

**HERTFORD COUNTY  
WINTON, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**



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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, 2012, 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 on the financial statements, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison

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for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2012, 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Other Postemployment Benefits' Schedule of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 statements as a whole. The combining and individual nonmajor fund financial statements, budgetary schedules and 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 not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Winston, Williams, Creech, Evans & Company, LLP  
Certified Public Accountants  
November 12, 2012

## 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, 2012. 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

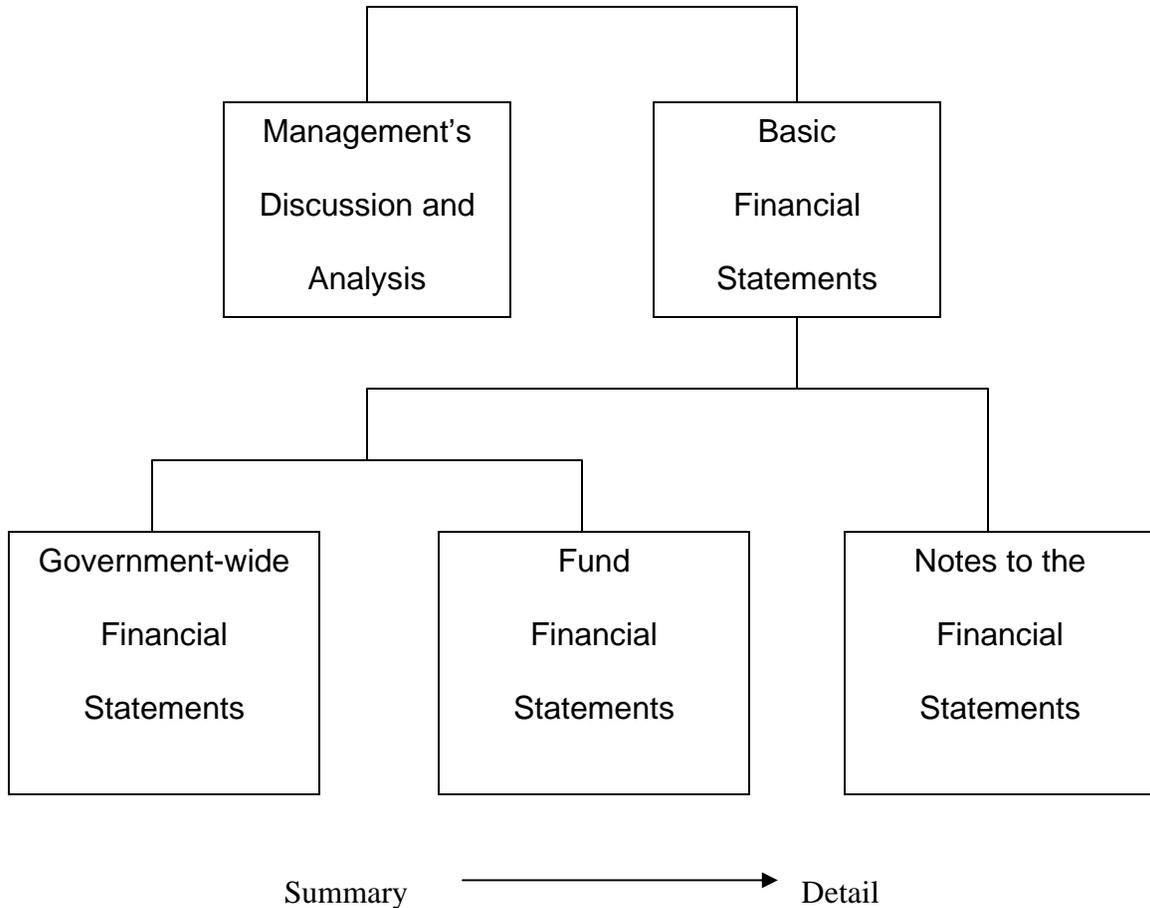
- The assets of Hertford County exceeded its liabilities at the close of the fiscal year by \$15,934,625 (*net assets*).
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$8,604,146, an increase of \$260,809, in comparison with the prior year. Approximately 46.14 percent of this total amount or \$3,969,739 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 \$4,281,259, or 19.04% 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 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<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|  | 2012                       | 2011                 | 2012                        | 2011                 | 2012                 | 2011                 |
| Current and other assets                           | \$ 11,011,719              | \$ 10,784,508        | \$ 2,205,897                | \$ 1,767,064         | \$ 13,217,616        | \$ 12,551,572        |
| Capital assets                                     | 4,472,851                  | 4,364,803            | 11,436,874                  | 11,686,551           | 15,909,725           | 16,051,354           |
| Total assets                                       | <u>\$ 15,484,570</u>       | <u>\$ 15,149,311</u> | <u>\$ 13,642,771</u>        | <u>\$ 13,453,615</u> | <u>\$ 29,127,341</u> | <u>\$ 28,602,926</u> |
| Long-term liabilities outstanding                  | \$ 4,750,620               | \$ 4,639,302         | \$ 7,590,746                | \$ 7,816,301         | \$ 12,341,366        | \$ 12,455,603        |
| Other liabilities                                  | 674,793                    | 611,739              | 176,557                     | 156,033              | 851,350              | 767,772              |
| Total liabilities                                  | <u>\$ 5,425,413</u>        | <u>\$ 5,251,041</u>  | <u>\$ 7,767,303</u>         | <u>\$ 7,972,334</u>  | <u>\$ 13,192,716</u> | <u>\$ 13,223,375</u> |
| Net assets:  |                            |                      |                             |                      |                      |                      |
| Invested in capital assets,<br>net of related debt | \$ 3,657,514               | \$ 3,345,558         | \$ 4,101,874                | \$ 4,105,051         | \$ 7,759,388         | \$ 7,450,609         |
| Restricted   | 2,185,170                  | 2,319,068            | -                           | -                    | 2,185,170            | 2,319,068            |
| Unrestricted                                       | 4,216,473                  | 4,233,644            | 1,773,594                   | 1,376,230            | 5,990,067            | 5,609,874            |
| Total net assets                                   | <u>\$ 10,059,157</u>       | <u>\$ 9,898,270</u>  | <u>\$ 5,875,468</u>         | <u>\$ 5,481,281</u>  | <u>\$ 15,934,625</u> | <u>\$ 15,379,551</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 \$15,934,625 as of June 30, 2012, one of the largest portions (48.69%) 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, \$2,185,170 has been restricted by the governing board. The balance of \$5,990,067 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.

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

|   | Governmental<br>Activities |                     | Business-like<br>Activities |                     | Total                |                      |
|---|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
|   | 2012                       | 2011                | 2012                        | 2011                | 2012                 | 2011                 |
| <b>Revenues:</b>                        |                            |                     |                             |                     |                      |                      |
| Program revenues:                       |                            |                     |                             |                     |                      |                      |
| Charges for services                    | \$ 1,679,946               | \$ 1,538,265        | \$ 2,309,139                | \$ 2,388,229        | \$ 3,989,085         | \$ 3,926,494         |
| Operating grants and contributions      | 4,921,541                  | 4,593,013           | -                           | -                   | 4,921,541            | 4,593,013            |
| Capital grants and contributions        | 438,601                    | 52,804              | -                           | -                   | 438,601              | 52,804               |
| General revenues:                       |                            |                     |                             |                     |                      |                      |
| Property taxes                          | 11,955,395                 | 11,371,145          | -                           | -                   | 11,955,395           | 11,371,145           |
| Local option sales tax                  | 3,967,844                  | 3,539,046           | -                           | -                   | 3,967,844            | 3,539,046            |
| Other taxes                             | 100,331                    | 98,285              | -                           | -                   | 100,331              | 98,285               |
| Unrestricted grants and contributions   | 103,411                    | 115,731             | -                           | -                   | 103,411              | 115,731              |
| Investment Earnings                     | 12,964                     | 20,774              | 445                         | 957                 | 13,409               | 21,731               |
| Miscellaneous                           | 249,415                    | 145,809             | 149,606                     | 99,478              | 399,021              | 245,287              |
| <b>Total Revenues</b>                   | <b>23,429,448</b>          | <b>21,474,872</b>   | <b>2,459,190</b>            | <b>2,488,664</b>    | <b>25,888,638</b>    | <b>23,963,536</b>    |
| <b>Expenses:</b>                        |                            |                     |                             |                     |                      |                      |
| General government                      | 3,018,196                  | 2,951,209           | -                           | -                   | 3,018,196            | 2,951,209            |
| Public safety                           | 5,923,909                  | 5,760,738           | -                           | -                   | 5,923,909            | 5,760,738            |
| Transportation                          | 166,292                    | 32,467              | -                           | -                   | 166,292              | 32,467               |
| Economic and physical development       | 852,977                    | 430,842             | -                           | -                   | 852,977              | 430,842              |
| Human services                          | 6,995,335                  | 6,901,994           | -                           | -                   | 6,995,335            | 6,901,994            |
| Cultural and recreation                 | 157,261                    | 87,872              | -                           | -                   | 157,261              | 87,872               |
| Education                               | 5,974,325                  | 5,988,016           | -                           | -                   | 5,974,325            | 5,988,016            |
| Interest on long-term debt              | 78,172                     | 90,698              | -                           | -                   | 78,172               | 90,698               |
| Sanitation                              | -                          | -                   | 997,488                     | 991,030             | 997,488              | 991,030              |
| Water and sewer                         | -                          | -                   | 1,169,609                   | 1,193,540           | 1,169,609            | 1,193,540            |
| <b>Total Expenses</b>                   | <b>23,166,467</b>          | <b>22,243,836</b>   | <b>2,167,097</b>            | <b>2,184,570</b>    | <b>25,333,564</b>    | <b>24,428,406</b>    |
| Increase in net assets before transfers | 262,981                    | (768,964)           | 292,093                     | 304,094             | 555,074              | (464,870)            |
| Transfers                               | (102,094)                  | -                   | 102,094                     | -                   | -                    | -                    |
| Increase in net assets                  | 160,887                    | (768,964)           | 394,187                     | 304,094             | 555,074              | (464,870)            |
| Net assets, July 1                      | 9,898,270                  | 10,667,234          | 5,481,281                   | 5,177,187           | 15,379,551           | 15,844,421           |
| Net assets, June 30                     | <b>\$ 10,059,157</b>       | <b>\$ 9,898,270</b> | <b>\$ 5,875,468</b>         | <b>\$ 5,481,281</b> | <b>\$ 15,934,625</b> | <b>\$ 15,379,551</b> |

**Governmental activities.** Governmental activities increased the County's net assets by \$160,887, accounting for 28.98% of the total gain in the net assets of Hertford County. Key elements of this increase are as follows:

- Sales tax revenue increased by \$428,798, representing a 12.12% increase over the prior year.
- Grants and other contribution revenue increased \$714,325 or 15.37% compared to the prior year.
- Other postemployment benefits increased in the amount of \$421,158.

**Business-type activities.** Business-type activities increased Hertford County's net assets by 71.02% or \$394,187 over the prior year. The change in net assets for business-type activities increased from the prior year by \$90,092. The key elements of this increase are as follows:

- Operating expenses decreased in solid waste.
- Creation of the new TUNIS Sewer District.

### **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 \$4,281,259, while total fund balance reached \$8,505,711. 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 19.04 percent of total General Fund expenditures, while total fund balance represents 37.83 percent of that same amount.

At June 30, 2012, the governmental funds of Hertford County reported a combined fund balance of \$8,604,146, a 3.12 percent increase over last year.

There were variances reflected in the governmental fund financial statements for 2012.

- Our 2012 overall collection rate is 95.26%, a little lower than the state, but higher than the prior year rate of 94.90%.

**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 \$1,384,380 or 5.84 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 \$661,011 and those for the Water and Sewer Districts equaled \$1,112,583. 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, 2012 totals \$15,909,725 (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 land and/or easements for Tunis Sewer District
- Purchase of 3 additional vehicles
- Roof Replacement
- Various purchases of additional equipment

**Capital Assets (net of depreciation)**

Figure 4

|                                | <b>Governmental Activities</b> |                     | <b>Business-Type Activities</b> |                      | <b>Total</b>         |                      |
|--------------------------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                | <u>2012</u>                    | <u>2011</u>         | <u>2012</u>                     | <u>2011</u>          | <u>2012</u>          | <u>2011</u>          |
| Land and Improvements          | \$ 392,031                     | \$ 392,031          | \$ 44,317                       | \$ 33,046            | \$ 436,348           | \$ 425,077           |
| Construction in Progress       | 405,064                        | 377,420             | 90,827                          | -                    | 495,891              | 377,420              |
| Buildings and Improvements     | 2,915,687                      | 2,750,221           | -                               | -                    | 2,915,687            | 2,750,221            |
| Plant and distribution systems | -                              | -                   | 11,209,326                      | 11,516,587           | 11,209,326           | 11,516,587           |
| Equipment                      | 455,927                        | 461,423             | 64,711                          | 82,922               | 520,638              | 544,345              |
| Vehicle and Motor Equipment    | <u>304,142</u>                 | <u>383,708</u>      | <u>27,693</u>                   | <u>53,996</u>        | <u>331,835</u>       | <u>437,704</u>       |
| <b>Total</b>                   | <u>\$ 4,472,851</u>            | <u>\$ 4,364,803</u> | <u>\$ 11,436,874</u>            | <u>\$ 11,686,551</u> | <u>\$ 15,909,725</u> | <u>\$ 16,051,354</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, 2012, Hertford County had total debt outstanding of \$12,341,366 of which \$8,085,000 is bonded debt backed by the full faith and credit of the County.

### Hertford County's Outstanding Debt

Figure 5

|                               | Governmental<br>Activities |              | Business-like<br>Activities |              | Total         |               |
|-------------------------------|----------------------------|--------------|-----------------------------|--------------|---------------|---------------|
|                               | 2012                       | 2011         | 2012                        | 2011         | 2012          | 2011          |
| General Obligation Bonds      | \$ 750,000                 | \$ 850,000   | \$ 7,335,000                | \$ 7,581,500 | \$ 8,085,000  | \$ 8,431,500  |
| Installment Purchases         | 815,337                    | 1,019,245    | -                           | -            | 815,337       | 1,019,245     |
| Compensated Absences          | 463,000                    | 432,895      | 18,155                      | 33,248       | 481,155       | 466,143       |
| Other Postemployment Benefits | 2,722,283                  | 2,337,162    | 237,591                     | 201,553      | 2,959,874     | 2,538,715     |
| Total Long-Term Debt          | \$ 4,750,620               | \$ 4,639,302 | \$ 7,590,746                | \$ 7,816,301 | \$ 12,341,366 | \$ 12,455,603 |

During the past fiscal year, Hertford County's total debt decreased by \$114,237 or .92 percent. General obligation debt of \$100,000 was retired in governmental activities and \$246,500 was retired in business-type activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Hertford County is \$103,414,588.

Additional information regarding Hertford County's long-term debt can be found in Note III B-6 beginning on page 52 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 11.3% in comparison with the state average of 9.9%.
- The local economy grew due to the expansion of a manufacturing facility, Endiva, which is the second largest taxpayer and a major employer in the area.
- There was an increase in property and sales tax revenues even though the economy is in the midst of economic recession recovery.

**Governmental Activities:** The County adopted a budget for fiscal year 2013 with a 2.25 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, 2012**

|   | Governmental<br>Activities | Business-type<br>Activities | Total         | Component Units                       |                                 |   |
|---|----------------------------|-----------------------------|---------------|---------------------------------------|---------------------------------|---|
|   |                            |                             |               | Economic<br>Development<br>Commission | Hertford<br>County<br>ABC Board | Hertford County<br>Public Health<br>Authority |
| <b>ASSETS</b>                                       |                            |                             |               |                                       |                                 |   |
| Cash and cash equivalents                           | \$ 6,882,705               | \$ 2,441,021                | \$ 9,323,726  | \$ 169,525                            | \$ 590,380                      | \$ 442,224                                    |
| Taxes receivable                                    | 1,374,102                  | -                           | 1,374,102     | -                                     | -                               | -   |
| Accrued interest receivable on taxes                | 396,180                    | -                           | 396,180       | -                                     | -                               | -   |
| Accounts receivable (net)                           | 1,305,414                  | 344,335                     | 1,649,749     | 484                                   | -                               | 18,822  |
| Due from other governments                          | -                          | -                           | -             | -                                     | -                               | 427,856                                       |
| Inventories   | -                          | -                           | -             | -                                     | 178,580                         | -   |
| Prepaid expenses                                    | -                          | -                           | -             | -                                     | -                               | 54,898  |
| Internal balances                                   | 579,459                    | (579,459)                   | -             | -                                     | -                               | -   |
| Restricted cash and cash equivalents                | 473,859                    | -                           | 473,859       | -                                     | -                               | -   |
| Capital assets:                                     |                            |                             |               |                                       |                                 |   |
| Land, improvements, and<br>construction in progress | 797,095                    | 135,144                     | 932,239       | -                                     | 24,220                          | -   |
| Other capital assets, net of<br>depreciation        | 3,675,756                  | 11,301,730                  | 14,977,486    | -                                     | 28,912                          | 172,971                                       |
| Total capital assets                                | 4,472,851                  | 11,436,874                  | 15,909,725    | -                                     | 53,132                          | 172,971                                       |
| Total Assets  | \$ 15,484,570              | \$ 13,642,771               | \$ 29,127,341 | \$ 170,009                            | \$ 822,092                      | \$ 1,116,771                                  |
| <b>LIABILITIES</b>                                  |                            |                             |               |                                       |                                 |   |
| Accounts payable & accrued liabilities              | \$ 561,458                 | \$ 52,304                   | \$ 613,762    | \$ 740                                | \$ 168,219                      | \$ 89,176                                     |
| Customer deposits                                   | -                          | 93,828                      | 93,828        | -                                     | -                               | -   |
| Unearned revenue                                    | 75,833                     | 264                         | 76,097        | -                                     | -                               | -   |
| Accrued interest payable                            | 37,502                     | 30,161                      | 67,663        | -                                     | -                               | -   |
| Long-term liabilities                               |                            |                             |               |                                       |                                 |   |
| Due within one year                                 | 422,333                    | 258,039                     | 680,372       | -                                     | -                               | -   |
| Due in more than one year                           | 4,328,287                  | 7,332,707                   | 11,660,994    | -                                     | 65,265                          | 972,703                                       |
| Total long-term liabilities                         | 4,750,620                  | 7,590,746                   | 12,341,366    | -                                     | 65,265                          | 972,703                                       |
| Total liabilities                                   | 5,425,413                  | 7,767,303                   | 13,192,716    | 740                                   | 233,484                         | 1,061,879                                     |
| <b>NET ASSETS</b>                                   |                            |                             |               |                                       |                                 |   |
| Invested in capital assets,<br>net of related debt  | 3,657,514                  | 4,101,874                   | 7,759,388     | -                                     | 53,132                          | 172,971                                       |
| Restricted for:                                     |                            |                             |               |                                       |                                 |   |
| Stabilization by State Statute                      | 2,182,669                  | -                           | 2,182,669     | 484                                   | -                               | 501,576                                       |
| Register of Deeds                                   | 2,501                      | -                           | 2,501         | -                                     | -                               | -   |
| Working Capital                                     | -                          | -                           | -             | -                                     | 60,044                          | -   |
| Capital Improvements                                | -                          | -                           | -             | -                                     | 280,000                         | -   |
| Unrestricted (deficit)                              | 4,216,473                  | 1,773,594                   | 5,990,067     | 168,785                               | 195,432                         | (619,655)                                     |
| Total net assets                                    | \$ 10,059,157              | \$ 5,875,468                | \$ 15,934,625 | \$ 169,269                            | \$ 588,608                      | \$ 54,892                                     |

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, 2012**

| 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 |
| <b>Primary Government:</b>                                   |                      |                      |                                    |                                  |   |                          |                        |   |                           |   |
| <b>Governmental Activities:</b>                              |                      |                      |                                    |                                  |   |                          |                        |   |                           |   |
| General government   | \$ 3,018,196         | \$ 429,985           | \$ 5,121                           | \$ -                             | \$ (2,583,090)                                    | \$ -                     | \$ (2,583,090)         | \$ -  | \$ -                      | \$ -                                    |
| Public safety  | 5,923,909            | 1,237,769            | 290,796                            | -                                | (4,395,344)                                       | -                        | (4,395,344)            | -   | -                         | -                                       |
| Transportation   | 166,292              | -                    | 108,858                            | -                                | (57,434)  | -                        | (57,434)               | -   | -                         | -                                       |
| Economic and physical development                            | 852,977              | 12,192               | 30,089                             | 438,601                          | (372,095)   | -                        | (372,095)              | -   | -                         | -                                       |
| Human services   | 6,995,335            | -                    | 4,486,677                          | -                                | (2,508,658)                                       | -                        | (2,508,658)            | -   | -                         | -                                       |
| Cultural and recreation                                      | 157,261              | -                    | -                                  | -                                | (157,261)   | -                        | (157,261)              | -   | -                         | -                                       |
| Education  | 5,974,325            | -                    | -                                  | -                                | (5,974,325)                                       | -                        | (5,974,325)            | -   | -                         | -                                       |
| Interest on long-term debt                                   | 78,172               | -                    | -                                  | -                                | (78,172)  | -                        | (78,172)               | -   | -                         | -                                       |
| Total governmental activities                                | <u>23,166,467</u>    | <u>1,679,946</u>     | <u>4,921,541</u>                   | <u>438,601</u>                   | <u>(16,126,379)</u>                               | <u>-</u>                 | <u>(16,126,379)</u>    | <u>-</u>  | <u>-</u>                  | <u>-</u>                                |
| <b>Business-type activities:</b>                             |                      |                      |                                    |                                  |   |                          |                        |   |                           |   |
| Sanitation   | 997,488              | 834,602              | -                                  | -                                | -   | (162,886)                | -                      | -   | -                         | -                                       |
| Water and Sewer  | 1,169,609            | 1,474,537            | -                                  | -                                | -   | 304,928                  | -                      | -   | -                         | -                                       |
| Total business-type activities                               | <u>2,167,097</u>     | <u>2,309,139</u>     | <u>-</u>                           | <u>-</u>                         | <u>-</u>  | <u>142,042</u>           | <u>-</u>               | <u>-</u>  | <u>-</u>                  | <u>-</u>                                |
| Total primary government                                     | <u>\$ 25,333,564</u> | <u>\$ 3,989,085</u>  | <u>\$ 4,921,541</u>                | <u>\$ 438,601</u>                | <u>\$ (16,126,379)</u>                            | <u>\$ 142,042</u>        | <u>\$ (15,984,337)</u> | <u>\$ -</u>                                     | <u>\$ -</u>               | <u>\$ -</u>                             |
| <b>Component units:</b>                                      |                      |                      |                                    |                                  |   |                          |                        |   |                           |   |
| Economic Development Commission                              | \$ 17,107            | \$ -                 | \$ 13,000                          | \$ -                             | -   | -                        | \$ (4,107)             | \$ -  | \$ -                      | \$ -                                    |
| ABC Board  | 2,028,469            | 2,039,618            | -                                  | -                                | -   | -                        | -                      | 11,149  | -                         | -                                       |
| Public Health Authority                                      | 4,425,303            | 2,317,284            | 1,467,822                          | -                                | -   | -                        | -                      | -   | -                         | (640,197)                               |
| Total component units  | <u>\$ 6,470,879</u>  | <u>\$ 4,356,902</u>  | <u>\$ 1,480,822</u>                | <u>\$ -</u>                      | <u>-</u>  | <u>-</u>                 | <u>\$ (4,107)</u>      | <u>\$ 11,149</u>                                | <u>\$ -</u>               | <u>\$ (640,197)</u>                     |
| <b>General revenues:</b>                                     |                      |                      |                                    |                                  |   |                          |                        |   |                           |   |
| <b>Taxes:</b>  |                      |                      |                                    |                                  |   |                          |                        |   |                           |   |
| Property taxes, levied for general purpose                   |                      |                      |                                    |                                  | \$ 11,955,395                                     | \$ -                     | \$ 11,955,395          | \$ -  | \$ -                      | \$ -                                    |
| Local option sales tax                                       |                      |                      |                                    |                                  | 3,967,844   | -                        | 3,967,844              | -   | -                         | -                                       |
| Other taxes  |                      |                      |                                    |                                  | 100,331   | -                        | 100,331                | -   | -                         | -                                       |
| Grants and contributions not restricted to specific programs |                      |                      |                                    |                                  | 103,411   | -                        | 103,411                | -   | -                         | 336,695                                 |
| Investment earnings, unrestricted                            |                      |                      |                                    |                                  | 12,964  | 445                      | 13,409                 | 1,015   | 727                       | 824                                     |
| Miscellaneous, unrestricted                                  |                      |                      |                                    |                                  | 249,415   | 149,606                  | 399,021                | -   | -                         | 4,245                                   |
| Transfers  |                      |                      |                                    |                                  | (102,094)   | 102,094                  | -                      | -   | -                         | -                                       |
| Total general revenues, special items and transfers          |                      |                      |                                    |                                  | <u>16,287,266</u>                                 | <u>252,145</u>           | <u>16,539,411</u>      | <u>1,015</u>                                    | <u>727</u>                | <u>341,764</u>                          |
| <b>Change in net assets</b>                                  |                      |                      |                                    |                                  |   |                          |                        |   |                           |   |
| Net assets - beginning                                       |                      |                      |                                    |                                  | 160,887   | 394,187                  | 555,074                | (3,092)   | 11,876                    | (298,433)                               |
| Net assets - ending  |                      |                      |                                    |                                  | <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>                       |
|  |                      |                      |                                    |                                  | <u>\$ 10,059,157</u>                              | <u>\$ 5,875,468</u>      | <u>\$ 15,934,625</u>   | <u>\$ 169,269</u>                               | <u>\$ 588,608</u>         | <u>\$ 54,892</u>                        |

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

**FUND  
FINANCIAL STATEMENTS**

**HERTFORD COUNTY, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

|   | Major                | Nonmajor          |                      |
|---|----------------------|-------------------|----------------------|
|   | General              | Other             | Total                |
|   | Fund                 | Governmental      | Governmental         |
|   | Fund                 | Funds             | Funds                |
| <b><u>ASSETS</u></b>                        |                      |                   |                      |
| Cash and cash equivalents                   | \$ 6,404,535         | \$ 402,102        | \$ 6,806,637         |
| Restricted cash                             | 549,927              | -                 | 549,927              |
| Taxes receivable                            | 1,368,033            | 6,069             | 1,374,102            |
| Accounts receivables, net                   | 1,291,690            | 13,724            | 1,305,414            |
| Due from other funds                        | 890,979              | -                 | 890,979              |
|   | <u>\$ 10,505,164</u> | <u>\$ 421,895</u> | <u>\$ 10,927,059</u> |
| <b><u>LIABILITIES AND FUND BALANCES</u></b> |                      |                   |                      |
| Liabilities:                                |                      |                   |                      |
| Accounts payable & accrued liabilities      | \$ 555,587           | \$ 5,871          | \$ 561,458           |
| Due to other funds                          | -                    | 311,520           | 311,520              |
| Deferred revenue                            | 1,368,033            | 6,069             | 1,374,102            |
| Unearned revenue                            | 75,833               | -                 | 75,833               |
|   | <u>1,999,453</u>     | <u>323,460</u>    | <u>2,322,913</u>     |
| Fund balances:                              |                      |                   |                      |
| Restricted                                  |                      |                   |                      |
| Stabilization by State Statute              | 2,182,669            | 13,724            | 2,196,393            |
| Register of Deeds                           | 2,501                | -                 | 2,501                |
| Fire Protection                             | -                    | 41,638            | 41,638               |
| Public Safety                               | -                    | 342,541           | 342,541              |
| Economic Development                        | -                    | 12,052            | 12,052               |
| Committed:                                  |                      |                   |                      |
| Revaluation                                 | 85,407               | -                 | 85,407               |
| Capital Reserve                             | 462,019              | -                 | 462,019              |
| Assigned:                                   |                      |                   |                      |
| Subsequent year's expenditures              |                      |                   |                      |
| General Fund                                | 1,491,856            | -                 | 1,491,856            |
| Uassigned:                                  |                      |                   |                      |
| General Fund                                | 4,281,259            | -                 | 4,281,259            |
| Capital projects funds                      | -                    | (311,520)         | (311,520)            |
| Total Fund Balances                         | <u>8,505,711</u>     | <u>98,435</u>     | <u>8,604,146</u>     |
| Total Liabilities and Fund Balances         | <u>\$ 10,505,164</u> | <u>\$ 421,895</u> | <u>\$ 10,927,059</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, 2012**

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

|  |                      |
|--|----------------------|
| Total equity and other credits (Exhibit 3)   | \$ 8,604,146         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds   | 4,472,851            |
| 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 | 396,180              |
| Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide  | 1,374,102            |
| 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>(4,788,122)</u>   |
| Net assets of governmental activities (Exhibit 1)  | <u>\$ 10,059,157</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, 2012**

|   | Major             | Nonmajor                       | Total<br>Governmental<br>Funds |
|---|-------------------|--------------------------------|--------------------------------|
|   | General<br>Fund   | Other<br>Governmental<br>Funds |                                |
| <b>REVENUES</b>                                   |                   |                                |                                |
| Ad valorem taxes                                  | \$ 11,968,555     | \$ 86,539                      | \$ 12,055,094                  |
| Local option sales taxes                          | 3,942,442         | 25,402                         | 3,967,844                      |
| Other taxes and licenses                          | 105,089           | -                              | 105,089                        |
| Unrestricted intergovernmental                    | 103,411           | -                              | 103,411                        |
| Restricted intergovernmental                      | 5,135,793         | 553,297                        | 5,689,090                      |
| Permits and fees                                  | 218,316           | -                              | 218,316                        |
| Sales and services                                | 1,230,174         | -                              | 1,230,174                      |
| Investment earnings                               | 15,079            | 296                            | 15,375                         |
| Miscellaneous                                     | 126,722           | -                              | 126,722                        |
| <b>Total Revenues</b>                             | <b>22,845,581</b> | <b>665,534</b>                 | <b>23,511,115</b>              |
| <b>EXPENDITURES</b>                               |                   |                                |                                |
| Current:  |                   |                                |                                |
| General government                                | 2,900,946         | -                              | 2,900,946                      |
| Public safety                                     | 5,397,776         | 624,453                        | 6,022,229                      |
| Transportation                                    | 32,467            | -                              | 32,467                         |
| Economic and physical development                 | 400,247           | 438,601                        | 838,848                        |
| Human services                                    | 6,959,448         | -                              | 6,959,448                      |
| Cultural and recreational                         | 91,211            | -                              | 91,211                         |
| Education   | 5,974,325         | -                              | 5,974,325                      |
| Capital outlay                                    | -                 | 94,095                         | 94,095                         |
| Debt service:                                     |                   |                                |                                |
| Principal   | 161,667           | -                              | 161,667                        |
| Interest  | 72,976            | -                              | 72,976                         |
| <b>Total Expenditures</b>                         | <b>21,991,063</b> | <b>1,157,149</b>               | <b>23,148,212</b>              |
| Excess (deficiency) of revenues over expenditures | 854,518           | (491,615)                      | 362,903                        |

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, 2012**

|                                       | General<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------------|-----------------|--------------------------------|--------------------------------|
| <u>OTHER FINANCING SOURCES (USES)</u> |                 |                                |                                |
| Transfers in from other funds         | -               | 393,327                        | 393,327                        |
| Transfers out to other funds          | (495,421)       | -                              | (495,421)                      |
| Total Other Financing Sources (Uses)  | (495,421)       | 393,327                        | (102,094)                      |
| Net change in fund balance            | 359,097         | (98,288)                       | 260,809                        |
| Fund Balance - July 1                 | 8,146,614       | 196,723                        | 8,343,337                      |
| Fund Balance - June 30                | \$ 8,505,711    | \$ 98,435                      | \$ 8,604,146                   |

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, 2012**

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)  | \$ 260,809        |
| 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.  | 482,079           |
| 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.  | (373,831)         |
| Cost of assets sold and disposed of not recorded in the fund statements   | (200)             |
| 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. | 303,908           |
| 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  | (409,768)         |
| Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements   | <u>(102,110)</u>  |
| Total changes in net assets of governmental activities  | <u>\$ 160,887</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, 2012**

|                                    | General Fund       |                 |               | Variance<br>with Final<br>Positive<br>(Negative) |
|------------------------------------|--------------------|-----------------|---------------|--|
|                                    | Original<br>Budget | Final<br>Budget | Actual        |  |
| <b><u>REVENUES</u></b>             |                    |                 |               |  |
| Ad valorem taxes                   | \$ 11,512,061      | \$ 11,760,935   | \$ 11,968,555 | \$ 207,620                                       |
| Local option sales taxes           | 3,165,000          | 3,198,368       | 3,480,423     | 282,055  |
| Other taxes and licenses           | 86,100             | 86,100          | 105,089       | 18,989   |
| Unrestricted intergovernmental     | 65,000             | 90,000          | 103,411       | 13,411   |
| Restricted intergovernmental       | 4,700,710          | 5,036,212       | 5,135,793     | 99,581   |
| Permits and fees                   | 171,000            | 171,200         | 218,316       | 47,116   |
| Sales and services                 | 980,500            | 983,700         | 1,230,174     | 246,474  |
| Investment earnings                | 10,750             | 10,750          | 15,079        | 4,329  |
| Miscellaneous                      | 23,300             | 103,539         | 126,722       | 23,183   |
| Total revenues                     | 20,714,421         | 21,440,804      | 22,383,562    | 942,758  |
| <b><u>EXPENDITURES</u></b>         |                    |                 |               |  |
| Current:                           |                    |                 |               |  |
| General government                 | 3,058,854          | 3,124,220       | 2,900,946     | 223,274  |
| Public safety                      | 5,438,264          | 5,616,791       | 5,397,776     | 219,015  |
| Transportation                     | 32,467             | 32,467          | 32,467        | -  |
| Economic and physical development  | 427,146            | 458,758         | 400,247       | 58,511   |
| Human services                     | 6,858,040          | 7,619,940       | 6,959,448     | 660,492  |
| Cultural and recreational          | -                  | 91,316          | 91,211        | 105  |
| Education                          | 5,986,363          | 5,880,731       | 5,974,325     | (93,594)   |
| Debt service                       | 235,639            | 235,639         | 234,643       | 996  |
| Capital outlay                     | -                  | -               | -             | -  |
| Contingency                        | 169,000            | (10,063)        | -             | (10,063)   |
| Total Expenditures                 | 22,205,773         | 23,049,799      | 21,991,063    | 1,058,736  |
| Revenues Over (Under) Expenditures | (1,491,352)        | (1,608,995)     | 392,499       | 2,001,494  |

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, 2012**

|   | Original<br>Budget | Final<br>Budget  | Actual              | Variance<br>with Final<br>Positive<br>(Negative) |
|---|--------------------|------------------|---------------------|--|
| <u>OTHER FINANCING SOURCES (USES)</u>   |                    |                  |                     |  |
| Transfers to other funds  | (795,000)          | (1,294,854)      | (1,392,383)         | (97,529)   |
| Transfers from other funds  | 844,500            | 812,368          | 896,962             | 84,594   |
| Proceeds from debt  | -                  | -                | -                   | -  |
| Appropriated fund balance   | 1,441,852          | 2,091,481        | -                   | (2,091,481)                                      |
| Total other financing sources (uses)  | <u>1,491,352</u>   | <u>1,608,995</u> | <u>(495,421)</u>    | <u>(2,104,416)</u>                               |
| Revenues and Other Financing<br>Sources Over (Under) Expenditures<br>and Other Financing Uses   | <u>\$ -</u>        | <u>\$ -</u>      | (102,922)           | <u>\$ (102,922)</u>                              |
| Fund Balance - July 1   |                    |                  | <u>8,061,207</u>    |  |
| Fund Balance - June 30  |                    |                  | <u>\$ 7,958,285</u> |  |
| A legally budgeted School Capital Reserve Fund<br>and Revaluation Fund were consolidated into the<br>General fund for reporting purposes: |                    |                  |                     |  |
| Investment Earnings   |                    |                  | -                   |  |
| Sales tax   |                    |                  | 462,019             |  |
| Transfers-to General Fund   |                    |                  | (896,962)           |  |
| Transfers from General Fund   |                    |                  | 896,962             |  |
| Expenditures  |                    |                  | -                   |  |
| Fund Balance, Beginning   |                    |                  | <u>85,407</u>       |  |
| Fund Balance, Ending (Exhibit 4)  |                    |                  | <u>\$ 8,505,711</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, 2012**

|   | Major Funds                   |                               | Nonmajor Funds             |                    | Total         |
|---|-------------------------------|-------------------------------|----------------------------|--------------------|---------------|
|   | Northern<br>Water<br>District | Southern<br>Water<br>District | Tunis<br>Sewer<br>District | Sanitation<br>Fund |               |
| <b>ASSETS</b>                                       |                               |                               |                            |                    |               |
| Current Assets:                                     |                               |                               |                            |                    |               |
| Cash and cash equivalents                           | \$ 420,418                    | \$ 1,388,966                  | \$ 8,001                   | 623,636            | \$ 2,441,021  |
| Receivables (net)                                   | 24,592                        | 83,600                        | -                          | 236,143            | 344,335       |
| Due from other funds                                | -                             | -                             | -                          | -                  | -             |
| Total Current Assets                                | 445,010                       | 1,472,566                     | 8,001                      | 859,779            | 2,785,356     |
| Noncurrent Assets:                                  |                               |                               |                            |                    |               |
| Capital assets:                                     |                               |                               |                            |                    |               |
| Land, improvements, and<br>construction in progress | -                             | 10,000                        | 102,098                    | 23,046             | 135,144       |
| Other capital assets, net of<br>depreciation        | 3,408,081                     | 7,747,259                     | -                          | 146,390            | 11,301,730    |
| Total Capital Assets                                | 3,408,081                     | 7,757,259                     | 102,098                    | 169,436            | 11,436,874    |
| Total non-current assets                            | 3,408,081                     | 7,757,259                     | 102,098                    | 169,436            | 11,436,874    |
| Total Assets  | \$ 3,853,091                  | \$ 9,229,825                  | \$ 110,099                 | \$ 1,029,215       | \$ 14,222,230 |
| <b>LIABILITIES</b>                                  |                               |                               |                            |                    |               |
| Current Liabilities:                                |                               |                               |                            |                    |               |
| Accounts payable and accrued liabilities            | \$ 3,675                      | \$ 3,364                      | \$ -                       | \$ 45,265          | \$ 52,304     |
| Customer deposits                                   | 29,863                        | 63,965                        | -                          | -                  | 93,828        |
| Accrued interest payable                            | 9,169                         | 20,992                        | -                          | -                  | 30,161        |
| Due to other funds                                  | 152,151                       | 427,308                       | -                          | -                  | 579,459       |
| Compensated absences                                | 1,020                         | 1,972                         | -                          | 1,547              | 4,539         |
| General obligation bonds payable                    | 52,000                        | 201,500                       | -                          | -                  | 253,500       |
| Deferred revenue                                    | (1,319)                       | 1,583                         | -                          | -                  | 264           |
| Total Current Liabilities                           | 246,559                       | 720,684                       | -                          | 46,812             | 1,014,055     |
| Noncurrent Liabilities:                             |                               |                               |                            |                    |               |
| Compensated absences                                | 3,059                         | 5,916                         | -                          | 4,641              | 13,616        |
| General obligation bonds payable                    | 2,205,000                     | 4,876,500                     | -                          | -                  | 7,081,500     |
| OPEB obligation                                     | 38,212                        | 52,064                        | -                          | 147,315            | 237,591       |
| Total Noncurrent Liabilities                        | 2,246,271                     | 4,934,480                     | -                          | 151,956            | 7,332,707     |
| Total Liabilities                                   | 2,492,830                     | 5,655,164                     | -                          | 198,768            | 8,346,762     |
| <b>NET ASSETS</b>                                   |                               |                               |                            |                    |               |
| Invested in capital assets, net of related<br>debt  | 1,151,081                     | 2,679,259                     | 102,098                    | 169,436            | 4,101,874     |
| Unrestricted  | 209,180                       | 895,402                       | 8,001                      | 661,011            | 1,773,594     |
| Total Net Assets                                    | \$ 1,360,261                  | \$ 3,574,661                  | \$ 110,099                 | \$ 830,447         | \$ 5,875,468  |

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, 2012**

|  | Major Funds                   |                               | Nonmajor Funds             |                    | Total        |
|--|-------------------------------|-------------------------------|----------------------------|--------------------|--------------|
|  | Northern<br>Water<br>District | Southern<br>Water<br>District | Tunis<br>Sewer<br>District | Sanitation<br>Fund |              |
| <b>OPERATING REVENUES</b>                        |                               |                               |                            |                    |              |
| Charges for services                             | \$ 437,027                    | \$ 961,707                    | \$ -                       | \$ 834,602         | \$ 2,233,336 |
| Tap on fees                                      | 19,750                        | 51,453                        | 4,600                      | -                  | 75,803       |
| Miscellaneous                                    | 7,076                         | 33,277                        | -                          | 109,253            | 149,606      |
| Total operating revenues                         | 463,853                       | 1,046,437                     | 4,600                      | 943,855            | 2,458,745    |
| <b>OPERATING EXPENSES</b>                        |                               |                               |                            |                    |              |
| Administration and Operations                    | 204,686                       | 287,732                       | 705                        | 975,039            | 1,468,162    |
| Depreciation                                     | 92,843                        | 209,900                       | -                          | 22,449             | 325,192      |
| Total Operating Expenses                         | 297,529                       | 497,632                       | 705                        | 997,488            | 1,793,354    |
| <b>OPERATING INCOME (LOSS)</b>                   | 166,324                       | 548,805                       | 3,895                      | (53,633)           | 665,391      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>          |                               |                               |                            |                    |              |
| Interest and investment revenue                  | -                             | -                             | -                          | 445                | 445          |
| Interest paid                                    | (112,241)                     | (261,502)                     | -                          | -                  | (373,743)    |
| Total Nonoperating Revenues (Expenses) - Net     | (112,241)                     | (261,502)                     | -                          | 445                | (373,298)    |
| <b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b> | 54,083                        | 287,303                       | 3,895                      | (53,188)           | 292,093      |
| Capital Contributions                            | -                             | -                             | -                          | -                  | -            |
| Transfer to other funds                          | -                             | -                             | -                          | -                  | -            |
| Transfer from other funds                        | 795                           | 1,147                         | 98,204                     | 1,948              | 102,094      |
| Total  | 795                           | 1,147                         | 98,204                     | 1,948              | 102,094      |
| <b>CHANGE IN NET ASSETS</b>                      | 54,878                        | 288,450                       | 102,099                    | (51,240)           | 394,187      |
| <b>TOTAL NET ASSETS, BEGINNING</b>               | 1,305,383                     | 3,286,211                     | 8,000                      | 881,687            | 5,481,281    |
| <b>TOTAL NET ASSETS-ENDING</b>                   | \$ 1,360,261                  | \$ 3,574,661                  | \$ 110,099                 | \$ 830,447         | \$ 5,875,468 |

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, 2012**

|  | Major Funds                   |                               | Nonmajor Funds             |                    | Total               |
|--|-------------------------------|-------------------------------|----------------------------|--------------------|---------------------|
|  | Northern<br>Water<br>District | Southern<br>Water<br>District | Tunis<br>Sewer<br>District | Sanitation<br>Fund |                     |
| <b>Cash flows from operating activities:</b>   |                               |                               |                            |                    |                     |
| Cash received from customers   | \$ 459,265                    | \$ 1,016,742                  | \$ 4,600                   | \$ 867,093         | \$ 2,347,700        |
| Cash paid for goods and services   | (105,068)                     | (155,789)                     | 117,934                    | (623,547)          | (766,470)           |
| Cash paid to employees for services  | (95,205)                      | (118,641)                     | (118,639)                  | (375,257)          | (707,742)           |
| Other operating revenue  | 7,076                         | 33,277                        | -                          | 109,253            | 149,606             |
| Net cash provided by (used) by operating activities  | <u>266,068</u>                | <u>775,589</u>                | <u>3,895</u>               | <u>(22,458)</u>    | <u>1,023,094</u>    |
| <b>Cash flows from noncapital financing activities:</b>  |                               |                               |                            |                    |                     |
| Due to other funds   | (20,000)                      | (100,000)                     | -                          | -                  | (120,000)           |
| Transfers (to) from other funds  | 795                           | 1,147                         | 98,204                     | 1,948              | 102,094             |
| Net cash provided (used) by noncapital financing activities                                    | <u>(19,205)</u>               | <u>(98,853)</u>               | <u>98,204</u>              | <u>1,948</u>       | <u>(17,906)</u>     |
| <b>Cash flows from capital and related financing activities:</b>                               |                               |                               |                            |                    |                     |
| Proceeds from sale of fixed assets   | -                             | -                             | -                          | 74,104             | 74,104              |
| Purchase of capital assets   | -                             | -                             | (102,098)                  | -                  | (102,098)           |
| Principal paid on bond maturities  | (49,500)                      | (197,000)                     | -                          | -                  | (246,500)           |
| Interest paid on bond maturities   | (112,241)                     | (261,502)                     | -                          | -                  | (373,743)           |
| Net cash provided by capital and related financing activities                                  | <u>(161,741)</u>              | <u>(458,502)</u>              | <u>(102,098)</u>           | <u>74,104</u>      | <u>(648,237)</u>    |
| <b>Cash flows from investing activities:</b>   |                               |                               |                            |                    |                     |
| Interest on investments  | -                             | -                             | -                          | 445                | 445                 |
| Net cash provided by investing activities  | <u>-</u>                      | <u>-</u>                      | <u>-</u>                   | <u>445</u>         | <u>445</u>          |
| Net increase (decrease) in cash and cash equivalents   | <u>85,122</u>                 | <u>218,234</u>                | <u>1</u>                   | <u>54,039</u>      | <u>357,396</u>      |
| Cash and cash equivalents, July 1  | <u>335,296</u>                | <u>1,170,732</u>              | <u>8,000</u>               | <u>569,597</u>     | <u>2,083,625</u>    |
| Cash and cash equivalents, June 30   | <u>\$ 420,418</u>             | <u>\$ 1,388,966</u>           | <u>\$ 8,001</u>            | <u>\$ 623,636</u>  | <u>\$ 2,441,021</u> |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b>        |                               |                               |                            |                    |                     |
| Operating income (loss)  | \$ 166,324                    | \$ 548,805                    | \$ 3,895                   | \$ (53,633)        | \$ 665,391          |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |                               |                               |                            |                    |                     |
| Depreciation   | 92,843                        | 209,900                       | -                          | 22,449             | 325,192             |
| Gain on sale of assets   | -                             | -                             | -                          | (47,521)           | (47,521)            |
| Change in assets and liabilities:  |                               |                               |                            |                    |                     |
| (Increase) decrease in accounts receivable   | 2,488                         | 3,582                         | -                          | 32,491             | 38,561              |
| Increase (decrease) in accounts payable and accrued liabilities                                | 81                            | 1,829                         | -                          | 17,163             | 19,073              |
| Increase (decrease) in customer deposits   | 1,213                         | 1,050                         | -                          | -                  | 2,263               |
| Increase (decrease) in accrued interest payable  | (201)                         | (873)                         | -                          | -                  | (1,074)             |
| Increase (decrease) in deferred revenue  | (1,319)                       | 1,583                         | -                          | -                  | 264                 |
| Increase (decrease) in compensated absences  | (1,237)                       | 781                           | -                          | (14,637)           | (15,093)            |
| Increase (decrease) in other postemployment benefits   | 5,876                         | 8,932                         | -                          | 21,230             | 36,038              |
| Total adjustments  | <u>99,744</u>                 | <u>226,784</u>                | <u>-</u>                   | <u>31,175</u>      | <u>357,703</u>      |
| Net cash provided by operating activities  | <u>\$ 266,068</u>             | <u>\$ 775,589</u>             | <u>\$ 3,895</u>            | <u>\$ (22,458)</u> | <u>\$ 1,023,094</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, 2012**

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|                                       | <u>Agency<br/>Funds</u> |
|---------------------------------------|-------------------------|
| <b>ASSETS</b>                         |                         |
| Cash and cash equivalents             | <u>\$ 143,772</u>       |
| <br><b>LIABILITIES AND NET ASSETS</b> |                         |
| <b>Liabilities:</b>                   |                         |
| Miscellaneous liabilities             | <u>\$ 143,772</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, 2012**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

| Component Unit                                  | Reporting Method | Criteria for Inclusion  | Separate Financial Statements   |
|---|------------------|---|---|
| Hertford County Northern Water District         | Blended          | Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing Board for the District.   | None issued.  |
| Hertford County Southern Water District         | Blended          | Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing Board for the District.   | None issued.  |
| Hertford County 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<br>King Street<br>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<br>US 13 South<br>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<br>Winton, NC 27986                         |

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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.

**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 the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures and DMV Interest Fund, which accounts for various legal fines and forfeitures that the County is required to

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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 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 six legally budgeted funds. The Emergency Telephone System Fund, the Fire District Fund, the Scattered Site CDBG Fund, and the EDC Infrastructure Project 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, Revaluation Fund, and Capital Reserve are consolidated in the General Fund in accordance with GASB Statement No. 54.

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

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

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

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

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

**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  
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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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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 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 EDC Infrastructure Project Fund, the Capital Projects Funds and the Enterprise Capital Projects Funds, which are consolidated with the enterprise operating funds for reporting purposes.

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

**HERTFORD COUNTY, NORTH CAROLINA  
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**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, 2012, 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 and Capital Reserve Fund and money reserved for Register of Deeds is also classified as restricted assets because its use is restricted per North Carolina General Statute 153-A-150.

**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  
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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, 2011. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowance for Doubtful Accounts**

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

**6. Inventory**

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

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

**7. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets 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            |

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NOTES TO THE FINANCIAL STATEMENTS  
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At June 30, 2012, 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, the ABC Board and the Authority provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The vacation policies of the County provide for an unlimited accumulation of earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds and the Authority, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

The Economic Development Commission had no employees.

**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 a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

**HERTFORD COUNTY, NORTH CAROLINA  
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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.

Restricted for Economic Development – portion of fund balance that is restricted by revenue sources for economic development expenditures.

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

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

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

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

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

**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 \$ 1,455,011 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) | \$ 10,251,705    |
| Less Accumulated Depreciation  | <u>5,778,854</u> |
| Net capital assets   | <u>4,472,851</u> |

**HERTFORD COUNTY, NORTH CAROLINA  
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|   |                     |
|---|---------------------|
| 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. | 396,180             |
| Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide statements  | 1,374,102           |
| 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  | (1,565,337)         |
| Compensated absences  | (463,000)           |
| Other postemployment benefits   | (2,722,283)         |
| Accrued interest payable  | <u>(37,502)</u>     |
| Total adjustment  | <u>\$ 1,455,011</u> |

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

The government fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-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 \$ (99,922) as follows:

| Description   | Amount     |
|---|------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities  | \$ 482,079 |
| Cost of disposed capital asset not recorded in the fund statements  | (200)      |
| 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              | (373,831)  |
| 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 | 303,908    |
| 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)   | 5,458      |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources                               | (30,105)   |
| Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources                      | (385,121)  |

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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|  |                    |
|--|--------------------|
| 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  | (2,411)            |
| Reversal of deferred tax revenue recorded at 7-1-11  | (1,438,343)        |
| Recording of tax receipts deferred in the fund statements as of 6-30-12  | 1,374,102          |
| Increase in accrued taxes receivable for year ended 6-30-12  | <u>(35,458)</u>    |
| Total adjustment   | <u>\$ (99,922)</u> |

**II. Stewardship, Compliance, and Accountability**

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

During the fiscal year, expenditures in excess of appropriations were made in the General Fund in the following departments: Education by \$93,594 and Transfers out by \$97,529. In the School Capital Reserve Fund, expenditures were in excess of appropriations by \$93,594. All of the overexpenditures which occurred were due to not including sales tax for May and June in the initial budget. In the future, the County will try to better project these expenditures.

**B. 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> |
| Hertford County Judicial Center | \$ 311,520    |

This deficit fund balance resulted from the County's need to obtain financing for this project.

**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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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the exact amount of collateral pledged for the County, the Economic Development Commission, the Public Health Authority, or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

At June 30, 2012, the County's deposits had a carrying amount of \$4,412,274 and a bank balance of \$4,769,173. 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, 2012, Hertford County had \$1,175 cash on hand.

At June 30, 2012, the carrying amount of deposits for Hertford County ABC Board was \$590,380 and the bank balance was \$565,978. 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, 2012, the carrying amount of deposits for the Economic Development Commission was \$169,525 and a bank balance of \$170,453. All of the bank balance was covered by federal depository insurance.

At June 30, 2012, the carrying amount of deposits for the Public Health Authority was \$400,303 and a bank balance of \$578,651. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$328,651 was covered by collateral held under the pooling method.

**2. Investments**

At June 30, 2012, the County's investments consisted of \$5,527,908 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, 2012, the Public Health Authority invested \$41,794 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.

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| <u>Year<br/>Levied</u> | <u>Total<br/>Taxes</u> | <u>Interest</u>   | <u>Total</u>        |
|------------------------|------------------------|-------------------|---------------------|
| 2009                   | \$ 791,015             | \$ 258,201        | \$ 1,049,216        |
| 2010                   | 798,617                | 189,340           | 987,957             |
| 2011                   | 805,448                | 118,580           | 924,028             |
| 2012                   | <u>1,039,629</u>       | <u>-</u>          | <u>1,039,629</u>    |
| Totals                 | <u>\$ 3,434,709</u>    | <u>\$ 566,121</u> | <u>\$ 4,000,830</u> |

**4. Receivables**

Receivables at the government-wide level at June 30, 2012, were as follows:

|                                 | <u>Accounts</u>   | <u>Taxes and<br/>Related Accrued<br/>Interest</u> | <u>Due from<br/>other<br/>governments</u> | <u>Total</u>        |
|---------------------------------|-------------------|---|---|---------------------|
| Governmental Activities:        |                   |   |   |                     |
| General                         | \$ 578,007        | \$ 1,764,213                                      | \$ 713,683                                | \$ 3,055,903        |
| Other Governmental              | 9,558             | 6,069   | 4,166                                     | 19,793              |
| Total-governmental activities   | <u>\$ 587,565</u> | <u>\$ 1,770,282</u>                               | <u>\$ 717,849</u>                         | <u>\$ 3,075,696</u> |
| Business-type Activities:       |                   |   |   |                     |
| Northern Water District         | \$ 46,158         | \$ -  | \$ -                                      | \$ 46,158           |
| Southern Water District         | 133,411           | -   | -   | 133,411             |
| Sanitation                      | <u>223,768</u>    | <u>-</u>  | <u>12,678</u>                             | <u>236,446</u>      |
| Total                           | <u>403,337</u>    | <u>-</u>  | <u>12,678</u>                             | <u>416,015</u>      |
| Allowance for doubtful accounts | <u>(71,680)</u>   | <u>-</u>  | <u>-</u>                                  | <u>(71,680)</u>     |
| Total-business-type activities  | <u>\$ 331,657</u> | <u>\$ -</u>                                       | <u>\$ 12,678</u>                          | <u>\$ 344,335</u>   |

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

|                          |                   |
|--------------------------|-------------------|
| Local option sales tax   | \$ 652,217        |
| Sales tax refund         | 61,466            |
| Scrap tire tax           | 7,767             |
| White goods tax          | 1,967             |
| Solid waste disposal tax | <u>2,944</u>      |
| Total                    | <u>\$ 730,527</u> |

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2012, was as follows:

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| Governmental activities:                      |                               |                  |                  |                            |
| Capital assets not being depreciated:         |                               |                  |                  |                            |
| Land  | \$ 392,031                    | \$ -             | \$ -             | \$ 392,031                 |
| Construction in progress                      | <u>377,420</u>                | <u>93,694</u>    | <u>66,050</u>    | <u>405,064</u>             |
| Total capital assets not being<br>Depreciated | <u>769,451</u>                | <u>93,694</u>    | <u>66,050</u>    | <u>797,095</u>             |
| Capital assets being depreciated:             |                               |                  |                  |                            |
| Buildings                                     | 5,574,945                     | 287,900          | -                | 5,862,845                  |
| Equipment                                     | 1,646,029                     | 87,482           | 21,000           | 1,712,511                  |
| Vehicles and motor equipment                  | <u>1,800,201</u>              | <u>79,053</u>    | <u>-</u>         | <u>1,879,254</u>           |
| Total capital assets being<br>Depreciated     | <u>9,021,175</u>              | <u>454,435</u>   | <u>21,000</u>    | <u>9,454,610</u>           |

**HERTFORD COUNTY, NORTH CAROLINA  
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|   | Beginning<br>Balances | Increases         | Decreases        | Ending<br>Balances  |
|---|-----------------------|-------------------|------------------|---------------------|
| Less accumulated depreciation for:          |                       |                   |                  |                     |
| Buildings                                   | 2,824,724             | 122,434           | -                | 2,947,158           |
| Equipment                                   | 1,184,606             | 92,778            | 20,800           | 1,256,584           |
| Vehicles and motor equipment                | <u>1,416,493</u>      | <u>158,619</u>    | -                | <u>1,575,112</u>    |
| Total accumulated depreciation              | <u>5,425,823</u>      | <u>\$ 373,831</u> | <u>\$ 20,800</u> | <u>5,778,854</u>    |
| Total capital assets being depreciated, net | <u>3,595,352</u>      |                   |                  | <u>3,675,756</u>    |
| Governmental activity capital assets, net   | <u>\$ 4,364,803</u>   |                   |                  | <u>\$ 4,472,851</u> |
| <b>Business-type activities:</b>            |                       |                   |                  |                     |
| <b>Northern Water District</b>              |                       |                   |                  |                     |
| Capital assets being depreciated:           |                       |                   |                  |                     |
| Plant and distribution systems              | \$ 4,579,543          | \$ -              | \$ -             | \$ 4,579,543        |
| Vehicles and motor equipment                | <u>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              | 1,090,709             | 91,591            | -                | 1,182,300           |
| Vehicles and motor equipment                | <u>11,893</u>         | <u>1,252</u>      | -                | <u>13,145</u>       |
| Total accumulated depreciation              | <u>1,102,602</u>      | <u>\$ 92,843</u>  | <u>\$ -</u>      | <u>1,195,445</u>    |
| Total capital assets being depreciated, net | <u>3,500,924</u>      |                   |                  | <u>3,408,081</u>    |
| Northern Water District capital assets, net | <u>\$ 3,500,924</u>   |                   |                  | <u>\$ 3,408,081</u> |
| <b>Southern Water District</b>              |                       |                   |                  |                     |
| Capital assets not being depreciated:       |                       |                   |                  |                     |
| Land  | \$ 10,000             | \$ -              | \$ -             | \$ 10,000           |
| Total capital assets not being depreciated  | <u>10,000</u>         | <u>-</u>          | <u>-</u>         | <u>10,000</u>       |
| Capital assets being depreciated:           |                       |                   |                  |                     |
| Plant and distribution systems              | 10,213,751            | -                 | -                | 10,213,751          |
| Machinery and equipment                     | 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              | 2,268,682             | 208,648           | -                | 2,477,330           |
| Machinery and equipment                     | 35,280                | 433               | -                | 35,713              |
| Vehicles and motor equipment                | <u>37,136</u>         | <u>819</u>        | -                | <u>37,955</u>       |
| Total accumulated depreciation              | <u>2,341,098</u>      | <u>\$ 209,900</u> | <u>\$ -</u>      | <u>2,550,998</u>    |
| Total capital assets being depreciated, net | <u>7,957,159</u>      |                   |                  | <u>7,747,259</u>    |
| Southern Water District capital assets, net | <u>\$ 7,967,159</u>   |                   |                  | <u>\$ 7,757,259</u> |

**HERTFORD COUNTY, NORTH CAROLINA  
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|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>  | <u>Decreases</u>  | <u>Ending<br/>Balances</u> |
|--|-------------------------------|-------------------|-------------------|----------------------------|
| <b>Tunis Sewer District</b>                  |                               |                   |                   |                            |
| Capital assets not being depreciated:        |                               |                   |                   |                            |
| Land   | \$ -                          | \$ 11,271         | \$ -              | \$ 11,271                  |
| Construction in progress                     | <u>-</u>                      | <u>90,827</u>     | <u>-</u>          | <u>90,827</u>              |
| Total capital assets not being depreciated   | <u>-</u>                      | <u>\$ 102,098</u> | <u>\$ -</u>       | <u>102,098</u>             |
| Tunis Sewer District capital assets, net     | <u>\$ -</u>                   |                   |                   | <u>\$ 102,098</u>          |
| Capital assets not being depreciated:        |                               |                   |                   |                            |
| <b>Sanitation</b>                            |                               |                   |                   |                            |
| 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                      | 189,246                       | -                 | 32,537            | 156,709                    |
| Vehicles and motor equipment                 | <u>261,401</u>                | <u>-</u>          | <u>163,683</u>    | <u>97,718</u>              |
| Total capital assets being depreciated       | <u>710,799</u>                | <u>-</u>          | <u>196,221</u>    | <u>514,579</u>             |
| Less accumulated depreciation for:           |                               |                   |                   |                            |
| Plant and distribution systems               | 177,468                       | 7,022             | -                 | 184,490                    |
| Machinery and equipment                      | 117,595                       | 10,346            | 25,105            | 102,836                    |
| Vehicles and motor equipment                 | <u>220,314</u>                | <u>5,081</u>      | <u>144,532</u>    | <u>80,863</u>              |
| Total accumulated depreciation               | <u>515,377</u>                | <u>\$ 22,449</u>  | <u>\$ 169,637</u> | <u>368,189</u>             |
| Total capital assets being depreciated, net  | <u>195,422</u>                |                   |                   | <u>146,390</u>             |
| Other business-type capital assets, net      | <u>\$ 218,468</u>             |                   |                   | <u>\$ 169,436</u>          |
| Business-type activities capital assets, net | <u>\$ 11,686,551</u>          |                   |                   | <u>\$ 11,436,874</u>       |

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

|                                   |                   |
|-----------------------------------|-------------------|
| General Government                | \$ 50,023         |
| Public Safety                     | 305,046           |
| Human Services                    | 14,319            |
| Economic and Physical Development | <u>4,443</u>      |
| Total Depreciation Expense        | <u>\$ 373,831</u> |

**Discretely presented component units**

Capital assets at June 30, 2012 for the ABC Board were as follows:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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|   |                  |
|---|------------------|
| Capital assets not being depreciated:       |                  |
| Land  | \$ 24,220        |
| Capital assets being depreciated:           |                  |
| Buildings, improvements                     | 193,951          |
| Furniture and equipment                     | 108,607          |
| Vehicles                                    | <u>29,801</u>    |
| Total capital assets being depreciated      | <u>332,359</u>   |
| Less accumulated depreciation for:          |                  |
| Buildings, improvements                     | 171,382          |
| Furniture and equipment                     | 102,264          |
| Vehicles                                    | <u>29,801</u>    |
| Total accumulated depreciation              | <u>303,447</u>   |
| Total capital assets being depreciated, net | <u>28,912</u>    |
| ABC Board capital assets, net               | <u>\$ 53,132</u> |

Activity for the Public Health Authority for the year ended June 30, 2012, was as follows:

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| Capital assets being depreciated:           |                               |                  |                  |                            |
| Land improvements                           | \$ 7,500                      | \$ -             | \$ -             | \$ 7,500                   |
| Leasehold improvements                      | 95,252                        | -                | -                | 95,252                     |
| Equipment and furniture                     | 133,643                       | 6,647            | -                | 140,290                    |
| Vehicles                                    | <u>193,362</u>                | <u>-</u>         | <u>-</u>         | <u>193,362</u>             |
| Total Capital Assets being depreciated      | <u>429,757</u>                | <u>6,647</u>     | <u>-</u>         | <u>436,404</u>             |
| Less accumulated depreciation               |                               |                  |                  |                            |
| Land improvements                           | 5,875                         | 625              | -                | 6,500                      |
| Leasehold improvements                      | 28,354                        | 4,349            | -                | 32,703                     |
| Equipment and furniture                     | 100,713                       | 11,461           | -                | 112,174                    |
| Construction in Progress                    | <u>91,270</u>                 | <u>20,786</u>    | <u>-</u>         | <u>112,056</u>             |
| Total accumulated depreciation              | <u>226,212</u>                | <u>\$ 37,221</u> | <u>\$ -</u>      | <u>263,433</u>             |
| Public Health Authority capital assets, net | <u>\$ 203,545</u>             |                  |                  | <u>\$ 172,971</u>          |

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2012, were as follows:

|                               | <u>Vendors</u>    | <u>Accrued<br/>Interest</u> | <u>Other</u> | <u>Total</u>      |
|-------------------------------|-------------------|-----------------------------|--------------|-------------------|
| Governmental Activities:      |                   |                             |              |                   |
| General                       | \$ 555,587        | \$ 37,502                   | \$ -         | \$ 593,089        |
| Other governmental            | <u>15,030</u>     | <u>-</u>                    | <u>-</u>     | <u>15,030</u>     |
| Total-governmental activities | <u>\$ 570,617</u> | <u>\$ 37,502</u>            | <u>\$ -</u>  | <u>\$ 608,119</u> |

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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|                                | <u>Vendors</u>   | <u>Accrued<br/>Interest</u> | <u>Other</u> | <u>Total</u>     |
|--------------------------------|------------------|-----------------------------|--------------|------------------|
| Business-type Activities:      |                  |                             |              |                  |
| Northern Water District        | \$ 3,675         | \$ 9,169                    | \$ -         | \$ 12,844        |
| Southern Water District        | 3,364            | 20,992                      | -            | 24,356           |
| Sanitation                     | 45,265           | -                           | -            | 45,265           |
| Other business-type            | -                | -                           | -            | -                |
| Total-business-type activities | <u>\$ 52,304</u> | <u>\$ 30,161</u>            | <u>\$ -</u>  | <u>\$ 82,465</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 7.00% and 7.05%, respectively, of annual covered payroll. The contribution requirements of 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, 2012, 2011, and 2010 were \$419,162, \$383,275 and \$286,555 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, 2012, the Separation Allowance's membership consisted of:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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|  |           |
|--|-----------|
| Retirees receiving benefits  | 1         |
| Terminated plan members entitled to but not yet receiving benefits | -         |
| Active plan members  | <u>22</u> |
| Total  | <u>23</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.

**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, 2012 were \$75,393, which consisted of \$42,780 from the County and \$32,613 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.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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*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 3 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, 2012, the County’s required and actual contributions were \$964.

**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, 2011, the date of the latest actuarial valuation:

|   | <u>General<br/>Employees</u> | <u>Law Enforcement<br/>Officers</u> |
|---|------------------------------|-------------------------------------|
| Retirees receiving benefits   | 18                           | 1                                   |
| Terminated plan members entitled to<br>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 9.36% of annual covered payroll as of December 31, 2011. For the current year, the County contributed \$139,481 or 2.33% 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.

**HERTFORD COUNTY, NORTH CAROLINA  
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*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               | \$ | 556,101             |
| Interest on net OPEB obligation            |    | 101,549             |
| Adjustment to annual required contribution |    | <u>(97,010)</u>     |
| Annual OPEB cost (expense)                 |    | 560,639             |
| Contributions made                         |    | <u>139,481</u>      |
| Increase (decrease) in net OPEB obligation |    | 421,158             |
| Net OPEB obligation, beginning of year     |    | <u>2,538,716</u>    |
| Net OPEB obligation, end of year           |    | <u>\$ 2,959,874</u> |

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

| For Year Ended<br><u>June 30</u> | Annual OPEB<br><u>Cost</u> | Percentage of<br>Annual OPEB<br><u>Cost Contributed</u> | Net OPEB<br><u>Obligation</u> |
|----------------------------------|----------------------------|---|-------------------------------|
| 2012                             | \$ 560,639                 | 24.9%   | \$ 2,959,874                  |
| 2011                             | 982,239                    | 12.6%   | 2,538,716                     |
| 2010                             | 914,362                    | 8.58%   | 1,680,390                     |

*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 \$5,945,009, 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.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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*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 3.00 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 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, 2012, the County made contributions to the State for death benefits of \$7,353. 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:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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|   | <u>Deferred<br/>Revenue</u> | <u>Unearned<br/>Revenue</u> |
|---|-----------------------------|-----------------------------|
| Prepaid taxes not yet earned (General)  | \$ -                        | \$ 75,833                   |
| Taxes receivable, net (General)         | 1,368,033                   | -                           |
| Taxes receivable, net (Special Revenue) | <u>6,069</u>                | <u>-</u>                    |
| Total                                   | <u>\$ 1,374,102</u>         | <u>\$ 75,833</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.

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. Contingent Liabilities**

At June 30, 2012, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

**HERTFORD COUNTY, NORTH CAROLINA  
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**6. 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, 2012:

| <u>For Year Ending June 30</u>  | <u>Amount</u>     |
|---------------------------------|-------------------|
| 2013                            | \$ 248,934        |
| 2014                            | 247,209           |
| 2015                            | <u>191,739</u>    |
| Total minimum payments required | <u>\$ 687,882</u> |

Total rent paid during the fiscal year ended June 30, 2012 was approximately \$71,190.

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, 2012 was \$46,884.

For the Authority, future minimum rental payments for these facilities as of June 30, 2012 are as follows:

| <u>For Year Ending June 30</u> | <u>Amount</u>    |
|--------------------------------|------------------|
| 2013                           | <u>\$ 45,825</u> |

**7. Long-Term Obligations**

**a. Installment Purchases**

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

In 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, 2012, including \$146,290 of interest, are as follows:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| Year Ending<br><u>June 30</u> | <u>Governmental Activities</u> |                   |
|-------------------------------|--------------------------------|-------------------|
|                               | <u>Principal</u>               | <u>Interest</u>   |
| 2013                          | \$ 206,583                     | \$ 31,355         |
| 2014                          | 115,421                        | 24,359            |
| 2015                          | 61,667                         | 20,128            |
| 2016                          | 61,667                         | 17,612            |
| 2017                          | 61,666                         | 15,096            |
| 2018-2022                     | <u>308,333</u>                 | <u>37,740</u>     |
| Total                         | <u>\$ 815,337</u>              | <u>\$ 146,290</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 issue general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Northern and Southern Water District Funds, are collateralized by the full faith, credit, and taxing power of the County's water and sewer operations. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable at June 30, 2012 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.

\$ 750,000

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.

\$ 2,852,000

**\$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.

325,000

**\$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.

1,519,000

**\$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.

382,000

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.

2,257,000

Total

\$ 7,335,000

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:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| Year Ending<br>June 30 | Governmental Activities |                   | Business-type Activities |                     |
|------------------------|-------------------------|-------------------|--------------------------|---------------------|
|                        | Principal               | Interest          | Principal                | Interest            |
| 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                   | 100,000                 | 18,800            | 186,000                  | 310,947             |
| 2018-2022              | 250,000                 | 20,250            | 1,075,500                | 1,408,356           |
| 2023-2027              | -                       | -                 | 1,365,500                | 1,117,518           |
| 2028-2032              | -                       | -                 | 1,639,000                | 752,011             |
| 2033-2037              | -                       | -                 | 1,722,500                | 339,786             |
| 2038-2042              | -                       | -                 | 360,000                  | 42,975              |
| Total                  | <u>\$ 750,000</u>       | <u>\$ 167,250</u> | <u>\$ 7,335,000</u>      | <u>\$ 5,338,376</u> |

At June 30, 2012, Hertford County had a legal debt margin of \$103,414,588.

**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, 2012:

|                                  | Balance<br>July 1, 2011 | Increases         | Decreases         | Balance<br>June 30, 2012 | Current<br>Portion |
|----------------------------------|-------------------------|-------------------|-------------------|--------------------------|--------------------|
| <b>Governmental Activities:</b>  |                         |                   |                   |                          |                    |
| General obligation debt          | \$ 850,000              | \$ -              | \$ 100,000        | \$ 750,000               | \$ 100,000         |
| Installment purchases            | 1,019,245               | -                 | 203,908           | 815,337                  | 206,583            |
| Compensated absences             | 432,895                 | 463,000           | 432,894           | 463,000                  | 115,750            |
| Other Postemployment Benefits    | <u>2,337,162</u>        | <u>385,121</u>    | <u>-</u>          | <u>2,722,283</u>         | <u>-</u>           |
| Total                            | <u>\$ 4,639,302</u>     | <u>\$ 848,121</u> | <u>\$ 736,802</u> | <u>\$ 4,750,620</u>      | <u>\$ 422,333</u>  |
| <b>Business-type Activities:</b> |                         |                   |                   |                          |                    |
| General obligation debt          | \$ 7,581,500            | \$ -              | \$ 246,500        | \$ 7,335,000             | \$ 253,500         |
| Compensated absences             | 33,248                  | 18,155            | 33,247            | 18,155                   | 4,539              |
| Other Postemployment Benefits    | <u>201,553</u>          | <u>36,037</u>     | <u>-</u>          | <u>237,591</u>           | <u>-</u>           |
| Total                            | <u>\$ 7,816,301</u>     | <u>\$ 54,192</u>  | <u>\$ 279,747</u> | <u>\$ 7,590,746</u>      | <u>\$ 258,039</u>  |

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

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, 2012:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                 | Balance<br>July 1, 2011 | Increases         | Decreases         | Balance<br>June 30, 2012 |
|---------------------------------|-------------------------|-------------------|-------------------|--------------------------|
| <b>Governmental activities:</b> |                         |                   |                   |                          |
| Compensated absences            | \$ 135,018              | \$ 138,361        | \$ 141,355        | \$ 132,024               |
| Other postemployment benefits   | <u>567,237</u>          | <u>348,775</u>    | <u>75,333</u>     | <u>840,679</u>           |
| Total                           | <u>\$ 702,255</u>       | <u>\$ 487,136</u> | <u>\$ 216,688</u> | <u>\$ 972,703</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>          |                                      |                     |  |
| School Capital Reserve Fund           | General Fund                         | <u>\$ 896,962</u>   | To provide schools restricted funding      |
| <u>General Fund</u>                   |                                      |                     |  |
| General Fund                          | School Capital Reserve Fund          | \$ 896,962          | To transfer restricted sales tax           |
| General Fund                          | Emergency Telephone System Fund      | 286,456             | To provide local portion of capital outlay |
| General Fund                          | EDC Infrastructure Project Fund      | 12,052              | To provide county match for grant funding  |
| General Fund                          | Hertford County Judicial Center Fund | 94,095              | To provide funding until debt received     |
| General Fund                          | Parks and Recreation Project Fund    | 724                 | To close out capital project fund          |
| General Fund                          | Tunis Sewer District Fund            | 98,204              | To provide funding until debt received     |
| General Fund                          | Sanitation Fund                      | 1,948               | To provide employee bonuses                |
| General Fund                          | Northern Water District Fund         | 795                 | To provide employee bonuses                |
| General Fund                          | Southern Water District Fund         | 1,147               | To provide employee bonuses                |
|                                       |                                      | <u>\$ 1,392,383</u> |  |
| <i>Due From/To Other Funds:</i>       |                                      |                     |  |
| <u>Capital Projects Fund</u>          |                                      |                     |  |
| Hertford County Judicial Center       | General Fund                         | <u>\$ 311,520</u>   | Loan until debt funding received           |
| <u>Enterprise Fund</u>                |                                      |                     |  |
| Northern Water District Fund          | General Fund                         | \$ 152,151          | Loan from startup of water system          |
| Southern Water District Fund          | General Fund                         | <u>427,308</u>      | Loan from startup of water system          |
|                                       |                                      | <u>\$ 579,459</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:

|  |                    |
|--|--------------------|
| <b>Total Fund Balance – General Fund</b> | <b>\$8,505,711</b> |
| Less :                                   |                    |
| Stabilization by State Statute           | 2,182,669          |
| Register of Deeds                        | 2,501              |
| Tax Revaluation                          | 85,407             |
| Capital Reserve                          | 462,019            |
| Appropriated Fund Balance in 2013 budget | 1,491,856          |
| Remaining Fund Balance                   | 4,281,259          |

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$88,516 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 \$803,839 to the community college for operating purposes, respectively during the fiscal year ended June 30, 2012. In addition, the County made debt service payments of \$145,300 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, 2012. 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, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$85,008 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, 2012. 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, 2012**

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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, 2012. 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, 2012. The County was a sub recipient of various grants and other sources totaling \$314,938 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 basic financial statements because they are not revenues and expenditures of the County.

|  | <u>Federal</u>       | <u>State</u>         |
|--|----------------------|----------------------|
| Medicaid                               | \$ 25,641,936        | \$ 15,171,557        |
| Temporary Assistance to Needy Families | 204,077              | -                    |
| Energy Assistance                      | 333                  | -                    |
| CWS Adoption Subsidy                   | -                    | 45,868               |
| Adoption Assistance                    | 67,900               | 18,202               |
| State/County Special Assistance        | -                    | 425,931              |
| F/C At Risk Maximization               | -                    | 4,510                |
| Foster Care                            | 28,684               | 6,613                |
| SFHF Maximization                      | -                    | 310                  |
| State Foster Home                      | -                    | 6,371                |
|  | <hr/>                | <hr/>                |
| Totals                                 | <u>\$ 25,942,930</u> | <u>\$ 15,679,362</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, 2012**

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**VIII. Significant Effects of Subsequent Events**

The County has evaluated events and transactions that occurred between June 30, 2012 and November 12, 2012, 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**

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

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- 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<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL)<br>Projected<br>Unit Credit<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as<br>a % of<br>Covered<br>Payroll<br>((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<br>Contribution | Percentage<br>Contributed | Net OPEB<br>Obligation |
|--------------------|---------------------------------|---------------------------|------------------------|
| 2012               | \$ 560,639                      | 24.90%                    | \$ 2,959,874           |
| 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

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|                                    | 2012          |               | Variance<br>Positive<br>(Negative) | 2011          |
|------------------------------------|---------------|---------------|------------------------------------|---------------|
|                                    | Budget        | Actual        |                                    | Actual        |
| <b><u>REVENUES</u></b>             |               |               |                                    |               |
| Ad Valorem Taxes:                  |               |               |                                    |               |
| Taxes                              |               | \$ 11,806,771 |                                    | \$ 11,052,015 |
| Penalties and interest             |               | 161,784       |                                    | 151,425       |
| Total                              | \$ 11,760,935 | 11,968,555    | \$ 207,620                         | 11,203,440    |
| Local Option Sales Taxes:          |               |               |                                    |               |
| Article 39 and 44                  |               | 1,523,542     |                                    | 1,343,203     |
| Article 40 one-half of one percent |               | 1,104,203     |                                    | 1,013,121     |
| Article 42 one-half of one percent |               | 852,678       |                                    | 756,692       |
| Medicaid hold harmless             |               | -             |                                    | 404,144       |
| Total                              | 3,198,368     | 3,480,423     | 282,055                            | 3,517,160     |
| Other taxes and licenses:          |               |               |                                    |               |
| CATV franchise                     |               | 44,236        |                                    | 46,285        |
| Gas tax refund                     |               | 4,758         |                                    | 8,339         |
| Occupancy tax                      |               | 52,937        |                                    | 48,436        |
| Privilege licenses                 |               | 3,158         |                                    | 3,564         |
| Total                              | 86,100        | 105,089       | 18,989                             | 106,624       |
| Unrestricted intergovernmental:    |               |               |                                    |               |
| ABC profit distribution            |               | 35,985        |                                    | 50,718        |
| Beer and wine tax                  |               | 67,426        |                                    | 65,013        |
| Total                              | 90,000        | 103,411       | 13,411                             | 115,731       |
| Restricted intergovernmental:      |               |               |                                    |               |
| Social service grants and fees     |               | 3,461,698     |                                    | 3,296,207     |
| Federal and State grants           |               | 1,337,271     |                                    | 1,122,323     |
| Court facility fees                |               | 56,045        |                                    | 52,221        |
| ABC bottles taxes                  |               | 7,877         |                                    | 7,527         |
| Miscellaneous                      |               | 272,902       |                                    | 275,017       |
| Total                              | 5,036,212     | 5,135,793     | 99,581                             | 4,753,295     |

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|                                  | 2012       |            | Variance<br>Positive<br>(Negative) | 2011       |
|----------------------------------|------------|------------|------------------------------------|------------|
|                                  | Budget     | Actual     |                                    | Actual     |
| Permits and fees:                |            |            |                                    |            |
| Building and inspection fees     |            | 111,216    |                                    | 83,189     |
| Planning and zoning              |            | 1,250      |                                    | 1,975      |
| Register of deeds                |            | 105,850    |                                    | 108,859    |
| Total                            | 171,200    | 218,316    | 47,116                             | 194,023    |
| Sales and services:              |            |            |                                    |            |
| Rents, concessions, and fees     |            | 117,252    |                                    | 104,380    |
| Jail Fees                        |            | 152,184    |                                    | 273,534    |
| Ambulance and rescue squad fees  |            | 781,166    |                                    | 566,355    |
| EMS medicaid reimbursement       |            | 113,191    |                                    |            |
| Vehicle tax collection fees      |            | 66,381     |                                    | 64,397     |
| Total                            | 983,700    | 1,230,174  | 246,474                            | 1,008,666  |
| Investment earnings              | 10,750     | 15,079     | 4,329                              | 20,180     |
| Miscellaneous Revenues           |            |            |                                    |            |
| Sale of materials                |            | 1,850      |                                    | 853        |
| Other                            |            | 124,872    |                                    | 144,957    |
| Total                            | 103,539    | 126,722    | 23,183                             | 145,810    |
| Total Revenues                   | 21,440,804 | 22,383,562 | 942,758                            | 21,064,929 |
| <b><u>EXPENDITURES</u></b>       |            |            |                                    |            |
| <b><u>General Government</u></b> |            |            |                                    |            |
| Governing Body:                  |            |            |                                    |            |
| Salaries and employee benefits   |            | 66,325     |                                    | 66,332     |
| Other operating expenditures     |            | 18,242     |                                    | 37,399     |
| Total                            | 91,698     | 84,567     | 7,131                              | 103,731    |
| Administration:                  |            |            |                                    |            |
| Salaries and employee benefits   |            | 290,155    |                                    | 263,813    |
| Other operating expenditures     |            | 27,576     |                                    | 20,347     |
| Total                            | 316,469    | 317,731    | (1,262)                            | 284,160    |

**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|                                | 2012    |         | Variance<br>Positive<br>(Negative) | 2011    |
|--------------------------------|---------|---------|------------------------------------|---------|
|                                | Budget  | Actual  |                                    | Actual  |
| <b>Elections:</b>              |         |         |                                    |         |
| Salaries and employee benefits |         | 91,758  |                                    | 76,005  |
| Other operating expenditures   |         | 38,655  |                                    | 21,707  |
| Total                          | 151,479 | 130,413 | 21,066                             | 97,712  |
| <b>Finance:</b>                |         |         |                                    |         |
| Salaries and employee benefits |         | 271,830 |                                    | 254,140 |
| Other operating expenditures   |         | 77,433  |                                    | 73,783  |
| Total                          | 354,519 | 349,263 | 5,256                              | 327,923 |
| <b>Taxes:</b>                  |         |         |                                    |         |
| Salaries and employee benefits |         | 384,395 |                                    | 379,570 |
| Other operating expenditures   |         | 131,350 |                                    | 116,978 |
| Capital outlay                 |         | -       |                                    | 9,055   |
| Total                          | 550,673 | 515,745 | 34,928                             | 505,603 |
| <b>Legal:</b>                  |         |         |                                    |         |
| Contracted services            | 65,000  | 64,225  | 775                                | 55,375  |
| <b>Register of Deeds:</b>      |         |         |                                    |         |
| Salaries and employee benefits |         | 134,117 |                                    | 142,506 |
| Other operating expenditures   |         | 24,126  |                                    | 34,484  |
| Total                          | 164,763 | 158,243 | 6,520                              | 176,990 |
| <b>Public Buildings:</b>       |         |         |                                    |         |
| Salaries and employee benefits |         | 257,332 |                                    | 160,822 |
| Other operating expenditures   |         | 216,044 |                                    | 206,079 |
| Capital outlay                 |         | -       |                                    | 294,000 |
| Total                          | 551,792 | 473,376 | 78,416                             | 660,901 |

**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|                                   | 2012      |           | Variance<br>Positive<br>(Negative) | 2011      |
|-----------------------------------|-----------|-----------|------------------------------------|-----------|
|                                   | Budget    | Actual    |                                    | Actual    |
| Land Records:                     |           |           |                                    |           |
| Salaries and employee benefits    |           | 91,398    |                                    | 81,599    |
| Other operating expenditures      |           | 22,472    |                                    | 20,921    |
| Total                             | 115,746   | 113,870   | 1,876                              | 102,520   |
| Data Center:                      |           |           |                                    |           |
| Data processing contract services |           | 172,186   |                                    | 167,170   |
| Total                             | 172,186   | 172,186   | -                                  | 167,170   |
| Court Facilities:                 |           |           |                                    |           |
| Operating expenditures            |           | 65,599    |                                    | 63,863    |
| Total                             | 71,000    | 65,599    | 5,401                              | 63,863    |
| Central Services:                 |           |           |                                    |           |
| Operating expenditures            |           | 372,342   |                                    | 365,238   |
| Capital outlay                    |           | 83,386    |                                    | 53,075    |
| Total                             | 518,895   | 455,728   | 63,167                             | 418,313   |
| Total General Government          | 3,124,220 | 2,900,946 | 223,274                            | 2,964,261 |
| <u>Public Safety</u>              |           |           |                                    |           |
| Sheriff:                          |           |           |                                    |           |
| Salaries and employee benefits    |           | 1,327,590 |                                    | 1,263,616 |
| Other operating expenditures      |           | 358,644   |                                    | 327,189   |
| Capital outlay                    |           | -         |                                    | 120,106   |
| Total                             | 1,730,621 | 1,686,234 | 44,387                             | 1,710,911 |
| Jail:                             |           |           |                                    |           |
| Salaries and employee benefits    |           | 1,193,287 |                                    | 1,152,134 |
| Other operating expenditures      |           | 541,363   |                                    | 576,227   |
| Total                             | 1,838,202 | 1,734,650 | 103,552                            | 1,728,361 |

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|                                      | 2012      |           | Variance<br>Positive<br>(Negative) | 2011    |
|--------------------------------------|-----------|-----------|------------------------------------|---------|
|                                      | Budget    | Actual    |                                    | Actual  |
| Emergency communications:            |           |           |                                    |         |
| Salaries and employee benefits       |           | 165,136   |                                    | 164,325 |
| Other operating expenditures         |           | 27,608    |                                    | 27,333  |
| Capital outlay                       |           | -         |                                    | 4,756   |
| Total                                | 209,263   | 192,744   | 16,519                             | 196,414 |
| Emergency management:                |           |           |                                    |         |
| Salaries and employee benefits       |           | 105,939   |                                    | 94,011  |
| Other operating expenditures         |           | 58,278    |                                    | 39,444  |
| Capital outlay                       |           | 26,200    |                                    | 18,022  |
| Total                                | 190,533   | 190,417   | 116                                | 151,477 |
| Fire:                                |           |           |                                    |         |
| Contribution to forest service       |           | 71,284    |                                    | 81,310  |
| Assistance to local fire departments |           | 277,293   |                                    | 243,549 |
| Total                                | 354,989   | 348,577   | 6,412                              | 324,859 |
| Inspections:                         |           |           |                                    |         |
| Salaries and employee benefits       |           | 104,742   |                                    | 144,546 |
| Other Operating expenditures         |           | 15,586    |                                    | 18,631  |
| Total                                | 126,190   | 120,328   | 5,862                              | 163,177 |
| Rescue units:                        |           |           |                                    |         |
| Salaries and employee benefits       |           | 798,833   |                                    | 748,801 |
| Other operating expenditures         |           | 203,881   |                                    | 195,626 |
| Capital outlay                       |           | -         |                                    | -       |
| Total                                | 1,039,699 | 1,002,714 | 36,985                             | 944,427 |
| Animal Control:                      |           |           |                                    |         |
| Salaries and employee benefits       |           | 64,868    |                                    | 48,513  |
| Other operating expenditures         |           | 18,687    |                                    | 16,799  |
| Capital outlay                       |           | 26,857    |                                    | -       |
| Total                                | 112,294   | 110,412   | 1,882                              | 65,312  |

**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|  | 2012      |           | Variance<br>Positive<br>(Negative) | 2011      |
|--|-----------|-----------|------------------------------------|-----------|
|  | Budget    | Actual    |                                    | Actual    |
| Medical examiner:                        |           |           |                                    |           |
| Contracted services                      |           | 11,700    |                                    | 12,700    |
| Total                                    | 15,000    | 11,700    | 3,300                              | 12,700    |
| Rural addressing                         |           |           |                                    |           |
| Salaries and employee benefits           |           | -         |                                    | -         |
| Other operating expenditures             |           | -         |                                    | 4,736     |
| Total                                    | -         | -         | -                                  | 4,736     |
| Total Public Safety                      | 5,616,791 | 5,397,776 | 219,015                            | 5,302,374 |
| <u>Transportation</u>                    |           |           |                                    |           |
| Contribution to transit authority        |           | 10,300    |                                    | 10,300    |
| Contribution to regional airport         |           | 22,167    |                                    | 22,167    |
| Total transportation                     | 32,467    | 32,467    | -                                  | 32,467    |
| <u>Economic and physical development</u> |           |           |                                    |           |
| Planning and zoning                      |           |           |                                    |           |
| Other operating expenditures             |           | 2,658     |                                    | 7,729     |
| Total                                    | 4,465     | 2,658     | 1,807                              | 7,729     |
| Economic Development:                    |           |           |                                    |           |
| Salaries and employee benefits           |           | 117,206   |                                    | 115,280   |
| Other operating expenditures             |           | 13,000    |                                    | 20,000    |
| Total                                    | 143,715   | 130,206   | 13,509                             | 135,280   |
| Agricultural extension:                  |           |           |                                    |           |
| Salaries and employee benefits           |           | 115,046   |                                    | 98,232    |
| Other operating expenditures             |           | 40,830    |                                    | 31,711    |
| Capital Outlay                           |           | -         |                                    | -         |
| Total                                    | 182,768   | 155,876   | 26,892                             | 129,943   |

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|   | 2012      |           | Variance<br>Positive<br>(Negative) | 2011      |
|---|-----------|-----------|------------------------------------|-----------|
|   | Budget    | Actual    |                                    | Actual    |
| Soil and water conservation:            |           |           |                                    |           |
| Salaries and employee benefits          |           | 101,667   |                                    | 99,963    |
| Other operating expenditures            |           | 9,840     |                                    | 8,937     |
| Total                                   | 127,810   | 111,507   | 16,303                             | 108,900   |
| Total Economic and Physical Development | 458,758   | 400,247   | 58,511                             | 381,852   |
| <u>Human Services</u>                   |           |           |                                    |           |
| Health:                                 |           |           |                                    |           |
| Administration:                         |           |           |                                    |           |
| Contribution to health department       |           | 230,250   |                                    | 230,250   |
| Other operating expenditures            |           | 27,907    |                                    | 27,527    |
| Total                                   | 260,300   | 258,157   | 2,143                              | 257,777   |
| Aid to aging:                           |           |           |                                    |           |
| Salaries and employee benefits          |           | 279,168   |                                    | 272,704   |
| Other operating expenditures            |           | 47,712    |                                    | 50,161    |
| Capital Outlay                          |           | -         |                                    | -         |
| Total                                   | 349,780   | 326,880   | 22,900                             | 322,865   |
| Respite:                                |           |           |                                    |           |
| Salaries and employee benefits          |           | -         |                                    | -         |
| Other operating expenditures            |           | 282,665   |                                    | 326,933   |
| Total                                   | 288,707   | 282,665   | 6,042                              | 326,933   |
| Mental Health:                          |           |           |                                    |           |
| Administration:                         |           |           |                                    |           |
| Other operating expenditures            |           | 85,008    |                                    | 85,277    |
| Total                                   | 85,750    | 85,008    | 742                                | 85,277    |
| Social Services:                        |           |           |                                    |           |
| Administration:                         |           |           |                                    |           |
| Salaries and employee benefits          |           | 2,644,855 |                                    | 2,619,640 |
| Other operating expenditures            |           | 1,127,128 |                                    | 1,023,150 |
| Capital outlay                          |           | -         |                                    | -         |
| Total                                   | 4,130,445 | 3,771,983 | 358,462                            | 3,642,790 |

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|                                    | 2012      |           | Variance<br>Positive<br>(Negative) | 2011      |
|------------------------------------|-----------|-----------|------------------------------------|-----------|
|                                    | Budget    | Actual    |                                    | Actual    |
| Public Assistance                  |           |           |                                    |           |
| Food stamp program:                |           |           |                                    |           |
| Operating expenditures             |           | 1,836     |                                    | 31,023    |
| Work first:                        |           |           |                                    |           |
| Operating expenditures             |           | 1,623,228 |                                    | 1,494,553 |
| Foster care:                       |           |           |                                    |           |
| Operating expenditures             |           | 29,829    |                                    | 29,379    |
| Total                              | 1,898,661 | 1,654,893 | 243,768                            | 1,554,955 |
| Elderly handicapped:               |           |           |                                    |           |
| Operating expenditures             | 117,783   | 108,858   | 8,925                              | 103,772   |
| CJPP day reporting                 |           |           |                                    |           |
| Salaries and employee benefits     |           | 49,046    |                                    | 50,836    |
| Other operating expenditures       |           | 32,333    |                                    | 36,591    |
| Total                              | 86,841    | 81,379    | 5,462                              | 87,427    |
| Community based alternatives:      |           |           |                                    |           |
| Salaries and employee benefits     |           | -         |                                    | -         |
| Other operating expenditures       |           | 200,650   |                                    | 128,074   |
| Total                              | 202,170   | 200,650   | 1,520                              | 128,074   |
| Veterans service office:           |           |           |                                    |           |
| Salaries and employee benefits     |           | 52,595    |                                    | 47,071    |
| Other operating expenditures       |           | 2,129     |                                    | 1,288     |
| Capital outlay                     |           | -         |                                    | -         |
| Total                              | 58,225    | 54,724    | 3,501                              | 48,359    |
| Other programs:                    |           |           |                                    |           |
| Other appropriations/contributions |           | 134,251   |                                    | 41,786    |
| Total                              | 141,278   | 134,251   | 7,027                              | 41,786    |
| Total Human Services               | 7,619,940 | 6,959,448 | 8,185                              | 6,600,015 |

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|                                    | 2012        |            | Variance<br>Positive<br>(Negative) | 2011       |
|------------------------------------|-------------|------------|------------------------------------|------------|
|                                    | Budget      | Actual     |                                    | Actual     |
| <u>Cultural and Recreational</u>   |             |            |                                    |            |
| Library and recreation:            |             |            |                                    |            |
| Operating expenditures             |             | 2,695      |                                    | 2,428      |
| Contribution to regional library   |             | 88,516     |                                    | 85,444     |
| Total Cultural and Recreational    | 91,316      | 91,211     | 105                                | 87,872     |
| Education:                         |             |            |                                    |            |
| Public schools-current expense     |             | 4,173,524  |                                    | 4,173,524  |
| Public schools-capital outlay      |             | 996,962    |                                    | 860,866    |
| Public schools -construction       |             | -          |                                    | 174,787    |
| Community college- current         |             | 803,839    |                                    | 778,839    |
| Total Education                    | 5,880,731   | 5,974,325  | (93,594)                           | 5,988,016  |
| Debt Service:                      |             |            |                                    |            |
| Principal retirement               |             | 161,667    |                                    | 161,667    |
| Interest and other charges         |             | 72,976     |                                    | 80,792     |
| Total debt services                | 235,639     | 234,643    | 996                                | 242,459    |
| Capital Outlay                     | -           | -          | -                                  | -          |
| Contingency                        | (10,063)    | -          | -                                  | -          |
| Total Expenditures                 | 23,049,799  | 21,991,063 | 1,058,736                          | 21,599,316 |
| Revenues Over (Under) Expenditures | (1,608,995) | 392,499    | 2,001,494                          | (534,387)  |

**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|  | 2012        |              | Variance<br>Positive<br>(Negative) | 2011         |
|--|-------------|--------------|------------------------------------|--------------|
|  | Budget      | Actual       |                                    | Actual       |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                                     |             |              |                                    |              |
| Transfers to other funds:  |             |              |                                    |              |
| School Capital Reserve Fund  |             | (896,962)    |                                    | (835,000)    |
| Emergency Telephone System Fund  |             | (286,456)    |                                    | (25,000)     |
| Revaluation Fund   |             | -            |                                    | -            |
| EDC Infrastructure Project Fund  |             | (12,052)     |                                    | -            |
| Hertford County Judicial Center Fund   |             | (94,095)     |                                    | -            |
| Parks and Recreation Project Fund  |             | (724)        |                                    | -            |
| Tunis Project Fund   |             | (98,204)     |                                    | -            |
| Sanitation Fund  |             | (1,948)      |                                    | -            |
| Northern Water District Fund   |             | (795)        |                                    | -            |
| Southern Water District Fund   |             | (1,147)      |                                    | -            |
| Total  | (1,294,854) | (1,392,383)  | (97,529)                           | (860,000)    |
| Transfers from other funds:  |             |              |                                    |              |
| School Capital Reserve Fund  |             | 896,962      |                                    | 1,130,988    |
| Total  | 812,368     | 896,962      | 84,594                             | 1,130,988    |
| Proceeds from debt   | -           | -            | -                                  | -            |
| Appropriated fund balance  | 2,091,481   | -            | (2,091,481)                        | -            |
| Total other financing sources (uses)   | 1,608,995   | (495,421)    | (2,104,416)                        | 270,988      |
| Excess of Revenues and Other Sources Over<br>(Under) Expenditures and Other Uses | \$ -        | (102,922)    | \$ (102,922)                       | (263,399)    |
| Fund Balance-July 1  |             | 8,061,207    |                                    | 8,324,606    |
| Fund Balance-June 30   |             | \$ 7,958,285 |                                    | \$ 8,061,207 |

**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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|   | 2012      |           | Variance<br>Positive<br>(Negative) | 2011        |
|---|-----------|-----------|------------------------------------|-------------|
|   | Budget    | Actual    |                                    | Actual      |
| <u>REVENUES</u>                           |           |           |                                    |             |
| Restricted intergovernmental              | \$ -      | \$ -      | \$ -                               | \$ -        |
| <u>EXPENDITURES</u>                       |           |           |                                    |             |
| Education                                 |           |           |                                    |             |
| Capital outlay                            | -         | -         | -                                  | -           |
| Revenues Over (Under) Expenditures        | -         | -         | -                                  | -           |
| <u>OTHER FINANCING SOURCES (USES)</u>     |           |           |                                    |             |
| Operating transfer in                     |           |           |                                    |             |
| General fund                              | 803,368   | 896,962   | 93,594                             | 835,000     |
| Operating transfer (out)                  |           |           |                                    |             |
| General fund                              | (803,368) | (896,962) | (93,594)                           | (1,130,988) |
| Appropriated fund balance                 | -         | -         | -                                  | -           |
| Total                                     | -         | -         | -                                  | (295,988)   |
| Revenues over expenditures and other uses | \$ -      | -         | \$ -                               | (295,988)   |
| Fund Balance - July 1                     |           | -         |                                    | 295,988     |
| Fund Balance - June 30                    |           | \$ -      |                                    | \$ -        |

**HERTFORD COUNTY, NORTH CAROLINA  
REVALUATION FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|   | 2012            |           | Variance<br>Positive<br>(Negative) | 2011      |
|---|-----------------|-----------|------------------------------------|-----------|
|   | Final<br>Budget | Actual    |                                    | Actual    |
| <b><u>REVENUES</u></b>  |                 |           |                                    |           |
| Investment earnings   | \$ -            | \$ -      | \$ -                               | \$ 279    |
| <b><u>EXPENDITURES</u></b>  |                 |           |                                    |           |
| Current:  |                 |           |                                    |           |
| General government  |                 |           |                                    |           |
| Tax listings:   | -               | -         | -                                  | 138,220   |
| Revenues Over (Under) Expenditures                                | -               | -         | -                                  | (137,941) |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                      |                 |           |                                    |           |
| Transfer from (to) other funds                                    |                 |           |                                    |           |
| General Fund  | -               | -         | -                                  | -         |
| Appropriated fund balance   | -               | -         | -                                  | -         |
| Total   | -               | -         | -                                  | -         |
| Excess of Revenues and Other<br>Sources Over (Under) Expenditures | \$ -            | -         | \$ -                               | (137,941) |
| Fund Balance - July 1   |                 | 85,407    |                                    | 223,348   |
| Fund Balance - June 30  |                 | \$ 85,407 |                                    | \$ 85,407 |

**HERTFORD COUNTY, NORTH CAROLINA  
CAPITAL RESERVE FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|   | 2012            |           | Variance<br>Positive<br>(Negative) | 2011   |
|---|-----------------|-----------|------------------------------------|--------|
|   | Final<br>Budget | Actual    |                                    | Actual |
| <u>REVENUES</u>   |                 |           |                                    |        |
| Local option sales tax  | \$448,000       | \$462,019 | \$ 14,019                          | \$ -   |
| <u>EXPENDITURES</u>   |                 |           |                                    |        |
| Capital outlay  | 448,000         | -         | 448,000                            | -      |
| Revenues Over (Under) Expenditures                                | -               | 462,019   | 462,019                            | -      |
| <u>OTHER FINANCING SOURCES (USES)</u>                             |                 |           |                                    |        |
| Transfer from (to) other funds                                    |                 |           |                                    |        |
| Emergency Telephone System Fund                                   | -               | -         | -                                  | -      |
| General Fund  | -               | -         | -                                  | -      |
| Appropriated fund balance   | -               | -         | -                                  | -      |
| Total   | -               | -         | -                                  | -      |
| Excess of Revenues and Other<br>Sources Over (Under) Expenditures | \$ -            | 462,019   | \$462,019                          | -      |
| Fund Balance - July 1   |                 | -         |                                    | -      |
| Fund Balance - June 30  |                 | \$462,019 |                                    | \$ -   |

# NONMAJOR GOVERNMENTAL FUNDS

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## 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.
- **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.
- **EDC Infrastructure Project Fund:** This fund is used to account for EDC infrastructure grants. The projects will be financed primarily with federal and State grants.

## Capital Project Funds

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

- **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, 2012**

|  | Special Revenue Funds                    |                          |                                   | Capital Projects Fund                    |  |                                       | Total Nonmajor<br>Governmental<br>Funds |
|--|--|--------------------------|-----------------------------------|--|--|---------------------------------------|---|
|  | Emergency<br>Telephone<br>System<br>Fund | Fire<br>District<br>Fund | Scattered<br>Site<br>CDBG<br>Fund | EDC<br>Infrastructure<br>Project<br>Fund | Parks and<br>Recreation<br>Project<br>Fund | Hertford County<br>Judicial<br>Center |   |
| <b>ASSETS</b>                                  |  |                          |                                   |  |  |                                       |   |
| Current Assets:                                |  |                          |                                   |  |  |                                       |   |
| Cash and cash equivalents                      | \$ 342,541                               | \$ 47,509                | \$ -                              | \$ 12,052                                | \$ -                                       | \$ -                                  | \$ 402,102                              |
| Accounts receivable, net                       | 9,558                                    | 4,166                    | -                                 | -  | -  | -                                     | 13,724                                  |
| Taxes receivable, net                          | -  | 6,069                    | -                                 | -  | -  | -                                     | 6,069                                   |
| <b>Total assets</b>                            | <b>\$ 352,099</b>                        | <b>\$ 57,744</b>         | <b>\$ -</b>                       | <b>\$ 12,052</b>                         | <b>\$ -</b>                                | <b>\$ -</b>                           | <b>\$ 421,895</b>                       |
| <b>LIABILITIES AND FUND BALANCES</b>           |  |                          |                                   |  |  |                                       |   |
| Liabilities:                                   |  |                          |                                   |  |  |                                       |   |
| Accounts payable and<br>accrued liabilities    | \$ -                                     | \$ 5,871                 | \$ -                              | \$ -                                     | \$ -                                       | \$ -                                  | \$ 5,871                                |
| Due to other funds                             | -  | -                        | -                                 | -  | -  | 311,520                               | 311,520                                 |
| Deferred revenue                               | -  | 6,069                    | -                                 | -  | -  | -                                     | 6,069                                   |
| <b>Total liabilities</b>                       | <b>-</b>                                 | <b>11,940</b>            | <b>-</b>                          | <b>-</b>                                 | <b>-</b>                                   | <b>311,520</b>                        | <b>323,460</b>                          |
| Fund Balances:                                 |  |                          |                                   |  |  |                                       |   |
| Restricted                                     |  |                          |                                   |  |  |                                       |   |
| Stabilization by State Statue                  | 9,558                                    | 4,166                    | -                                 | -  | -  | -                                     | 13,724                                  |
| Fire Protection                                | -  | 41,638                   | -                                 | -  | -  | -                                     | 41,638                                  |
| Public Safety                                  | 342,541                                  | -                        | -                                 | -  | -  | -                                     | 342,541                                 |
| Economic Development                           | -  | -                        | -                                 | 12,052                                   | -  | -                                     | 12,052                                  |
| Unassigned                                     | -  | -                        | -                                 | -  | -  | (311,520)                             | (311,520)                               |
| <b>Total fund balances</b>                     | <b>352,099</b>                           | <b>45,804</b>            | <b>-</b>                          | <b>12,052</b>                            | <b>-</b>                                   | <b>(311,520)</b>                      | <b>98,435</b>                           |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 352,099</b>                        | <b>\$ 57,744</b>         | <b>\$ -</b>                       | <b>\$ 12,052</b>                         | <b>\$ -</b>                                | <b>\$ -</b>                           | <b>\$ 421,895</b>                       |

**HERTFORD COUNTY, NORTH CAROLINA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

|  | Special Revenue Funds                    |                          |                                   | Capital Projects Funds                   |  |                                       | Total Nonmajor<br>Governmental<br>Funds |
|--|--|--------------------------|-----------------------------------|--|--|---------------------------------------|---|
|  | Emergency<br>Telephone<br>System<br>Fund | Fire<br>District<br>Fund | Scattered<br>Site<br>CDBG<br>Fund | EDC<br>Infrastructure<br>Project<br>Fund | Parks and<br>Recreation<br>Project<br>Fund | Hertford County<br>Judicial<br>Center |   |
| <b>REVENUES</b>                                      |  |                          |                                   |  |  |                                       |   |
| Ad valorem taxes                                     | \$ -                                     | \$ 86,539                | \$ -                              | \$ -                                     | \$ -                                       | \$ -                                  | \$ 86,539                               |
| Local option sales taxes                             | -  | 25,402                   | -                                 | -  | -  | -                                     | 25,402                                  |
| Restricted intergovernmental                         | 114,696                                  | -                        | 185,719                           | 252,882                                  | -  | -                                     | 553,297                                 |
| Investment earnings                                  | 296                                      | -                        | -                                 | -  | -  | -                                     | 296                                     |
| Total Revenues                                       | <u>114,992</u>                           | <u>111,941</u>           | <u>185,719</u>                    | <u>252,882</u>                           | <u>-</u>                                   | <u>-</u>                              | <u>665,534</u>                          |
| <b>EXPENDITURES</b>                                  |  |                          |                                   |  |  |                                       |   |
| Current:   |  |                          |                                   |  |  |                                       |   |
| Public safety  | 512,894                                  | 111,559                  | -                                 | -  | -  | -                                     | 624,453                                 |
| Economic development                                 | -  | -                        | 185,719                           | 252,882                                  | -  | -                                     | 438,601                                 |
| Capital outlay                                       | -  | -                        | -                                 | -  | -  | 94,095                                | 94,095                                  |
| Total expenditures                                   | <u>512,894</u>                           | <u>111,559</u>           | <u>185,719</u>                    | <u>252,882</u>                           | <u>-</u>                                   | <u>94,095</u>                         | <u>1,157,149</u>                        |
| Revenues Over (Under)                                |  |                          |                                   |  |  |                                       |   |
| Expenditures   | (397,902)                                | 382                      | -                                 | -  | -  | (94,095)                              | (491,615)                               |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>            |  |                          |                                   |  |  |                                       |   |
| Transfers from other funds                           |  |                          |                                   |  |  |                                       |   |
| General Fund   | 286,456                                  | -                        | -                                 | 12,052                                   | 724  | 94,095                                | 393,327                                 |
| Total Other Financing<br>Sources (Uses) - Net        | <u>286,456</u>                           | <u>-</u>                 | <u>-</u>                          | <u>12,052</u>                            | <u>724</u>                                 | <u>94,095</u>                         | <u>393,327</u>                          |
| Excess of Revenues and Other<br>Sources Over (Under) |  |                          |                                   |  |  |                                       |   |
| Expenditures and Other Uses                          | (111,446)                                | 382                      | -                                 | 12,052                                   | 724  | -                                     | (98,288)                                |
| Fund Balance - July 1                                | 463,545                                  | 45,422                   | -                                 | -  | (724)                                      | (311,520)                             | 196,723                                 |
| Fund Balance - June 30                               | <u>\$ 352,099</u>                        | <u>\$ 45,804</u>         | <u>\$ -</u>                       | <u>\$ 12,052</u>                         | <u>\$ -</u>                                | <u>\$ (311,520)</u>                   | <u>\$ 98,435</u>                        |

**HERTFORD COUNTY, NORTH CAROLINA  
EMERGENCY TELEPHONE SYSTEM FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|   | 2012            |            | Variance<br>Positive<br>(Negative) | 2011       |
|---|-----------------|------------|------------------------------------|------------|
|   | Final<br>Budget | Actual     |                                    | Actual     |
| <b><u>REVENUES</u></b>  |                 |            |                                    |            |
| Restricted intergovernmental revenue  |                 |            |                                    |            |
| Wireless 911 funds  |                 | \$ 114,696 |                                    | \$ 202,152 |
| Investment earnings   |                 | 296        |                                    | -          |
| Total   | \$ 115,021      | 114,992    | \$ (29)                            | 202,152    |
| <b><u>EXPENDITURES</u></b>  |                 |            |                                    |            |
| Public safety   | 657,020         | 512,894    | 144,126                            | 230,957    |
| Revenues Over (Under) Expenditures  | (541,999)       | (397,902)  | 144,097                            | (28,805)   |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>  |                 |            |                                    |            |
| Appropriated fund balance   | 268,478         | -          | (268,478)                          | -          |
| Operating transfer in   |                 |            |                                    |            |
| General Fund  | 273,521         | 286,456    | 12,935                             | 25,000     |
| Total Other Financing Sources (Uses)  | 541,999         | 286,456    | 255,543                            | 25,000     |
| Revenues and Other Financing Sources<br>Over (Under) Expenditures and<br>Other Financing Uses | \$ -            | (111,446)  | \$ (111,446)                       | (3,805)    |
| Fund Balance - July 1   |                 | 463,545    |                                    | 467,350    |
| Fund Balance - June 30  |                 | \$ 352,099 |                                    | \$ 463,545 |

**Explanation for transfers**

Transfer in of \$286,456 from General Fund to E911:  
\$ 40,649 Difference in beginning balance in fund and on E911 report filed  
245,807 General Fund's portion of the 50% public safety expenditures  
\$ 286,456

**Emergency Telephone System Unspent Balance**

Amounts reported above are different from the PSAP Revenue-Expenditure Report because:  
Net Change in Fund Balance, reported on Budget to Actual \$ (111,446)  
Less: Transfers from General Fund to adjust fund balance  
to the proper beginning balance (40,649)  
Net Change per PSAP Revenue-Expenditure Report (152,095)  
Beginning Balance, PSAP Revenue-Expenditure Report 504,194  
Ending Balance, PSAP Revenue-Expenditure Report \$ 352,099

**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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|                                    | 2012           |                  | Variance<br>Positive<br>(Negative) | 2011             |
|------------------------------------|----------------|------------------|------------------------------------|------------------|
|                                    | Budget         | Actual           |                                    | Actual           |
| <b><u>REVENUES</u></b>             |                |                  |                                    |                  |
| Ad Valorem taxes:                  |                |                  |                                    |                  |
| Taxes                              | \$ 95,364      | \$ 86,539        | \$ (8,825)                         | \$ 76,915        |
| Other taxes and licenses           | 26,105         | 25,402           | (703)                              | 21,886           |
| Total revenues                     | <u>121,469</u> | <u>111,941</u>   | <u>(9,528)</u>                     | <u>98,801</u>    |
| <b><u>EXPENDITURES</u></b>         |                |                  |                                    |                  |
| Current:                           |                |                  |                                    |                  |
| Public safety                      |                |                  |                                    |                  |
| Woodland Fire District             |                | 4,045            |                                    | 4,133            |
| Union Fire District                |                | 8,124            |                                    | 7,124            |
| Ahoskie Fire District              |                | 99,390           |                                    | 87,241           |
| Total expenditures                 | <u>121,469</u> | <u>111,559</u>   | <u>9,910</u>                       | <u>98,498</u>    |
| Revenues Over (Under) Expenditures | <u>\$ -</u>    | 382              | <u>\$ 382</u>                      | 303              |
| Fund Balance - July 1              |                | <u>45,422</u>    |                                    | <u>45,119</u>    |
| Fund Balance - June 30             |                | <u>\$ 45,804</u> |                                    | <u>\$ 45,422</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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|                                      | Project<br>Authorization | Actual        |                 |                  | Variance<br>Positive<br>(Negative) |
|--------------------------------------|--------------------------|---------------|-----------------|------------------|------------------------------------|
|                                      |                          | Prior<br>Year | Current<br>Year | Total to<br>Date |                                    |
| <b><u>REVENUES</u></b>               |                          |               |                 |                  |                                    |
| Restricted intergovernmental revenue |                          |               |                 |                  |                                    |
| Community development block grant    | \$ 400,000               | \$ -          | 185,719         | \$ 185,719       | \$ (214,281)                       |
| <b><u>EXPENDITURES</u></b>           |                          |               |                 |                  |                                    |
| Capital outlay                       |                          |               |                 |                  |                                    |
| Construction Cost                    | 319,000                  | -             | 141,866         | 141,866          | 177,134                            |
| Project Administration               | 33,000                   | -             | 11,513          | 11,513           | 21,487                             |
| Relocation                           | 7,000                    | -             | 3,243           | 3,243            | 3,757                              |
| Clearance Activities                 | 41,000                   | -             | 29,097          | 29,097           | 11,903                             |
| Total                                | <u>400,000</u>           | <u>-</u>      | <u>185,719</u>  | <u>185,719</u>   | <u>214,281</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**  
**EDC INFRASTRUCTURE PROJECT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|   | Project<br>Authorization | Actual        |                  |                  | Variance<br>Positive<br>(Negative) |
|---|--------------------------|---------------|------------------|------------------|------------------------------------|
|   |                          | Prior<br>Year | Current<br>Year  | Total to<br>Date |                                    |
| <b><u>REVENUES</u></b>  |                          |               |                  |                  |                                    |
| Restricted intergovernmental revenue                              |                          |               |                  |                  |                                    |
| Rural Economic Development grant                                  | \$ 393,931               | \$ 48,000     | \$ 252,882       | \$ 300,882       | \$ (93,049)                        |
| Total   | <u>393,931</u>           | <u>48,000</u> | <u>252,882</u>   | <u>300,882</u>   | <u>(93,049)</u>                    |
| <b><u>EXPENDITURES</u></b>  |                          |               |                  |                  |                                    |
| Economic development  |                          |               |                  |                  |                                    |
| Contracted services   | -                        | 48,000        | -                | 48,000           | (48,000)                           |
| Metal Tech Reimbursement  | 105,000                  | -             | 100,000          | 100,000          | 5,000                              |
| Enviva Reimbursement  | 148,101                  | -             | -                | -                | 148,101                            |
| RCC Health Center   | 78,480                   | -             | 78,480           | 78,480           | -                                  |
| Alfiniti Logistics Reimbursement                                  | 74,402                   | -             | 74,402           | 74,402           | -                                  |
| Total   | <u>405,983</u>           | <u>48,000</u> | <u>252,882</u>   | <u>300,882</u>   | <u>105,101</u>                     |
| Revenues Over (Under) Expenditures                                | <u>(12,052)</u>          | <u>-</u>      | <u>-</u>         | <u>-</u>         | <u>12,052</u>                      |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                      |                          |               |                  |                  |                                    |
| Transfer from General Fund  | <u>12,052</u>            | <u>-</u>      | <u>12,052</u>    | <u>12,052</u>    | <u>-</u>                           |
| Excess of Revenues and Other<br>Sources Over (Under) Expenditures | <u>\$ -</u>              | <u>\$ -</u>   | <u>12,052</u>    | <u>\$ 12,052</u> | <u>\$ 12,052</u>                   |
| Fund Balance - July 1   |                          |               | <u>-</u>         |                  |                                    |
| Fund Balance - June 30  |                          |               | <u>\$ 12,052</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|   | Project<br>Authorization | Actual          |                 |                  | Variance<br>Positive<br>(Negative) |
|---|--------------------------|-----------------|-----------------|------------------|------------------------------------|
|   |                          | Prior<br>Year   | Current<br>Year | Total to<br>Date |                                    |
| <b><u>REVENUES</u></b>  |                          |                 |                 |                  |                                    |
| 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>                   |
| <b><u>EXPENDITURES</u></b>  |                          |                 |                 |                  |                                    |
| Capital outlay  |                          |                 |                 |                  |                                    |
| Legal and administrative  | 10,300                   | -               | -               | -                | 10,300                             |
| Surveying and permits   | 35,724                   | 724             | -               | 724              | 35,000                             |
| 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>1,273,624</u>         | <u>69,924</u>   | <u>-</u>        | <u>69,924</u>    | <u>1,203,700</u>                   |
| Revenues Over (Under) Expenditures                                | <u>(473,624)</u>         | <u>(724)</u>    | <u>-</u>        | <u>(724)</u>     | <u>472,900</u>                     |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                      |                          |                 |                 |                  |                                    |
| Transfer from General Fund  | 724                      | -               | 724             | 724              | -                                  |
| Installment Proceeds  | 472,900                  | -               | -               | -                | (472,900)                          |
| Total   | <u>473,624</u>           | <u>-</u>        | <u>724</u>      | <u>724</u>       | <u>(472,900)</u>                   |
| Excess of Revenues and Other<br>Sources Over (Under) Expenditures | <u>\$ -</u>              | <u>\$ (724)</u> | 724             | <u>\$ -</u>      | <u>\$ -</u>                        |
| Fund Balance - July 1   |                          |                 | <u>(724)</u>    |                  |                                    |
| Fund Balance - June 30  |                          |                 | <u>\$ -</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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|   | Project<br>Authorization | Actual        |                 |                  | Variance<br>Positive<br>(Negative) |
|---|--------------------------|---------------|-----------------|------------------|------------------------------------|
|   |                          | Prior<br>Year | Current<br>Year | Total to<br>Date |                                    |
| <b>REVENUES</b>   |                          |               |                 |                  |                                    |
| Restricted intergovernmental revenue                              |                          |               |                 |                  |                                    |
| Federal and state grants  | \$ -                     | \$ -          | \$ -            | \$ -             | \$ -                               |
| Total   | -                        | -             | -               | -                | -                                  |
| <b>EXPENDITURES</b>   |                          |               |                 |                  |                                    |
| Capital outlay  |                          |               |                 |                  |                                    |
| Construction Cost   | 6,496,000                | -             | -               | -                | 6,496,000                          |
| Furnishing and Equipment  | 487,200                  | -             | -               | -                | 487,200                            |
| Design Fees & Expense   | 459,710                  | 311,370       | 93,695          | 405,065          | 54,645                             |
| Geotechnical Survey   | 10,000                   | -             | -               | -                | 10,000                             |
| Topographical Survey  | 5,000                    | 150           | 150             | 300              | 4,700                              |
| Materials/Testing/Special Inspection                              | 40,600                   | -             | -               | -                | 40,600                             |
| Contingency   | 362,321                  | -             | 250             | 250              | 362,071                            |
| Fund Reserve  | 94,095                   | -             | -               | -                | 94,095                             |
| Total   | 7,954,926                | 311,520       | 94,095          | 405,615          | 7,549,311                          |
| Revenues Over (Under) Expenditures                                | (7,954,926)              | (311,520)     | (94,095)        | (405,615)        | 7,549,311                          |
| <b>OTHER FINANCING SOURCES (USES)</b>                             |                          |               |                 |                  |                                    |
| Transfer from the General Fund                                    | 94,095                   | -             | 94,095          | 94,095           | -                                  |
| Installment Proceeds  | 7,860,831                | -             | -               | -                | (7,860,831)                        |
| Total   | 7,954,926                | -             | 94,095          | 94,095           | (7,860,831)                        |
| Excess of Revenues and Other<br>Sources Over (Under) Expenditures | \$ -                     | \$ (311,520)  | -               | \$ (311,520)     | \$ (311,520)                       |
| Fund Balance - July 1   |                          |               | (311,520)       |                  |                                    |
| Fund Balance - June 30  |                          |               | \$ (311,520)    |                  |                                    |

# ENTERPRISE FUNDS

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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.

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## Major Enterprise Funds

- **Northern Water District Fund:** This fund accounts for the activities of the County's Northern Water District.
- **Southern Water District Fund:** This fund accounts for the activities of the County's Southern Water District.

## Non-major Enterprise Funds

- **Tunis Sewer District Fund:** This fund accounts for the activities of the County's Tunis Sewer District, including the associated Capital Project Fund that is used to record Capital expenditures for this District.
- **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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|  | 2012           |                   | Variance<br>Positive<br>(Negative) | 2011             |
|--|----------------|-------------------|------------------------------------|------------------|
|  | Budget         | Actual            |                                    | Actual           |
| <b>REVENUES</b>  |                |                   |                                    |                  |
| Operating Revenues   |                |                   |                                    |                  |
| Charges for services   | \$ 447,100     | \$ 437,027        | \$ (10,073)                        | \$ 404,779       |
| Tap-on fees  | 20,098         | 19,750            | (348)                              | 19,750           |
| Other  | 1,880          | 7,076             | 5,196                              | 6,885            |
| Total Operating Revenues   | <u>469,078</u> | <u>463,853</u>    | <u>(5,225)</u>                     | <u>431,414</u>   |
| Nonoperating Revenues  |                |                   |                                    |                  |
| Interest Earnings  | -              | -                 | -                                  | -                |
| Total Nonoperating Revenues  | <u>-</u>       | <u>-</u>          | <u>-</u>                           | <u>-</u>         |
| Total Revenues   | <u>469,078</u> | <u>463,853</u>    | <u>(5,225)</u>                     | <u>431,414</u>   |
| <b>EXPENDITURES</b>  |                |                   |                                    |                  |
| Administration and operations  |                | 200,047           |                                    | 195,483          |
| Capital Outlay   |                | -                 |                                    | -                |
| Debt Service:  |                |                   |                                    |                  |
| Interest and fees  |                | 112,442           |                                    | 114,733          |
| Debt principal   |                | 49,500            |                                    | 47,000           |
| Total Expenditures   | <u>469,873</u> | <u>361,989</u>    | <u>107,884</u>                     | <u>357,216</u>   |
| Revenues Over (Under) Expenditures   | <u>(795)</u>   | <u>101,864</u>    | <u>102,659</u>                     | <u>74,198</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                |                   |                                    |                  |
| Transfers from (to) other funds  |                |                   |                                    |                  |
| General Fund   | 795            | 795               | -                                  | -                |
| Total Other Financing Sources (Uses)   | <u>795</u>     | <u>795</u>        | <u>-</u>                           | <u>-</u>         |
| Excess of Revenues and Other Sources<br>Over (Under) Expenditures and Other Uses | <u>\$ -</u>    | <u>\$ 102,659</u> | <u>\$ 102,659</u>                  | <u>\$ 74,198</u> |

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

|  |                  |                  |
|--|------------------|------------------|
| Excess of revenues over (under) expenditures | \$ 102,659       | \$ 74,198        |
| Debt principal                               | 49,500           | 47,000           |
| Debt issued                                  | -                | -                |
| Depreciation                                 | (92,843)         | (94,480)         |
| Capital outlay                               | -                | -                |
| (Increase) decrease in bond interest accrued | 201              | 191              |
| (Increase) decrease in vacation pay          | 1,237            | (326)            |
| (Increase) decrease in OPEB obligation       | (5,876)          | (10,473)         |
| Total reconciling items                      | <u>(47,781)</u>  | <u>(58,088)</u>  |
| Change in net assets                         | <u>\$ 54,878</u> | <u>\$ 16,110</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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|  | 2012             |                   | Variance<br>Positive<br>(Negative) | 2011              |
|--|------------------|-------------------|------------------------------------|-------------------|
|  | Budget           | Actual            |                                    | Actual            |
| <b>REVENUES</b>  |                  |                   |                                    |                   |
| Operating Revenues   |                  |                   |                                    |                   |
| Charges for services   | \$ 1,008,120     | \$ 961,707        | \$ (46,413)                        | \$ 1,012,831      |
| Tap-on fees  | 47,800           | 51,453            | 3,653                              | 54,681            |
| Other  | 5,800            | 33,277            | 27,477                             | 16,454            |
| Total Operating Revenues   | <u>1,061,720</u> | <u>1,046,437</u>  | <u>(42,760)</u>                    | <u>1,083,966</u>  |
| Nonoperating Revenues  |                  |                   |                                    |                   |
| Sale of System - Ahoskie   | -                | -                 | -                                  | -                 |
| Interest Earnings  | -                | -                 | -                                  | -                 |
| Total Nonoperating Revenues  | <u>-</u>         | <u>-</u>          | <u>-</u>                           | <u>-</u>          |
| Total Revenues   | <u>1,061,720</u> | <u>1,046,437</u>  | <u>(42,760)</u>                    | <u>1,083,966</u>  |
| <b>EXPENDITURES</b>  |                  |                   |                                    |                   |
| Administration and operations  |                  | 278,019           |                                    | 277,391           |
| Capital Outlay   |                  | -                 |                                    | -                 |
| Debt Service:  |                  |                   |                                    |                   |
| Interest and fees  |                  | 262,375           |                                    | 272,603           |
| Debt principal   |                  | 197,000           |                                    | 192,000           |
| Total Expenditures   | <u>1,062,867</u> | <u>737,394</u>    | <u>325,473</u>                     | <u>741,994</u>    |
| Revenues Over (Under) Expenditures   | <u>(1,147)</u>   | <u>309,043</u>    | <u>310,190</u>                     | <u>341,972</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                  |                   |                                    |                   |
| Transfers from (to) other funds  |                  |                   |                                    |                   |
| General Fund   | 1,147            | 1,147             | -                                  | -                 |
| Total Other Financing Sources (Uses)   | <u>1,147</u>     | <u>1,147</u>      | <u>-</u>                           | <u>-</u>          |
| Excess of Revenues and Other Sources<br>Over (Under) Expenditures and Other Uses | <u>\$ -</u>      | <u>\$ 310,190</u> | <u>\$ 310,190</u>                  | <u>\$ 341,972</u> |
| <b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL</b>    |                  |                   |                                    |                   |
| Excess of revenues over (under) expenditures                                     |                  | \$ 310,190        |                                    | \$ 341,972        |
| Debt principal   |                  | 197,000           |                                    | 192,000           |
| Debt issued  |                  | -                 |                                    | -                 |
| Depreciation   |                  | (209,900)         |                                    | (213,427)         |
| Capital outlay   |                  | -                 |                                    | -                 |
| Book value of assets sold  |                  | -                 |                                    | -                 |
| (Increase) decrease in bond interest accrued                                     |                  | 873               |                                    | 852               |
| (Increase) decrease in vacation pay  |                  | (781)             |                                    | (35)              |
| (Increase) decrease in OPEB obligation   |                  | (8,932)           |                                    | (15,632)          |
| Total reconciling items  |                  | <u>(21,740)</u>   |                                    | <u>(36,242)</u>   |
| Change in net assets   |                  | <u>\$ 288,450</u> |                                    | <u>\$ 305,730</u> |

**HERTFORD COUNTY, NORTH CAROLINA**  
**TUNIS SEWER DISTRICT CAPITAL PROJECT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|   | Project<br>Authorization | Actual          |                   |                  | Variance<br>Positive<br>(Negative) |
|---|--------------------------|-----------------|-------------------|------------------|------------------------------------|
|   |                          | Prior<br>Year   | Current<br>Year   | Total to<br>Date |                                    |
| <b>REVENUES</b>   |                          |                 |                   |                  |                                    |
| Restricted intergovernmental revenue  |                          |                 |                   |                  |                                    |
| North Carolina Rural Center grant   | \$ 500,000               | \$ -            | \$ -              | \$ -             | \$ (500,000)                       |
| Tap on fees   | 6,300                    | 8,000           | 4,600             | 12,600           | 6,300                              |
| Total   | <u>506,300</u>           | <u>8,000</u>    | <u>4,600</u>      | <u>12,600</u>    | <u>(493,700)</u>                   |
| <b>EXPENDITURES</b>   |                          |                 |                   |                  |                                    |
| Capital outlay  |                          |                 |                   |                  |                                    |
| Professional service  | 33,000                   | -               | -                 | -                | 33,000                             |
| Contingency   | 194,000                  | -               | 705               | 705              | 193,295                            |
| Administrative Cost   | 223,000                  | -               | -                 | -                | 223,000                            |
| Capitalized Interest  | 21,000                   | -               | -                 | -                | 21,000                             |
| Capital outlay-land   | 8,000                    | -               | 11,271            | 11,271           | (3,271)                            |
| Contract services-construction  | 1,439,000                | -               | -                 | -                | 1,439,000                          |
| Contract services-engineering   | 243,300                  | -               | 90,827            | 90,827           | 152,473                            |
| Fund reserve  | 98,204                   | -               | -                 | -                | 98,204                             |
| Total   | <u>2,259,504</u>         | <u>-</u>        | <u>102,803</u>    | <u>102,803</u>   | <u>2,156,701</u>                   |
| Revenues Over (Under) Expenditures  | <u>(1,753,204)</u>       | <u>8,000</u>    | <u>(98,203)</u>   | <u>(90,203)</u>  | <u>1,663,001</u>                   |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                          |                 |                   |                  |                                    |
| Transfer from General Fund  | 98,204                   | -               | 98,204            | 98,204           | -                                  |
| USDA Rural Development Bonds  | 1,255,000                | -               | -                 | -                | (1,255,000)                        |
| Bond Anticipation Notes   | 400,000                  | -               | -                 | -                | (400,000)                          |
| Total   | <u>1,753,204</u>         | <u>-</u>        | <u>98,204</u>     | <u>98,204</u>    | <u>(1,655,000)</u>                 |
| Excess of Revenues and Other<br>Sources Over (Under) Expenditures             | <u>\$ -</u>              | <u>\$ 8,000</u> | <u>\$ 1</u>       | <u>\$ 8,001</u>  | <u>\$ 8,001</u>                    |
| <b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL</b> |                          |                 |                   |                  |                                    |
| Excess of revenues over (under) expenditures                                  |                          |                 | \$ 1              |                  |                                    |
| Rconciling items  |                          |                 |                   |                  |                                    |
| Capital outlay  |                          |                 | 102,098           |                  |                                    |
| Total reconciling items   |                          |                 | <u>102,098</u>    |                  |                                    |
| Change in net assets  |                          |                 | <u>\$ 102,099</u> |                  |                                    |

**HERTFORD COUNTY, NORTH CAROLINA**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

|  | 2012             |                    | Variance<br>Positive<br>(Negative) | 2011             |
|--|------------------|--------------------|------------------------------------|------------------|
|  | Budget           | Actual             |                                    | Actual           |
| <b><u>REVENUES</u></b>   |                  |                    |                                    |                  |
| Operating Revenues   |                  |                    |                                    |                  |
| Charges for services   | \$ 899,000       | \$ 834,602         | \$ (64,398)                        | \$ 887,792       |
| Other  | 53,100           | 109,253            | 56,153                             | 76,139           |
| Total Operating Revenues   | <u>952,100</u>   | <u>943,855</u>     | <u>(8,245)</u>                     | <u>963,931</u>   |
| Nonoperating Revenues  |                  |                    |                                    |                  |
| Interest Earnings  | 1,000            | 445                | (555)                              | 957              |
| Total Nonoperating Revenues  | <u>1,000</u>     | <u>445</u>         | <u>(555)</u>                       | <u>957</u>       |
| Total Revenues   | <u>953,100</u>   | <u>944,300</u>     | <u>(8,800)</u>                     | <u>964,888</u>   |
| <b><u>EXPENDITURES</u></b>   |                  |                    |                                    |                  |
| Landfill:  |                  |                    |                                    |                  |
| Administration and operations  |                  | 402,425            |                                    | 460,148          |
| Contract services  |                  | 566,021            |                                    | 380,394          |
| Capital Outlay   |                  | -                  |                                    | 30,593           |
| Total Expenditures   | <u>1,017,048</u> | <u>968,446</u>     | <u>48,602</u>                      | <u>871,135</u>   |
| Revenues Over (Under) Expenditures   | <u>(63,948)</u>  | <u>(24,146)</u>    | <u>39,802</u>                      | <u>93,753</u>    |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                                     |                  |                    |                                    |                  |
| Transfers from (to) other funds  |                  |                    |                                    |                  |
| General Fund   | 1,948            | 1,948              | -                                  | -                |
| Fund balance appropriated  | 62,000           | -                  | (62,000)                           | -                |
| Total Other Financing Sources (Uses)   | <u>63,948</u>    | <u>1,948</u>       | <u>(62,000)</u>                    | <u>-</u>         |
| Excess of Revenues and Other Sources<br>Over (Under) Expenditures and Other Uses | <u>\$ -</u>      | <u>\$ (22,198)</u> | <u>\$ (22,198)</u>                 | <u>\$ 93,753</u> |

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

|  |                    |                    |
|--|--------------------|--------------------|
| Excess of revenues over (under) expenditures | \$ (22,198)        | \$ 93,753          |
| Depreciation                                 | (22,449)           | (23,587)           |
| Capital outlay                               | -                  | 30,593             |
| (Increase) decrease in vacation pay          | 14,637             | 1,312              |
| (Increase) decrease OPEB obligation          | (21,230)           | (128,214)          |
| Total reconciling items                      | <u>(29,042)</u>    | <u>(119,896)</u>   |
| Change in net assets                         | <u>\$ (51,240)</u> | <u>\$ (26,143)</u> |

## AGENCY FUNDS

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

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- **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, 2012**

|   | Balance<br>July 1, 2011 | Additions    | Deductions   | Balance<br>June 30, 2012 |
|---|-------------------------|--------------|--------------|--------------------------|
| <u>Social Services</u>                        |                         |              |              |                          |
| Assets  |                         |              |              |                          |
| Cash  | \$ 28,622               | \$ 58,861    | \$ 50,693    | \$ 36,790                |
| Liabilities                                   |                         |              |              |                          |
| Miscellaneous liabilities                     | \$ 28,622               | \$ 58,861    | \$ 50,693    | \$ 36,790                |
| <u>Inmates Money</u>                          |                         |              |              |                          |
| Assets  |                         |              |              |                          |
| Cash  | \$ 88,848               | \$ 82,586    | \$ 65,885    | \$ 105,549               |
| Liabilities                                   |                         |              |              |                          |
| Intergovernmental payable                     | \$ 88,848               | \$ 82,586    | \$ 65,885    | \$ 105,549               |
| <u>Fines and Forfeitures and DMV Interest</u> |                         |              |              |                          |
| Assets  |                         |              |              |                          |
| Cash  | \$ 1,666                | \$ 134,063   | \$ 134,296   | \$ 1,433                 |
| Liabilities                                   |                         |              |              |                          |
| Intergovernmental payable                     | \$ -                    | \$ 112,777   | \$ 112,777   | \$ -                     |
| Due to DMV                                    | 1,666                   | 21,286       | 21,519       | 1,433                    |
|   | \$ 1,666                | \$ 134,063   | \$ 134,296   | \$ 1,433                 |
| <u>Tax Fund</u>                               |                         |              |              |                          |
| Assets  |                         |              |              |                          |
| Cash  | \$ -                    | \$ 3,253,160 | \$ 3,253,160 | \$ -                     |
| Liabilities                                   |                         |              |              |                          |
| Intergovernmental payable                     | \$ -                    | \$ 3,253,160 | \$ 3,253,160 | \$ -                     |
| <u>Totals - All Agency Funds</u>              |                         |              |              |                          |
| Assets  |                         |              |              |                          |
| Cash  | \$ 119,136              | \$ 3,528,670 | \$ 3,504,034 | \$ 143,772               |
| Liabilities                                   |                         |              |              |                          |
| Miscellaneous liabilities                     | \$ 119,136              | \$ 3,528,670 | \$ 3,504,034 | \$ 143,772               |

## **OTHER SCHEDULES**

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This schedule contains additional information required on property taxes.

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- 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, 2012**

| Fiscal<br>Year | Uncollected<br>Balance<br>July 1, 2011 | Additions            | Collections<br>and<br>Adjustments | Uncollected<br>Balance<br>June 30, 2012 |
|----------------|--|----------------------|-----------------------------------|---|
| 2011-2012      | \$ -                                   | \$ 11,937,161        | \$ 11,372,751                     | \$ 564,410                              |
| 2010-2011      | 572,045                                | -                    | 379,992                           | 192,053                                 |
| 2009-2010      | 214,183                                | -                    | 96,647                            | 117,536                                 |
| 2008-2009      | 110,443                                | -                    | 26,300                            | 84,143                                  |
| 2007-2008      | 79,312                                 | -                    | 11,979                            | 67,333                                  |
| 2006-2007      | 59,432                                 | -                    | 4,970                             | 54,462                                  |
| 2005-2006      | 57,975                                 | -                    | 5,495                             | 52,480                                  |
| 2004-2005      | 88,293                                 | -                    | 4,645                             | 83,648                                  |
| 2003-2004      | 19,395                                 | -                    | 746                               | 18,649                                  |
| 2002-2003      | 142,766                                | -                    | 3,378                             | 139,388                                 |
| 2001-2002      | 94,499                                 | -                    | 94,499                            | -                                       |
|                | <u>\$ 1,438,343</u>                    | <u>\$ 11,937,161</u> | <u>\$ 12,001,402</u>              | <u>\$ 1,374,102</u>                     |

|  |                 |                      |
|--|-----------------|----------------------|
| Reconcilement with revenues:           |                 |                      |
| Ad valorem taxes - General Fund        | \$ 11,968,555   |                      |
| Interest and discounts                 | <u>(26,652)</u> | 11,941,903           |
| Reconciling items:                     |                 |                      |
| Amounts written off for 2001-2002 levy |                 | 59,499               |
| Total Reconciling Items                |                 | <u>59,499</u>        |
| Total Collections and Credits          |                 | <u>\$ 12,001,402</u> |

**HERTFORD COUNTY, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
JUNE 30, 2012**

|  | County-wide             |       |                      | Total Levy  |                                 |
|--|-------------------------|-------|----------------------|---|---------------------------------|
|  | Property<br>Valuation   | Rate  | Total<br>Levy        | Property<br>Excluding<br>Registered<br>Motor Vehicles | Registered<br>Motor<br>Vehicles |
| Original levy:                           |                         |       |                      |   |                                 |
| Property taxed at<br>current year's rate | \$ 1,337,751,864        | 0.840 | \$ 11,237,114        | \$ 9,948,400  | \$ 1,288,714                    |
| Dog tax                                  | -                       |       | 7,260                | 7,260   | -                               |
| Fire Districts                           | -                       |       | 73,286               | 73,286  | -                               |
| Total Original Levy                      | <u>1,337,751,864</u>    |       | <u>11,317,660</u>    | <u>10,028,946</u>                                     | <u>1,288,714</u>                |
| Discoveries                              | 70,465,604              | 0.840 | 641,237              | 641,237   | -                               |
| Abatements                               | <u>(4,280,909)</u>      | 0.840 | <u>(38,956)</u>      | <u>(6,163)</u>  | <u>(32,793)</u>                 |
| Total Property<br>Valuation              | <u>\$ 1,403,936,559</u> |       |                      |   |                                 |
| Net Levy                                 |                         |       | 11,919,941           | 10,664,020  | 1,255,921                       |
| Uncollected taxes at June 30, 2012       |                         |       | <u>(564,410)</u>     | <u>(394,662)</u>                                      | <u>(169,748)</u>                |
| Current year's taxes collected           |                         |       | <u>\$ 11,355,531</u> | <u>\$ 10,269,358</u>                                  | <u>\$ 1,086,173</u>             |
| Current levy collection percentage       |                         |       | <u>95.26%</u>        | <u>96.30%</u>   | <u>86.48%</u>                   |

**HERTFORD COUNTY, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
JUNE 30, 2012**

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Secondary Market Disclosures:

Assessed Valuation:

|  |                      |
|--|----------------------|
| Assessment Ratio                                     | 100%                 |
| Real Property  | \$ 1,175,082,855     |
| Personal Property                                    | 158,794,741          |
| Public Service Companies                             | <u>70,059,264</u>    |
| Total Assessed Valuation                             | 1,403,936,860        |
| Tax Rate per \$100                                   | 0.84                 |
| Levy (includes discoveries, releases and abatements) | <u>\$ 11,919,941</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>\$ 181,846,146</u> |
|---------------------------|-----------------------|

**HERTFORD COUNTY, NORTH CAROLINA  
TOP TEN TAXPAYERS  
JUNE 30, 2012**

| Taxpayer                          | Type of Business      | Assessed Valuation | Percentage of Total Assessed Valuation |
|-----------------------------------|-----------------------|--------------------|--|
| Wackenhut Corrections Corp        | Correctional Facility | \$ 56,467,976      | 4.02%                                  |
| Enviva Pellets Ahsokie, LLC       | Manufacturing         | 48,935,000         | 3.49%                                  |
| Nucor Corporation                 | Manufacturing         | 42,595,238         | 3.03%                                  |
| Kerr Group LLC                    | Manufacturing         | 20,424,881         | 1.45%                                  |
| Carroll's Foods of Virginia, Inc. | Livestock             | 12,139,048         | 0.86%                                  |
| Perdue Grain and Oil Seed, LLC    | Manufacturing         | 11,789,881         | 0.84%                                  |
| Perdue Agribusiness Inc           | Manufacturing         | 8,726,786          | 0.62%                                  |
| Ahsokie Center LLC                | Shopping Center       | 8,073,690          | 0.58%                                  |
| FIATP Timber LLC                  | Timber sales          | 6,028,810          | 0.43%                                  |
| US Bank National Association      | Banking               | 5,620,714          | 0.40%                                  |
|                                   |                       | \$ 220,802,024     | 15.73%                                 |

**COMPLIANCE SECTION**

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

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA  
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Cathy E. McKinley, CPA  
Tara H. Roberson, CPA  
David B. Jernigan, CPA

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

### Independent 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 aggregated remaining fund information of Hertford County, North Carolina as of and for the year ended June 30, 2012, which collectively comprises Hertford County's basic financial statements, and have issued our report thereon dated November 12, 2012. 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. However, we did not identify any deficiencies in internal control over financial reporting that we consider 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 November 12, 2012.

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  
November 12, 2012

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

Certified Public Accountants



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David B. Jernigan, CPA

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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

### Independent Auditor's Report

To the Board of County Commissioners  
Hertford County, North Carolina

#### Compliance

We have audited the 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, 2012. 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 are applicable to each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State

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Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as items 12 – 1 and 12 – 2.

### **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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 12 – 1 and 12 – 2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged in governance.

Hertford County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of Hertford County, in a separate letter dated November 12, 2012.

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  
November 12, 2012

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

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA  
Gary L. Williams, CPA  
Carleen P. Evans, CPA

Jennifer T. Reese, CPA  
Curtis G. Van Horne, CPA  
Cathy E. McKinley, CPA  
Tara H. Roberson, CPA  
David B. Jernigan, CPA

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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

### Independent Auditor's Report

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 are applicable to each of its major State programs for the year ended June 30, 2012. 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which are described in the accompanying schedule of findings and questioned costs as items 12 – 1 and 12 – 2.

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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 our 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 12 – 1 and 12 – 2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Hertford County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of Hertford County, in a separate letter dated November 12, 2012.

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  
November 12, 2012

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant Deficiency(s) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted  Yes  No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?  Yes  No

Significant Deficiency(s) identified that are not considered to be material weaknesses  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133  Yes  No

Identification of major federal programs:

| <u>CFDA Numbers</u>                            | <u>Name of Federal Program or Cluster</u> |
|--|---|
| 93.778   | Medical Assistance Program                |
| 93.558, 93.575, 93.596, 93.658, 93.667, 93.714 | Subsidized Child Care Cluster             |
| 93.767   | Children's Health Insurance Program       |

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 885,108

Auditee qualified as low-risk auditee?  Yes  No



**US Department of Health and Human Services  
Centers for Medicare and Medicaid Services**

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance

Program Name: Medical Assistance Program

CFDA #: 93.778

Finding: 12-2

**SIGNIFICANT DEFICIENCY**

Income Verification for Medicaid Eligibility Test

Criteria: Case files should contain verification such as pay stubs, wage verification forms, award letters for benefits, etc. Earned income is converted to a monthly amount for comparison to income limits for assistance.

Condition: One applicant received assistance although their income was incorrectly computed for comparison with the State-provided income standard.

Questioned Costs: We were unable to directly determine the questioned costs for this case as the state pays the benefits directly. The time to turnaround the request for information to the state was prohibitive and thus the information was not available at our report date.

Context: One file out of 60 tested contained a budget that included income that did not match the support documented in the file. The County had excluded the applicant's vacation wages from income, thus understating income on the budget.

Effect: The budget for eligibility is incorrect and does not support the underlying information provided by the applicant. Understatement of income could lead to approving eligibility in error.

Cause: Incorrect interpretation of state guidance and policy as to what is included in income.

Recommendation: Workers should be retrained on what constitutes income and what items can be excluded from income.

Views of responsible officials and planned corrective actions: Hertford County believed vacation pay to be included in the state policy that excludes irregular pay or not normal pay from income. The County was not able to provide documentation to support vacation pay as irregular or not normal.

IV. State Award Findings and Questioned Costs

See Finding 12 - 1 and 12 - 2

**HERTFORD COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Section II - Financial Statement Findings**

None noted.

**Section III - Federal Award Findings**

Finding: 12-1

Name of contact person: Adonica Hampton, Director of Hertford County Social Services Administration

Corrective Action: Record-keeping policy will be clarified and the importance of complete and accurate files will be stressed to all case workers.

Proposed Completion Date: June 30, 2013

Finding: 12-2

Name of contact person: Adonica Hampton, Director of Hertford County Social Services Administration

Corrective Action: Workers will be instructed on what constitutes income and what items can be excluded from income in eligibility determination dependant on which program the person is applying for assistance.

Proposed Completion Date: June 30, 2013

**Section IV - State Award Findings**

See Finding 12 - 1 and 12 - 2

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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None noted.

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

| GRANTOR/PASS-THROUGH<br>GRANTOR/PROGRAM TITLE                    | FEDERAL<br>CFDA<br>NUMBER | FEDERAL<br>(DIRECT & PASS-<br>THROUGH)<br>EXPENDITURES | STATE<br>EXPENDITURES |
|--|---------------------------|--|-----------------------|
| <b>FEDERAL AWARDS:</b>   |                           |  |                       |
| <u>U.S. Dept. of Agriculture</u>                                 |                           |  |                       |
| <u>Food and Nutrition Service</u>                                |                           |  |                       |
| Passed-through the N.C. Dept. of Health<br>and Human Services:   |                           |  |                       |
| Division of Social Services:                                     |                           |  |                       |
| Administration:  |                           |  |                       |
| <u>Food Stamp Cluster:</u>                                       |                           |  |                       |
| State Administrative Matching                                    |                           |  |                       |
| Grants for the Supplemental Nutrition Assistance Program         | 10.561                    | \$ 342,582   | \$ -                  |
| Total Food Stamp Cluster   |                           | <u>342,582</u>   | <u>-</u>              |
| Total U.S. Dept. of Agriculture                                  |                           | <u>342,582</u>   | <u>-</u>              |
| <u>U.S. Dept of Homeland Security</u>                            |                           |  |                       |
| Passed-through N.C. Dept. of Crime<br>Control and Public Safety: |                           |  |                       |
| Division of Emergency Management                                 |                           |  |                       |
| Emergency Management Performance Grant                           | 97.042                    | 35,261   | -                     |
| Disaster Grants - Public Assistance                              | 97.036                    | 23,045   | 7,681                 |
| Total Federal Emergency Management                               |                           | <u>58,306</u>  | <u>7,681</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                    | 185,719  | -                     |
| <u>U.S. Dept. of Health &amp; 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                    | 142,379  | 159,606               |
| Total Aging Cluster  |                           | <u>142,379</u>   | <u>159,606</u>        |

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

| GRANTOR/PASS-THROUGH<br>GRANTOR/PROGRAM TITLE                 | FEDERAL<br>CFDA<br>NUMBER | FEDERAL<br>(DIRECT & PASS-<br>THROUGH)<br>EXPENDITURES | STATE<br>EXPENDITURES |
|---|---------------------------|--|-----------------------|
| <u>Administration for Children and Families</u>               |                           |  |                       |
| Passed-through the N.C. Dept. of Health<br>and Human Services |                           |  |                       |
| Division of Social Services:                                  |                           |  |                       |
| <u>Foster Care and Adoption Cluster:</u>                      |                           |  |                       |
| Title IV-E Foster Care-Administration                         | 93.658                    | 104,521  | 24,609                |
| Foster Care - Direct Benefit Payments                         | 93.658                    | 28,684   | 6,613                 |
| Adoption Assistance - Direct Benefit Payments                 | 93.659                    | 67,900   | 18,202                |
| Total Foster Care and Adoption Cluster                        |                           | 201,105  | 49,424                |
| Temporary Assistance for Needy Families                       |                           |  |                       |
| Work First  | 93.558                    | 365,547  | 12,957                |
| Work First/TANF   |                           |  |                       |
| Direct Benefit Payments                                       | 93.558                    | 203,553  | (162)                 |
| N.C. Child Support Enforcement Section                        | 93.563                    | 450,652  | -                     |
| Low Income Energy Assistance Program                          |                           |  |                       |
| Energy Assistance-Direct Benefit Payments                     | 93.568                    | 333  | -                     |
| Crisis Intervention Program                                   | 93.568                    | 372,005  | -                     |
| Child Welfare Services- State Grants                          |                           |  |                       |
| Permanency Planning-Families for Kids                         | 93.645                    | 5,080  | 834                   |
| SSBG-Other Services and Training                              | 93.667                    | 191,310  | 18,138                |
| Promoting Safe & Stable Families                              | 93.556                    | 1,120  | -                     |
| Independent Living Grant                                      | 93.674                    | 7,511  | 1,878                 |
| Total   |                           | 1,597,111  | 33,645                |
| 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                    | 76,301   | -                     |
| Division of Child Development:                                |                           |  |                       |
| Child Care and Development Fund- Discretionary                | 93.575                    | 333,895  | -                     |
| Child Care and Development Fund-Mandatory                     | 93.596                    | 116,885  | -                     |
| Child Care and Development Fund-Match                         | 93.596                    | 132,237  | 50,701                |
| Total Child Care Development Fund Cluster                     |                           | 659,318  | 50,701                |
| Social Services Block Grant                                   | 93.667                    | -  | -                     |
| TANF  | 93.558                    | 147,087  | -                     |
| <b>ARRA</b> -Emergency Contingency Fund for Temporary         |                           |  |                       |
| Assistance for Needy Families State Programs                  | 93.714                    | 11,575   | -                     |
| Foster Care Title IV-E  | 93.658                    | 5,282  | -                     |
| Smart Start   | n/a                       | -  | 4,342                 |
| State Appropriations  | n/a                       | -  | 50,833                |
| TANF-MOE  | n/a                       | -  | 141,816               |
| Total Subsidized Child Care Cluster                           |                           | 823,262  | 247,692               |

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

| GRANTOR/PASS-THROUGH<br>GRANTOR/PROGRAM TITLE                         | FEDERAL<br>CFDA<br>NUMBER | FEDERAL<br>(DIRECT & PASS-<br>THROUGH)<br>EXPENDITURES | STATE<br>EXPENDITURES |
|---|---------------------------|--|-----------------------|
| <u>Centers for Medicare and Medicaid Services</u>                     |                           |  |                       |
| Passed-through the N.C. Dept. of<br>Health and Human Services:        |                           |  |                       |
| Division of Medical Assistance:                                       |                           |  |                       |
| Direct Benefit Payments:  |                           |  |                       |
| Medical Assistance Program  | 93.778                    | 25,641,936   | 15,171,557            |
| SHIP  | 93.779                    | 3,895  | -                     |
| Division of Social Services:  |                           |  |                       |
| Administration:   |                           |  |                       |
| Medical Assistance Program  | 93.778                    | 485,570  | 50,905                |
| State Children's Insurance Program-<br>N.C. Health Choice             | 93.767                    | 17,512   | 871                   |
| Total U.S. Dept. of Health and Human Services                         |                           | 28,912,770   | 15,713,700            |
| <u>U.S. Election Assistance Commission</u>                            |                           |  |                       |
| Passed through the State Board of Elections:                          |                           |  |                       |
| HAVA Grant  | 39.011                    | 4,211  | -                     |
| Total U.S. Election Assistance Commission                             |                           | 4,211  | -                     |
| Total federal awards  |                           | 29,503,588   | 15,721,381            |
| <b>STATE AWARDS:</b>  |                           |  |                       |
| <u>N.C. Dept. of Health and Human Services</u>                        |                           |  |                       |
| Division of Aging and Adult Services:                                 |                           |  |                       |
| Division of Social Services:  |                           |  |                       |
| State/County Special Assistance for<br>Adults-Direct Benefit Payments |                           | -  | 425,932               |
| State Foster Care Benefits Program-Direct                             |                           | -  | 6,371                 |
| CWS Adoption Subsidy-Direct   |                           | -  | 45,868                |
| Smart Start   |                           | -  | 8,010                 |
| TANF Insent/Prog Integrity  |                           | -  | 584                   |
| F/C at Risk Maximization-Direct                                       |                           | -  | 4,510                 |
| SFHF Maximization-Direct  |                           | -  | 310                   |
| Senior Center   |                           | -  | 12,205                |
| Roanoke Chowan Drug Task Force  |                           | -  | 1,208                 |
| Total N.C. Dept. of Health and Human Services                         |                           | -  | 504,998               |

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

| GRANTOR/PASS-THROUGH<br>GRANTOR/PROGRAM TITLE                | FEDERAL<br>CFDA<br>NUMBER | FEDERAL<br>(DIRECT & PASS-<br>THROUGH)<br>EXPENDITURES | STATE<br>EXPENDITURES |
|--|---------------------------|--|-----------------------|
| <u>N.C. Dept. of Public Safety</u>                           |                           |  |                       |
| Criminal Justice Partnership Program                         |                           | -  | 81,413                |
| Gang Prevention  |                           | -  | 56,302                |
| Division of Community Services                               |                           | -  | 130,198               |
| Center of Child Law  |                           | -  | 2,000                 |
| Total N.C. Dept. of Public Safety                            |                           | -  | 269,913               |
| <u>N.C. Dept. of Environmental and<br/>Natural Resources</u> |                           |  |                       |
| Division of Soil and Water Conservation:                     |                           |  |                       |
| Soil Technician Grant  |                           | -  | 26,490                |
| SWC-Administration   |                           | -  | 3,600                 |
| Division of Waste Management                                 |                           |  |                       |
| Scrap Tire Program   |                           | -  | 6,803                 |
| Total N.C. Dept. of Environmental and<br>Natural Resources   |                           | -  | 36,893                |
| <u>N.C. Dept. of Transportation</u>                          |                           |  |                       |
| Rural Operating Assistance Program (ROAP)                    |                           |  |                       |
| ROAP Elderly and Disabled Transportation                     |                           | -  | 56,498                |
| ROAP Rural General Public Program                            |                           | -  | 48,366                |
| ROAP Work First Transitional-Employment                      |                           | -  | 3,994                 |
| Total N.C. Dept of Transportation                            |                           | -  | 108,858               |
| <u>N.C. Dept. of Administration</u>                          |                           |  |                       |
| Veteran Services Officer                                     |                           | -  | 1,452                 |
| <u>N.C Rural Economic Development Center</u>                 |                           |  |                       |
| Rural Development Grant                                      |                           | -  | 252,882               |
| Total State awards   |                           | -  | 1,174,996             |
| Total federal and State awards                               |                           | \$ 29,503,588  | \$ 16,896,377         |

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**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 | -             | \$ -                        | \$ 104,864                |
| Project Challenge                        | -             | -                           | 55,155                    |
| Youth Gang Prevention                    | -             | -                           | 57,284                    |
| Success Academy                          | -             | -                           | 29,966                    |
| Certification Division Program           | -             | -                           | 5,850                     |

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.