

**HERTFORD COUNTY
WINTON, NORTH CAROLINA**

FINANCIAL STATEMENTS

JUNE 30, 2011



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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of County Commissioners
Hertford County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise Hertford County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hertford County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Hertford County Public Health Authority, the Hertford County ABC Board or the Hertford County Economic Development Commission. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hertford County Public Health Authority, Hertford County ABC Board, and the Hertford County Economic Development Commission is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Hertford County ABC Board and the Hertford County Economic Development Commission were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County as of June 30, 2011, 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 conformity with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2011, on our consideration of Hertford County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Other Postemployment Benefits' Schedule of Funding Progress and Schedules of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Hertford County, North Carolina. The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit report and the report of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
December 12, 2011

Management's Discussion and Analysis

As management of the County, we offer readers of Hertford County's financial statements this narrative overview and analysis of the financial activities of Hertford County for the fiscal year ended June 30, 2011. 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

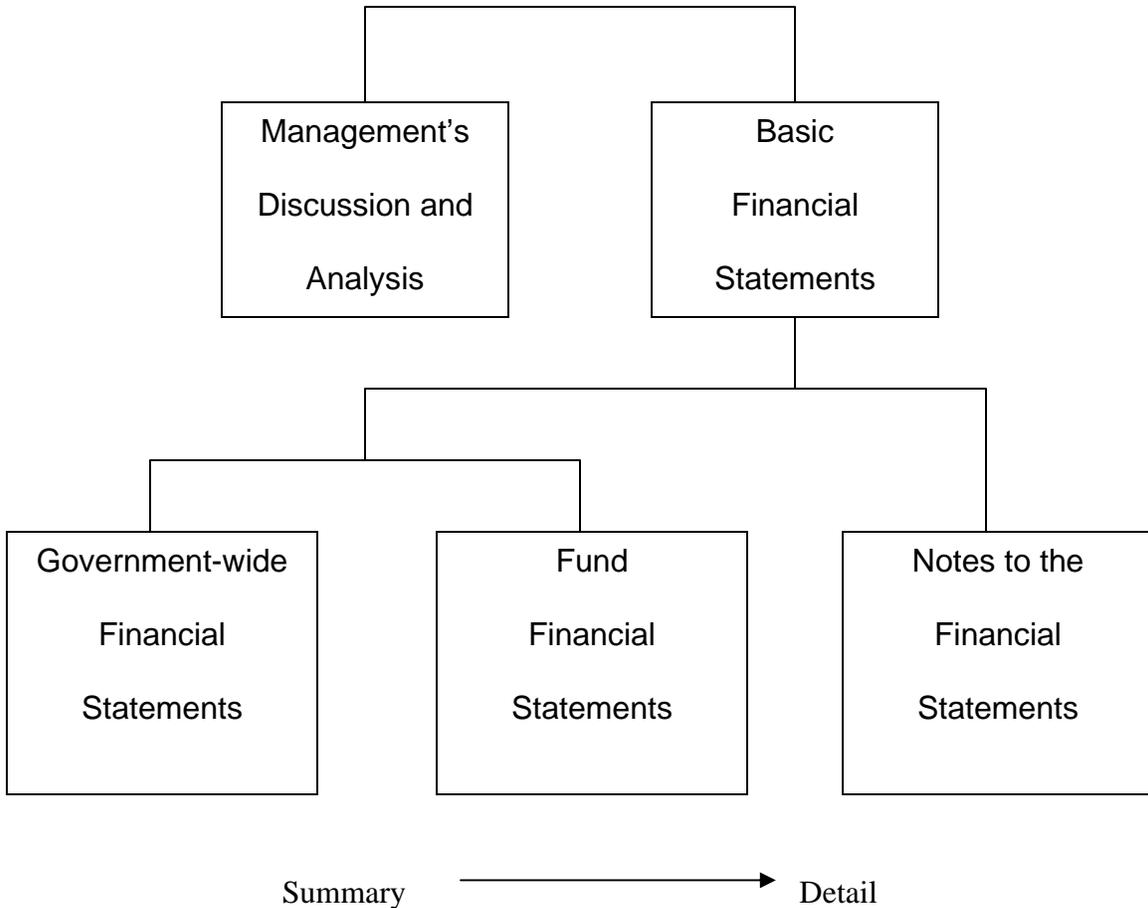
- The assets of Hertford County exceeded its liabilities at the close of the fiscal year by \$15,379,551 (*net assets*).
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$8,343,337, a decrease of \$1,012,350, in comparison with the prior year. Approximately 48.04 percent of this total amount or \$4,008,414 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,320,658, or 19.66% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds, 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.

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 assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hertford County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Hertford County can be divided into three categories: governmental fund, proprietary funds, and fiduciary funds.

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

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Hertford County has four fiduciary funds: the Social Services Fund for benefit of certain individuals; the Inmates Money Fund for funds of inmates held by the County for their personal expenses; the Fines and Forfeitures Fund for funds collected by the County and remitted to the Hertford County Board of Education; and the Tax Fund which accounts for taxes and fees collected by the County for the municipalities and special districts located within the county.

Notes to the 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 30 of this report.

Hertford County’s Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 10,784,508	\$ 11,792,227	\$ 1,767,064	\$ 1,378,031	\$ 12,551,572	\$ 13,170,258
Capital assets	4,364,803	3,749,447	11,686,551	11,987,453	16,051,354	15,736,900
Total assets	<u>\$ 15,149,311</u>	<u>\$ 15,541,674</u>	<u>\$ 13,453,615</u>	<u>\$ 13,365,484</u>	<u>\$ 28,602,926</u>	<u>\$ 28,907,158</u>
Long-term liabilities outstanding	\$ 4,639,302	\$ 4,170,568	\$ 7,816,301	\$ 7,984,631	\$ 12,455,603	\$ 12,155,199
Other liabilities	611,739	703,873	156,033	203,665	767,772	907,538
Total liabilities	<u>\$ 5,251,041</u>	<u>\$ 4,874,441</u>	<u>\$ 7,972,334</u>	<u>\$ 8,188,296</u>	<u>\$ 13,223,375</u>	<u>\$ 13,062,737</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 3,345,558	\$ 2,528,891	\$ 4,105,051	\$ 4,166,953	\$ 7,450,609	\$ 6,695,844
Restricted	2,319,068	580	-	-	2,319,068	580
Unrestricted	4,233,644	8,137,762	1,376,230	1,010,235	5,609,874	9,147,997
Total net assets	<u>\$ 9,898,270</u>	<u>\$ 10,667,233</u>	<u>\$ 5,481,281</u>	<u>\$ 5,177,188</u>	<u>\$ 15,379,551</u>	<u>\$ 15,844,421</u>

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of Hertford County exceeded liabilities by \$15,379,551 as of June 30, 2011, one of the largest portions (48.44%) reflects the County’s investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Hertford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hertford County’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Of the remaining balance, \$2,319,068 has been restricted by the governing board. The balance of \$5,609,874 is unrestricted.

Several particular aspects of the County’s financial operations influenced the total unrestricted governmental net assets:

- Continued recognition of OPEB liability;
- Continued leadership of the County’s Board of Commissioners;
- Approval of the County’s proposed annual budget;
- A secure tax base;
- Interest earnings rates decreased;
- Local option sales tax revenues decreased.

Hertford County Changes in Net Assets

Figure 3

	Governmental		Business-like		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,538,265	\$ 1,611,888	\$ 2,388,229	\$ 2,191,999	\$ 3,926,494	\$ 3,803,887
Operating grants and contributions	4,593,013	4,510,827	-	-	4,593,013	4,510,827
Capital grants and contributions	52,804	1,321,158	-	-	52,804	1,321,158
General revenues:						
Property taxes	11,371,145	11,134,730	-	-	11,371,145	11,134,730
Local option sales tax	3,539,046	3,441,322	-	-	3,539,046	3,441,322
Other taxes	98,285	168,249	-	-	98,285	168,249
Unrestricted grants and contribution	115,731	-	-	-	115,731	-
Investment Earnings	20,774	23,090	957	1,268	21,731	24,358
Miscellaneous	145,810	94,688	99,477	67,255	245,287	161,943
Total Revenues	<u>21,474,873</u>	<u>22,305,952</u>	<u>2,488,663</u>	<u>2,260,522</u>	<u>23,963,536</u>	<u>24,566,474</u>
Expenses:						
General government	2,951,209	2,971,510	-	-	2,951,209	2,971,510
Public safety	5,760,738	5,728,752	-	-	5,760,738	5,728,752
Transportation	32,467	34,800	-	-	32,467	34,800
Economic and physical development	430,842	744,809	-	-	430,842	744,809
Human services	6,901,994	6,539,047	-	-	6,901,994	6,539,047
Cultural and recreation	87,872	86,030	-	-	87,872	86,030
Education	5,988,016	7,487,812	-	-	5,988,016	7,487,812
Interest on long-term debt	90,698	94,391	-	-	90,698	94,391
Sanitation	-	-	991,030	952,377	991,030	952,377
Water and sewer	-	-	1,193,540	1,219,830	1,193,540	1,219,830
Total Expenses	<u>22,243,836</u>	<u>23,687,151</u>	<u>2,184,570</u>	<u>2,172,207</u>	<u>24,428,406</u>	<u>25,859,358</u>
Increase in net assets before transfers	(768,963)	(1,381,199)	304,093	88,315	(464,870)	(1,292,884)
Transfers	-	(5,566)	-	5,566	-	-
Increase in net assets	(768,963)	(1,386,765)	304,093	93,881	(464,870)	(1,292,884)
Net assets, July 1	<u>10,667,233</u>	<u>12,053,998</u>	<u>5,177,188</u>	<u>5,083,307</u>	<u>15,844,421</u>	<u>17,137,305</u>
Net assets, June 30	<u>\$ 9,898,270</u>	<u>\$ 10,667,233</u>	<u>\$ 5,481,281</u>	<u>\$ 5,177,188</u>	<u>\$ 15,379,551</u>	<u>\$ 15,844,421</u>

Governmental activities. Governmental activities decreased the County's net assets by \$768,963, accounting for 165.41% of the total loss in the net assets of Hertford County. Key elements of this decrease are as follows:

- Sales tax revenue increased by \$97,724, representing a 2.84% increase over the prior year.
- Grant and other contribution revenue decreased \$1,070,437 or 18.35% compared to the prior year.
- Other postemployment benefits increased in the amount of \$786,706.

Business-type activities. Business-type activities increased Hertford County's net assets by 65.41% or \$304,093 over the prior year. The change in net assets for business-type activities increased from the prior year by \$215,778. The key elements of this increase are as follows:

- Operating revenues increased \$196,230 from the prior year.
- Operating expenses increased by \$12,363.

Financial Analysis of the County's Funds

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

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

The general fund is the chief operating fund of Hertford County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,320,658, while total fund balance reached \$8,146,614. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.66 percent of total General Fund expenditures, while total fund balance represents 37.08 percent of that same amount.

At June 30, 2011, the governmental funds of Hertford County reported a combined fund balance of \$8,343,337, a 10.82 percent decrease over last year.

There were variances reflected in the governmental fund financial statements for 2011.

- Our 2011 overall collection rate is 94.90%, a little lower than the state, but higher than the prior year rate of 94.75%.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased the budget by \$1,574,888 or 7.20 percent.

Proprietary Funds. Hertford County’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Sanitation Fund at the end of the fiscal year amounted to \$663,219 and those for the Water and Sewer Districts equaled \$713,011. Factors concerning the finances of these two funds have already been addressed in the discussion of Hertford County’s business-type activities.

Capital Asset and Debt Administration

Capital assets. Hertford County’s capital assets for its governmental and business –type activities as of June 30, 2011 totals \$16,051,354 (net of accumulated depreciation). These assets include buildings, water lines, land, machinery and equipment, facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of an additional Public Safety vehicle
- Roof Replacement
- Various purchases of additional equipment

Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land and Improvements	\$ 392,031	\$ 392,031	\$ 33,046	\$ 33,046	\$ 425,077	\$ 425,077
Construction in Progress	377,420	66,050	-	-	377,420	66,050
Buildings and Improvements	2,750,221	2,559,238	-	-	2,750,221	2,559,238
Plant and distribution systems	-	-	11,516,587	11,823,849	11,516,587	11,823,849
Equipment	461,423	342,084	82,922	61,706	544,345	403,790
Vehicle and Motor Equipment	<u>383,708</u>	<u>390,044</u>	<u>53,996</u>	<u>68,852</u>	<u>437,704</u>	<u>458,896</u>
Total	<u>\$ 4,364,803</u>	<u>\$ 3,749,447</u>	<u>\$ 11,686,551</u>	<u>\$ 11,987,453</u>	<u>\$ 16,051,354</u>	<u>\$ 15,736,900</u>

Additional information on capital assets can be found in Note 3(a)(5) on pages 42-44.

Long-term Debt. As of June 30, 2011, Hertford County had total debt outstanding of \$12,455,603 of which \$8,431,500 is bonded debt backed by the full faith and credit of the County.

Hertford County's Outstanding Debt
Figure 5

	Governmental Activities		Business-like Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 850,000	\$ 950,000	\$ 7,581,500	\$ 7,820,500	\$ 8,431,500	\$ 8,770,500
Installment Purchases	1,019,245	1,220,556	-	-	1,019,245	1,220,556
Compensated Absences	432,895	449,555	33,248	34,198	466,143	483,753
Other Postemployment Benefits	2,337,162	1,550,457	201,553	129,933	2,538,715	1,680,390
Total Long-Term Debt	\$ 4,639,302	\$ 4,170,568	\$ 7,816,301	\$ 7,984,631	\$ 12,455,603	\$ 12,155,199

During the past fiscal year, Hertford County's total debt increased by \$300,403 or 2.47 percent. General obligation debt of \$100,000 was retired in governmental activities and \$239,000 was retired in business-type activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Hertford County is \$88,563,241.

Additional information regarding Hertford County's long-term debt can be found in Note III B-6 beginning on page 51 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

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

- The local economy remains stagnant with unemployment at 10.9% in comparison with the state average of 10.4%.

Governmental Activities: The County adopted a budget for fiscal year 2011 with a 0.94 percent decrease in General Fund expenditures. The tax rate remained the same as the prior year.

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 Finance Officer, Hertford County, P.O. Box 116, Winton, NC 27986.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total	Component Units		
				Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority
ASSETS						
Cash and cash equivalents	\$ 6,819,885	\$ 2,083,625	\$ 8,903,510	\$ 174,154	\$ 474,099	\$ 588,265
Taxes receivable	1,438,343	-	1,438,343	-	-	-
Accrued interest receivable on taxes	434,049	-	434,049	-	-	-
Accounts receivable (net)	1,305,601	382,898	1,688,499	1,402	-	67,073
Due from other governments	-	-	-	-	-	233,649
Inventories	-	-	-	-	221,857	-
Prepaid expenses	-	-	-	-	-	63,011
Internal balances	699,459	(699,459)	-	-	-	-
Restricted cash and cash equivalents	87,171	-	87,171	-	-	-
Capital assets:						
Land, improvements, and construction in progress	769,451	33,046	802,497	-	24,220	-
Other capital assets, net of depreciation	3,595,352	11,653,505	15,248,857	-	20,862	203,545
Total capital assets	4,364,803	11,686,551	16,051,354	-	45,082	203,545
Total Assets	<u>\$ 15,149,311</u>	<u>\$ 13,453,615</u>	<u>\$ 28,602,926</u>	<u>\$ 175,556</u>	<u>\$ 741,038</u>	<u>\$ 1,155,543</u>
LIABILITIES						
Accounts payable & accrued liabilities	\$ 488,754	\$ 33,233	\$ 521,987	\$ 3,195	\$ 116,311	\$ 99,963
Customer deposits	-	91,565	91,565	-	-	-
Unearned revenue	80,025	-	80,025	-	-	-
Accrued interest payable	42,960	31,235	74,195	-	-	-
Long-term liabilities						
Due within one year	412,132	255,049	667,181	-	-	-
Due in more than one year	4,227,170	7,561,252	11,788,422	-	47,995	702,255
Total liabilities	<u>5,251,041</u>	<u>7,972,334</u>	<u>13,223,375</u>	<u>3,195</u>	<u>164,306</u>	<u>802,218</u>
NET ASSETS						
Invested in capital assets, net of related debt	3,345,558	4,105,051	7,450,609	-	45,082	203,545
Restricted for:						
Stabilization by State Statute	2,317,304	-	2,317,304	-	-	-
Register of Deeds	1,764	-	1,764	-	-	-
Working capital	-	-	-	-	57,018	-
Unrestricted (deficit)	4,233,644	1,376,230	5,609,874	172,361	474,632	149,780
Total net assets	<u>\$ 9,898,270</u>	<u>\$ 5,481,281</u>	<u>\$ 15,379,551</u>	<u>\$ 172,361</u>	<u>\$ 576,732</u>	<u>\$ 353,325</u>

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-Type Activities	Total	Hertford County Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority
Primary Government:										
Governmental Activities:										
General government	\$ 2,951,209	\$ 512,359	\$ 4,505	\$ -	\$ (2,434,345)	\$ -	\$ (2,434,345)	\$ -	\$ -	\$ -
Public safety	5,760,738	1,023,931	322,352	-	(4,414,455)	-	(4,414,455)	-	-	-
Transportation	32,467	-	110,673	-	78,206	-	78,206	-	-	-
Economic and physical development	430,842	1,975	26,875	17,607	(384,385)	-	(384,385)	-	-	-
Human services	6,901,994	-	4,128,608	-	(2,773,386)	-	(2,773,386)	-	-	-
Cultural and recreation	87,872	-	-	-	(87,872)	-	(87,872)	-	-	-
Education	5,988,016	-	-	35,197	(5,952,819)	-	(5,952,819)	-	-	-
Interest on long-term debt	90,698	-	-	-	(90,698)	-	(90,698)	-	-	-
Total governmental activities	22,243,836	1,538,265	4,593,013	52,804	(16,059,754)	-	(16,059,754)	-	-	-
Business-type activities:										
Sanitation	991,030	887,792	-	-	-	(103,238)	-	-	-	-
Water and Sewer	1,193,540	1,500,437	-	-	-	306,897	-	-	-	-
Total business-type activities	2,184,570	2,388,229	-	-	-	203,659	-	-	-	-
Total primary government	\$ 24,428,406	\$ 3,926,494	\$ 4,593,013	\$ 52,804	\$ (16,059,754)	\$ 203,659	\$ (15,856,095)	\$ -	\$ -	\$ -
Component units:										
Economic Development Commission	\$ 25,261	\$ -	\$ 23,073	\$ -	-	-	-	\$ (2,188)	\$ -	\$ -
ABC Board	1,964,337	1,932,423	-	-	-	-	-	-	(31,914)	-
Public Health Authority	4,589,763	2,437,591	1,549,807	-	-	-	-	-	-	(602,365)
Total component units	\$ 6,579,361	\$ 4,370,014	\$ 1,572,880	\$ -	-	-	-	\$ (2,188)	\$ (31,914)	\$ (602,365)
General revenues:										
Taxes:										
Property taxes, levied for general purpose					\$ 11,371,145	\$ -	\$ 11,371,145	\$ -	\$ -	\$ -
Local option sales tax					3,539,046	-	3,539,046	-	-	-
Other taxes					98,285	-	98,285	-	-	-
Grants and contributions not restricted to specific programs					115,731	-	115,731	-	-	352,588
Investment earnings, unrestricted					20,774	957	21,731	724	834	609
Miscellaneous, unrestricted					145,810	99,477	245,287	-	-	36,931
Total general revenues, special items and transfers					15,290,791	100,434	15,391,225	724	834	390,128
Change in net assets					(768,963)	304,093	(464,870)	(1,464)	(31,080)	(212,237)
Net assets - beginning					10,667,233	5,177,188	15,844,421	173,825	607,812	565,562
Net assets - ending					\$ 9,898,270	\$ 5,481,281	\$ 15,379,551	\$ 172,361	\$ 576,732	\$ 353,325

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

**FUND
FINANCIAL STATEMENTS**

HERTFORD COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Major</u>	<u>Nonmajor</u>	
	General	Other Governmental	Total Governmental
	Fund	Funds	Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,325,918	\$ 493,967	\$ 6,819,885
Restricted cash	87,171	-	87,171
Taxes receivable	1,431,781	6,562	1,438,343
Accounts receivables, net	1,285,230	20,371	1,305,601
Due from other funds	1,011,703	-	1,011,703
	<u>10,141,803</u>	<u>520,900</u>	<u>10,662,703</u>
Total Assets	<u>\$ 10,141,803</u>	<u>\$ 520,900</u>	<u>\$ 10,662,703</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable & accrued liabilities	\$ 483,383	\$ 5,371	\$ 488,754
Due to other funds	-	312,244	312,244
Deferred revenue	1,431,781	6,562	1,438,343
Unearned revenue	80,025	-	80,025
	<u>1,995,189</u>	<u>324,177</u>	<u>2,319,366</u>
Total Liabilities	<u>1,995,189</u>	<u>324,177</u>	<u>2,319,366</u>
Fund balances:			
Restricted			
Stabilization by State Statute	2,296,933	20,371	2,317,304
Register of Deeds	1,764	-	1,764
Fire Protection	-	41,897	41,897
Public Safety	-	446,699	446,699
Committed:			
Revaluation	85,407	-	85,407
Assigned:			
Subsequent year's expenditures			
General Fund	1,441,852	-	1,441,852
Uassigned:			
General Fund	4,320,658	-	4,320,658
Capital projects funds	-	(312,244)	(312,244)
Total Fund Balances	<u>8,146,614</u>	<u>196,723</u>	<u>8,343,337</u>
Total Liabilities and Fund Balances	<u>\$ 10,141,803</u>	<u>\$ 520,900</u>	<u>\$ 10,662,703</u>

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

HERTFORD COUNTY, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2011

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

Total equity and other credits (Exhibit 3)	\$ 8,343,337
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,364,803
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	434,049
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	1,438,343
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the fund statements	<u>(4,682,262)</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 9,898,270</u>

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

**HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Major	Nonmajor	
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Ad valorem taxes	\$ 11,203,440	\$ 76,915	\$ 11,280,355
Local option sales taxes	3,517,160	21,886	3,539,046
Other taxes and licenses	106,624	-	106,624
Unrestricted intergovernmental	115,731	-	115,731
Restricted intergovernmental	4,753,295	219,759	4,973,054
Permits and fees	194,023	-	194,023
Sales and services	1,008,666	-	1,008,666
Investment earnings	20,459	-	20,459
Miscellaneous	145,810	-	145,810
	<u>21,065,208</u>	<u>318,560</u>	<u>21,383,768</u>
<u>EXPENDITURES</u>			
Current:			
General government	3,116,979	-	3,116,979
Public safety	5,513,482	98,498	5,611,980
Transportation	32,467	-	32,467
Economic and physical development	381,852	17,607	399,459
Human services	6,605,366	-	6,605,366
Cultural and recreational	87,872	-	87,872
Education	5,988,016	-	5,988,016
Capital outlay	-	311,520	311,520
Debt service:			
Principal	161,667	-	161,667
Interest	80,792	-	80,792
	<u>21,968,493</u>	<u>427,625</u>	<u>22,396,118</u>
Excess (deficiency) of revenues over expenditures	<u>(903,285)</u>	<u>(109,065)</u>	<u>(1,012,350)</u>

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

**HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in from other funds	2,196,945	25,000	2,221,945
Transfers out to other funds	(1,990,988)	(230,957)	(2,221,945)
Proceeds from debt	-	-	-
Total Other Financing Sources (Uses)	<u>205,957</u>	<u>(205,957)</u>	<u>-</u>
Net change in fund balance	(697,328)	(315,022)	(1,012,350)
Fund Balance - July 1	<u>8,843,942</u>	<u>511,745</u>	<u>9,355,687</u>
Fund Balance - June 30	<u>\$ 8,146,614</u>	<u>\$ 196,723</u>	<u>\$ 8,343,337</u>

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

HERTFORD COUNTY, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

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

Net change in fund balances - total governmental funds (Exhibit 4)	\$ (1,012,350)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over the life of the asset.	957,995
The allocation of the costs of assets over the life of the assets through depreciation is not a current financial use in the funds; therefore, depreciation expense is not recorded in these statements.	(342,639)
The issuance of long-term debt (e.g., bonds and installment debt) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	301,311
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(764,385)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	<u>91,105</u>
Total changes in net assets of governmental activities	<u><u>\$ (768,963)</u></u>

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<u>REVENUES</u>				
Ad valorem taxes	\$ 10,776,161	\$ 11,099,505	\$ 11,203,440	\$ 103,935
Local option sales taxes	3,535,000	3,535,000	3,517,160	(17,840)
Other taxes and licenses	74,900	74,900	106,624	31,724
Unrestricted intergovernmental	-	90,014	115,731	25,717
Restricted intergovernmental	5,098,624	4,835,499	4,753,295	(82,204)
Permits and fees	209,725	209,725	194,023	(15,702)
Sales and services	1,016,300	1,033,075	1,008,666	(24,409)
Investment earnings	17,000	17,000	20,180	3,180
Miscellaneous	20,400	118,441	145,810	27,369
Total revenues	<u>20,748,110</u>	<u>21,013,159</u>	<u>21,064,929</u>	<u>51,770</u>
<u>EXPENDITURES</u>				
Current:				
General government	2,732,858	3,071,147	2,978,759	92,388
Public safety	5,330,500	5,854,875	5,513,482	341,393
Transportation	32,467	32,467	32,467	-
Economic and physical development	447,478	466,383	381,852	84,531
Human services	7,124,277	7,168,652	6,605,366	563,286
Cultural and recreational	87,872	87,872	87,872	-
Education	5,761,036	6,216,182	5,988,016	228,166
Debt service	243,459	243,459	242,459	1,000
Capital outlay	-	-	-	-
Contingency	50,000	243,798	-	243,798
Total Expenditures	<u>21,809,947</u>	<u>23,384,835</u>	<u>21,830,273</u>	<u>1,554,562</u>
Revenues Over (Under) Expenditures	<u>(1,061,837)</u>	<u>(2,371,676)</u>	<u>(765,344)</u>	<u>1,606,332</u>

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to other funds	(860,000)	(1,180,371)	(860,000)	320,371
Transfers from other funds	490,755	1,370,946	1,361,945	(9,001)
Proceeds from debt	-	100,180	-	(100,180)
Appropriated fund balance	1,431,082	2,080,921	-	(2,080,921)
Total other financing sources (uses)	<u>1,061,837</u>	<u>2,371,676</u>	<u>501,945</u>	<u>(1,869,731)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	(263,399)	<u>\$ (263,399)</u>
Fund Balance - July 1			<u>8,324,606</u>	
Fund Balance - June 30			<u>\$ 8,061,207</u>	
A legally budgeted School Capital Reserve Fund and and Revaluation Fund were consolidated into the General fund for reporting purposes:				
Investment Earnings			279	
Transfers-to General Fund			(295,988)	
Expenditures			(138,220)	
Fund Balance, Beginning			519,336	
Fund Balance, Ending (Exhibit 4)			<u>\$ 8,146,614</u>	

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Major Funds			
	Northern Water District	Southern Water District	Sanitation Fund	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 343,296	\$ 1,170,732	569,597	\$ 2,083,625
Receivables (net)	27,081	87,183	268,634	382,898
Due from other funds	-	-	-	-
Total Current Assets	<u>370,377</u>	<u>1,257,915</u>	<u>838,231</u>	<u>2,466,523</u>
Noncurrent Assets:				
Capital assets:				
Land, improvements, and construction in progress	-	10,000	23,046	33,046
Other capital assets, net of depreciation	3,500,924	7,957,159	195,422	11,653,505
Total Capital Assets	<u>3,500,924</u>	<u>7,967,159</u>	<u>218,468</u>	<u>11,686,551</u>
Total non-current assets	<u>3,500,924</u>	<u>7,967,159</u>	<u>218,468</u>	<u>11,686,551</u>
Total Assets	<u>\$ 3,871,301</u>	<u>\$ 9,225,074</u>	<u>\$ 1,056,699</u>	<u>\$ 14,153,074</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 3,595	\$ 1,536	\$ 28,102	\$ 33,233
Customer deposits	28,650	62,915	-	91,565
Accrued interest payable	9,370	21,865	-	31,235
Due to other funds	172,151	527,308	-	699,459
Compensated absences	1,247	1,768	5,534	8,549
General obligation bonds payable	49,500	197,000	-	246,500
Total Current Liabilities	<u>264,513</u>	<u>812,392</u>	<u>33,636</u>	<u>1,110,541</u>
Noncurrent Liabilities:				
Compensated absences	4,069	5,339	15,291	24,699
General obligation bonds payable	2,257,000	5,078,000	-	7,335,000
OPEB obligation	32,336	43,132	126,085	201,553
Total Noncurrent Liabilities	<u>2,293,405</u>	<u>5,126,471</u>	<u>141,376</u>	<u>7,561,252</u>
Total Liabilities	<u>2,557,918</u>	<u>5,938,863</u>	<u>175,012</u>	<u>8,671,793</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,194,424	2,692,159	218,468	4,105,051
Unrestricted	118,959	594,052	663,219	1,376,230
Total Net Assets	<u>\$ 1,313,383</u>	<u>\$ 3,286,211</u>	<u>\$ 881,687</u>	<u>\$ 5,481,281</u>

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Major			Total
	Northern Water District	Southern Water District	Sanitation Fund	
OPERATING REVENUES				
Charges for services	\$ 404,779	\$ 1,012,831	\$ 887,792	\$ 2,305,402
Water taps	28,146	54,681	-	82,827
Miscellaneous	6,885	16,454	76,138	99,477
Total operating revenues	<u>439,810</u>	<u>1,083,966</u>	<u>963,930</u>	<u>2,487,706</u>
OPERATING EXPENSES				
Administration and Operations	206,282	293,058	967,443	1,466,783
Depreciation	94,480	213,427	23,587	331,494
Total Operating Expenses	<u>300,762</u>	<u>506,485</u>	<u>991,030</u>	<u>1,798,277</u>
OPERATING INCOME (LOSS)	<u>139,048</u>	<u>577,481</u>	<u>(27,100)</u>	<u>689,429</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and investment revenue	-	-	957	957
Interest paid	(114,542)	(271,751)	-	(386,293)
Total Nonoperating Revenues (Expenses) - Net	<u>(114,542)</u>	<u>(271,751)</u>	<u>957</u>	<u>(385,336)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>24,506</u>	<u>305,730</u>	<u>(26,143)</u>	<u>304,093</u>
Capital Contributions	-	-	-	-
Transfer to other funds	-	-	-	-
Transfer from other funds	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	24,506	305,730	(26,143)	304,093
TOTAL NET ASSETS, BEGINNING	<u>1,288,877</u>	<u>2,980,481</u>	<u>907,830</u>	<u>5,177,188</u>
TOTAL NET ASSETS-ENDING	<u>\$ 1,313,383</u>	<u>\$ 3,286,211</u>	<u>\$ 881,687</u>	<u>\$ 5,481,281</u>

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Major Funds			
	Northern Water District	Southern Water District	Sanitation Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 422,799	\$ 1,057,478	\$ 872,336	\$ 2,352,613
Cash paid for goods and services	(112,792)	(178,151)	(563,699)	(854,642)
Cash paid to employees for services	(95,205)	(118,641)	(375,257)	(589,103)
Other operating revenue	6,885	16,454	76,138	99,477
Net cash provided by (used) by operating activities	<u>221,687</u>	<u>777,140</u>	<u>9,518</u>	<u>1,008,345</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	-	(30,593)	(30,593)
Principal paid on bond maturities	(47,000)	(192,000)	-	(239,000)
Interest paid on bond maturities	(114,542)	(271,751)	-	(386,293)
Net cash provided by capital and related financing activities	<u>(161,542)</u>	<u>(463,751)</u>	<u>(30,593)</u>	<u>(655,886)</u>
Cash flows from investing activities:				
Interest on investments	-	-	957	957
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>957</u>	<u>957</u>
Net increase (decrease) in cash and cash equivalents	<u>60,145</u>	<u>313,389</u>	<u>(20,118)</u>	<u>353,416</u>
Cash and cash equivalents, July 1	<u>283,151</u>	<u>857,343</u>	<u>589,715</u>	<u>1,730,209</u>
Cash and cash equivalents, June 30	<u>\$ 343,296</u>	<u>\$ 1,170,732</u>	<u>\$ 569,597</u>	<u>\$ 2,083,625</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 139,048	\$ 577,481	\$ (27,100)	\$ 689,429
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	94,480	213,427	23,587	331,494
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(10,126)	(10,034)	(15,456)	(35,616)
Increase (decrease) in accounts payable and accrued liabilities	(14,898)	(15,703)	(15,717)	(46,318)
Increase (decrease) in customer deposits	2,575	(2,845)	-	(270)
Increase (decrease) in accrued interest payable	(191)	(853)	-	(1,044)
Increase (decrease) in compensated absences	326	35	(1,312)	(951)
Increase (decrease) in other postemployment benefits	10,473	15,632	45,516	71,621
Total adjustments	<u>82,639</u>	<u>199,659</u>	<u>36,618</u>	<u>318,916</u>
Net cash provided by operating activities	<u>\$ 221,687</u>	<u>\$ 777,140</u>	<u>\$ 9,518</u>	<u>\$ 1,008,345</u>

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

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 117,401</u>
 LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous liabilities	<u>\$ 117,401</u>

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

**NOTES TO THE BASIC FINANCIAL
STATEMENTS**

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The County reports the following major enterprise funds. These funds are used to account for water and sewer operations in the County.

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

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

The County reports the following fund type:

Agency Funds – Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains four agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures and DMV

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Interest Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Hertford County Board of Education and interest collected and three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle and other property taxes that are billed and collected by the County for various municipalities and special districts within the County; and the Inmates Money Fund, which accounts for monies of inmates that are held by the County for their personal expenses.

Nonmajor Funds – The County maintains five legally budgeted funds. The Emergency Telephone System Fund, the Fire District Fund, and the Scattered Site CDBG Fund are reported as nonmajor special revenue funds. The Parks and Recreation Project fund and the Hertford County Judicial Center Fund are reported as capital projects funds. The School Capital Reserve Fund and Revaluation Fund are consolidated in the General Fund in accordance with GASB Statement No. 54.

C. Measurement Focus and Basis of Accounting

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

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

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

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Hertford County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets 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.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgetary Data

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

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

The County, the Economic Development Commission, Authority, and the ABC Board's investments with maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended bond proceeds of the District's Serial Bonds are classified as restricted assets within the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. At June 30, 2011, there were no unexpended bond proceeds of the District's Serial Bonds. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Revaluation Fund is also classified as restricted assets because its use is restricted per North Carolina General Statute 153-A-150.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance for Doubtful Accounts

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

6. Inventory

The inventories of the ABC Board are valued at cost (first-in, first-out) or market.

The costs of any consumable materials and supplies on hand are not significant to the financial statements; therefore, the County has chosen to report these items as expenditures/expenses at the time of purchase.

7. Capital Assets

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

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

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

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

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

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

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At June 30, 2011, the Economic Development Commission has no capital assets.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

9. Compensated Absences

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

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

The Economic Development Commission had no employees.

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Restricted for Fire Protection – portion of fund balance that is restricted by revenue source for fire protection expenditures.

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

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

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

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriations; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

F. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$ 1,554,933 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 9,790,626
Less Accumulated Depreciation	<u>5,425,823</u>
Net capital assets	<u>4,364,803</u>
 Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	 434,049
 Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide statements	 1,438,343

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Bonds, leases, and installment financing	(1,869,246)
Compensated absences	(432,894)
Other postemployment benefits	(2,337,162)
Accrued interest payable	<u>(42,960)</u>
Total adjustment	<u>\$ 1,554,933</u>

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

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$ 243,387 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 957,995
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(342,639)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	301,311
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	5,660
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	16,660
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(786,705)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Increase in accrued interest receivable	315
Reversal of deferred tax revenue recorded at 7-1-10	(1,373,405)
Recording of tax receipts deferred in the fund statements as of 6-30-11	1,438,343

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Increase in accrued taxes receivable for year ended 6-30-11	25,852
Total adjustment	\$ 243,387

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Retained Earnings of Individual Funds

In Exhibit C-1, the following fund had a deficit fund balance as follows:

	<u>Amount</u>
Parks and Recreation Project Fund	\$ 724
Hertford County Judicial Center	311,520

This deficit fund balance resulted from the County's need for reimbursement for grant funds.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At June 30, 2011, the County's deposits had a carrying amount of \$3,116,848 and a bank balance of \$3,460,748. 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, 2011, Hertford County had \$1,175 cash on hand.

At June 30, 2011, the carrying amount of deposits for Hertford County ABC Board was \$474,099 and the bank balance was \$509,741. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was covered by collateral held under the pooling method.

At June 30, 2011, the carrying amount for the Economic Development Commission was \$174,154 and a bank balance of \$177,288. All of the bank balance was covered by federal depository insurance.

At June 30, 2011, the carrying amount of deposits for the Public Health Authority was \$546,860 and a bank balance of \$713,876. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$463,876 was covered by collateral held under the pooling method.

2. Investments

At June 30, 2011, the County's investments consisted of \$5,990,059 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

At June 30, 2011, the Public Health Authority invested \$41,405 with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. The Authority does not have a formal policy for managing interest rate risk or credit rate risk.

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

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

<u>Year Levied</u>	<u>Total Taxes</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 783,201	\$ 255,973	\$ 1,039,174
2009	791,015	187,220	978,235
2010	798,617	117,546	916,163
2011	805,448	-	805,448
Totals	<u>\$ 3,178,281</u>	<u>\$ 560,739</u>	<u>\$ 3,739,020</u>

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

4. Receivables

Receivables at the government-wide level at June 30, 2011, were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from other governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 641,696	\$ 1,872,392	\$ 643,534	\$ 3,157,622
Other Governmental	<u>8,518</u>	<u>-</u>	<u>11,853</u>	<u>20,371</u>
Total-governmental activities	<u>\$ 650,214</u>	<u>\$ 1,872,392</u>	<u>\$ 655,387</u>	<u>\$ 3,177,993</u>
Business-type Activities:				
Northern Water District	\$ 49,640	\$ -	\$ -	\$ 49,640
Southern Water District	139,389	-	-	139,389
Sanitation	<u>268,634</u>	<u>-</u>	<u>-</u>	<u>268,634</u>
Total	<u>457,663</u>	<u>-</u>	<u>-</u>	<u>457,663</u>
Allowance for doubtful accounts	<u>(74,795)</u>	<u>-</u>	<u>-</u>	<u>(74,795)</u>
Total-business-type activities	<u>\$ 382,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,898</u>

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

Local option sales tax	\$ 575,693
Sales tax refund	67,841
Scrap tire tax	7,226
White goods tax	1,742
Solid waste disposal tax	<u>2,885</u>
Total	<u>\$ 655,387</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 392,031	\$ -	\$ -	\$ 392,031
Construction in progress	<u>66,050</u>	<u>311,370</u>	<u>-</u>	<u>377,420</u>
Total capital assets not being Depreciated	<u>458,081</u>	<u>311,370</u>	<u>-</u>	<u>769,451</u>
Capital assets being depreciated:				
Buildings	5,280,945	294,000	-	5,574,945
Equipment	1,574,390	199,503	127,864	1,646,029
Vehicles and motor equipment	<u>1,647,079</u>	<u>153,122</u>	<u>-</u>	<u>1,800,201</u>
Total capital assets being Depreciated	<u>8,502,414</u>	<u>646,625</u>	<u>127,864</u>	<u>9,021,175</u>
Less accumulated depreciation for:				
Buildings	2,721,707	103,017	-	2,824,724
Equipment	1,232,306	80,164	127,864	1,184,606
Vehicles and motor equipment	<u>1,257,035</u>	<u>159,458</u>	<u>-</u>	<u>1,416,493</u>
Total accumulated depreciation	<u>5,211,048</u>	<u>\$ 342,639</u>	<u>\$ 127,864</u>	<u>5,425,823</u>
Total capital assets being depreciated, net	<u>3,291,366</u>			<u>3,595,352</u>
Governmental activity capital assets, net	<u>\$ 3,749,447</u>			<u>\$ 4,364,803</u>

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Northern Water District				
Capital assets being depreciated:				
Plant and distribution systems	\$ 4,579,543	\$ -	\$ -	\$ 4,579,543
Vehicles and motor equipment	<u>23,983</u>	<u>-</u>	<u>-</u>	<u>23,983</u>
Total capital assets being Depreciated	<u>4,603,526</u>	<u>-</u>	<u>-</u>	<u>4,603,526</u>
Less accumulated depreciation for:				
Plant and distribution systems	999,119	91,590	-	1,090,709
Vehicles and motor equipment	<u>9,004</u>	<u>2,889</u>	<u>-</u>	<u>11,893</u>
Total accumulated depreciation	<u>1,008,123</u>	<u>\$ 94,479</u>	<u>\$ -</u>	<u>1,102,602</u>
Total capital assets being depreciated, net	<u>3,595,403</u>			<u>3,500,924</u>
Northern Water District capital assets, net	<u>\$ 3,595,403</u>			<u>\$ 3,500,924</u>
Southern Water District				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being Depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:				
Plant and distribution systems	10,213,751	-	-	10,213,751
Machinery and equipment	46,551	-	-	46,551
Vehicles and motor equipment	<u>37,955</u>	<u>-</u>	<u>-</u>	<u>37,955</u>
Total capital assets being depreciated	<u>10,298,257</u>	<u>-</u>	<u>-</u>	<u>10,298,257</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,060,034	208,648	-	2,268,682
Machinery and equipment	34,846	434	-	35,280
Vehicles and motor equipment	<u>32,790</u>	<u>4,346</u>	<u>-</u>	<u>37,136</u>
Total accumulated depreciation	<u>2,127,670</u>	<u>\$ 213,428</u>	<u>\$ -</u>	<u>2,341,098</u>
Total capital assets being depreciated, net	<u>8,170,587</u>			<u>7,957,159</u>
Southern Water District capital assets, net	<u>\$ 8,180,587</u>			<u>\$ 7,967,159</u>
Sanitation				
Capital assets not being depreciated:				
Land	\$ 23,046	\$ -	\$ -	\$ 23,046
Total capital assets not being depreciated	<u>23,046</u>	<u>-</u>	<u>-</u>	<u>23,046</u>
Capital assets being depreciated:				
Plant and distribution systems	260,152	-	-	260,152
Machinery and equipment	158,653	30,593	-	189,246
Vehicles and motor equipment	<u>261,401</u>	<u>-</u>	<u>-</u>	<u>261,401</u>
Total capital assets being depreciated	<u>680,208</u>	<u>30,593</u>	<u>-</u>	<u>710,799</u>

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation for:				
Plant and distribution systems	170,446	7,022	-	177,468
Machinery and equipment	108,652	8,943	-	117,595
Vehicles and motor equipment	<u>212,693</u>	<u>7,621</u>	-	<u>220,314</u>
Total accumulated depreciation	<u>491,791</u>	<u>\$ 23,586</u>	<u>\$ -</u>	<u>515,377</u>
Total capital assets being depreciated, net	<u>188,417</u>			<u>195,422</u>
Other business-type capital assets, net	<u>\$ 211,463</u>			<u>\$ 218,468</u>
Business-type activities capital assets, net	<u>\$ 11,987,453</u>			<u>\$ 11,686,551</u>

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

General Government	\$ 44,897
Public Safety	271,608
Human Services	21,691
Economic and Physical Development	<u>4,443</u>
Total Depreciation Expense	<u>\$ 342,639</u>

Discretely presented component units

Capital assets at June 30, 2011 for the ABC Board were as follows:

Capital assets not being depreciated:		
Land	\$ 24,220	
Capital assets being depreciated:		
Buildings, improvements	178,235	
Furniture and equipment	108,607	
Vehicles	<u>29,801</u>	
Total capital assets being depreciated	<u>316,643</u>	
Less accumulated depreciation for:		
Buildings, improvements	169,845	
Furniture and equipment	96,135	
Vehicles	<u>29,801</u>	
Total accumulated depreciation	<u>295,781</u>	
Total capital assets being depreciated, net	<u>20,862</u>	
ABC Board capital assets, net	<u>\$ 45,082</u>	

Activity for the Public Health Authority for the year ended June 30, 2011, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Land improvements	\$ 7,500	\$ -	\$ -	\$ 7,500
Leasehold improvements	103,256	-	-	103,256
Equipment and furniture	131,139	-	-	131,139
Vehicles	<u>187,862</u>	<u>-</u>	<u>-</u>	<u>187,862</u>
Total Capital Assets being depreciated	<u>429,757</u>	<u>-</u>	<u>-</u>	<u>429,757</u>

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation				
Land improvements	4,375	1,500	-	5,875
Leasehold improvements	23,191	5,163	-	28,354
Equipment and furniture	89,158	11,555	-	100,713
Construction in Progress	<u>70,484</u>	<u>20,786</u>	-	<u>91,270</u>
Total accumulated depreciation	<u>187,208</u>	<u>\$ 39,004</u>	<u>\$ -</u>	<u>226,212</u>
Public Health Authority capital assets, net	<u>\$ 242,549</u>			<u>\$ 203,545</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2011, were as follows:

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 483,383	\$ 42,960	\$ -	\$ 526,343
Other governmental	<u>5,371</u>	-	-	<u>5,371</u>
Total-governmental activities	<u>\$ 488,754</u>	<u>\$ 42,960</u>	<u>\$ -</u>	<u>\$ 531,714</u>
Business-type Activities:				
Northern Water District	\$ 3,595	\$ 9,370	\$ -	\$ 12,965
Southern Water District	1,536	21,865	-	23,401
Sanitation	28,102	-	-	28,102
Other business-type	-	-	-	-
Total-business-type activities	<u>\$ 33,233</u>	<u>\$ 31,235</u>	<u>\$ -</u>	<u>\$ 64,468</u>

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description – Hertford County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy – Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.92% and 4.86%, respectively, of annual covered payroll. The contribution requirements of

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members and of Hertford County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2009, 2010, and 2011 were \$288,942, \$286,555, and \$383,275, respectively. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officer's Special Separation Allowance

1. Plan Description

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

All full-time County law enforcement officers are covered by the Separation Allowance. At June 30, 2011, the Separation Allowance's membership consisted of:

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

2. Summary of Significant Accounting Policies:

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

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

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by the County or employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

No actuarial study has been performed on the law enforcement officers' special separation allowance.

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c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy – Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2011 were \$74,263, which consisted of \$41,265 from the County and \$32,998 from the law enforcement officers.

d. Registers of Deeds’ Supplemental Pension Fund

Plan Description – Hertford County also contributes to the Registers of Deeds’ Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds that 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.

Funding Policy – On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund’s assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2011, the County’s required and actual contributions were \$1,005.

e. Other Postemployment Benefits

Healthcare Benefits

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

Membership of the HCB Plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

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	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees receiving benefits	18	1
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>181</u>	<u>25</u>
Total	<u>199</u>	<u>26</u>

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

The current ARC rate is 17.08% of annual covered payroll as of December 31, 2010. For the current year, the County contributed \$123,913 or 2.08% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County’s required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively. The County’s obligation to contribute to HCB Plan is established and may be amended by the County Board of Commissioners.

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

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

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

Annual required contribution	\$ 979,235
Interest on net OPEB obligation	67,216
Adjustment to annual required contribution	<u>(64,212)</u>
Annual OPEB cost (expense)	982,239
Contributions made	<u>123,913</u>
Increase (decrease) in net OPEB obligation	858,326
Net OPEB obligation, beginning of year	<u>1,680,390</u>
Net OPEB obligation, end of year	<u>\$ 2,538,716</u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

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For Year Ended <u>June 30</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2011	\$ 982,239	12.6%	\$ 2,538,716
2010	914,362	8.58%	1,680,390
2009	909,726	7.17%	844,474

Funded Status and Funding Process – As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$6,231,017. The covered payroll (annual payroll of active employees covered by the plan) was \$5,945,099, and the ratio of the UAAL to the covered payroll was 104.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding process, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase Pre-Medicare 10.50% - 5.00% Post-Medicare 8.50% - 5.00% percent annually. The investment rate included a 4.00 percent inflation assumption. The actuarial value of assets, in any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was 30 years.

f. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to

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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. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the County made contributions to the State for death benefits of \$6,783. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.12% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

g. Hertford County Public Health Authority Pension Plan

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

3. Deferred /Unearned Revenues

The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 80,025
Taxes receivable, net (General)	1,431,781	-
Taxes receivable, net (Special Revenue)	<u>6,562</u>	<u>-</u>
Total	<u>\$ 1,438,343</u>	<u>\$ 80,025</u>

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits, and health and dental insurance for County employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. For health and dental insurance, the county is reinsured through the Pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$250,000.

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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 a commercial surety bond. The Director of Finance and tax collector are each individually bonded for \$50,000 and \$25,000, respectively. The Register of Deeds and the Sheriff are each bonded for \$5,000.

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

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

5. Operating Lease Commitments

The County leases certain equipment under operating leases that expire over the next four years. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2011:

<u>For Year Ending June 30</u>	<u>Amount</u>
2012	\$ 207,957
2013	206,251
2014	<u>289,809</u>
Total minimum payments required	<u>\$ 704,017</u>

Total rent paid during the fiscal year ended June 30, 2011 was approximately \$66,690.

The Public Health Authority leases facilities with remaining commitments of two years. Total operating lease expense for these facilities during the fiscal year ended June 30, 2011 was \$46,876.

For the Authority, future minimum rental payments for these facilities as of June 30, 2011 are as follows:

<u>For Year Ending June 30</u>	<u>Amount</u>
2012	\$ 46,500
2013	<u>45,825</u>
Total	<u>\$ 92,325</u>

6. Long-Term Obligations

a. Installment Purchases

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

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In January 2010, the County entered into an installment purchase contract to purchase ten vehicles. The contract requires four annual payments of \$58,600, which includes interest at 3.11%.

In January 2011, the County entered into an installment purchase contract to purchase a security system. The contract requires four annual payments of \$53,755 plus 3.19% interest. In May 2011, the County entered into an installment purchase contract to purchase five Dodge Charger police vehicles. The contract requires three annual payments of \$35,317, which includes interest at 2.88%.

The future minimum payments of the installment purchases as of June 30, 2011, including \$184,542 of interest, are as follows:

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	203,908	38,252
2013	206,583	31,355
2014	115,421	24,359
2015	61,667	20,128
2016	61,667	17,612
2017-2021	308,333	50,320
2022	61,667	2,516
Total	<u>\$ 1,019,245</u>	<u>\$ 184,542</u>

b. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Hertford County Northern and Southern Water Districts issues general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Northern and Southern Water District Funds, are collateralized by the full faith, credit, and taxing power of the County's water and sewer operations. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable at June 30, 2011 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$1,750,000 2000 Community College Improvement Serial Bonds due in annual installments of \$100,000 beginning February 1, 2003 through February 1, 2017 with the last two installments of \$125,000 each due in 2018 and 2019; interest at 5.3%, which increases to 5.4% in 2017. \$ 850,000

Serviced by the County's Southern Water District:

\$3,474,000 1997 Water Serial Bonds due in annual installments of \$35,000 to \$140,000 through June 1, 2037; interest at 5.0 percent. \$ 2,915,500

\$1,400,000 1996 Water Serial Bonds due in annual installments of \$25,000 to \$100,000 through June 1, 2016; interest at 5.7 percent. 425,000

**HERTFORD COUNTY, NORTH CAROLINA
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\$1,740,000 2001 Water Serial Bonds due in annual installments of \$18,000 to \$72,000 through June 1, 2041; interest at 4.75 percent. 1,546,000

\$435,000 2001 Water Serial Bonds due in annual installments of \$4,500 to \$18,000 through June 1, 2041; interest at 4.875 percent. 388,500

Serviced by the County's Northern Water District:

\$2,750,000 1997 Water Serial Bonds due in annual installments of \$29,000 to \$116,000 through June 1, 2037; interest at 4.875 percent. 2,306,500

Total \$ 7,581,500

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	100,000	45,300	246,500	374,816
2013	100,000	40,000	253,500	361,929
2014	100,000	34,700	261,500	348,698
2015	100,000	29,400	269,000	335,074
2016	100,000	24,100	202,500	321,082
2017-2021	350,000	39,050	1,026,000	1,458,708
2022-2026	-	-	1,300,500	1,181,360
2027-2031	-	-	1,601,500	830,598
2032-2036	-	-	1,714,500	423,810
2037-2041	-	-	706,000	77,118
2042	-	-	-	-
Total	<u>\$ 850,000</u>	<u>\$ 212,550</u>	<u>\$ 7,581,500</u>	<u>\$ 5,713,192</u>

At June 30, 2011, Hertford County had a legal debt margin of \$86,250,328.

c. Long Term Obligation Activity

The following is a summary of changes in the County's long-term debt for the year ended June 30, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion
Governmental Activities:					
General obligation debt	\$ 950,000	\$ -	\$ 100,000	\$ 850,000	\$ 100,000
Installment purchases	1,220,556	-	201,311	1,019,245	203,908
Compensated absences	449,555	432,895	449,500	432,895	108,224
Other Postemployment Benefits	<u>1,550,457</u>	<u>786,705</u>	-	<u>2,337,162</u>	-
Total	<u>\$ 4,170,568</u>	<u>\$ 1,219,600</u>	<u>\$ 750,866</u>	<u>\$ 4,639,302</u>	<u>\$ 412,132</u>
Business-type Activities:					
General obligation debt	\$ 7,820,500	\$ -	\$ 239,000	\$ 7,581,500	\$ 246,500
Installment purchases	-	-	-	-	-
Compensated absences	34,198	33,247	34,198	33,248	8,549
Other Postemployment Benefits	<u>129,933</u>	<u>71,621</u>	-	<u>201,553</u>	-
Total	<u>\$ 7,984,631</u>	<u>\$ 104,868</u>	<u>\$ 273,198</u>	<u>\$ 7,816,301</u>	<u>\$ 255,049</u>

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

The following is a summary of changes in the Hertford County Public Health Authority's long-term obligations for the fiscal year ended June 30, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:				
Compensated absences	\$ 163,058	\$ 135,117	\$ 163,157	\$ 135,018
Other postemployment benefits	<u>296,922</u>	<u>347,317</u>	<u>77,002</u>	<u>567,237</u>
Total	<u>\$ 459,980</u>	<u>\$ 482,434</u>	<u>\$ 240,159</u>	<u>\$ 702,255</u>

d. Interfund Balances and Activity

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
<i>Transfers From/To Other Funds:</i>			
<u>Special Revenue Funds</u>			
Emergency Telephone System Fund	General Fund	\$ 230,957	To repay expenses
School Capital Reserve Fund	General Fund	<u>1,130,988</u>	To repay expenses
		<u>\$ 1,361,945</u>	
<u>General Fund</u>			
General Fund	School Capital Reserve Fund	\$ 835,000	To transfer restricted sales tax
General Fund	Emergency Telephone System Fund	<u>25,000</u>	To provide local funding
		<u>\$ 860,000</u>	
<i>Due From/To Other Funds:</i>			
<u>Capital Projects Fund</u>			
Parks and Recreation Project Fund	General Fund	\$ 724	Central depository overdraft
Hertford County Judicial Center	General Fund	<u>311,520</u>	Central depository overdraft
		<u>\$ 312,244</u>	
<u>Enterprise Fund</u>			
Northern Water District Fund	General Fund	\$ 172,151	To repay expenses
Southern Water District Fund	General Fund	<u>527,308</u>	To repay expenses
		<u>\$ 699,459</u>	

e. Fund Balance

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

Total Fund Balance – General Fund	\$8,146,614
Less :	
Stabilization by State Statute	2,296,933
Register of Deeds	1,764
Tax Revaluation	85,407
Appropriated Fund Balance in 2012 budget	1,441,852
Remaining Fund Balance	4,320,658

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

IV. Joint Ventures

The County participates in a joint venture to operate Albemarle Regional Library with four other local governments. Each Participating government appoints three board members to the twelve member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$85,444 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at Winton, NC.

The County, in conjunction with the State of North Carolina and the Hertford County Board of Education, participates in a joint venture to operate the Roanoke Chowan Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex-officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriation for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$950,000 in debt is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$778,839 to the community college for operating purposes, respectively during the fiscal year ended June 30, 2011. In addition, the County made debt service payments of \$150,600 during the fiscal year on general obligation bonds issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture ; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2011. Complete financial statements for the community college may be obtained from the community college's administrative offices.

The County also participates in a joint venture to operate Roanoke Chowan Human Services which serves a four county mental health district. Hertford County appoints seven members to the twenty-four member board of the mental health district. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$85,277 to the Center to supplement its activities. Complete financial statements for the Center can be obtained from the Center's office at Route 3, Box 22-A, Ahoskie, NC 27910.

The County also participates in a joint venture to operate Choanoke Public Transportation Authority with three other counties. The County appoints two members to the nine member board. The County has an ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$10,300 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office in Rich Square, NC.

The County also participates in a joint venture to operate Tri-County Airport Authority with two other counties. The County appoints three members to the nine member board of the Authority. The County

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

has an ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$22,167 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office at Route 1, Aulander, NC 27805.

V. Jointly Governed Organization

The County, in conjunction with five other counties and thirty-two municipalities, established the Mid East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the commission's governing board. The County paid membership fees of \$6,208 to the Commission during the fiscal year ended June 30, 2011. The County was a sub recipient of various grants and other sources totaling \$318,157 that was passed through the Commission.

VI. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 29,633,826	\$ 12,047,398
Temporary Assistance to Needy Families	236,075	-
Energy Assistance	331,948	-
CWS Adoption Subsidy	-	45,479
Adoption Assistance	71,412	15,816
State/County Special Assistance	-	420,862
F/C At Risk Maximization	-	2,591
Foster Care	29,142	5,991
SFHF Maximization	-	27
State Foster Care	-	7,334
	<hr/>	<hr/>
Totals	<u>\$ 30,302,403</u>	<u>\$ 12,545,498</u>

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

VIII. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2011 and December 12, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no events that occurred during this time that were deemed to be significant enough to be disclosed.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for Other Postemployment Benefits
- Schedule of Employer Contributions for Other Postemployment Benefits
- Notes to Required Schedules for Other Postemployment Benefits

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

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

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 982,239	12.60%	\$ 2,538,716
2010	914,362	8.58%	1,680,390
2009	\$ 909,726	7.17%	\$ 844,474

Notes to the Required Schedules:

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

Valuation date	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	10.5% - 5.00 %
Post-medicare trend rate	8.50% - 5.00%
Year of Ultimate trend rate	2018

*Includes inflation at 3.00% percent.

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

MAJOR GOVERNMENTAL FUNDS

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

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Budget	Actual	Variance Positive (Negative)	Actual
<u>REVENUES</u>				
Ad Valorem Taxes:				
Taxes		\$ 11,052,015		\$ 10,684,902
Penalties and interest		151,425		163,318
Total	\$ 11,099,505	11,203,440	\$ 103,935	10,848,220
Local Option Sales Taxes:				
Article 39 and 44		1,343,203		1,546,117
Article 40 one-half of one percent		1,013,121		1,016,057
Article 42 one-half of one percent		756,692		854,835
Medicaid hold harmless		404,144		-
Total	3,535,000	3,517,160	(17,840)	3,417,009
Other taxes and licenses:				
CATV franchise		46,285		47,573
Gas tax refund		8,339		6,431
Occupancy tax		48,436		37,329
Privilege licenses		3,564		2,988
Total	74,900	106,624	31,724	94,321
Unrestricted intergovernmental:				
ABC profit distribution		50,718		53,456
Beer and wine tax		65,013		20,869
Total	90,014	115,731	25,717	74,325
Restricted intergovernmental:				
Social service grants and fees		3,296,207		3,570,769
Federal and State grants		1,122,323		1,676,206
Court facility fees		52,221		64,048
ABC bottles taxes		7,527		7,829
Miscellaneous		275,017		200,523
Total	4,835,499	4,753,295	(82,204)	5,519,375

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Permits and fees:				
Building and inspection fees		83,189		100,608
Planning and zoning		1,975		2,222
Register of deeds		108,859		105,925
Total	209,725	194,023	(15,702)	208,755
Sales and services:				
Rents, concessions, and fees		104,380		96,000
Jail Fees		273,534		283,398
Ambulance and rescue squad fees		566,355		631,738
Vehicle tax collection fees		64,397		69,240
Total	1,033,075	1,008,666	(24,409)	1,080,376
Investment earnings	17,000	20,180	3,180	17,461
Miscellaneous Revenues				
Sale of materials		853		56,291
Other		144,957		156,743
Total	118,441	145,810	27,369	213,034
Total Revenues	21,013,159	21,064,929	51,770	21,472,876
<u>EXPENDITURES</u>				
<u>General Government</u>				
Governing Body:				
Salaries and employee benefits		66,332		65,230
Other operating expenditures		37,399		58,741
Total	107,831	103,731	4,100	123,971
Administration:				
Salaries and employee benefits		263,813		269,215
Other operating expenditures		20,347		25,559
Capital outlay		-		-
Total	288,234	284,160	4,074	294,774

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Budget	Actual	Variance Positive (Negative)	Actual
Elections:				
Salaries and employee benefits		76,005		84,261
Other operating expenditures		21,707		37,577
Capital outlay		-		-
Total	111,413	97,712	13,701	121,838
Finance:				
Salaries and employee benefits		254,140		236,033
Other operating expenditures		73,783		64,206
Capital outlay		-		-
Total	334,413	327,923	6,490	300,239
Taxes:				
Salaries and employee benefits		379,570		381,390
Other operating expenditures		116,978		109,661
Capital outlay		9,055		-
Total	526,261	505,603	20,658	491,051
Legal:				
Contracted services	58,000	55,375	2,625	57,179
Register of Deeds:				
Salaries and employee benefits		142,506		137,786
Other operating expenditures		34,484		32,528
Capital outlay		-		-
Total	183,322	176,990	6,332	170,314
Public Buildings:				
Salaries and employee benefits		160,822		167,348
Other operating expenditures		200,728		196,397
Capital outlay		294,000		14,200
Total	681,575	655,550	26,025	377,945

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Land Records:				
Salaries and employee benefits		81,599		79,686
Other operating expenditures		40,770		58,105
Total	130,582	122,369	8,213	137,791
Data Center:				
Data processing contract services		167,170		160,740
Total	167,170	167,170	-	160,740
Court Facilities:				
Operating expenditures		63,863		68,167
Total	70,878	63,863	7,015	68,167
Central Services:				
Operating expenditures		365,238		317,463
Capital outlay		53,075		46,983
Total	411,468	418,313	(6,845)	364,446
Total General Government	3,071,147	2,978,759	92,388	2,668,455
<u>Public Safety</u>				
Sheriff:				
Salaries and employee benefits		1,263,616		1,247,852
Other operating expenditures		364,095		355,292
Capital outlay		120,106		24,412
Total	1,797,964	1,747,817	50,147	1,627,556
Jail:				
Salaries and employee benefits		1,152,134		1,140,381
Other operating expenditures		576,227		538,208
Capital outlay		-		202,929
Total	1,914,879	1,728,361	186,518	1,881,518

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Emergency communications:				
Salaries and employee benefits		164,325		151,125
Other operating expenditures		27,333		49,341
Capital outlay		163,963		-
Total	382,408	355,621	26,787	200,466
Emergency management:				
Salaries and employee benefits		94,011		98,066
Other operating expenditures		39,444		51,433
Capital outlay		33,017		-
Total	165,043	166,472	(1,429)	149,499
Fire:				
Contribution to forest service		81,310		53,079
Assistance to local fire departments		243,549		243,705
Total	332,438	324,859	7,579	296,784
Inspections:				
Salaries and employee benefits		144,546		139,598
Other Operating expenditures		18,631		19,485
Capital outlay		-		-
Total	165,589	163,177	2,412	159,083
Rescue units:				
Salaries and employee benefits		748,801		714,107
Other operating expenditures		195,626		197,272
Capital outlay		-		0
Total	1,007,556	944,427	63,129	911,379
Animal Control:				
Salaries and employee benefits		48,513		42,111
Other operating expenditures		16,799		16,095
Capital outlay		-		-
Total	70,618	65,312	5,306	58,206

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Medical examiner:				
Contracted services		12,700		10,500
Total	12,000	12,700	(700)	10,500
Rural addressing				
Salaries and employee benefits		-		-
Other operating expenditures		4,736		3,804
Total	6,380	4,736	1,644	3,804
Total Public Safety	5,854,875	5,513,482	341,393	5,298,795
<u>Transportation</u>				
Contribution to transit authority		10,300		10,300
Contribution to regional airport		22,167		24,500
Total transportation	32,467	32,467	-	34,800
<u>Economic and physical development</u>				
Planning and zoning				
Other operating expenditures		7,729		3,871
Total	24,662	7,729	16,933	3,871
Economic Development:				
Salaries and employee benefits		115,280		111,502
Other operating expenditures		20,000		15,000
Total	135,358	135,280	78	126,502
Agricultural extension:				
Salaries and employee benefits		98,232		68,319
Other operating expenditures		31,711		39,728
Capital Outlay		-		-
Total	175,411	129,943	45,468	108,047

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Budget	Actual	Variance Positive (Negative)	Actual
Soil and water conservation:				
Salaries and employee benefits		99,963		97,269
Other operating expenditures		8,937		11,135
Total	130,952	108,900	22,052	108,404
Total Economic and Physical Development	466,383	381,852	84,531	346,824
<u>Human Services</u>				
Health:				
Administration:				
Contribution to health department		230,250		180,250
Other operating expenditures		27,527		26,948
Total	260,378	257,777	2,601	207,198
Aid to aging:				
Salaries and employee benefits		272,704		264,578
Other operating expenditures		50,161		59,919
Capital Outlay		-		-
Total	338,833	322,865	15,968	324,497
Respite:				
Salaries and employee benefits		-		-
Other operating expenditures		326,933		289,896
Total	342,519	326,933	15,586	289,896
Mental Health:				
Administration:				
Other operating expenditures		85,277		85,579
Total	85,403	85,277	126	85,579
Social Services:				
Administration:				
Salaries and employee benefits		2,619,640		2,528,090
Other operating expenditures		1,023,150		1,005,047
Capital outlay		-		12,393
Total	3,909,188	3,642,790	266,398	3,545,530

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Public Assistance				
Food stamp program:				
Operating expenditures		31,023		39,257
Work first:				
Operating expenditures		1,494,553		1,291,475
Foster care:				
Operating expenditures		29,379		27,122
Total	1,750,097	1,554,955	195,142	1,357,854
Elderly handicapped:				
Operating expenditures	142,799	103,772	39,027	113,254
CJPP day reporting				
Salaries and employee benefits		50,836		47,205
Other operating expenditures		36,591		30,934
Total	87,883	87,427	456	78,139
Community based alternatives:				
Salaries and employee benefits		-		2,123
Other operating expenditures		128,074		130,615
Total	143,025	128,074	14,951	132,738
Veterans service office:				
Salaries and employee benefits		47,071		45,494
Other operating expenditures		6,639		6,493
Capital outlay		-		-
Total	55,347	53,710	1,637	51,987
Other programs:				
Other appropriations/contributions		41,786		90,805
Total	53,180	41,786	11,394	90,805
Total Human Services	7,168,652	6,605,366	18,187	6,277,477

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<u>Cultural and Recreational</u>				
Library and recreation:				
Operating expenditures		2,428		2,658
Contribution to regional library		85,444		80,222
Total Cultural and Recreational	87,872	87,872	-	82,880
Education:				
Public schools-current expense		4,173,524		4,173,524
Public schools-capital outlay		860,866		720,268
Public schools -construction		174,787		1,770,181
Community college- current		778,839		823,839
Total Education	6,216,182	5,988,016	228,166	7,487,812
Debt Service:				
Principal retirement		161,667		161,667
Interest and other charges		80,792		89,198
Total debt services	243,459	242,459	1,000	250,865
Capital Outlay	-	-	-	-
Contingency	243,798	-	-	-
Total Expenditures	23,384,835	21,830,273	1,554,562	22,447,908
Revenues Over (Under) Expenditures	(2,371,676)	(765,344)	1,606,332	(975,032)

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to other funds:				
School Capital Reserve Fund		(835,000)		(45,000)
Emergency Telephone System Fund		(25,000)		(25,000)
Revaluation Fund		-		(875,000)
Sanitation Fund		-		(4,147)
Northern Water District Fund		-		(823)
Southern Water District Fund		-		(596)
Total	(1,180,371)	(860,000)	320,371	(950,566)
Transfers from other funds:				
Emergency Telephone System Fund		230,957		70,644
School Capital Reserve Fund		1,130,988		1,574,763
Total	1,370,946	1,361,945	(9,001)	1,645,407
Proceeds from debt	100,180	-	(100,180)	315,149
Appropriated fund balance	2,080,921	-	(2,080,921)	-
Total other financing sources (uses)	2,371,676	501,945	(1,869,731)	1,009,990
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	(263,399)	\$ (263,399)	34,958
Fund Balance-July 1		8,324,606		8,289,648
Fund Balance-June 30		\$ 8,061,207		\$ 8,324,606

**HERTFORD COUNTY, NORTH CAROLINA
SCHOOL CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<u>REVENUES</u>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>				
Education				
Capital outlay	-	-	-	1,574,763
Revenues Over (Under) Expenditures	-	-	-	(1,574,763)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfer in				
General fund	835,000	835,000	-	875,000
Operating transfer (out)				
General fund	(1,130,989)	(1,130,988)	1	-
Appropriated fund balance	295,989	-	(295,989)	
Total	-	(295,988)	(295,988)	875,000
Revenues over expenditures and other uses	\$ -	(295,988)	\$ (295,988)	(699,763)
Fund Balance - July 1		295,988		995,752
Fund Balance - June 30		\$ -		\$ 295,988

**HERTFORD COUNTY, NORTH CAROLINA
REVALUATION FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
<u>REVENUES</u>				
Investment earnings	\$ 300	\$ 279	\$ (21)	\$ 681
<u>EXPENDITURES</u>				
Current:				
General government				
Tax listings:	138,521	138,220	301	162,259
Revenues Over (Under) Expenditures	(138,221)	(137,941)	280	(161,578)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer from (to) other funds				
General Fund	-	-	-	45,000
Appropriated fund balance	138,221	-	(138,221)	-
Total	138,221	-	(138,221)	45,000
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	(137,941)	\$ (137,941)	(116,578)
Fund Balance - July 1		223,348		339,927
Fund Balance - June 30		\$ 85,407		\$ 223,348

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Capital Project Funds

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

- **Scattered Site CDBG Fund:** This fund is used to account for community development block grant capital project programs. The projects will be financed primarily with federal and State grants.
- **Parks and Recreation Project Fund:** This fund is used to account for the capital project for the parks and recreation department. The project will be financed with grants as well as County funding.
- **Hertford County Judicial Center:** This fund is used to account for the judicial center capital project.

**HERTFORD COUNTY, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds			Capital Projects Fund		
	Emergency Telephone System Fund	Fire District Fund	Scattered Site CDBG Fund	Parks and Recreation Project Fund	Hertford County Judicial Center	Total Nonmajor Governmental Funds
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 446,699	\$ 47,268	\$ -	\$ -	\$ -	\$ 493,967
Accounts receivable, net	16,846	3,525	-	-	-	20,371
Taxes receivable, net	-	6,562	-	-	-	6,562
Due from other funds	-	-	-	-	-	-
Total assets	\$ 463,545	\$ 57,355	\$ -	\$ -	\$ -	\$ 520,900
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 5,371	\$ -	\$ -	\$ -	\$ 5,371
Due to other funds	-	-	-	724	311,520	312,244
Deferred revenue	-	6,562	-	-	-	6,562
Unearned revenue	-	-	-	-	-	-
Total liabilities	-	11,933	-	724	311,520	324,177
Fund Balances:						
Restricted						
Stabilization by State Statue	16,846	3,525	-	-	-	20,371
Fire Protection	-	41,897	-	-	-	41,897
Public Safety	446,699	-	-	-	-	446,699
Unassigned	-	-	-	(724)	(311,520)	(312,244)
Total fund balances	463,545	45,422	-	(724)	(311,520)	196,723
Total Liabilities and Fund Balances	\$ 463,545	\$ 57,355	\$ -	\$ -	\$ -	\$ 520,900

HERTFORD COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	Fire District Fund	Scattered Site CDBG Fund	Parks and Recreation Project Fund	Hertford County Judicial Center	
REVENUES						
Ad valorem taxes	\$ -	\$ 76,915	\$ -	\$ -	\$ -	\$ 76,915
Local option sales taxes	-	21,886	-	-	-	21,886
Other taxes and licenses	-	-	-	-	-	-
Restricted intergovernmental	202,152	-	17,607	-	-	219,759
Investment earnings	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	202,152	98,801	17,607	-	-	318,560
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	98,498	-	-	-	98,498
Education	-	-	-	-	-	-
Economic development	-	-	17,607	-	-	17,607
Capital outlay	-	-	-	-	311,520	311,520
Total expenditures	-	98,498	17,607	-	311,520	427,625
Revenues Over (Under)						
Expenditures	202,152	303	-	-	(311,520)	(109,065)
OTHER FINANCING SOURCES						
(USES)						
Transfers from other funds						
General Fund	25,000	-	-	-	-	25,000
Special Revenue Funds	-	-	-	-	-	-
Transfers to other funds						
General Fund	(230,957)	-	-	-	-	(230,957)
Special Revenue Funds	-	-	-	-	-	-
Total Other Financing Sources (Uses) - Net	(205,957)	-	-	-	-	(205,957)
Excess of Revenues and Other Sources Over (Under)						
Expenditures and Other Uses	(3,805)	303	-	-	(311,520)	(315,022)
Fund Balance - July 1	467,350	45,119	-	(724)	-	511,745
Fund Balance - June 30	\$ 463,545	\$ 45,422	\$ -	\$ (724)	\$ (311,520)	\$ 196,723

**HERTFORD COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
<u>REVENUES</u>				
Other taxes and licenses		\$ -		\$ 6,034
Restricted intergovernmental revenue Wireless 911 funds		202,152		202,152
Total	165,000	202,152	37,152	208,186
<u>EXPENDITURES</u>				
Public safety	133,245	-	133,245	-
Revenues Over (Under) Expenditures	31,755	202,152	170,397	208,186
<u>OTHER FINANCING SOURCES (USES)</u>				
Appropriated fund balance	174,202	-	(174,202)	-
Operating transfer in General Fund	25,000	25,000	-	25,000
Operating transfer out General Fund	(230,957)	(230,957)	-	(70,644)
Total Other Financing Sources (Uses)	(31,755)	(205,957)	174,202	(45,644)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	(3,805)	\$ (3,805)	162,542
Fund Balance - July 1		467,350		304,808
Fund Balance - June 30		\$ 463,545		\$ 467,350

**HERTFORD COUNTY, NORTH CAROLINA
FIRE DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<u>REVENUES</u>				
Ad Valorem taxes:				
Taxes	\$ 79,840	\$ 76,915	\$ (2,925)	\$ 79,034
Other taxes and licenses	<u>21,160</u>	<u>21,886</u>	<u>726</u>	<u>24,313</u>
Total revenues	<u>101,000</u>	<u>98,801</u>	<u>(2,199)</u>	<u>103,347</u>
<u>EXPENDITURES</u>				
Current:				
Public safety				
Woodland Fire District		4,133		2,907
Union Fire District		7,124		6,985
Ahoskie Fire District		87,241		95,841
Total expenditures	<u>101,000</u>	<u>98,498</u>	<u>2,502</u>	<u>105,733</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	303	<u>\$ 303</u>	(2,386)
Fund Balance - July 1		<u>45,119</u>		<u>47,505</u>
Fund Balance - June 30		<u>\$ 45,422</u>		<u>\$ 45,119</u>

HERTFORD COUNTY, NORTH CAROLINA
SCATTERED SITE CDBG CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
<u>REVENUES</u>					
Restricted intergovernmental revenue					
Community development block grant	\$ 400,000	\$ -	17,607	\$ 17,607	\$ (382,393)
<u>EXPENDITURES</u>					
Capital outlay					
Construction Cost	272,000	-	-	-	272,000
Project Administration	40,000	-	17,607	17,607	22,393
Relocation	80,000	-	-	-	80,000
Clearance Activities	8,000	-	-	-	8,000
Total	<u>400,000</u>	<u>-</u>	<u>17,607</u>	<u>17,607</u>	<u>382,393</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, July 1			-		
Fund Balance, June 30			<u>\$ -</u>		

**HERTFORD COUNTY, NORTH CAROLINA
PARKS AND RECREATION PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<u>REVENUES</u>					
Restricted intergovernmental revenue					
Golden Leaf Community Initiative Funds	\$ 250,000	\$ 69,200	\$ -	\$ 69,200	\$ (180,800)
Parks & Recreation Trust Fund grant	500,000	-	-	-	(500,000)
NC/USDA Rail/Trail Funds	50,000	-	-	-	(50,000)
Total	<u>800,000</u>	<u>69,200</u>	<u>-</u>	<u>69,200</u>	<u>(730,800)</u>
<u>EXPENDITURES</u>					
Capital outlay					
Legal and administrative	10,300	-	-	-	10,300
Surveying and permits	35,000	724	-	724	34,276
Demolition	25,000	-	-	-	25,000
Engineering/Planning	249,600	69,200	-	69,200	180,400
Construction	286,000	-	-	-	286,000
Site Development	620,000	-	-	-	620,000
Contingency	47,000	-	-	-	47,000
Total	<u>1,272,900</u>	<u>69,924</u>	<u>-</u>	<u>69,924</u>	<u>1,202,976</u>
Revenues Over (Under) Expenditures	<u>(472,900)</u>	<u>(724)</u>	<u>-</u>	<u>(724)</u>	<u>472,176</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Installment Proceeds	<u>472,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(472,900)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (724)</u>	<u>-</u>	<u>\$ (724)</u>	<u>\$ (724)</u>
Fund Balance - July 1			<u>(724)</u>		
Fund Balance - June 30			<u>\$ (724)</u>		

**HERTFORD COUNTY, NORTH CAROLINA
HERTFORD COUNTY JUDICIAL CENTER
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental revenue					
Installment Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Capital outlay					
Construction Cost	6,496,000	-	-	-	6,496,000
Furnishing and Equipment	487,200	-	-	-	487,200
Design Fees & Expense	459,710	-	311,370	311,370	148,340
Geotechnical Survey	10,000	-	-	-	10,000
Topographical Survey	5,000	-	150	150	4,850
Materials/Testing/Special Inspection	40,600	-	-	-	40,600
Contingency	362,321	-	-	-	362,321
Total	<u>7,860,831</u>	<u>-</u>	<u>311,520</u>	<u>311,520</u>	<u>7,549,311</u>
Revenues Over (Under) Expenditures	<u>(7,860,831)</u>	<u>-</u>	<u>(311,520)</u>	<u>(311,520)</u>	<u>7,549,311</u>
OTHER FINANCING SOURCES (USES)					
Installment Proceeds	<u>7,860,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,860,831)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(311,520)</u>	<u>\$ (311,520)</u>	<u>\$ (311,520)</u>
Fund Balance - July 1			<u>-</u>		
Fund Balance - June 30			<u>\$ (311,520)</u>		

ENTERPRISE FUNDS

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

Major Enterprise Funds

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

Non-major Enterprise Funds

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

HERTFORD COUNTY, NORTH CAROLINA
NORTHERN WATER DISTRICT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
REVENUES				
Operating Revenues				
Charges for services	\$ 445,164	\$ 404,779	\$ (40,385)	\$ 366,549
Tap-on fees	25,600	28,146	2,546	21,165
Other	1,750	6,885	5,135	2,984
Total Operating Revenues	<u>472,514</u>	<u>439,810</u>	<u>(32,704)</u>	<u>390,698</u>
Nonoperating Revenues				
Interest Earnings	-	-	-	-
Total Nonoperating Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>472,514</u>	<u>439,810</u>	<u>(32,704)</u>	<u>390,698</u>
EXPENDITURES				
Administration and operations		195,483		190,062
Capital Outlay		-		11,705
Debt Service:				
Interest and fees		114,733		117,266
Debt principal		47,000		49,245
Total Expenditures	<u>472,514</u>	<u>357,216</u>	<u>115,298</u>	<u>368,278</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>82,594</u>	<u>82,594</u>	<u>22,420</u>
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds				
General Fund	-	-	-	823
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>823</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 82,594</u>	<u>\$ 82,594</u>	<u>\$ 23,243</u>

RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL

Excess of revenues over (under) expenditures	\$ 82,594	\$ 23,243
Debt principal	47,000	49,245
Debt issued	-	-
Depreciation	(94,480)	(94,046)
Capital outlay	-	11,705
(Increase) decrease in bond interest accrued	191	107
(Increase) decrease in vacation pay	(326)	115
(Increase) decrease in OPEB obligation	(10,473)	(9,663)
Total reconciling items	<u>(58,088)</u>	<u>(42,537)</u>
Change in net assets	<u>\$ 24,506</u>	<u>\$ (19,294)</u>

HERTFORD COUNTY, NORTH CAROLINA
SOUTHERN WATER DISTRICT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
REVENUES				
Operating Revenues				
Charges for services	\$ 1,010,726	\$ 1,012,831	\$ 2,105	\$ 848,033
Tap-on fees	47,700	54,681	6,981	65,211
Other	7,060	16,454	9,394	7,121
Total Operating Revenues	<u>1,065,486</u>	<u>1,083,966</u>	<u>9,086</u>	<u>920,365</u>
Nonoperating Revenues				
Sale of System - Ahoskie	-	-	-	153,065
Interest Earnings	-	-	-	-
Total Nonoperating Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,065</u>
Total Revenues	<u>1,065,486</u>	<u>1,083,966</u>	<u>9,086</u>	<u>1,073,430</u>
EXPENDITURES				
Administration and operations		277,391		296,096
Capital Outlay		-		11,705
Debt Service:				
Interest and fees		272,603		282,974
Debt principal		192,000		192,066
Total Expenditures	<u>1,065,486</u>	<u>741,994</u>	<u>323,492</u>	<u>782,841</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>341,972</u>	<u>341,972</u>	<u>290,589</u>
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds				
General Fund	-	-	-	596
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>596</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 341,972</u>	<u>\$ 341,972</u>	<u>\$ 291,185</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL				
Excess of revenues over (under) expenditures		\$ 341,972		\$ 291,185
Debt principal		192,000		192,066
Debt issued		-		-
Depreciation		(213,427)		(213,624)
Capital outlay		-		11,705
Book value of assets sold		-		(153,065)
(Increase) decrease in bond interest accrued		852		943
(Increase) decrease in vacation pay		(35)		(1,968)
(Increase) decrease in OPEB obligation		(15,632)		(15,296)
Total reconciling items		<u>(36,242)</u>		<u>(179,239)</u>
Change in net assets		<u>\$ 305,730</u>		<u>\$ 111,946</u>

HERTFORD COUNTY, NORTH CAROLINA
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<u>REVENUES</u>				
Operating Revenues				
Charges for services	\$ 870,828	\$ 887,792	\$ 16,964	\$ 891,041
Other	58,586	76,139	17,553	57,150
Total Operating Revenues	<u>929,414</u>	<u>963,931</u>	<u>34,517</u>	<u>948,191</u>
Nonoperating Revenues				
Interest Earnings	1,000	957	(43)	1,268
Total Nonoperating Revenues	<u>1,000</u>	<u>957</u>	<u>(43)</u>	<u>1,268</u>
Total Revenues	<u>930,414</u>	<u>964,888</u>	<u>34,474</u>	<u>949,459</u>
<u>EXPENDITURES</u>				
Landfill:				
Administration and operations		542,846		516,156
Contract services		380,394		368,148
Capital Outlay		30,593		-
Total Expenditures	<u>974,414</u>	<u>953,833</u>	<u>20,581</u>	<u>884,304</u>
Revenues Over (Under) Expenditures	<u>(44,000)</u>	<u>11,055</u>	<u>55,055</u>	<u>65,155</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) other funds				
General Fund	-	-	-	4,147
Fund balance appropriated	44,000	-	(44,000)	-
Total Other Financing Sources (Uses)	<u>44,000</u>	<u>-</u>	<u>(44,000)</u>	<u>4,147</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 11,055</u>	<u>\$ 11,055</u>	<u>\$ 69,302</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL				
Excess of revenues over (under) expenditures		\$ 11,055		\$ 69,302
Debt principal		-		-
Depreciation		(23,587)		(24,336)
Capital outlay		30,593		-
(Increase) decrease in bond interest accrued		-		-
(Increase) decrease in vacation pay		1,312		(2,388)
(Increase) decrease OPEB obligation		(45,516)		(41,349)
Total reconciling items		<u>(37,198)</u>		<u>(68,073)</u>
Change in net assets		<u>\$ (26,143)</u>		<u>\$ 1,229</u>

AGENCY FUNDS

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

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

HERTFORD COUNTY, NORTH CAROLINA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Social Services</u>				
Assets				
Cash	\$ 28,622	\$ 66,691	\$ 68,426	\$ 26,887
Liabilities				
Miscellaneous liabilities	\$ 28,622	\$ 66,691	\$ 68,426	\$ 26,887
<u>Inmates Money</u>				
Assets				
Cash	\$ 83,993	\$ 105,165	\$ 100,310	\$ 88,848
Liabilities				
Intergovernmental payable	\$ 83,993	\$ 105,165	\$ 100,310	\$ 88,848
<u>Fines and Forfeitures and DMV Interest</u>				
Assets				
Cash	\$ 1,506	\$ 163,889	\$ 163,729	\$ 1,666
Liabilities				
Intergovernmental payable	\$ -	\$ 143,120	\$ 143,120	\$ -
Due to DMV	1,506	20,769	20,609	1,666
	<u>\$ 1,506</u>	<u>\$ 163,889</u>	<u>\$ 163,729</u>	<u>\$ 1,666</u>
<u>Tax Fund</u>				
Assets				
Cash	\$ -	\$ 2,997,161	\$ 2,997,161	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 2,997,161	\$ 2,997,161	\$ -
<u>Totals - All Agency Funds</u>				
Assets				
Cash	\$ 114,121	\$ 3,332,906	\$ 3,329,626	\$ 117,401
Liabilities				
Miscellaneous liabilities	\$ 114,121	\$ 3,332,906	\$ 3,329,626	\$ 117,401

OTHER SCHEDULES

This schedule contains additional information required on property taxes.

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

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

Fiscal Year	Uncollected Balance July 1, 2010	Additions	Collections and Adjustments	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 11,237,062	\$ 10,664,851	\$ 572,211
2009-2010	579,051	-	365,034	214,017
2008-2009	161,565	-	51,122	110,443
2007-2008	100,356	-	21,044	79,312
2006-2007	68,430	-	8,998	59,432
2005-2006	63,491	-	5,516	57,975
2004-2005	91,704	-	3,411	88,293
2003-2004	20,124	-	729	19,395
2002-2003	144,550	-	1,784	142,766
2001-2002	98,184	-	3,685	94,499
2000-2001	45,950	-	45,950	-
	<u>\$ 1,373,405</u>	<u>\$ 11,237,062</u>	<u>\$ 11,172,124</u>	<u>\$ 1,438,343</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 11,203,440

Interest and discounts

(77,266)

11,126,174

Reconciling items:

Amounts written off for 2000-2001 levy

45,950

Total Reconciling Items

45,950

Total Collections and Credits

\$ 11,172,124

**HERTFORD COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2011**

	County-wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,157,479,202	0.910	\$ 10,533,061	\$ 9,256,316	\$ 1,276,745
Dog tax	-		7,795	7,795	-
Fire Districts	-		65,079	65,079	-
Total Original Levy	<u>1,157,479,202</u>		<u>10,605,935</u>	<u>9,329,190</u>	<u>1,276,745</u>
Discoveries	69,354,615	0.910	631,127	631,127	-
Abatements	<u>(1,658,992)</u>	0.910	<u>(9,837)</u>	<u>16,514</u>	<u>(26,351)</u>
Total Property Valuation	<u><u>\$ 1,225,174,825</u></u>				
Net Levy			11,227,225	9,976,831	1,250,394
Uncollected taxes at June 30, 2011			<u>(572,211)</u>	<u>(413,445)</u>	<u>(158,766)</u>
Current year's taxes collected			<u>\$ 10,655,014</u>	<u>\$ 9,563,386</u>	<u>\$ 1,091,628</u>
Current levy collection percentage			<u>94.90%</u>	<u>95.86%</u>	<u>87.30%</u>

**HERTFORD COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2011**

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 874,136,312
Personal Property	293,636,655
Public Service Companies	<u>65,988,022</u>
Total Assessed Valuation	1,233,760,989
Tax Rate per \$100	0.91
Levy (includes discoveries, releases and abatements)	<u>\$ 11,227,225</u>

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

Fire Protection Districts	<u>\$ 161,660,187</u>
---------------------------	-----------------------

**HERTFORD COUNTY, NORTH CAROLINA
TOP TEN TAXPAYERS
JUNE 30, 2011**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Wackenhut Corrections Corp	Correctional Facility	\$ 52,124,286	4.25%
Nucor Corporation	Manufacturing	36,306,593	2.96%
Kerr Group LLC	Manufacturing	13,346,484	1.09%
Carroll's Foods of Virginia, Inc.	Livestock	8,795,165	0.72%
Perdue Agribusiness Inc	Manufacturing	7,956,813	0.65%
Ahoskie Center LLC	Shopping Center	7,452,637	0.61%
Perdue Grain and Oil Seed, LLC	Manufacturing	6,267,033	0.51%
PIATP Timber LLC	Timber sales	5,565,055	0.45%
Commercial Ready Mix Products Inc	Manufacturing	4,526,484	0.37%
Air Liquide	Manufacturing	4,423,516	0.36%
		<u>\$ 146,764,066</u>	<u>11.98%</u>

COMPLIANCE SECTION

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

To the Board of County Commissioners
Hertford County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregated remaining fund information of Hertford County, North Carolina as of and for the year ended June 30, 2011, which collectively comprises Hertford County's basic financial statements, and have issued our report thereon dated December 12, 2011. Our report includes a reference to 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. Other auditors audited the financial statements of Hertford County Economic Development Commission, the Hertford County Public Health Authority, and the Hertford County ABC Board, as described in our report on Hertford County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of Hertford County Economic Development Commission and Hertford County ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

Management of Hertford County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hertford County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hertford County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Hertford County, in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
December 12, 2011

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

Certified Public Accountants



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

To the Board of County Commissioners
Hertford County, North Carolina

Compliance

We have audited Hertford County, North Carolina, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of Hertford County's major federal programs for the year ended June 30, 2011. Hertford County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hertford County's management. Our responsibility is to express an opinion on Hertford County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hertford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hertford County's compliance with those requirements.

In our opinion, Hertford County complied, in all material respects, with the 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, 2011.

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Internal Control Over Compliance

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

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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of Hertford County, in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
December 12, 2011

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

To the Board of County Commissioners
Hertford County, North Carolina

Compliance

We have audited Hertford County, North Carolina, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011. Hertford County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Hertford County's management. Our responsibility is to express an opinion on Hertford County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Hertford County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hertford County's compliance with those requirements.

In our opinion, Hertford County complied, in all material respects, with the 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, 2011.

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Internal Control Over Compliance

Management of Hertford County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Hertford County's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
December 12, 2011

**HERTFORD COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Section II - Financial Statement Findings

None Reported.

Section III - Federal Award Findings

None Reported.

Section IV - State Award Findings

None Reported.

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Prior Year Audit Findings:

Finding 10-1

Status: The County has implemented changes to try to improve upon their internal controls in as cost effective way as possible.

Finding 10-2

Status: The County has sought additional education and guidance regarding preparation of financial statements.

Finding 09-1

Status: The County continues to try to keep duties separated among personnel as much as possible.

Finding 09-2

Status: The County continues to try to obtain additional knowledge concerning preparation of financial statements.

Finding 09-3

Status: The County has implemented compliance requirements during fiscal year 2009-2010 to detect and correct prior year findings.

Finding 08-1

Status: The County continues to try to keep duties separated among personnel as much as possible.

Finding 08-2

Status: The County continues to try to obtain additional knowledge concerning preparation of financial statements.

Finding 08-3

Status: The County continues to monitor its expenditures in accordance with the budget. They will strive to make the appropriate amendments to the budget in the future.

Finding 08-4

Status: The County has implemented standard procedures to verify that costs reported on the 1571 are reconciled with the County's general ledger.

Finding 07-1

Status: The County continues to try to keep duties separated among personnel as much as possible.

Finding 07-2

Status: The County continues to try to obtain additional knowledge concerning preparation of financial statements.

Finding 07-3

Status: The County continues to monitor its expenditures in accordance with the budget. They will strive to make the appropriate amendments to the budget in the future.

Finding 07-4

Status: The County is in the process of implementing standard procedures to verify costs reported on the 1571 are reconciled with the County's general ledger.

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
FEDERAL AWARDS:			
<u>U.S. Dept. of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Administration:			
<u>Food Stamp Cluster:</u>			
State Administrative Matching Grants for the Food Stamp Program	10.561	\$ 353,747	\$ -
Total Food Stamp Cluster		<u>353,747</u>	<u>-</u>
Total U.S. Dept. of Agriculture		<u>353,747</u>	<u>-</u>
 <u>U.S. Dept of Homeland Security</u>			
Passed-through N.C. Dept. of Crime Control and Public Safety:			
Division of Emergency Management			
Emergency Management Performance Grant	97.042	31,571	-
Disaster Grants - Public Assistance	97.036	8,854	2,952
Total Federal Emergency Management		<u>40,425</u>	<u>2,952</u>
 <u>U.S. Dept. of Health & Human Services</u>			
<u>Administration on Aging</u>			
Division of Social Services:			
Passed-through Mid-East Commission:			
Aging Cluster:			
Special Programs for the Aging-Title III B Grants for Supporting Services and Senior Centers	93.044	144,343	162,047
Total Aging Cluster		<u>144,343</u>	<u>162,047</u>
 <u>U.S. Department of Housing and Urban Development</u>			
Passed-through the N.C. Department of Commerce:			
Community Development Block Grant	14.228	17,607	-

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services			
Division of Social Services:			
<u>Foster Care and Adoption Cluster:</u>			
Title IV-E Foster Care-Administration	93.658	110,938	22,429
Foster Care - Direct Benefit Payments	93.658	29,142	5,991
Adoption Assistance - Direct Benefit Payments	93.659	71,412	15,816
Total Foster Care and Adoption Cluster		211,492	44,236
Temporary Assistance for Needy Families			
Administration	93.558	306,607	-
Work First/TANF			
Direct Benefit Payments	93.558	236,075	-
N.C. Child Support Enforcement Section	93.563	352,269	-
Low Income Energy Assistance Program			
Administration	93.568	245,411	-
Energy Assistance-Direct Benefit Payments	93.568	331,948	-
Child Welfare Services- State Grants			
Permanency Planning-Families for Kids	93.645	6,792	(62)
SSBG-Other Services and Training	93.667	174,249	21,998
Promoting Safe & Stable Families	93.556	1,253	-
Independent Living Grant	93.674	6,194	1,548
Family Violence Prevention	93.671	1,473	-
Total		1,662,271	23,484
Division of Child Development:			
Subsidized Child Care			
<u>Child Care Development Fund Cluster:</u>			
Division of Social Services:			
Child Care Development Fund-Administration	93.596	80,856	-
Division of Child Development:			
Child Care and Development Fund- Discretionary	93.575	289,209	-
Child Care and Development Fund-Mandatory	93.596	121,438	-
Child Care and Development Fund-Match	93.596	183,983	100,155
Child Care and Development Fund-ARRA	93.714	49,735	-
Total Child Care Development Fund Cluster		725,221	100,155
Social Services Block Grant	93.667	544	-
TANF	93.558	87,512	-
Smart Start	n/a	-	6,125
State Appropriations	n/a	-	55,189
TANF-MOE	n/a	-	88,895
Total Subsidized Child Care Cluster		813,277	250,364

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<u>Centers for Medicare and Medicaid Services</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medical Assistance Program	93.778	29,633,826	12,047,398
SHIP	93.779	4,129	-
Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	494,054	52,563
State Children's Insurance Program- N.C. Health Choice	93.767	15,856	1,124
Total U.S. Dept. of Health and Human Services		32,996,855	12,581,216
<u>U.S. Election Assistance Commission</u>			
Passed through the State Board of Elections:			
HAVA Grant	90.401	31,590	-
		31,590	-
Total federal awards		33,422,617	12,584,168
STATE AWARDS:			
<u>N.C. Dept. of Health and Human Services</u>			
Division of Aging and Adult Services:			
Division of Social Services:			
State/County Special Assistance for Adults-Direct Benefit Payments		-	420,862
State Foster Care Benefits Program-Direct		-	7,334
CWS Adoption Subsidy-Direct		-	45,479
State Adult Protective Service		-	18,346
Smart Start		-	14,766
TANF Insent/Prog Integrity		-	867
F/C at Risk Maximization-Direct		-	2,591
SFHF Maximization-Direct		-	27
Senior Center		-	12,244
Total N.C. Dept. of Health and Human Services		-	522,516
<u>N.C. Dept. of Public Institution</u>			
Public School Building Capital Fund Lottery Proceeds		-	35,197
Total N.C. Dept of Public Institution		-	35,197
<u>N.C. Dept. of Corrections</u>			
Criminal Justice Partnership Program		-	86,627
Total N.C. Dept of Corrections		-	86,627

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<u>N.C. Dept. of Environmental and Natural Resources</u>			
Division of Soil and Water Conservation:			
Soil Technician Grant		-	26,875
SWC-Administration			3,960
Division of Waste Management			
Scrap Tire Program		-	3,092
Total N.C. Dept. of Environmental and Natural Resources		-	33,927
<u>N.C. Dept. of Transportation</u>			
Rural Operating Assistance Program (ROAP)			
ROAP Elderly and Disabled Transportation		-	59,537
ROAP Rural General Public Program		-	41,105
ROAP Work First Transitional-Employment		-	6,105
Total N.C. Dept of Transportation		-	106,747
<u>N.C. Dept. of Administration</u>			
Veteran Services Officer		-	2,000
<u>N.C Rural Economic Development Center</u>			
Rural Development Grant		-	48,000
<u>N.C Dept. Juvenile Justice and Delinquency Prevention</u>			
JCPC Programs		-	125,216
Total State awards		-	960,230
Total federal and State awards		\$ 33,422,617	\$ 13,544,398

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTES TO PRECEDING SCHEDULE OF FEDERAL AND STATE AWARDS:

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Hertford County, North Carolina, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133. Audits of State, Local Governments, and Non-Profit Organizations and State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statement. Certain benefit payments are paid directly to recipients and are not included in the county's general purpose financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. SUBRECIPIENTS

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

<u>Program Title</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
ROAP-Elderly and Disabled Transportation	-	\$ -	\$ 95,704
BMB Shelter	-	-	33,270
Project Challenge	-	-	33,266
Youth Gang Prevention	-	-	11,994
Success Academy	-	-	27,242
Certification Division Program	-	-	4,436

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