\$ 3,239,148
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>26,786,730</u>	
End of year - June 30			<u>\$ 30,025,878</u>	

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

## HOKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020

	<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	\$ 9,499,824	\$ 5,950,377	\$ 15,450,201
Accounts receivable, net	969,437	225,734	1,195,171
Inventories	146,241	-	146,241
Total current assets	<u>10,615,502</u>	<u>6,176,111</u>	<u>16,791,613</u>
Non-current assets:			
Restricted cash and cash equivalents	1,412,443	-	1,412,443
Land and construction in progress	493,594	182,652	676,246
Other capital assets, net of depreciation	63,024,311	1,402,126	64,426,437
Total non-current assets	<u>64,930,348</u>	<u>1,584,778</u>	<u>66,515,126</u>
Total assets	<u>75,545,850</u>	<u>7,760,889</u>	<u>83,306,739</u>
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	24,012	11,721	35,733
Pension deferrals	241,629	120,813	362,442
Total deferred outflows of resources	<u>265,641</u>	<u>132,534</u>	<u>398,175</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	153,757	194,201	347,958
Accrued interest expense	51,956	-	51,956
Compensated absences	35,802	25,320	61,122
Current portion of long-term debt	934,000	-	934,000
Liabilities to be paid from restricted assets:			
Customer deposits	1,412,443	-	1,412,443
Total current liabilities	<u>2,587,958</u>	<u>219,521</u>	<u>2,807,479</u>
Non-current liabilities:			
Net pension liability	396,579	198,290	594,869
Total OPEB liability	322,994	185,652	508,646
Long-term obligations	22,510,301	25,319	22,535,620
Total non-current liabilities	<u>23,229,874</u>	<u>409,261</u>	<u>23,639,135</u>
Total liabilities	<u>25,817,832</u>	<u>628,782</u>	<u>26,446,614</u>
<b>Deferred Inflows of Resources:</b>			
OPEB deferrals	56,436	28,422	84,858
Pension deferrals	7,532	3,766	11,298
Total deferred inflows of resources	<u>63,968</u>	<u>32,188</u>	<u>96,156</u>
<b>Net Position:</b>			
Net investment in capital assets	40,109,405	1,584,778	41,694,183
Unrestricted	9,820,286	5,647,675	15,467,961
Total net position	<u>\$ 49,929,691</u>	<u>\$ 7,232,453</u>	<u>\$ 57,162,144</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, 2020

	<b>Major</b>		<b>Total</b>
	<b>Water and Sewer District</b>	<b>Solid Waste</b>	
<b>Operating Revenues:</b>			
Water and sewer charges	\$ 6,946,573	\$ -	\$ 6,946,573
Tap and impact fees	1,114,583	-	1,114,583
Solid waste collection fees	-	3,032,802	3,032,802
Other operating revenues	150,752	623,902	774,654
Total operating revenues	<u>8,211,908</u>	<u>3,656,704</u>	<u>11,868,612</u>
<b>Operating Expenses:</b>			
Water administration	1,180,962	-	1,180,962
Water treatment	895,949	-	895,949
Water distribution	1,853,422	-	1,853,422
Sewer operations	411,999	-	411,999
Sewer plant operations	832,554	-	832,554
Landfill operations	-	2,770,317	2,770,317
Depreciation	2,019,756	157,401	2,177,157
Total operating expenses	<u>7,194,642</u>	<u>2,927,718</u>	<u>10,122,360</u>
Operating income (loss)	<u>1,017,266</u>	<u>728,986</u>	<u>1,746,252</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	-	42,814	42,814
Interest and other charges	(670,668)	-	(670,668)
Total non-operating revenues (expenses)	<u>(670,668)</u>	<u>42,814</u>	<u>(627,854)</u>
Income (loss) before capital contributions	346,598	771,800	1,118,398
Capital contributions	<u>74,347</u>	<u>-</u>	<u>74,347</u>
Change in net position	420,945	771,800	1,192,745
<b>Net Position:</b>			
Beginning of year - July 1	<u>49,508,746</u>	<u>6,460,653</u>	<u>55,969,399</u>
End of year - June 30	<u>\$ 49,929,691</u>	<u>\$ 7,232,453</u>	<u>\$ 57,162,144</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, 2020

	<b>Major</b>		
	<b>Water and Sewer District</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 7,616,534	\$ 3,645,495	\$ 11,262,029
Cash paid for goods and services	(3,442,081)	(1,871,568)	(5,313,649)
Cash paid to employees for services	(1,666,812)	(774,644)	(2,441,456)
Net cash provided (used) by operating activities	<u>2,507,641</u>	<u>999,283</u>	<u>3,506,924</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal payments on long-term debt	(918,000)	-	(918,000)
Interest paid on debt	(673,744)	-	(673,744)
Capital contribution - grants	74,347	-	74,347
Acquisition and construction of capital assets	(158,625)	(312,933)	(471,558)
Net cash provided (used) by capital and related financing activities	<u>(1,676,022)</u>	<u>(312,933)</u>	<u>(1,988,955)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	-	42,814	42,814
Net increase (decrease) in cash and cash equivalents	831,619	729,164	1,560,783
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>10,080,648</u>	<u>5,221,213</u>	<u>15,301,861</u>
End of year - June 30	<u>\$ 10,912,267</u>	<u>\$ 5,950,377</u>	<u>\$ 16,862,644</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	<u>\$ 1,017,266</u>	<u>\$ 728,986</u>	<u>\$ 1,746,252</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,019,756	157,401	2,177,157
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
(Increase) decrease in accounts receivable	(197,630)	(11,209)	(208,839)
(Increase) decrease in inventory	12,921	-	12,921
(Increase) decrease in deferred outflows of resources - pensions	28,975	14,489	43,464
Increase (decrease) in net pension liability	55,047	27,524	82,571
Increase (decrease) in deferred inflows of resources - pensions	(5,540)	(2,769)	(8,309)
Increase (decrease) in accounts payable	(47,398)	70,750	23,352
Increase (decrease) in customer deposits	80,262	-	80,262
Increase (decrease) in advances from grantors	(478,006)	-	(478,006)
Increase (decrease) in deferred inflows of resources - OPEB	(10,891)	(5,125)	(16,016)
(Increase) decrease in deferred outflows of resources - OPEB	(12,047)	(5,668)	(17,715)
Increase (decrease) in OPEB payable	43,249	20,352	63,601
Increase (decrease) in accrued vacation pay	1,677	4,552	6,229
Total adjustments	<u>1,490,375</u>	<u>270,297</u>	<u>1,760,672</u>
Net cash provided (used) by operating activities	<u>\$ 2,507,641</u>	<u>\$ 999,283</u>	<u>\$ 3,506,924</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, 2020**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 61,755
Accounts receivable	<u>36,293</u>
Total assets	<u>\$ 98,048</u>
 <b>Liabilities:</b>	
Accounts payable and other liabilities	<u>\$ 98,048</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, 2020

### 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, 2020

### 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, 2020

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, 2020

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, 2020

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 Carolina Capital Management Trust (NCCMT).

The County's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, which consists of two SEC registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the government portfolio, is a 2a7 fund which invests in treasuries and government agencies and

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

is rated AAAM by S&P. The second fund, the term portfolio, is a short-term borrowing fund investing in treasuries, government agencies, and money market instruments allowed under G.S. 159-30. The term portfolio has no rating. Both the government portfolio and the term portfolio are reported at fair value.

### 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 Other Governmental Funds are restricted for the purpose of capital construction.

Restricted cash was comprised of the following at June 30, 2020:

<b>Governmental Activities:</b>	
<b>General Fund:</b>	
Restricted for revaluation	\$ 331,672
Unexpended grant proceeds	613
<b>Other Governmental Funds:</b>	
Unexpended grant proceeds	<u>145,990</u>
Total governmental activities	<u>478,275</u>
<b>Business-Type Activities</b>	
<b>Water and Sewer District Fund:</b>	
Customer deposits	<u>1,412,443</u>
Total restricted cash	<u><u>\$ 1,890,718</u></u>

### 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

These taxes are based on the assessed values as of January 1, 2019. 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.

### **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.

Prepaid items for the County's governmental funds are treated using the consumption method.

### **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 value at the date of donation. 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, 2020

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 three 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, 2020

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, 2020

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

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

*Restricted for 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 building inspections revenue collected for that purpose in the General Fund and fire protection, police, and E911 expenditures in the other governmental funds.

<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	63,263	-	63,263
Public safety	2,093,298	200,716	2,294,014
<b>Total</b>	<b>\$ 3,232,717</b>	<b>\$ 200,716</b>	<b>\$ 3,433,433</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 \$93,400.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

**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	\$ 328,065	\$ -	\$ 328,065
Capital projects	-	2,080,810	2,080,810
<b>Total</b>	<b>\$ 328,065</b>	<b>\$ 2,080,810</b>	<b>\$ 2,408,875</b>

**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	\$ 5,131	\$ -	\$ 5,131
Education	-	11,401	11,401
Economic development	-	189,053	189,053
Subsequent year's expenditures	5,653,209	-	5,653,209
<b>Total</b>	<b>\$ 5,658,340</b>	<b>\$ 200,454</b>	<b>\$ 5,858,794</b>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

**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.

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	\$ 30,422,337
<b>Less:</b>	
Inventories	7,047
Prepays	132,061
Stabilization by state statute	<u>5,444,766</u>
Total available fund balance	<u>\$ 24,838,463</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, 2020

### 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>\$ 30,025,878</u>
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#### Register of Deeds Automation Fund:

Expenditures:	
General government	(21,508)
Transfers in	50,000
Fund balance, beginning	<u>34,771</u>
Fund balance, ending	<u>63,263</u>

#### Revaluation Fund:

Expenditures:	
General government	(3,607)
Transfers in	50,000
Fund balance, beginning	<u>281,672</u>
Fund balance, ending	<u>328,065</u>

#### Law Enforcement Officer Fund:

Expenditures:	
Public safety	(21,462)
Transfers in	23,412
Fund balance, beginning	<u>3,181</u>
Fund balance, ending	<u>5,131</u>

Total ending fund balance (Exhibit D)	<u><u>\$ 30,422,337</u></u>
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# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 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, 2020, the County's deposits had a carrying amount of \$6,087,967 and a bank balance of \$6,492,023. 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, 2020, Hoke County had \$3,903 cash on hand.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Investments

At June 30, 2020, the County’s investment balances were as follows:

<u>Investment Type</u>	<u>Valuation</u>		<u>Less Than</u> <u>6 Months</u>	<u>6-12</u> <u>Months</u>	<u>Maturity</u>	<u>Rating</u>
	<u>Measurement</u> <u>Method</u>	<u>Fair Value</u>				
N.C. Capital Management Trust - Term Portfolio*	Fair Value - Level 1	\$ 31,045,005	\$ 31,045,005	N/A	0.15 years	Unrated
N.C. Capital Management Trust - Government Portfolio	Fair Value - Level 1	<u>10,326,566</u>	<u>N/A</u>	<u>N/A</u>	N/A	AAAm
Total investments		<u>\$ 41,371,571</u>	<u>\$ 31,045,005</u>	<u>\$ -</u>		

\* Because the North Carolina Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

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

*Level of Fair Value Hierarchy: Level 1: Debt securities valued* using directly observable quoted prices (unadjusted) in active markets for identical assets.

*Interest Rate Risk.* The County has not adopted a formal investment policy addressing interest rate risk.

*Credit Risk.* The County has no formal policy regarding credit risk. The County’s investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor’s as of June 30, 2020. The County’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

### 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 958,681	\$ -	\$ 958,681
2018	966,811	-	966,811
2019	962,271	-	962,271
2020	962,178	-	962,178
Total	<u>\$ 3,849,941</u>	<u>\$ -</u>	<u>\$ 3,849,941</u>

### Receivables

Receivables at the government-wide level at June 30, 2020 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	\$ 27,654	\$ 2,289,635	\$ 5,467,714	\$ -	\$ 7,785,003
Other governmental	-	224,309	81,468	396,588	702,365
Allowance for doubtful accounts	-	(636,694)	-	-	(636,694)
Total receivables	<u>\$ 27,654</u>	<u>\$ 1,877,250</u>	<u>\$ 5,549,182</u>	<u>\$ 396,588</u>	<u>\$ 7,850,674</u>
<b>Business-Type Activities:</b>					
Water and sewer district	\$ 1,657,230	\$ -	\$ -	\$ -	\$ 1,657,230
Solid waste	465,734	-	-	-	465,734
Allowance for doubtful accounts	(927,793)	-	-	-	(927,793)
Total business-type activities	<u>\$ 1,195,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195,171</u>

Due from other governments consists of the following:

<b>Governmental Activities:</b>	
Local option sales tax	\$ 1,812,084
Refundable sales tax	334,951
MV taxes, state	309,376
Gasoline taxes, state	29,223
Other governmental, state	580,396
Grants receivable	2,483,152
Total	<u>\$ 5,549,182</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Capital Assets

#### Primary Government

Capital asset activity for the governmental activities for the year ended June 30, 2020 was as follows:

	<b>Balance</b> <b>July 1, 2019</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance</b> <b>June 30, 2020</b>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 3,680,785	\$ -	\$ -	\$ -	\$ 3,680,785
Construction in progress	1,918,948	4,883,729	-	(138,081)	6,664,596
Total non-depreciable capital assets	5,599,733	4,883,729	-	(138,081)	10,345,381
<b>Depreciable Assets:</b>					
Buildings	21,601,835	886,210	-	138,081	22,626,126
Equipment	4,914,085	180,837	-	-	5,094,922
Vehicles and motor equipment	4,422,873	499,739	94,158	-	4,828,454
Total depreciable capital assets	30,938,793	1,566,786	94,158	138,081	32,549,502
<b>Less Accumulated Depreciation:</b>					
Buildings	5,542,561	476,817	-	-	6,019,378
Equipment	4,058,603	176,254	-	-	4,234,857
Vehicles and motor equipment	2,867,303	451,517	94,158	-	3,224,662
Total accumulated depreciation	12,468,467	1,104,588	94,158	-	13,478,897
Total depreciable capital assets, net	18,470,326	462,198	-	138,081	19,070,605
Governmental activities capital assets, net	\$ 24,070,059	\$ 5,345,927	\$ -	\$ -	\$ 29,415,986

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

General government	\$ 128,099
Public safety	693,873
Economic and physical development	9,983
Human services	127,182
Cultural and recreational	92,699
Transportation	52,752
Total	\$ 1,104,588

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer District:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 488,804	\$ -	\$ -	\$ -	\$ 488,804
Construction in progress	1,491,822	88,253	-	(1,575,285)	4,790
Total non-depreciable capital assets	<u>1,980,626</u>	<u>88,253</u>	<u>-</u>	<u>(1,575,285)</u>	<u>493,594</u>
<b>Depreciable Assets:</b>					
Plant and distribution system	79,442,283	-	-	1,575,285	81,017,568
Furniture and maintenance equipment	1,574,743	-	-	-	1,574,743
Buildings	124,620	-	-	-	124,620
Vehicles	808,379	70,372	28,549	-	850,202
Total depreciable capital assets	<u>81,950,025</u>	<u>70,372</u>	<u>28,549</u>	<u>1,575,285</u>	<u>83,567,133</u>
<b>Less Accumulated Depreciation:</b>					
Plant and distribution system	16,846,411	1,868,287	-	-	18,714,698
Furniture and maintenance equipment	1,043,293	85,224	-	-	1,128,517
Buildings	25,754	2,492	-	-	28,246
Vehicles	636,157	63,753	28,549	-	671,361
Total accumulated depreciation	<u>18,551,615</u>	<u>\$ 2,019,756</u>	<u>\$ 28,549</u>	<u>\$ -</u>	<u>20,542,822</u>
Total depreciable capital assets, net	<u>63,398,410</u>				<u>63,024,311</u>
Water and sewer capital assets, net	<u>65,379,036</u>				<u>63,517,905</u>
<b>Solid Waste:</b>					
<b>Non-Depreciable Assets:</b>					
Land	182,652	\$ -	\$ -	\$ -	182,652
<b>Depreciable Assets:</b>					
Buildings and Improvements	-	38,016	-	-	38,016
Plant and distribution system	1,075,504	-	-	-	1,075,504
Furniture and maintenance equipment	927,726	119,913	-	-	1,047,639
Vehicles	728,321	155,004	87,843	-	795,482
Total depreciable capital assets	<u>2,731,551</u>	<u>312,933</u>	<u>87,843</u>	<u>-</u>	<u>2,956,641</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and Improvements	-	669	-	-	669
Plant and distribution system	281,899	21,510	-	-	303,409
Furniture and maintenance equipment	753,477	40,988	-	-	794,465
Vehicles	449,581	94,234	87,843	-	455,972
Total accumulated depreciation	<u>1,484,957</u>	<u>\$ 157,401</u>	<u>\$ 87,843</u>	<u>\$ -</u>	<u>1,554,515</u>
Total depreciable capital assets, net	<u>1,246,594</u>				<u>1,402,126</u>
Solid waste capital assets, net	<u>1,429,246</u>				<u>1,584,778</u>
Business-type activities capital assets, net	<u>\$ 66,808,282</u>				<u>\$ 65,102,683</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 29,415,986	\$ 65,102,683
Long-term debt	30,527,608	23,408,500
<b>Less:</b>		
School debt to which County does not hold title	21,376,935	-
Total capital debt	9,150,673	23,408,500
Net investment in capital assets	\$ 20,265,313	\$ 41,694,183

### Construction Commitments

The government has active construction projects at year-end. At June 30, 2020, the government's commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
<b>Governmental Activities:</b>		
401 PR building	\$ 282,110	\$ 738,265

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### B. Liabilities

#### Payables

Payables at the government-wide level at June 30, 2020 were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 1,279,647	\$ 936,212	\$ -	\$ 2,215,859
Other governmental	<u>821,561</u>	<u>-</u>	<u>-</u>	<u>821,561</u>
Total governmental activities	<u>\$ 2,101,208</u>	<u>\$ 936,212</u>	<u>\$ -</u>	<u>\$ 3,037,420</u>
<b>Business-Type Activities:</b>				
Water and sewer district	\$ 95,422	\$ 58,335	\$ -	\$ 153,757
Solid waste	<u>149,501</u>	<u>44,700</u>	<u>-</u>	<u>194,201</u>
Total business-type activities	<u>\$ 244,923</u>	<u>\$ 103,035</u>	<u>\$ -</u>	<u>\$ 347,958</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, 2020

**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, 2020 was 9.70% of compensation for law enforcement officers and 8.95% 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 \$1,615,106 for the year ended June 30, 2020.

**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, 2020

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

At June 30, 2020, the County reported a liability of \$6,609,651 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the County's proportion was 0.242%, which was an increase of 0.002% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$2,923,143. At June 30, 2020, 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	\$ 1,131,740	\$ -
Changes of assumptions	1,077,263	-
Net difference between projected and actual earnings on pension plan investments	161,218	-
Changes in proportion and differences between County contributions and proportionate share of contributions	41,827	125,539
County contributions subsequent to the measurement date	<u>1,615,106</u>	<u>-</u>
Total	<u><u>\$ 4,027,154</u></u>	<u><u>\$ 125,539</u></u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$1,615,106 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, 2021. 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>
2021	\$ 1,132,383
2022	338,941
2023	621,599
2024	193,586
2025	-
Thereafter	-
Total	<u>\$ 2,286,509</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2018 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 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, 2018 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, 2020

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

<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 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.0%. 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, 2020

*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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
County's proportionate share of the net pension liability (asset)	\$ 15,117,479	\$ 6,609,651	\$ (462,079)

*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 the December 31, 2018 valuation date, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	2
Active plan members	67
Total	69

### 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2018 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per annum
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent per annum, compounded annually

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, 2018 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 ended 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.

### 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 \$17,590 as benefits came due for the reporting period.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the County reported a total pension liability of \$778,845. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the County recognized pension expense of \$79,217.

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 14,455	\$ 105,994
Changes of assumptions	60,403	28,099
County benefit payments and plan administrative expense made subsequent to the measurement date	<u>10,672</u>	<u>-</u>
Total	<b><u>\$ 85,530</u></b>	<b><u>\$ 134,093</u></b>

\$10,672 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Amount</u></b>
2021	\$ (11,698)
2022	(11,698)
2023	(11,675)
2024	(22,529)
2025	(1,558)
Thereafter	<u>(77)</u>
Total	<b><u>\$ (59,235)</u></b>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

*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 3.26%, 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 (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(2.26%)</b>	<b>(3.26%)</b>	<b>(4.26%)</b>
Total pension liability	\$ 856,280	\$ 778,845	\$ 709,014

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

	<b>2020</b>
Beginning balance	\$ 708,903
Service cost	65,431
Interest on the total pension liability	25,484
Difference between expected and actual experience in the measurement of the total pension liability	(30,784)
Changes of assumptions or other inputs	27,401
Benefit payments	(17,590)
Ending balance of the total pension liability	\$ 778,845

*Changes of Assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate of 3.64 percent at December 31, 2018 to 3.26 percent at December 31, 2019 (measurement date).

*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, 2018 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 ended December 31, 2014.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### **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 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 \$163,249 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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 \$4,918 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported an asset of \$81,110 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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 measurement date of June 30, 2019, the County's proportion was 0.411%, which was a decrease of 0.109% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$9,045. At June 30, 2020, 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	\$ -	\$ 3,911
Net difference between projected and actual earnings on pension plan investments	830	-
Changes in proportion and differences between County contributions and proportionate share of contributions	15,827	5,374
County contributions subsequent to the measurement date	4,918	-
Total	<u>\$ 21,575</u>	<u>\$ 9,285</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$4,918 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, 2021. 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>
2021	\$ (1,676)
2022	6,077
2023	4,572
2024	(1,601)
2025	-
Thereafter	-
Total	<u>\$ 7,372</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2018 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, 2018 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

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

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2019 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. 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 (2.75%)</b>	<b>Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
County's proportionate share of the net pension liability (asset)	\$ <u>(67,047)</u>	\$ <u>(81,110)</u>	\$ <u>(93,000)</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, 2020

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

The net pension liability for LGERS and ROD was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability for LEOSSA was measured as of December 31, 2019, with an actuarial valuation date of December 31, 2018. 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)	\$6,609,651	\$ (81,110)	n/a	\$6,528,541
Proportion of the net pension liability (asset)	0.2420	0.4109	n/a	-
Total pension liability	-	-	\$ 778,845	778,845
Pension expense	2,923,143	9,045	79,217	3,011,405

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>				
Pensions - difference between expected and actual experience	\$ 1,131,740	\$ -	\$ 14,455	\$ 1,146,195
Pensions - difference between projected and actual investment earnings	161,218	830	-	162,048
Changes of assumptions	1,077,263	-	60,403	1,137,666
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	41,827	15,827	-	57,654
County contributions (LGERS, ROD)/ benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>1,615,106</u>	<u>4,918</u>	<u>10,672</u>	<u>1,630,696</u>
Total	<u>\$ 4,027,154</u>	<u>\$ 21,575</u>	<u>\$ 85,530</u>	<u>\$ 4,134,259</u>
<b>Deferred Inflows of Resources:</b>				
Pensions - difference between expected and actual experience	\$ -	\$ 3,911	\$ 105,994	\$ 109,905
Changes of assumptions	-	-	28,099	28,099
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	<u>125,539</u>	<u>5,374</u>	<u>-</u>	<u>130,913</u>
Total	<u>\$ 125,539</u>	<u>\$ 9,285</u>	<u>\$ 134,093</u>	<u>\$ 268,917</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 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).

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, 2018:

Inactive plan members or beneficiaries currently receiving benefit payments	8
Active plan members	<u>370</u>
Total	<u><u>378</u></u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Total OPEB Liability

The County's total OPEB liability of \$5,452,009 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2018 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	3.89 percent
Measurement date	3.50 percent
Healthcare cost trends:	
Pre-Medicare	7.25 percent for 2018 decreasing to an ultimate rate of 4.75% by 2028

The County selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-Year General Obligation Bond Index published weekly by The Bond Buyer, and the discount rate used to measure the total OPEB liability is the Municipal Bond Index as of the measurement date.

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance at June 30, 2019	<u>\$ 4,745,333</u>
Changes for the year:	
Service cost	391,659
Interest	182,457
Differences between expected and actual experience	6,643
Changes of assumptions or other inputs	236,818
Benefit payments	<u>(110,901)</u>
Net changes	<u>706,676</u>
Balance at June 30, 2020	<u><u>\$ 5,452,009</u></u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

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

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

*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 (3.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	<b>1%</b>	<b>Current</b>	<b>1%</b>
	<b>Decrease</b>	<b>Discount Rate</b>	<b>Increase</b>
	<b><u>(2.50%)</u></b>	<b><u>(3.50%)</u></b>	<b><u>(4.50%)</u></b>
Total OPEB liability	<u>\$6,099,343</u>	<u>\$ 5,452,009</u>	<u>\$4,876,338</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%</b>	<b>Current</b>	<b>1%</b>
	<b><u>Decrease</u></b>	<b><u>Current</u></b>	<b><u>Increase</u></b>
Total OPEB liability	<u>\$ 4,650,940</u>	<u>\$ 5,452,009</u>	<u>\$ 6,426,742</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

For the year ended June 30, 2020, the County recognized OPEB expense of \$442,580. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,752	\$ 748,297
Changes of assumptions	280,382	194,558
Benefit payments and plan administrative expense made subsequent to the measurement date	110,901	-
Total	<u>\$ 397,035</u>	<u>\$ 942,855</u>

\$110,901 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 ending June 30, 2021. 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>	
<u>June 30</u>	<u>Total</u>
2021	\$ (131,536)
2022	(131,536)
2023	(131,536)
2024	(131,536)
2025	(122,204)
Thereafter	(8,373)
Total	<u>\$ (656,721)</u>

### 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 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	\$ 397,035	\$ 942,855
Pension deferrals	4,134,259	268,917
Prepaid taxes not yet earned (general)	-	129,702
Taxes receivable, net (general)	-	1,714,941
Taxes receivable, net (special revenue)	-	162,309
Total	<u>\$ 4,531,294</u>	<u>\$ 3,218,724</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, 2020

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, 2020, 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, 2020 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, 2020

### 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, 2020 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 131,679
Total minimum lease payments	131,679
Less: amount representing interest	<u>(3,704)</u>
Present value of the minimum lease payments	<u>\$ 127,975</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 obligation bond long-term debt at June 30, 2020 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 \$ 5,700,000

##### 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 \$ 2,596,000

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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>
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	900,000	134,875	436,000	31,883
2025	900,000	97,750	445,000	21,462
2026-2027	1,400,000	80,750	453,000	10,827
Total	<u>\$ 5,700,000</u>	<u>\$ 929,375</u>	<u>\$ 2,596,000</u>	<u>\$ 220,478</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The County's notes payable debt at June 30, 2020 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 - direct placement	\$ 510,666
\$2,585,000 note, payable in semi-annual installments of \$85,667, including interest at 2.12%, maturing in 2022 - direct placement	342,666
\$5,000,000 note, payable in annual installments of \$333,333, including interest at 2.65%, maturing in 2021 - direct placement	333,334
\$3,865,000 note, payable in semi-annual installments of \$128,833, including interest at 3.79%, maturing in 2023 - direct placement	772,999
\$2,790,450 USDA note, payable in annual installments of \$168,823, including interest at 4.375%, maturing in 2035 - direct placement	1,678,491
\$7,034,000 USDA note, payable in annual installments of \$362,040, including interest at the rate of 4.125%, maturing in 2045 - direct placement	5,538,894
\$700,000 USDA note, payable in annual installments of \$36,029, including interest at 4.125%, maturing in 2034 - direct placement	<u>351,314</u>
Total notes payable - General Fund	<u>9,528,364</u>
 <b>Notes Payable - Water and Sewer Fund:</b>	
\$1,360,000 note, payable in monthly installments of \$14,167, at zero interest, maturing in 2024 - direct borrowing	<u>637,500</u>
Total notes payable	<u><u>\$ 10,165,864</u></u>

## HOKE COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The County's outstanding notes from direct placement related to General Fund activities in the amount of \$1,959,665 is secured by a deed of trust. The borrowing contains provisions that in the event of a default the bank may exercise any one of the following remedies:

- (a) Declare the unpaid principal components of the installment payments, and the accrued interest thereon, immediately due and payable;
- (b) Proceed by appropriate court action to enforce performance by the County of the applicable covenants of the contract or deed of trust or to recover for the breach thereof; and
- (c) Avail itself of all available remedies under the deed of trust, including foreclosure on the pledged facilities and recovery of attorneys' fees and other expenses, and of all other remedies available at law or in equity.

The County's outstanding notes from direct placement related to General Fund activities in the amount of \$7,568,699 is secured by a deed of trust. The borrowing contains provisions that in the event of a default the bank may exercise any one of the following remedies:

- (a) Declare the entire outstanding balance of the purchase price immediately due and payable as to all or any part of the apparatus/facility without notice or demand to the County;
- (b) Proceed by appropriate court action to enforce performance by the County of any or all of its covenants hereunder or to recover for the breach thereof including the payment of the installment payments due or to become due hereunder;
- (c) Exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina with respect to the enforcement of the security interest granted or reserved hereunder, including without limitation, to the extent permitted by law, re-enter and take possession of the apparatus/facility without any court order or other process of law and without liability for entering the premises and sell, or make other disposition of the same in a commercially reasonable manner for the account of the County, and apply the proceeds of any such sale, or other disposition, after deducting all costs and repair, storage and other sale, or other disposition costs, toward the balance due under this contract and, thereafter, shall pay any remaining proceeds to the County;
- (d) Terminate this contract as to all or any part of the apparatus/facility and use, operate, lease or hold all or any part of the apparatus/facility as the lender in its sole discretion may decide.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The County's outstanding notes from direct borrowing related to business-type activities in the amount of \$637,500 is secured by a deed of trust. The borrowing contains provisions that in the event of a default the bank may exercise any one of the following remedies:

- (a) Declare the unpaid principal components of the installment payments, and the accrued interest thereon, immediately due and payable;
- (b) Proceed by appropriate court action to enforce performance by the County of the applicable covenants of the contract or deed of trust or to recover for the breach thereof; and;
- (c) Avail itself of all available remedies under the deed of trust, including foreclosure on the pledged facilities and recovery of attorneys' fees and other expenses, and of all other remedies available at law or in equity.

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
2021	\$ 1,268,154	\$ 372,346	\$ 170,000	\$ -
2022	945,390	331,605	170,000	-
2023	529,742	302,140	170,000	-
2024	283,559	283,333	127,500	-
2025	295,527	271,365	-	-
2026-2030	1,675,612	1,158,848	-	-
2031-2035	1,690,829	781,212	-	-
2036-2040	1,329,820	480,380	-	-
2041-2045	1,509,731	182,528	-	-
Total	<u>\$ 9,528,364</u>	<u>\$ 4,163,757</u>	<u>\$ 637,500</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

\$ 15,171,269

All limited obligation bonds serviced by the County's General Fund are collateralized by the full-faith credit and taxing power of the County. Principal and interest payments are appropriated when due. In the event of a default, the County agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the County.

**HOKE COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

<b>Year Ending June 30</b>	<b>General Fund</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 475,871	\$ 919,409
2022	571,798	919,409
2023	903,217	919,409
2024	1,099,575	919,409
2025	1,090,185	919,409
2026-2030	7,766,361	4,597,045
2031-2032	3,264,262	1,838,818
Total	<u>\$ 15,171,269</u>	<u>\$ 11,032,908</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

<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>	\$ 8,767,000
<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>	8,555,000
<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>	1,619,000
<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>1,234,000</u>
<p>Total revenue bonds payable</p>	<u>\$ 20,175,000</u>

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The County's revenue bonds from direct placement related to USDA bonds for business-type activities is in the amount of \$20,175,000. The county pledges a special obligation of the County payable solely from the net revenues of the County's water and sewer system and from the proceeds of the water and sewer revenue bonds of the County. Neither the credit nor the taxing power of the county is pledged for the payment of this bond and no holder of this bond has the right to compel exercise of the taxing power by the county or the forfeiture of any of the County's property in connection with any default hereon. In the event of a default, the County agrees to pay to the Purchase, on demand, interest on any and all amounts due and owing by the County.

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

<u>Year Ending</u> <u>June 30</u>	<u>Water and Sewer</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 352,000	\$ 592,045
2022	363,000	581,795
2023	375,000	571,220
2024	385,000	560,285
2025	397,000	549,050
2026-2030	2,161,000	2,564,475
2031-2035	2,498,000	2,228,370
2036-2040	2,887,000	1,838,250
2041-2045	3,342,000	1,385,410
2046-2050	3,866,000	859,035
2051-2055	<u>3,549,000</u>	<u>263,275</u>
Total	<u>\$ 20,175,000</u>	<u>\$ 11,993,210</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, 2020

The debt service coverage ratio calculation for the year ended June 30, 2020 is as follows:

Operating revenues	\$ 8,211,908
Operating expenses*	<u>5,174,886</u>
Net revenues	<u>\$ 3,037,022</u>

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

Current year debt service	\$ 945,020
Current year debt service percent coverage	321%

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	\$ 646,724
Debt service on subordinated indebtedness percent coverage	470%

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	\$ 474,044
Debt services on debt coming due in next fiscal year percent of coverage	641%

\*Per revenue bond covenant, this does not include depreciation expense of \$2,019,758.

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 \$32,168,210. Principal and interest paid for the current year and total customer net revenues were \$945,020 and \$3,111,369, respectively.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

**Debt Related to Capital Activities** – Of the total governmental activities debt listed, only \$9,150,673 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, 2020:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 6,400,000	\$ -	\$ 700,000	\$ 5,700,000	\$ 700,000
Limited obligation bonds	15,647,140	-	475,871	15,171,269	475,871
Installment purchases - direct placement	10,786,375	-	1,258,011	9,528,364	1,268,154
Capital leases	251,822	-	123,847	127,975	127,975
Compensated absences	1,199,218	4,209,400	4,176,094	1,232,524	616,262
Total OPEB liability	4,300,287	643,076	-	4,943,363	-
Net pension liability (LGERS)	5,179,900	834,882	-	6,014,782	-
Total pension liability (LEOSSA)	708,903	69,942	-	778,845	-
Total governmental activities	<u>\$ 44,473,645</u>	<u>\$ 5,757,300</u>	<u>\$ 6,733,823</u>	<u>\$ 43,497,122</u>	<u>\$ 3,188,262</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer District:</b>					
General obligation bonds	\$ 3,001,000	\$ -	\$ 405,000	\$ 2,596,000	\$ 412,000
Revenue bonds - direct placement	20,518,000	-	343,000	20,175,000	352,000
Installment purchases - direct borrowing	807,500	-	170,000	637,500	170,000
Compensated absences	69,926	214,818	213,141	71,603	35,802
Total OPEB liability	279,745	43,249	-	322,994	-
Net pension liability (LGERS)	341,532	55,047	-	396,579	-
Total water and sewer	<u>25,017,703</u>	<u>313,114</u>	<u>1,131,141</u>	<u>24,199,676</u>	<u>969,802</u>
<b>Solid Waste:</b>					
Compensated absences	46,087	157,713	153,161	50,639	25,320
Total OPEB liability	165,300	20,352	-	185,652	-
Net pension liability (LGERS)	170,766	27,524	-	198,290	-
Total solid waste	<u>382,153</u>	<u>205,589</u>	<u>153,161</u>	<u>434,581</u>	<u>25,320</u>
Total business-type activities	<u>\$ 25,399,856</u>	<u>\$ 518,703</u>	<u>\$ 1,284,302</u>	<u>\$ 24,634,257</u>	<u>\$ 995,122</u>

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

At June 30, 2020, the County had a legal debt margin of approximately \$273,986,461.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 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, 2020, there were no industrial revenue bonds outstanding.

### Interfund Balances and Activity

Transfer to/from other funds consist of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 3,451,985	\$ -	
Administrative Capital Projects Fund	-	3,451,985	Fund project costs
Capital Reserve Fund	940,154	-	
General Fund	<u>-</u>	<u>940,154</u>	Fund school debt
Total	<u>\$ 4,392,139</u>	<u>\$ 4,392,139</u>	

### 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.

# HOKE COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### **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.

### **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. Subsequent Events**

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen, which are likely to negatively impact County revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

## HOKE COUNTY, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS**

**Total OPEB Liability**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 4,745,333	\$ 5,177,633	\$ 5,003,061
Service cost	391,659	400,281	428,343
Interest on TOL and cash flows	182,457	182,444	149,495
Differences between expected and actual experience	6,643	(1,011,377)	(13,129)
Changes of assumptions or other inputs	236,818	102,895	(316,667)
Benefit payments	(110,901)	(106,543)	(73,470)
Ending balance of the total OPEB liability	<u>\$ 5,452,009</u>	<u>\$ 4,745,333</u>	<u>\$ 5,177,633</u>
Covered payroll	\$ 13,956,925	\$ 13,956,925	\$ 12,985,118
Total OPEB liability as a percentage of covered payroll	39.06%	34.00%	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>
2020	3.50%
2019	3.89%
2018	3.56%

## HOKE COUNTY, NORTH CAROLINA

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

	<b>Local Government Employees' Retirement System</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) %	0.24203%	0.23994%	0.25446%	0.25636%	0.26065%	0.24745%	0.24320%
County's proportionate share of the net pension liability (asset) \$	\$ 6,609,651	\$ 5,692,198	\$ 3,887,445	\$ 5,440,818	\$ 1,169,782	\$ (1,459,327)	\$ 2,931,494
County's covered payroll	\$ 16,685,246	\$ 15,160,605	\$ 15,610,906	\$ 14,222,807	\$ 14,477,764	\$ 13,843,764	\$ 12,040,294
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.61%	37.55%	24.90%	38.25%	8.08%	-10.54%	24.35%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	91.63%	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 will be the same percentage for all participant employers in the LGERS plan.

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 SEVEN FISCAL YEARS

<b>Local Government Employees' Retirement System</b>							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,615,106	\$ 1,325,183	\$ 1,165,976	\$ 1,165,712	\$ 972,034	\$ 1,032,713	\$ 987,199
Contributions in relation to the contractually required contribution	<u>1,615,106</u>	<u>1,325,183</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 17,634,521	\$ 16,685,246	\$ 15,160,605	\$ 15,610,906	\$ 14,222,807	\$ 14,477,764	\$ 13,843,764
Contributions as a percentage of covered payroll	9.16%	7.94%	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 SEVEN FISCAL YEARS\***

	<b>Register of Deeds' Supplemental Pension Fund</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.41085%	0.51979%	0.44527%	0.50084%	0.47544%	0.50351%	0.51401%
County's proportionate share of the net pension liability (asset) \$	\$ (81,110)	\$ (86,093)	\$ (76,003)	\$ (93,637)	\$ (110,178)	\$ (114,142)	\$ (109,793)
County's covered payroll	\$ 31,095	\$ 48,271	\$ 52,424	\$ 48,153	\$ 47,971	\$ 46,805	\$ 55,480
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-260.85%	-178.35%	-144.98%	-194.46%	-229.68%	-243.87%	-197.90%
Plan fiduciary net position as a percentage of the total pension liability **	164.11%	153.31%	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 will be the same percentage for all participant employers in the ROD plan.

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 SEVEN FISCAL YEARS

<b>Register of Deeds' Supplemental Pension Fund</b>							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,918	\$ 3,905	\$ 4,051	\$ 4,266	\$ 4,092	\$ 3,392	\$ 3,309
Contributions in relation to the contractually required contribution	<u>4,918</u>	<u>3,905</u>	<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>						
County's covered payroll	\$ 57,098	\$ 31,095	\$ 48,271	\$ 52,424	\$ 48,153	\$ 47,971	\$ 46,805
Contributions as a percentage of covered payroll	8.61%	12.56%	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 FOUR FISCAL YEARS\***

**Law Enforcement Officers' Special Separation Allowance**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 708,903	\$ 778,869	\$ 593,731	\$ 531,032
Service cost	65,431	63,738	66,271	60,189
Interest on the total pension liability	25,484	24,505	22,827	18,958
Differences between expected and actual experience in the measurement of the total pension liability	(30,784)	(119,938)	28,048	-
Changes of assumptions or other inputs	27,401	(31,489)	72,700	(16,448)
Benefit payments	(17,590)	(6,782)	(4,708)	-
Ending balance of the total pension liability	<u>\$ 778,845</u>	<u>\$ 708,903</u>	<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 FOUR FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 778,845	\$ 708,903	\$ 778,869	\$ 593,731
Covered payroll	2,973,469	2,891,199	3,109,566	2,740,426
Total pension liability as a percentage of covered payroll	26.19%	24.52%	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, 2020

	General Fund	Register of Deeds Automation Fund	Revaluation Fund	Law Enforcement Officer Fund	Total
<b>Revenues:</b>					
Ad valorem taxes	\$ 27,982,966	\$ -	\$ -	\$ -	\$ 27,982,966
Local option sales taxes	11,740,917	-	-	-	11,740,917
Other taxes and licenses	19,022	-	-	-	19,022
Unrestricted intergovernmental	242,737	-	-	-	242,737
Restricted intergovernmental	10,605,629	-	-	-	10,605,629
Permits and fees	1,946,227	-	-	-	1,946,227
Sales and services	1,405,558	-	-	-	1,405,558
Investment earnings	581,965	-	-	-	581,965
Total revenues	<u>54,525,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,525,021</u>
<b>Expenditures:</b>					
Current:					
General government	7,851,396	21,508	3,607	-	7,876,511
Public safety	13,843,815	-	-	21,462	13,865,277
Economic and physical development	695,182	-	-	-	695,182
Human services	12,169,165	-	-	-	12,169,165
Cultural and recreational	1,220,156	-	-	-	1,220,156
Transportation	1,382,249	-	-	-	1,382,249
Intergovernmental - education	7,765,076	-	-	-	7,765,076
Debt service:					
Principal retirements	2,557,729	-	-	-	2,557,729
Interest and fees	1,165,862	-	-	-	1,165,862
Total expenditures	<u>48,650,630</u>	<u>21,508</u>	<u>3,607</u>	<u>21,462</u>	<u>48,697,207</u>
Revenues over (under) expenditures	<u>5,874,391</u>	<u>(21,508)</u>	<u>(3,607)</u>	<u>(21,462)</u>	<u>5,827,814</u>
<b>Other Financing Sources (Uses):</b>					
Intrafund transfers	(123,412)	50,000	50,000	23,412	-
Transfers out	(3,451,985)	-	-	-	(3,451,985)
Transfers in	940,154	-	-	-	940,154
Total other financing sources (uses)	<u>(2,635,243)</u>	<u>50,000</u>	<u>50,000</u>	<u>23,412</u>	<u>(2,511,831)</u>
Net change in fund balance	3,239,148	28,492	46,393	1,950	3,315,983
<b>Fund Balance:</b>					
Beginning of year - July 1	<u>26,786,730</u>	<u>34,771</u>	<u>281,672</u>	<u>3,181</u>	<u>27,106,354</u>
End of year - June 30	<u>\$ 30,025,878</u>	<u>\$ 63,263</u>	<u>\$ 328,065</u>	<u>\$ 5,131</u>	<u>\$ 30,422,337</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, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 27,525,006	\$ 27,755,703	\$ 230,697	\$ 27,010,745
Interest	155,000	227,263	72,263	216,559
Total	<u>27,680,006</u>	<u>27,982,966</u>	<u>302,960</u>	<u>27,227,304</u>
<b>Local Option Sales Tax:</b>				
Article 39 - one percent	2,145,824	2,249,139	103,315	1,923,295
Article 40 - 1/2 of a percent	3,675,000	3,784,164	109,164	3,640,785
Article 42 - 1/2 of a percent	1,357,000	1,648,742	291,742	1,446,008
Article 44 - 1/2 of a percent	2,217,000	2,404,696	187,696	2,246,830
Medicaid hold harmless	1,654,176	1,654,176	-	887,015
Total	<u>11,049,000</u>	<u>11,740,917</u>	<u>691,917</u>	<u>10,143,933</u>
<b>Other Taxes and Licenses:</b>				
Privilege licenses	-	876	876	1,144
Cable TV franchise tax	10,200	18,146	7,946	24,060
Total	<u>10,200</u>	<u>19,022</u>	<u>8,822</u>	<u>25,204</u>
<b>Unrestricted Intergovernmental:</b>				
Payments in lieu of taxes	12,200	31,796	19,596	36,189
Beer and wine tax	180,000	210,941	30,941	192,353
Total	<u>192,200</u>	<u>242,737</u>	<u>50,537</u>	<u>228,542</u>
<b>Restricted Intergovernmental:</b>				
Social services	4,336,088	3,964,942	(371,146)	4,158,287
Health department	2,299,682	2,275,776	(23,906)	2,037,261
Law enforcement grants	296,000	263,638	(32,362)	231,081
Juvenile justice	159,878	155,563	(4,315)	131,933
Veteran services	2,176	1,364,991	1,362,815	109,040
Transportation	853,622	1,005,422	151,800	958,932
Emergency management grant	56,500	50,000	(6,500)	-
Elections	-	2,334	2,334	-
Senior services grants	338,991	279,803	(59,188)	333,241
ABC profits for law enforcement	1,000	77,576	76,576	74,828
Other	1,000,000	1,165,584	165,584	392,200
Total	<u>9,343,937</u>	<u>10,605,629</u>	<u>1,261,692</u>	<u>8,426,803</u>
<b>Permits and Fees:</b>				
Inspection fees	788,450	848,843	60,393	637,720
Sheriff fees	332,600	345,804	13,204	321,837
Court facility fees	45,000	43,358	(1,642)	56,300
Register of Deeds fees	489,421	540,127	50,706	459,329
Tax administration	136,000	168,095	32,095	145,199
Total	<u>1,791,471</u>	<u>1,946,227</u>	<u>154,756</u>	<u>1,620,385</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, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		Variance Over/Under	2019
	Budget	Actual		Actual
<b>Sales and Services:</b>				
Health department fees	189,832	171,259	(18,573)	162,469
Jail fees	87,400	212,867	125,467	96,980
Corporative extensions	125,221	125,221	-	116,000
Economic development	16,000	8,088	(7,912)	21,653
Library	7,900	9,492	1,592	13,091
Parks and recreation	74,100	27,818	(46,282)	56,720
Elections	5,000	13,187	8,187	328
Transportation	63,000	51,713	(11,287)	57,458
Planning and zoning	118,500	195,590	77,090	114,960
Miscellaneous revenue	447,500	590,323	142,823	564,729
Total	<u>1,134,453</u>	<u>1,405,558</u>	<u>271,105</u>	<u>1,204,388</u>
<b>Investment Earnings</b>	<u>545,000</u>	<u>581,965</u>	<u>36,965</u>	<u>889,232</u>
Total revenues	<u>51,746,267</u>	<u>54,525,021</u>	<u>2,778,754</u>	<u>49,765,791</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	528,652	498,097	30,555	384,008
Operating expenses	131,600	115,569	16,031	117,187
Capital outlay	5,000	-	5,000	-
Charges for services	(24,997)	(24,997)	-	(24,997)
Total	<u>640,255</u>	<u>588,669</u>	<u>51,586</u>	<u>476,198</u>
<b>Administration:</b>				
Salaries and employee benefits	251,808	247,695	4,113	215,186
Operating expenses	2,931,251	1,406,521	1,524,730	1,676,337
Capital outlay	383,895	170,048	213,847	-
Charges for services	(288,913)	(288,913)	-	(298,913)
Total	<u>3,278,041</u>	<u>1,535,351</u>	<u>1,742,690</u>	<u>1,592,610</u>
<b>Human Resources:</b>				
Salaries and employee benefits	193,862	163,501	30,361	210,948
Operating expenses	53,099	29,308	23,791	32,559
Charges for services	(46,710)	(46,710)	-	(46,710)
Total	<u>200,251</u>	<u>146,099</u>	<u>54,152</u>	<u>196,797</u>
<b>Elections:</b>				
Salaries and employee benefits	180,548	165,487	15,061	151,851
Operating expenses	146,731	120,615	26,116	73,717
Capital outlay	5,000	4,266	734	2,570
Total	<u>332,279</u>	<u>290,368</u>	<u>41,911</u>	<u>228,138</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, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
<b>Finance:</b>				
Salaries and employee benefits	690,867	686,976	3,891	589,940
Operating expenses	264,600	180,597	84,003	237,442
Charges for services	(211,111)	(211,111)	-	(211,111)
Total	<u>744,356</u>	<u>656,462</u>	<u>87,894</u>	<u>616,271</u>
<b>Tax Administration:</b>				
Salaries and employee benefits	454,200	381,623	72,577	433,284
Operating expenses	80,725	62,491	18,234	63,441
Total	<u>534,925</u>	<u>444,114</u>	<u>90,811</u>	<u>496,725</u>
<b>Tax Collections:</b>				
Salaries and employee benefits	406,982	398,604	8,378	331,189
Operating expenses	85,694	58,551	27,143	68,063
Total	<u>492,676</u>	<u>457,155</u>	<u>35,521</u>	<u>399,252</u>
<b>DMV:</b>				
Operating expenses	137,000	122,166	14,834	123,175
Capital outlay	80,000	-	80,000	-
Total	<u>217,000</u>	<u>122,166</u>	<u>94,834</u>	<u>123,175</u>
<b>Legal:</b>				
Special legal services	<u>135,604</u>	<u>86,967</u>	<u>48,637</u>	<u>89,525</u>
<b>Register of Deeds:</b>				
Salaries and employee benefits	279,249	276,872	2,377	179,063
Operating expenses	70,773	57,529	13,244	53,655
Capital outlay	1,500	897	603	-
Total	<u>351,522</u>	<u>335,298</u>	<u>16,224</u>	<u>232,718</u>
<b>Central Garage:</b>				
Salaries and employee benefits	127,647	124,931	2,716	115,810
Operating expenses	8,280	3,443	4,837	5,938
Capital outlay	13,850	13,514	336	-
Charges for services	(31,736)	(31,736)	-	(31,736)
Total	<u>118,041</u>	<u>110,152</u>	<u>7,889</u>	<u>90,012</u>
<b>Public Buildings:</b>				
Salaries and employee benefits	543,287	485,108	58,179	450,713
Operating expenses	779,826	677,193	102,633	391,427
Capital outlay	881,711	802,231	79,480	281,323
Charges for services	-	(39,862)	39,862	(39,862)
Total	<u>2,204,824</u>	<u>1,924,670</u>	<u>280,154</u>	<u>1,083,601</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, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		Variance Over/Under	2019
	Budget	Actual		Actual
<b>Groundskeeping:</b>				
Salaries and employee benefits	59,132	59,611	(479)	55,283
Operating expenses	27,920	17,798	10,122	19,285
Capital outlay	288,000	283,300	4,700	32,615
Total	<u>375,052</u>	<u>360,709</u>	<u>14,343</u>	<u>107,183</u>
<b>Information Technology:</b>				
Salaries and employee benefits	457,570	436,693	20,877	366,351
Operating expenses	467,969	413,194	54,775	408,312
Charges for services	(56,671)	(56,671)	-	(56,671)
Total	<u>868,868</u>	<u>793,216</u>	<u>75,652</u>	<u>717,992</u>
Total general government	<u>10,493,694</u>	<u>7,851,396</u>	<u>2,642,298</u>	<u>6,450,197</u>
<b>Public Safety:</b>				
<b>Sheriff:</b>				
Salaries and employee benefits	5,317,847	5,273,013	44,834	4,202,480
Operating expenses	1,203,843	979,582	224,261	682,446
Capital outlay	362,202	374,512	(12,310)	497,761
Total	<u>6,883,892</u>	<u>6,627,107</u>	<u>256,785</u>	<u>5,382,687</u>
<b>Court Facilities:</b>				
Operating expenses	108,500	98,037	10,463	90,041
Capital outlay	21,000	20,969	31	135,186
Total	<u>129,500</u>	<u>119,006</u>	<u>10,494</u>	<u>225,227</u>
<b>Jail:</b>				
Salaries and employee benefits	3,027,662	2,844,525	183,137	2,713,773
Operating expenses	1,391,200	1,230,421	160,779	1,216,648
Capital outlay	131,382	130,665	717	-
Total	<u>4,550,244</u>	<u>4,205,611</u>	<u>344,633</u>	<u>3,930,421</u>
<b>Communications:</b>				
Salaries and employee benefits	1,013,789	1,048,194	(34,405)	979,989
Operating expenses	217,187	157,891	59,296	180,134
Capital outlay	333,451	257,525	75,926	51,355
Total	<u>1,564,427</u>	<u>1,463,610</u>	<u>100,817</u>	<u>1,211,478</u>
<b>Emergency Management:</b>				
Salaries and employee benefits	378,055	364,518	13,537	298,716
Operating expenses	110,050	74,553	35,497	51,766
Capital outlay	18,000	13,029	4,971	87,270
Total	<u>506,105</u>	<u>452,100</u>	<u>54,005</u>	<u>437,752</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, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
<b>Animal Control:</b>				
Salaries and employee benefits	317,140	308,690	8,450	250,458
Operating expenses	86,040	68,018	18,022	68,296
Capital outlay	30,650	30,627	23	29,224
Total	433,830	407,335	26,495	347,978
<b>Juvenile Justice:</b>				
Operating expenses	159,878	166,462	(6,584)	143,717
<b>Inspections:</b>				
Salaries and employee benefits	288,076	287,577	499	273,311
Operating expenses	46,300	23,492	22,808	25,666
Capital outlay	2,500	1,665	835	29,085
Total	336,876	312,734	24,142	328,062
<b>Medical Examiner:</b>				
Contracted services	120,000	89,850	30,150	63,750
Total public safety	14,684,752	13,843,815	840,937	12,071,072
<b>Economic and Physical Development:</b>				
<b>Planning and Zoning:</b>				
Salaries and employee benefits	148,096	131,835	16,261	122,462
Operating expenses	14,162	9,447	4,715	7,278
Total	162,258	141,282	20,976	129,740
<b>Economic Development:</b>				
Salaries and employee benefits	11,000	-	11,000	5,401
Operating expenditures	126,605	72,669	53,936	78,898
Total	137,605	72,669	64,936	84,299
<b>Cooperative Extension:</b>				
Salaries and employee benefits	413,031	380,699	32,332	377,323
Operating expenses	54,549	31,356	23,193	35,520
Capital outlay	1,000	1,029	(29)	18
Total	468,580	413,084	55,496	412,861
<b>Conservation:</b>				
Salaries and employee benefits	66,121	65,625	496	60,588
Operating expenses	8,350	2,522	5,828	4,292
Capital outlay	500	-	500	-
Total	74,971	68,147	6,824	64,880
Total economic and physical development	843,414	695,182	148,232	691,780

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		Variance Over/Under	2019
	Budget	Actual		Actual
<b>Human Services:</b>				
<b>Environmental Health:</b>				
Operating expenses	38,900	30,270	8,630	25,906
Capital outlay	32,000	31,605	395	-
Total	70,900	61,875	9,025	25,906
<b>Client Services:</b>				
Operating expenses	49,245	43,233	6,012	45,776
<b>Child Health:</b>				
Operating expenses	53,649	43,885	9,764	56,425
<b>Child Services Coordinator:</b>				
Operating expenses	18,900	5,139	13,761	11,465
<b>Pregnancy Care Management:</b>				
Operating expenses	22,400	7,804	14,596	16,675
<b>Ed/Risk Reduction:</b>				
Operating expenses	110,674	94,913	15,761	56,504
<b>WIC - Nutrition:</b>				
Operating expenses	2,000	1,946	54	1,060
<b>WIC - Administration:</b>				
Operating expenses	300	100	200	100
<b>WIC - Breastfeeding Peer Counsel</b>				
Operating expenses	-	566	(566)	-
<b>NC Partnership for Children:</b>				
Operating expenses	4,000	4,000	-	4,000
<b>WIC - Breastfeeding:</b>				
Operating expenses	6,000	3,190	2,810	3,038
<b>WorkFirst Block Grant:</b>				
Operating expenses	18,500	12,675	5,825	20,566
<b>Public Assistance:</b>				
Salaries and employee benefits	-	196	(196)	-
Operating expenses	1,327,835	931,953	395,882	1,066,073
Total	1,327,835	932,149	395,686	1,066,073
<b>DSS - IV-D:</b>				
Operating expenses	67,930	43,918	24,012	45,364
<b>Title XX:</b>				
Operating expenses	338,127	318,608	19,519	360,546

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
<b>DSS-Food Stamps:</b>				
Operating expenses	18,784	11,510	7,274	13,626
<b>Veterans Service:</b>				
Salaries and employee benefits	98,640	89,696	8,944	77,990
Operating expenses	9,030	6,934	2,096	4,947
Capital outlay	2,000	-	2,000	-
Total	109,670	96,630	13,040	82,937
<b>Health Administration:</b>				
Salaries and employee benefits	2,644,911	2,543,822	101,089	2,340,630
Operating expenses	404,500	404,561	(61)	459,123
Capital outlay	-	-	-	18,973
Total	3,049,411	2,948,383	101,028	2,818,726
<b>Communicable Diseases:</b>				
Operating expenses	29,500	16,958	12,542	17,638
<b>Bioterrorism Grant:</b>				
Operating expenses	47,688	45,483	2,205	10,201
<b>Breast and Cervical Cancer Program:</b>				
Operating expenses	12,445	12,045	400	6,862
<b>Women's Preventive Health:</b>				
Operating expenses	77,600	54,281	23,319	72,096
<b>Maternal Care:</b>				
Salaries and employee benefits	10,375	6,605	3,770	5,230
Operating expenses	37,225	28,738	8,487	41,826
Total	47,600	35,343	12,257	47,056
<b>Activities Routes to School:</b>				
Operating expenses	-	-	-	29,306
<b>Immunization:</b>				
Operating expenses	45,000	32,556	12,444	35,555
<b>Safe Routes to School:</b>				
Salaries and employee benefits	24,150	-	24,150	-
Operating expenses	55,850	39,543	16,307	-
Total	80,000	39,543	40,457	-
<b>DSS - Administration:</b>				
Salaries and employee benefits	5,260,559	5,142,594	117,965	4,923,744
Operating expenses	786,027	663,315	122,712	518,178
Capital outlay	-	-	-	149,062
Total	6,046,586	5,805,909	240,677	5,590,984

HOKE COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
<b>Senior Services:</b>				
Salaries and employee benefits	407,632	386,979	20,653	346,080
Operating expenses	639,691	396,789	242,902	499,674
Capital outlay	18,300	18,267	33	927
Total	<u>1,065,623</u>	<u>802,035</u>	<u>263,588</u>	<u>846,681</u>
<b>Health Primary Care:</b>				
Operating expenses	<u>41,600</u>	<u>27,835</u>	<u>13,765</u>	<u>31,128</u>
<b>Special Appropriations</b>	<u>910,221</u>	<u>666,653</u>	<u>243,568</u>	<u>658,328</u>
Total human services	<u>13,672,188</u>	<u>12,169,165</u>	<u>1,503,023</u>	<u>11,974,622</u>
<b>Cultural and Recreational:</b>				
<b>Recreation:</b>				
Salaries and employee benefits	603,092	545,401	57,691	469,616
Operating expenses	233,350	156,163	77,187	147,040
Capital outlay	46,500	29,912	16,588	-
Total	<u>882,942</u>	<u>731,476</u>	<u>151,466</u>	<u>616,656</u>
<b>Literacy Council:</b>				
Salaries and employee benefits	98,965	85,975	12,990	73,650
Operating expenses	2,000	-	2,000	4,273
Total	<u>100,965</u>	<u>85,975</u>	<u>14,990</u>	<u>77,923</u>
<b>Library:</b>				
Salaries and employee benefits	340,395	327,944	12,451	305,750
Operating expenses	105,987	74,761	31,226	68,813
Total	<u>446,382</u>	<u>402,705</u>	<u>43,677</u>	<u>374,563</u>
Total cultural and recreational	<u>1,430,289</u>	<u>1,220,156</u>	<u>210,133</u>	<u>1,069,142</u>
<b>Transportation:</b>				
Salaries and employee benefits	944,326	853,068	91,258	779,380
Operating expenses	391,870	236,394	155,476	252,948
Capital outlay	404,808	292,787	112,021	327,320
Total	<u>1,741,004</u>	<u>1,382,249</u>	<u>358,755</u>	<u>1,359,648</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, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
<b>Education:</b>				
Public school - current	5,700,000	5,700,000	-	5,482,635
Public school - additional appropriation	-	218,620	(218,620)	-
Community colleges	468,885	468,885	-	432,762
Capital outlay	1,339,260	1,134,571	204,689	1,276,154
Total	<u>7,508,145</u>	<u>7,522,076</u>	<u>(13,931)</u>	<u>7,191,551</u>
<b>Special Appropriations</b>	<u>268,000</u>	<u>243,000</u>	<u>25,000</u>	<u>464,005</u>
Total education	<u>7,776,145</u>	<u>7,765,076</u>	<u>11,069</u>	<u>7,655,556</u>
<b>Debt Service:</b>				
Principal retirement - government	3,901,868	2,557,729	1,344,139	2,786,897
Interest and fees	1,469,880	1,165,862	304,018	876,514
Total debt service	<u>5,371,748</u>	<u>3,723,591</u>	<u>1,648,157</u>	<u>3,663,411</u>
Total expenditures	<u>56,013,234</u>	<u>48,650,630</u>	<u>7,362,604</u>	<u>44,935,428</u>
Revenues over (under) expenditures	<u>(4,266,967)</u>	<u>5,874,391</u>	<u>10,141,358</u>	<u>4,830,363</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	(123,412)	(123,412)	-	(88,400)
Transfers to other funds:				
Capital project funds	(3,806,985)	(3,451,985)	355,000	(4,310,000)
Transfers from other funds:				
Capital project funds	940,156	940,154	(2)	-
Appropriated fund balance	7,257,208	-	(7,257,208)	-
Total other financing sources (uses)	<u>4,266,967</u>	<u>(2,635,243)</u>	<u>(6,902,210)</u>	<u>(4,398,400)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,239,148</u>	<u>\$ 3,239,148</u>	<u>431,963</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>26,786,730</u>		<u>26,354,767</u>
End of year - June 30		<u>\$ 30,025,878</u>		<u>\$ 26,786,730</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, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Operating expenditures	\$ 50,000	\$ 21,508	\$ 28,492
Revenues over (under) expenditures	(50,000)	(21,508)	28,492
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	28,492	<u>\$ 28,492</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>34,771</u>	
End of year - June 30		<u>\$ 63,263</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Operating expenditures	\$ 50,000	\$ 3,607	\$ 46,393
Revenues over (under) expenditures	(50,000)	(3,607)	46,393
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	46,393	<u>\$ 46,393</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>281,672</u>	
End of year - June 30		<u>\$ 328,065</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, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Operating expenditures	\$ 23,412	\$ 21,462	\$ 1,950
Revenues over (under) expenditures	(23,412)	(21,462)	1,950
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	<u>23,412</u>	<u>23,412</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	1,950	<u>\$ 1,950</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>3,181</u>	
End of year - June 30		<u>\$ 5,131</u>	

## HOKE COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2020

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 957,850	\$ 2,250,565	\$ 3,208,415
Taxes receivable	162,309	-	162,309
Accounts receivable	81,468	-	81,468
Notes receivable	396,588	-	396,588
Prepaid items	37,395	-	37,395
Restricted cash and cash equivalents	145,990	-	145,990
Total assets	<u>\$ 1,781,600</u>	<u>\$ 2,250,565</u>	<u>\$ 4,032,165</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 651,806	\$ 169,755	\$ 821,561
Advances from grantor	145,990	-	145,990
Total liabilities	<u>797,796</u>	<u>169,755</u>	<u>967,551</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	162,309	-	162,309
<b>Fund Balances:</b>			
Non-spendable:			
Prepaid items	37,395	-	37,395
Restricted:			
Stabilization by state statute	478,056	-	478,056
Public safety	200,716	-	200,716
Committed	-	2,080,810	2,080,810
Assigned	200,454	-	200,454
Unassigned	(95,126)	-	(95,126)
Total fund balances	<u>821,495</u>	<u>2,080,810</u>	<u>2,902,305</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,781,600</u>	<u>\$ 2,250,565</u>	<u>\$ 4,032,165</u>

## HOKE COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,728,909	\$ -	\$ 2,728,909
Restricted intergovernmental	768,141	-	768,141
E-911 wireless	278,457	-	278,457
Total revenues	<u>3,775,507</u>	<u>-</u>	<u>3,775,507</u>
<b>Expenditures:</b>			
Current:			
General government	532,330	-	532,330
Public safety	3,152,692	-	3,152,692
Economic and physical development	110,627	-	110,627
Cultural and recreational	-	4,844,528	4,844,528
Total expenditures	<u>3,795,649</u>	<u>4,844,528</u>	<u>8,640,177</u>
Revenues over (under) expenditures	<u>(20,142)</u>	<u>(4,844,528)</u>	<u>(4,864,670)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	3,451,985	3,451,985
Transfers out	-	(940,154)	(940,154)
Total other financing sources (uses)	<u>-</u>	<u>2,511,831</u>	<u>2,511,831</u>
Net change in fund balances	(20,142)	(2,332,697)	(2,352,839)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>841,637</u>	<u>4,413,507</u>	<u>5,255,144</u>
End of year - June 30	<u>\$ 821,495</u>	<u>\$ 2,080,810</u>	<u>\$ 2,902,305</u>

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HOKE COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2020

	<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	\$ 189,053	\$ 52,232	\$ 110,855	\$ 11,402
Taxes receivable	-	-	-	-
Accounts receivable	-	23,205	-	-
Notes receivable	396,588	-	-	-
Prepays	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
Total assets	<u>\$ 585,641</u>	<u>\$ 75,437</u>	<u>\$ 110,855</u>	<u>\$ 11,402</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 3,138	\$ 1,346	\$ 1
Advances from grantor	-	-	-	-
Total liabilities	<u>-</u>	<u>3,138</u>	<u>1,346</u>	<u>1</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepaid items	-	-	-	-
Restricted:				
Stabilization by state statute	396,588	23,205	-	-
Public safety	-	49,094	109,509	-
Assigned	189,053	-	-	11,401
Unassigned	-	-	-	-
Total fund balances	<u>585,641</u>	<u>72,299</u>	<u>109,509</u>	<u>11,401</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 585,641</u>	<u>\$ 75,437</u>	<u>\$ 110,855</u>	<u>\$ 11,402</u>

HOKE COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2020

	<b>Fire District Fund</b>	<b>Multi-Year Grants Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 162,709	\$ 431,599	\$ 957,850
Taxes receivable	162,309	-	162,309
Accounts receivable	58,263	-	81,468
Notes receivable	-	-	396,588
Prepays	37,395	-	37,395
Restricted cash and cash equivalents	-	145,990	145,990
Total assets	<u>\$ 420,676</u>	<u>\$ 577,589</u>	<u>\$ 1,781,600</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 257,835	\$ 389,486	\$ 651,806
Advances from grantor	-	145,990	145,990
Total liabilities	<u>257,835</u>	<u>535,476</u>	<u>797,796</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	<u>162,309</u>	<u>-</u>	<u>162,309</u>
<b>Fund Balances:</b>			
Non-spendable:			
Prepaid items	37,395	-	37,395
Restricted:			
Stabilization by state statute	58,263	-	478,056
Public safety	-	42,113	200,716
Assigned	-	-	200,454
Unassigned	(95,126)	-	(95,126)
Total fund balances	<u>532</u>	<u>42,113</u>	<u>821,495</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 420,676</u>	<u>\$ 577,589</u>	<u>\$ 1,781,600</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, 2020**

	<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	-	-	105,980	-
E-911 wireless	-	278,457	-	-
Total revenues	<u>-</u>	<u>278,457</u>	<u>105,980</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	366,555	45,961	-
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>366,555</u>	<u>45,961</u>	<u>-</u>
Net change in fund balances	-	(88,098)	60,019	-
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>585,641</u>	<u>160,397</u>	<u>49,490</u>	<u>11,401</u>
End of year - June 30	<u>\$ 585,641</u>	<u>\$ 72,299</u>	<u>\$ 109,509</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, 2020**

	<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	\$ 2,728,909	\$ -	\$ 2,728,909
Restricted intergovernmental	-	662,161	768,141
E-911 wireless	-	-	278,457
Total revenues	<u>2,728,909</u>	<u>662,161</u>	<u>3,775,507</u>
<b>Expenditures:</b>			
Current:			
General government	-	532,330	532,330
Public safety	2,728,909	11,267	3,152,692
Economic and physical development	-	110,627	110,627
Total expenditures	<u>2,728,909</u>	<u>654,224</u>	<u>3,795,649</u>
Net change in fund balances	-	7,937	(20,142)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>532</u>	<u>34,176</u>	<u>841,637</u>
End of year - June 30	<u>\$ 532</u>	<u>\$ 42,113</u>	<u>\$ 821,495</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, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous revenue	\$ 83,016	\$ 44,666	\$ (38,350)
<b>Expenditures:</b>			
Economic incentive	408,016	325,000	83,016
Revenues over (under) expenditures	(325,000)	(280,334)	44,666
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	325,000	-	(325,000)
Net change in fund balance	<u>\$ -</u>	<u>(280,334)</u>	<u>\$ (280,334)</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		(44,666)	
Current year loan funds issued		325,000	
Total		<u>280,334</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, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
E-911	\$ 383,811	\$ 278,457	\$ (105,354)
<b>Expenditures:</b>			
Implemental functions	42,536	42,536	-
Telephone & furniture	150,368	133,112	17,256
Software and software maintenance	50,682	50,682	-
Hardware and hardware maintenance	134,607	134,607	-
Training	5,618	5,618	-
Total expenditures	<u>383,811</u>	<u>366,555</u>	<u>17,256</u>
Net change in fund balance	<u>\$ -</u>	<u>(88,098)</u>	<u>\$ (88,098)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>160,397</u>	
End of year - June 30		<u>\$ 72,299</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, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Federal asset forfeiture funds - justice	\$ 15,000	\$ 5,426	\$ (9,574)
Federal asset forfeiture treasury funds	10,000	61,033	51,033
State asset forfeiture funds	<u>10,000</u>	<u>39,521</u>	<u>29,521</u>
Total revenues	<u>35,000</u>	<u>105,980</u>	<u>70,980</u>
<b>Expenditures:</b>			
Operating expenditures:			
Federal asset forfeiture funds - justice	15,000	12,918	2,082
Federal asset forfeiture treasury funds	10,000	2,723	7,277
State asset forfeiture funds	<u>30,000</u>	<u>30,320</u>	<u>(320)</u>
Total expenditures	<u>55,000</u>	<u>45,961</u>	<u>9,039</u>
Revenues over (under) expenditures	(20,000)	60,019	80,019
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>20,000</u>	-	<u>(20,000)</u>
Net change in fund balance	<u>\$ -</u>	60,019	<u>\$ 60,019</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>49,490</u>	
End of year - June 30		<u>\$ 109,509</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, 2020

	<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, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,896,095	\$ 2,728,909	\$ (167,186)
<b>Expenditures:</b>			
<b>Public Safety:</b>			
<b>Fire Districts:</b>			
North Raeford Fire Department	237,645	212,994	24,651
Antioch Fire Department	165,150	137,220	27,930
North Scotland Fire Department	15,350	8,908	6,442
Puppy Creek Fire Department	970,000	957,448	12,552
Rockfish Fire Department	474,877	440,795	34,082
Hillcrest Fire Department	495,288	488,773	6,515
West Hoke Fire Department	165,516	151,318	14,198
Pine Hill Fire Department	143,347	136,313	7,034
Stonewall Fire Department	179,770	154,178	25,592
Crestline Fire Department	49,152	40,962	8,190
Total expenditures	<u>2,896,095</u>	<u>2,728,909</u>	<u>167,186</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>532</u>	
End of year - June 30		<u>\$ 532</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, 2020**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Budget Variance</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
<b>Restricted Intergovernmental Revenues:</b>					
Urgent Home Repair Grant 2018	\$ 100,000	\$ 50,000	\$ 50,000	\$ 100,000	\$ -
Urgent Home Repair Grant 2019	100,000	-	68,564	68,564	(31,436)
Emergency Management Performance Grant	227,521	293,516	11,267	304,783	77,262
Coronavirus relief funds	1,148,675	-	532,330	532,330	(616,345)
Total revenues	<u>1,576,196</u>	<u>343,516</u>	<u>662,161</u>	<u>1,005,677</u>	<u>(570,519)</u>
<b>Expenditures:</b>					
<b>Emergency Management Performance Grant:</b>					
Operating expenses	403,410	293,516	11,267	304,783	98,627
<b>Urgent Home Repair 2018</b>	100,000	57,937	42,063	100,000	-
<b>Urgent Home Repair 2019</b>	100,000	-	68,564	68,564	31,436
<b>Coronavirus Relief Funds</b>	<u>1,148,675</u>	<u>-</u>	<u>532,330</u>	<u>532,330</u>	<u>616,345</u>
Total expenditures	<u>1,752,085</u>	<u>351,453</u>	<u>654,224</u>	<u>1,005,677</u>	<u>746,408</u>
Revenues over (under) expenditures	(175,889)	(7,937)	7,937	-	175,889
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	<u>175,889</u>	<u>42,113</u>	<u>-</u>	<u>42,113</u>	<u>(133,776)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 34,176</u>	<u>7,937</u>	<u>\$ 42,113</u>	<u>\$ 42,113</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>34,176</u>		
End of year - June 30			<u>\$ 42,113</u>		

## HOKE COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2020

	<u>Administrative Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,250,565	\$ -	\$ 2,250,565
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 169,755	\$ -	\$ 169,755
<b>Fund Balances:</b>			
Committed	<u>2,080,810</u>	<u>-</u>	<u>2,080,810</u>
Total liabilities and fund balances	<u>\$ 2,250,565</u>	<u>\$ -</u>	<u>\$ 2,250,565</u>

## HOKE COUNTY, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Administrative Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
<b>Expenditures:</b>			
Current:			
Cultural and recreational	\$ 4,844,528	\$ -	\$ 4,844,528
Revenues over (under) expenditures	<u>(4,844,528)</u>	<u>-</u>	<u>(4,844,528)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	3,451,985	-	3,451,985
Transfers out	<u>-</u>	<u>(940,154)</u>	<u>(940,154)</u>
Total other financing sources (uses)	<u>3,451,985</u>	<u>(940,154)</u>	<u>2,511,831</u>
Net change in fund balances	(1,392,543)	(940,154)	(2,332,697)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>3,473,353</u>	<u>940,154</u>	<u>4,413,507</u>
End of year - June 30	<u>\$ 2,080,810</u>	<u>\$ -</u>	<u>\$ 2,080,810</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, 2020

	Project Authorization	Actual			Budget Variance
		Prior Years	Current Year	Total to Date	
<b>Expenditures:</b>					
<b>Cultural and Recreational:</b>					
Cameron Village Community Center	\$ 149,100	\$ 138,081	\$ -	\$ 138,081	\$ 11,019
Cooperative Extension Building	5,069,741	751,578	4,409,969	5,161,547	(91,806)
401 PR Building	14,140,000	1,029,289	434,559	1,463,848	12,676,152
Total expenditures	<u>19,358,841</u>	<u>1,918,948</u>	<u>4,844,528</u>	<u>6,763,476</u>	<u>12,595,365</u>
Revenues over (under) expenditures	<u>(19,358,841)</u>	<u>(1,918,948)</u>	<u>(4,844,528)</u>	<u>(6,763,476)</u>	<u>12,595,365</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from General Fund	7,358,841	5,392,301	3,451,985	8,844,286	1,485,445
Long-term debt issued	12,000,000	-	-	-	(12,000,000)
Total other financing sources (uses)	<u>19,358,841</u>	<u>5,392,301</u>	<u>3,451,985</u>	<u>8,844,286</u>	<u>(10,514,555)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,473,353</u>	<u>(1,392,543)</u>	<u>\$ 2,080,810</u>	<u>\$ 2,080,810</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>3,473,353</u>		
End of year - June 30			<u>\$ 2,080,810</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to General Fund	\$ (940,154)	\$ (940,154)	\$ -
Appropriated fund balance	<u>940,154</u>	<u>-</u>	<u>(940,154)</u>
Net change in fund balance	<u>\$ -</u>	<u>(940,154)</u>	<u>\$ (940,154)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>940,154</u>	
End of year - June 30		<u><u>\$ -</u></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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Operating Revenues:</b>			
Water and sewer charges	\$ 7,096,222	\$ 6,946,573	\$ (149,649)
Tap and impact fees	715,444	1,114,583	399,139
Other operating revenues	83,809	150,752	66,943
Total revenues	<u>7,895,475</u>	<u>8,211,908</u>	<u>316,433</u>
<b>Expenditures:</b>			
<b>Operating Expenses:</b>			
<b>Water and Sewer Operations:</b>			
Salaries and benefits	1,674,649	1,666,812	7,837
Other operating expenses	4,036,216	3,055,461	980,755
Capital outlay	125,000	72,515	52,485
Charges for services	350,000	350,000	-
Total	<u>6,185,865</u>	<u>5,144,788</u>	<u>1,041,077</u>
<b>Debt Service:</b>			
Interest and fees	673,744	673,744	-
Debt principal	994,705	918,000	76,705
Total	<u>1,668,449</u>	<u>1,591,744</u>	<u>76,705</u>
Total expenditures	<u>7,854,314</u>	<u>6,736,532</u>	<u>1,117,782</u>
Revenues over (under) expenditures	41,161	1,475,376	1,434,215
<b>Other Financing Sources (Uses):</b>			
Transfer in (out):			
Intrafund transfers, net - to Waste Water Treatment Plant Fund	(647,594)	-	647,594
Appropriated fund balance	<u>606,433</u>	<u>-</u>	<u>(606,433)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,475,376</u>	<u>\$ 1,475,376</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, 2020**

	<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		\$ 1,475,376	
Reconciling items:			
Depreciation		(2,019,756)	
Debt principal		918,000	
Change in accrued interest		3,076	
Capital outlay		70,372	
Capital contributions - project		74,347	
Change in compensated absences		(1,677)	
Change in deferred outflows of resources - OPEB		12,047	
Change in OPEB liability		(43,249)	
Change in deferred inflows of resources - OPEB		10,891	
Change in deferred outflows of resources - pensions		(28,975)	
Change in net pension liability		(55,047)	
Change in deferred inflows of resources - pensions		<u>5,540</u>	
Change in net position		<u>\$ 420,945</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, 2020

	Project Authorization	Actual			Budget Variance
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
NC DOT reimbursement	\$ 56,600	\$ 61,221	\$ 74,347	\$ 135,568	\$ 78,968
Investment earnings	-	107,110	-	107,110	107,110
Total revenues	<u>56,600</u>	<u>168,331</u>	<u>74,347</u>	<u>242,678</u>	<u>186,078</u>
<b>Expenditures:</b>					
<b>NC211 / B-5127 Water Main Replacement:</b>					
Professional services	11,300	11,300	-	11,300	-
Construction cost	120,300	124,268	-	124,268	(3,968)
Total NC211 / B-5127 Water Main Replacement	<u>131,600</u>	<u>135,568</u>	<u>-</u>	<u>135,568</u>	<u>(3,968)</u>
<b>Best Rd and Trudeau Avenue Drainage Repair:</b>					
Professional services	10,000	16,958	-	16,958	(6,958)
Construction cost	1,094,542	944,110	85,000	1,029,110	65,432
Contingencies	19,000	-	3,250	3,250	15,750
Total Best Rd and Trudeau Avenue Drainage Repair	<u>1,123,542</u>	<u>961,068</u>	<u>88,250</u>	<u>1,049,318</u>	<u>74,224</u>
Total expenditures	<u>1,255,142</u>	<u>1,096,636</u>	<u>88,250</u>	<u>1,184,886</u>	<u>70,256</u>
Revenues over (under) expenditures	(1,198,542)	(928,305)	(13,903)	(942,208)	256,334
<b>Other Financing Sources (Uses):</b>					
Transfers in:					
Water and Sewer Fund	<u>1,198,542</u>	<u>1,185,414</u>	<u>-</u>	<u>1,185,414</u>	<u>(13,128)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 257,109</u>	<u>\$ (13,903)</u>	<u>\$ 243,206</u>	<u>\$ 243,206</u>

## 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, 2020**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</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	\$ 292,927
Transfers out:					
Water and sewer projects	<u>(276,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,000</u>
Total other financing sources (uses)	<u>-</u>	<u>568,927</u>	<u>-</u>	<u>568,927</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>	<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, 2020

	Project Authorization	Actual		Total to Date	Budget Variance
		Prior Years	Current Year		
<b>Revenues:</b>					
Restricted intergovernmental - VFD	\$ 150,000	\$ -	\$ -	\$ -	\$ (150,000)
Contribution - VFD	395,830	396,883	-	396,883	1,053
Restricted intergovernmental - golf course	161,625	4,790	-	4,790	(156,835)
Total revenues	<u>707,455</u>	<u>401,673</u>	<u>-</u>	<u>401,673</u>	<u>(305,782)</u>
<b>Expenditures:</b>					
<b>VFD:</b>					
Professional services	56,720	-	-	-	56,720
Construction	477,543	390,399	-	390,399	87,144
Contingencies	11,567	-	-	-	11,567
Total VFD	<u>545,830</u>	<u>390,399</u>	<u>-</u>	<u>390,399</u>	<u>155,431</u>
<b>Golf Course Road Water Main Relocation:</b>					
Construction	153,945	4,790	-	4,790	149,155
Contingency	7,680	-	-	-	7,680
Total golf course	<u>161,625</u>	<u>4,790</u>	<u>-</u>	<u>4,790</u>	<u>156,835</u>
Total expenditures	<u>707,455</u>	<u>395,189</u>	<u>-</u>	<u>395,189</u>	<u>312,266</u>
Revenues over (under) expenditures	-	6,484	-	6,484	6,484
<b>Other Financing Sources (Uses) :</b>					
Intrafund transfers, net:					
Water Sewer District Fund	-	34,072	-	34,072	34,072
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 40,556</u>	<u>\$ -</u>	<u>\$ 40,556</u>	<u>\$ 40,556</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Solid waste charges	\$ 2,786,908	\$ 3,032,802	\$ 245,894
Other	138,000	623,902	485,902
Total operating revenues	<u>2,924,908</u>	<u>3,656,704</u>	<u>731,796</u>
Non-operating revenues:			
Investment earnings	44,000	42,814	(1,186)
Total revenues	<u>2,968,908</u>	<u>3,699,518</u>	<u>730,610</u>
<b>Expenditures:</b>			
Landfill operations:			
Salaries and benefits	834,993	774,644	60,349
Other operating expenses	1,569,815	1,510,711	59,104
Capital outlay	299,100	394,540	(95,440)
Charges for services	350,000	350,000	-
Total expenditures	<u>3,053,908</u>	<u>3,029,895</u>	<u>24,013</u>
Revenues over (under) expenditures	(85,000)	669,623	754,623
Appropriated fund balance	<u>85,000</u>	<u>-</u>	<u>(85,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 669,623</u>	<u>\$ 669,623</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		\$ 669,623	
Reconciling items:			
Capital outlay		312,933	
Depreciation		(157,401)	
Change in compensated absences		(4,552)	
Change in deferred outflows of resources - OPEB		5,668	
Change in OPEB liability		(20,352)	
Change in deferred inflows of resources - OPEB		5,125	
Change in deferred outflows of resources - pensions		(14,489)	
Change in net pension liability		(27,524)	
Change in deferred inflows of resources - pensions		<u>2,769</u>	
Change in net position		<u>\$ 771,800</u>	

## HOKE COUNTY, NORTH CAROLINA

AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
<b>Social Services Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 23,533	\$ 202,878	\$ 195,029	\$ 31,382
<b>Liabilities:</b>				
Accounts payable	\$ 23,533	\$ 408,308	\$ 400,459	\$ 31,382
<b>Sheriff Execution Fund</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 13	\$ 15,466	\$ 13,821	\$ 1,658
<b>Liabilities:</b>				
Accounts payable	\$ 13	\$ 29,287	\$ 27,642	\$ 1,658
<b>Jail Inmate Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 11,428	\$ 35,783	\$ 35,018	\$ 12,193
<b>Liabilities:</b>				
Accounts payable	\$ 11,428	\$ 214,710	\$ 213,945	\$ 12,193
<b>Municipal Tax Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 32,938	\$ 203,597	\$ 220,013	\$ 16,522
Accounts receivable	37,534	31	1,272	36,293
Total assets	\$ 70,472	\$ 203,628	\$ 221,285	\$ 52,815
<b>Liabilities:</b>				
Accounts payable	\$ 45,794	\$ 186,749	\$ 199,567	\$ 32,976
Other liabilities	24,678	63	4,902	19,839
Total liabilities	\$ 70,472	\$ 186,812	\$ 204,469	\$ 52,815
<b>Total - All Agency Funds:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 67,912	\$ 457,724	\$ 463,881	\$ 61,755
Accounts receivable	37,534	31	1,272	36,293
Total assets	\$ 105,446	\$ 457,755	\$ 465,153	\$ 98,048
<b>Liabilities:</b>				
Accounts payable	\$ 80,768	\$ 839,054	\$ 841,613	\$ 78,209
Other liabilities	24,678	63	4,902	19,839
Total liabilities	\$ 105,446	\$ 839,117	\$ 846,515	\$ 98,048

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2020

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2020	\$ -	\$ 28,530,866	\$ 27,565,313	\$ 965,553
2019	947,805		602,230	345,575
2018	373,044	-	194,986	178,058
2017	186,712	-	89,110	97,602
2016	94,922	-	39,894	55,028
2015	53,665	-	17,078	36,587
2014	154,297	-	13,969	140,328
2013	203,440	-	11,947	191,493
2012	165,481	-	9,682	155,799
2011	131,070	-	7,458	123,612
2010	115,454	-	115,454	-
Total	<u>\$ 2,425,890</u>	<u>\$ 28,530,866</u>	<u>\$ 28,667,121</u>	2,289,635
Less: allowance for uncollectible accounts				<u>(574,694)</u>
Ad valorem taxes receivable, net				<u>\$ 1,714,941</u>
<b>Reconciliation with Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
General Fund				<u>\$ 27,982,966</u>
Reconciling items:				
Interest collected				(227,263)
Discounts allowed				345,741
Taxes written off				115,454
Miscellaneous				424,274
Releases				25,949
Total reconciling items				<u>684,155</u>
Total collections and credits				<u>\$ 28,667,121</u>

## HOKE COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2020

	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	\$ 3,745,542,533	\$ 0.75	\$ 28,091,569	\$ 24,865,000	\$ 3,226,569
Interest and penalties	11,967,867	0.75	89,759	61,868	27,891
Total	<u>3,757,510,400</u>		<u>28,181,328</u>	<u>24,926,868</u>	<u>3,254,460</u>
<b>Discoveries:</b>					
Current year's taxes	13,710,933		102,832	102,832	-
Prior year's taxes and rollbacks	35,204,533		264,034	264,034	-
Total	<u>48,915,467</u>		<u>366,866</u>	<u>366,866</u>	<u>-</u>
<b>Abatements</b>			<u>(17,328)</u>	<u>(17,328)</u>	<u>-</u>
Total property valuation	<u>\$ 3,806,425,867</u>				
<b>Net Levy</b>			28,530,866	25,276,406	3,254,460
Uncollected taxes at June 30, 2020			<u>965,553</u>	<u>795,000</u>	<u>170,553</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 27,565,313</u>	<u>\$ 24,481,406</u>	<u>\$ 3,083,907</u>
<b>Current Levy Collection Percentage</b>			<u>96.62%</u>	<u>96.85%</u>	<u>94.76%</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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 7, 2020. Our report includes a reference to other auditors who audited the financial statements of 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*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Hoke County ABC Board.

### **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) as a basis for designing 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 a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2020-001 that we consider to be a material weakness.

### **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 financial statements. 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*.

### **Hoke County's Response to Finding**

Hoke County's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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  
December 7, 2020

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

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

## **Report on Compliance for Each Major Federal Program; 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, 2020. 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, 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 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hoke County's compliance.

## Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2020.

## 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 each 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
December 7, 2020

# 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, 2020. 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; 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 opinion on compliance for each major state program. However, our audit does not provide a legal determination of Hoke County's compliance.

## Opinion on Each Major State Program

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 major state programs for the year ended June 30, 2020.

## 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 each 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
December 7, 2020

**HOKE COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**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? No
- Significant deficiency (s) identified? None reported

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

Unmodified

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

No

Identification of major federal programs:

<b><u>Program Name</u></b>	<b><u>CFDA #</u></b>
Medicaid Cluster	93.778
COVID-19 Coronavirus Relief Fund	21.019

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, 2020**

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

**State Awards**

Internal control over major state programs:

- Material weakness (es) identified? No
- Significant deficiency (s) identified? None reported

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

Unmodified

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

No

Identification of major state programs:

**Program Name**

Medicaid Cluster

Public School Building Capital Fund - Lottery Proceeds

# HOKE COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

### Section II – Financial Statement Findings

#### Material Weakness

##### Finding 2020-001

**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.

**Cause:** The general ledger was not reconciled to subsidiary ledgers on a regular basis and year-end journal entries were not booked.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2019-002, modified.

**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:** Please refer to the Corrective Action Plan.

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

None.

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

None.

**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, 2020**

**Section II – Financial Statements Findings**

**Finding: 2020-001**

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

**Corrective Action/Management’s Response:** Management agrees with the audit finding. The County Manager and Finance Director will review the processes within the finance department to determine what opportunities exist to improve upon internal control. Finance Specialist and Assistant Finance Director will reconcile all subsidiary ledgers on a monthly basis. Assistant Finance Director will reconcile year end balances to subsidiary ledgers and post-closing entries. Finance Specialist will reconcile grant revenue and expenditures to confirmations provided by grantors and or reports submitted for reimbursement and make year end entries needed for unspent grant funds. Finance personnel will continue to take advantage of opportunities for additional training to improve upon current processes and procedures.

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

**HOKE COUNTY, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Finding: 2019-001**

Status: Corrected.

**Finding: 2019-002**

Status: Modified and repeated as 2020-001.

**Finding: 2019-003**

Status: Corrected.

**Finding: 2019-004**

Status: Corrected.

**Finding: 2019-005**

Status: Corrected.

**Finding: 2019-006**

Status: Corrected.

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

	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> <u>Food and Nutrition Services Cluster (Note 3):</u> Administration: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Administration					
	10.561	195NC406S2514	\$ 458,294	\$ -	\$ -
Total SNAP / Food and Nutrition Services Cluster (Note 3)			458,294	-	-
Division of Public Health: Administration: WIC Special Supplemental Nutrition Program for Women, Infants, & Children					
	10.557	13A25403GA	365,537	-	-
<b>Total U.S. Department of Agriculture</b>			<b>823,831</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 and Tribal Transit Program: WBS - Admin 36233.51.20.1					
	20.509	WBS36233.51.20.1	93,900	5,954	-
WBS - Capital 36233.51.20.3	20.509	WBS36233.51.20.3	-	214,322	-
WBS - Capital 36233.51.20.5	20.509	WBS36233.51.20.5	-	8,503	-
WBS - Capital 36233.51.20.4	20.509	WBS36233.51.20.4	-	7,443	-
COVID-19 - Formula Grants for Rural Areas - Section 5311 CARES ACT Grant	20.509	WBS49233.31.1.2	129,863	-	-
<u>Highway Planning and Construction Cluster</u> Safe Routes to School Program					
	20.205-7	48778.4.9	39,543	-	-
Total Highway Planning and Construction Cluster			39,543	-	-
Total N.C. Department of Transportation			263,306	236,222	-
Passed-through Federal Transit Administration: <u>Federal Transit Cluster:</u> Federal Transit Formula Grants - FY20 5307 Subs Operating					
	20.507	20-SU-078, WBS36231.37.3.2	110,674	-	-
Total Federal Transit Cluster			110,674	-	-
<b>Total U.S. Department of Transportation</b>			<b>373,980</b>	<b>236,222</b>	<b>-</b>
<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					
Division of Health Benefits: Division of Social Services <u>Medicaid Cluster:</u> Administration: Medical Assistance Program					
	93.778	XIX-MAP20	1,348,639	1,692	-
Total Medicaid Cluster			1,348,639	1,692	-
Division of Social Services Administration: Children's Health Insurance Program - NC Health Choice					
	93.767	CHIP20	42,508	670	-
Total Centers for Medicare and Medicaid Services			1,391,147	2,362	-

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<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	12642680EN	26,685	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control					
Programs	93.116	1460272ENF	50	-	-
Injury Prevention and Control Research and State and Community					
Based Programs	93.136	1175852ADH	46,238	-	-
Family Planning Services	93.217	13A1592BFP	49,324	-	-
Immunization Cooperative Agreements	93.268	1331631AEJ	14,410	-	-
Public Health Emergency Response: Cooperative Agreement for					
Emergency Response: Public Health Crisis Response	93.354	11755176AA	54,236	-	-
COVID-19 Public Health Emergency Response					
Cooperative Agreement for Emergency Response					
Public Health Crisis Response	93.354	12642680CP	75,326	-	-
Preventative Health and Health Services Block Grant	93.991	1261550300	30,921	-	-
Cancer Prevention and Control Programs for State, Territorial					
and Tribal Organizations	93.898	1320310CD7	4,550	-	-
<u>HIV Cluster (Note 3):</u>					
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	1311462ANB	100	-	-
Total HIV Cluster (Note 3)			100	-	-
Total Centers for Disease Control and Prevention					
			301,840	-	-
<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	12715318AR	35,728	8,578	-
<b>Administration for Children and Families</b>					
Passed through NC Dept. of Health and Human Services					
Division of Child Development and Early Education:					
<u>Subsidized Child Care Cluster (Note 3)</u>					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services					
Administration:					
Division of Child Development:					
Child Care Mandatory and Matching Funds of the Child Care and					
Development Fund	93.596	G2001NCCCDF	98,787	-	-
Total Subsidized Child Care Cluster (Note 3) / Child Care Development					
Fund Cluster			98,787	-	-
Division of Social Services					
<u>Foster Care and Adoption Cluster (Note 3):</u>					
Administration:					
Foster Care - Title IV-E	93.658	2001NCFOST	324,374	45,931	-
COVID-19 - Foster Care - Title IV-E	93.658	2001NCFOST	2,812	179	-
Adoption Assistance	93.659	2001NCADPT	30,066	-	-
Direct Benefit Payments:					
Foster Care Title IV-E	93.658	2001NCFOST	188,116	47,355	-
COVID-19 - Foster Care Title IV-E - Supplemental Payments	93.658	2001NCFOST	10,600	700	-
Total Foster Care and Adoption Cluster (Note 3)			555,968	94,165	-
Division of Public Health					
Administration:					
Temporary Assistance for Needy Families - State Programs	93.558	13A15151T2	8,986	-	-
Division of Social Services					
Administration:					
Temporary Assistance for Needy Families - State Programs	93.558	2001NCTANF	56,392	-	-

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<u>Special Children Adoption Fund Cluster (Note 3)</u>					
MaryLee Allen Promoting Safe and Stable Families Program	93.556	G2001NCFPSS	6,309	-	-
Total Special Children Adoption Fund Cluster (Note 3)			6,309	-	-
Division of Social Services					
Administration:					
Social Services Block Grant	93.667	G2001NCSOSR	249,852	-	-
Low-Income Home Energy Assistance	93.568	G20B1NCLIEA	547,244	-	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G2001NCCWSS	13,536	-	-
Child Support Enforcement	93.563	G2004NC4005	507,975	-	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2001NCC1LP	9,676	2,419	-
Direct Benefit Payments:					
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2001NCC1LP	4,738	-	-
Total Administration for Children and Families			2,059,463	96,584	-
<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	ZGA380-A	42,886	2,523	-
Home-Delivered Nutrition Services	93.045	ZGA380-A	65,544	3,856	-
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers:					
In-Home Services	93.044	ZGA380-A	6,016	354	-
Access Services	93.044	ZGA380-A	47,259	2,780	-
Nutrition Services Incentive Program	93.053	ZGA380-A	29,780	-	-
State appropriations:					
90% State Funds - In-Home Services		ZGA380-A	-	15,204	-
90% State Funds - Home Delivered Meals		ZGA380-A	-	12,326	-
90% State Funds - Access		ZGA380-A	-	18,231	-
Total Aging Cluster			191,485	55,274	-
Social Services Block Grant	93.667	ZGA380-A	4,139	118	-
Total Division of Aging and Adult Services			195,624	55,392	-
Passed through N.C. Dept of Insurance SHIIP Division					
Medicare Enrollment Assistance Program	93.071	1801NCMISH-01	1,499	-	-
Total Administration for Community Living			197,123	55,392	-
<b>Total U.S. Department of Health and Human Services</b>			<b>3,985,301</b>	<b>162,916</b>	<b>-</b>
<b>U.S. Department of Homeland Security</b>					
Passed through the N.C. Department of Public Safety					
Federal Emergency Management Agency					
Disaster Grants-Public Assistance (Presidentially Declared Disaster)	97.036	FEMA-4465-DR-NC	10,333	3,445	-
Disaster Grants-Public Assistance (Presidentially Declared Disaster)	97.036	FEMA-4393-DR-NC	151,806	50,602	-
Emergency Management Performance Grants	97.042	EMA-2019-EP-00002-19046	11,267	-	-
<b>Total U.S. Department of Homeland Security</b>			<b>173,406</b>	<b>54,047</b>	<b>-</b>
<b>U.S. Department of Justice</b>					
Criminal Division					
Direct Program:					
Equitable Sharing Program	16.922	NC0470000	12,917	-	-
<b>U.S. Department of Treasury</b>					
Passed-through the Office of State Budget and Management:					
NC Pandemic Recovery Office					
COVID-19 - Coronavirus Relief Fund (Note 5)	21.019	02-46	1,897,321	-	387,330
<b>TOTAL FEDERAL AWARDS</b>			<b>7,266,756</b>	<b>453,185</b>	<b>387,330</b>

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<b>STATE AWARDS:</b>					
<b>N.C. Dept of Health and Human Services</b>					
Division of Social Services:					
Administration:					
DCD Smart Start			-	15,000	-
ST Child Welfare/CPS/CS LD			-	35,475	-
Energy Assistance Private Grants			-	3,722	-
AFDC Incentive/Program Integrity			-	226	-
Direct benefits:					
F/C at Risk Maximization			-	1,619	-
Foster Care At Risk			-	319	-
SFHF Maximization			-	355	-
State Foster Home			-	5,181	-
Total Division of Social Services			-	61,897	-
Passed through the Lumber River Council of Governments					
Division of Aging and Adult Services:					
Division of Social Services:					
Senior Services of Hoke County			-	3,524	-
Total Division of Aging and Adult Services			-	3,524	-
Division of Public Health:					
Other Receipts / State Supported Expenditures					
Food and Lodging Fees		11534752SZ	-	5,158	-
General Communicable Disease Control		1175451000	-	3,652	-
Breast and Cervical Cancer Control		1320335504; 1320559900	-	9,625	-
Health Community Activities		1261550300	-	3,785	-
Aid-to-Counties		1161411000	-	99,374	-
CLAS Standards Advancing Health Equity		1262418100	-	14,448	-
Child Health		1271574500	-	14,231	-
Family Planning - State		13A1573500	-	3,116	-
Maternal Health		13A1574000	-	47,274	-
HIV/STD State		13114536BN; 13114536RR	-	500	-
Gonorrhea Partner Services		13114601BN	-	495	-
STD Drugs		13114601PR	-	2,477	-
Women Health Service Fund		13A16020FR	-	8,107	-
TB Control		1460455100; 1460455400	-	13,282	-
School Nursing Funding Initiative		1332535800	-	150,000	150,000
Total Division of Public Health			-	375,524	150,000
<b>Total N.C. Dept of Health and Human Services</b>			-	440,945	150,000
<b>N.C. Dept of Transportation</b>					
Rural Operating Assistance Program (ROAP) Cluster					
ROAP Elderly and Disabled Transportation Assistance Program	DOT-16CL	36220.10.9.1	-	70,576	-
ROAP Rural General Public Program	DOT-16CL	36228.22.9.1	-	65,468	-
ROAP Employment	DOT-16CL	36236.11.8.1	-	15,348	-
Total ROAP Cluster			-	151,392	-
<b>N.C. Dept of Public Safety</b>					
NC Tier II Grant					
		T2-2019	-	10,000	-
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs			-	155,563	-
<b>Total N.C. Dept of Public Safety</b>			-	165,563	-
<b>N.C. Dept of Insurance</b>					
SHIIP Grant					
			-	4,410	-
<b>N.C. Dept of Environmental Quality</b>					
Division of Waste Management					
Scrap Tire Program			-	76,821	-

## HOKE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Federal CFDA #	State/ Pass-through Grantor's Number	Expenditures		Passed- through to Subrecipients
			Federal	State	
<b>N.C. Dept of Public Instruction</b>					
Public School Building Capital Fund - Lottery Proceeds			-	1,000,000	-
<b>N.C. Housing Finance Agency</b>					
NC Housing Trust Fund/Urgent Repair Program					
Urgent Home Repair 2018		URP-18	-	42,063	-
Urgent Home Repair 2019		URP-19	-	68,564	-
<b>Total N.C. Housing Finance Agency</b>			-	110,627	-
<b>TOTAL STATE ASSISTANCE</b>			-	1,949,758	150,000
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>			\$ 7,266,756	\$ 2,402,943	\$ 537,330

**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, 2020. 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 the 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: Food and Nutrition Services, Subsidized Child Care, Foster Care and Adoption, Special Children Adoption Fund, 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.

**Note 5: Coronavirus Relief Funds**

Hoke County received \$1,148,675 of funding from the Coronavirus Relief Fund (21.019) in accordance with HB 1043 and is scheduled to receive \$1,071,979 appropriated from HB 1023. At least twenty-five percent (25%) of the funds are mandated to go to municipalities within Hoke County, at the discretion of the County. Municipalities are to have a plan to spend these funds by September 1, 2020, or any funds received are to be returned to the County. Counties and municipalities are liable to the State for funds not spent in accordance with US Dept. of Treasury, the granting agency, guidelines. According to the Office of State Budget and Management, the state's pass-through agency, municipalities are considered subrecipients of the Counties; however, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.