

**HERTFORD COUNTY  
WINTON, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2007**



**HERTFORD COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2007**

---

FINANCIAL SECTION

Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Exhibit 1	Statements of Net Assets	16
Exhibit 2	Statement of Activities	17

FUND FINANCIAL STATEMENTS:

Exhibit 3	Balance Sheet – Governmental Funds	19
Exhibit 3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	20
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21-22
Exhibit 4	Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fun	24-25
Exhibit 6	Statement of Fund Net Assets - Proprietary Funds	26
Exhibit 7	Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	27
Exhibit 8	Statement of Cash Flows – Proprietary Funds	28
Exhibit 9	Statement of Fiduciary Net Assets – Fiduciary Funds	29

NOTES TO THE FINANCIAL STATEMENTS	30-57
-----------------------------------	-------

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Major Governmental Funds

Exhibit A-1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance –Budget and Actual	60-69
-------------	---	-------

**HERTFORD COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2007**

---

Nonmajor Governmental Funds

Exhibit B-1	Combining Balance Sheet – Nonmajor Governmental Funds	71
Exhibit B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	72
Exhibit B-3	School Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance –Budget and Actual	73
Exhibit B-4	Emergency Telephone System Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	74
Exhibit B-5	Fire District Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	75
Exhibit B-6	Revaluation Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	76
Exhibit B-7	Community College Capital Projects Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	77
Exhibit B-8	Scattered Site CDBG Capital Projects Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	78

Enterprise Funds

Exhibit C-1	Combining Statement of Net Assets – Nonmajor Enterprise Funds	80
Exhibit C-2	Combining Statement of Revenues, Expenditures, and Changes in Net Assets – Nonmajor Enterprise Funds	81
Exhibit C-3	Combining Statement of Cash Flows – Nonmajor Enterprise Funds	82
Exhibit C-4	Northern Water District Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	83
Exhibit C-5	Southern Water District Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	84
Exhibit C-6	Sanitation Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	85
Exhibit C-7	Public Water Works Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	86
Exhibit C-8	Landfill Closure Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	87
Exhibit C-9	Northern Water District Capital Projects Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	88

**HERTFORD COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2007**

---

---

Agency Funds

Exhibit D-1	Agency Funds – Combining Statement of Changes in Assets and Liabilities	90
-------------	---	----

**OTHER SCHEDULES**

Exhibit E-1	Schedule of Ad Valorem Taxes Receivable	92
Exhibit E-2	Analysis of Current Tax Levy – County-wide Levy	93-94
Exhibit E-3	Schedule of Ten Largest Taxpayers	95

**COMPLIANCE SECTION**

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	97-98
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	99-100
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	101-102
Schedule of Findings and Questioned Costs	103-105
Corrective Action Plan	106
Summary Schedule of Prior Audit Findings	107
Schedule of Expenditures of Federal and State Awards	108-113

## **FINANCIAL SECTION**

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

Certified Public Accountants



The CPA. Never Underestimate The Value.™

James P. Winston II, CPA  
Gary L. Williams, CPA  
Leonard R. Creech, Jr. CPA  
Carleen P. Evans, CPA

Jennifer T. Reese, CPA

## 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, 2007, which collectively comprise the 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 Economic Development Commission. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion in so far as it relates to the amounts included for Hertford County Public Health Authority, Hertford County ABC Board, and the 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 the Economic Development Commission and Hertford County ABC Board 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 reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit, and the reports 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2007, 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, grants, and other matters. 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.

102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614

www.wwcecpa.com



Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Hertford County, North Carolina. The introductory information, combining and individual nonmajor fund statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit report and the report of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Winston, Williams, Creech, Evans & Company, LLP  
Certified Public Accountants  
December 12, 2007

## **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, 2007. 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 \$16,452,664 (*net assets*).
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$8,689,725, an increase of \$483,569 in comparison with the prior year. Approximately 67.68 percent of this total amount, or \$5,881,071 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,654,606, or 19.69% of total general fund expenditures for the fiscal year.

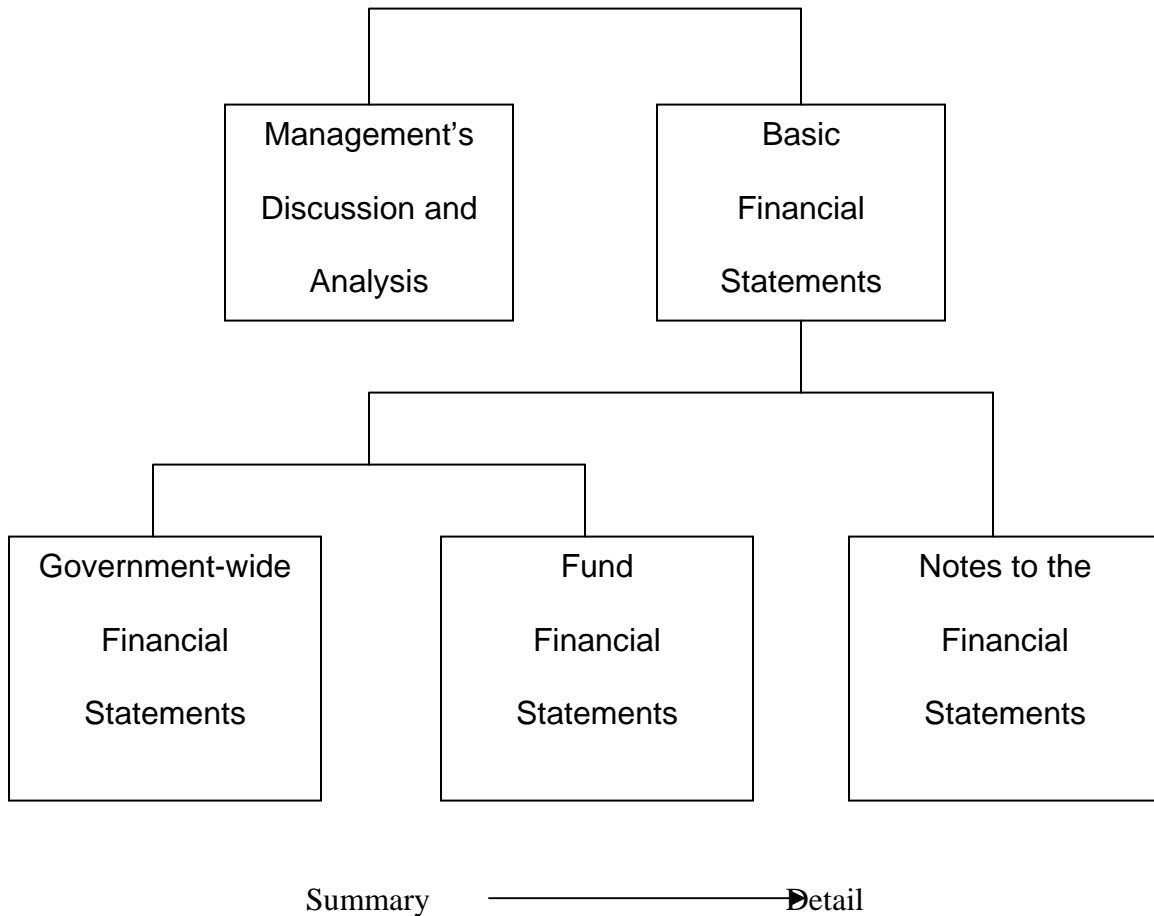
### **Overview of the Financial Statements**

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 gage the County's financial condition.

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

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

## **Fund Financial Statements**

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

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds

are reported using an accounting method called *modified accrual accounting*. *This method also has a current financial resources focus*. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

**Notes to the Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 30 of this report.

## Hertford County's Net Assets

### Figure 2

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 11,011,158	\$ 10,356,335	\$ 717,168	\$ 632,648	\$ 11,728,326	\$ 10,988,983
Capital assets	4,013,915	3,306,914	13,123,309	13,221,242	17,137,224	16,528,156
Total assets	\$ 15,025,073	\$ 13,663,249	\$ 13,840,477	\$ 13,853,890	\$ 28,865,550	\$ 27,517,139
Long-term liabilities outstanding	\$ 2,820,719	\$ 2,069,899	\$ 8,547,660	\$ 8,745,903	\$ 11,368,379	\$ 10,815,802
Other liabilities	872,080	731,044	172,427	232,085	1,044,507	963,129
Total liabilities	\$ 3,692,799	\$ 2,800,943	\$ 8,720,087	\$ 8,977,988	\$ 12,412,886	\$ 11,778,931
Net assets:						
Invested in capital assets, net of related debt	\$ 2,804,378	\$ 2,932,789	\$ 4,597,755	\$ 4,504,742	\$ 7,402,133	\$ 7,437,531
Restricted	9,335	23,677	-	-	9,335	23,677
Unrestricted	8,518,561	7,905,840	522,635	371,160	9,041,196	8,277,000
Total net assets	\$ 11,332,274	\$ 10,862,306	\$ 5,120,390	\$ 4,875,902	\$ 16,452,664	\$ 15,738,208

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 \$16,452,664 as of June 30, 2007, one of the largest portions (44.99%) 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, \$9,335 has been restricted by the governing board. The balance of \$9,041,196 is unrestricted.

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

- Increased fees in some departments have helped to improve revenues;
- Using all resources and revenues to collect taxes;
- Continued leadership of the County's Board of Commissioners;
- Approval of the County's proposed annual budget;
- A secure tax base.

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

	<b>Governmental Activities</b>		<b>Business-like Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Revenues:						
Program revenues:						
Charges for services	\$ 1,703,465	\$ 1,857,940	\$ 1,967,338	\$ 1,854,967	\$ 3,670,803	\$ 3,712,907
Operating grants and contributions	4,793,076	4,430,451	-	-	4,793,076	4,430,451
Capital grants and contributions	374,749	18,557	269,724	5,092	644,473	23,649
General revenues:						
Property taxes	10,813,759	11,042,998	-	-	10,813,759	11,042,998
Local option sales tax	5,084,383	4,736,367	-	-	5,084,383	4,736,367
Other taxes	187,668	171,820	-	-	187,668	171,820
Unrestricted grants and contributions	101,624	108,551	-	-	101,624	108,551
Investment Earnings	428,657	328,973	12,804	5,979	441,461	334,952
Miscellaneous	43,193	36,884	109,130	102,252	152,323	139,136
Total Revenues	23,530,574	22,732,541	2,358,996	1,968,290	25,889,570	24,700,831
Expenses:						
General government	2,475,271	2,358,696	-	-	2,475,271	2,358,696
Public safety	5,204,680	4,686,596	-	-	5,204,680	4,686,596
Transportation	25,300	25,300	-	-	25,300	25,300
Economic and physical development	1,268,859	840,326	-	-	1,268,859	840,326
Human services	8,404,060	8,052,777	-	-	8,404,060	8,052,777
Cultural and recreation	79,400	77,079	-	-	79,400	77,079
Education	5,457,843	5,110,720	-	-	5,457,843	5,110,720
Interest on long-term debt	112,765	102,348	-	-	112,765	102,348
Sanitation	-	-	926,574	1,007,909	926,574	1,007,909
Water and sewer	-	-	1,161,636	1,082,802	1,161,636	1,082,802
Total Expenses	23,028,178	21,253,842	2,088,210	2,090,711	25,116,388	23,344,553
Increase in net assets before transfers	502,396	1,478,699	270,786	(122,421)	773,182	1,356,278
Transfers	26,298	(38,632)	(26,298)	38,632	-	-
Increase in net assets	528,694	1,440,067	244,488	(83,789)	773,182	1,356,278
Net assets, restated, July 1	10,803,580	9,422,239	4,875,902	4,959,691	15,679,482	14,381,930
Net assets, June 30	\$ 11,332,274	\$ 10,862,306	\$ 5,120,390	\$ 4,875,902	\$ 16,452,664	\$ 15,738,208

**Governmental activities.** Governmental activities increased the County's net assets by \$528,694 accounting for 68.37% of the total growth in the net assets of Hertford County. Key elements of this increase are as follows:

- Ad valorem tax collections for current and delinquent levies exceeded budgeted projections by \$1354,593 as a result of continued emphasis on the delinquent tax collection program.
- Sales tax revenue increased by \$352,279, representing a 7.5% increase over the prior year.

- An increase in interest rates allowed for an increase in investment earnings of approximately 30.1% over the prior year, or \$98,522.

**Business-type activities.** Business-type activities increased Hertford County's net assets by 5.01% or \$244,488 over the prior year. However, the change in net assets for business-type activities did increase over the prior year by \$7,910. The key elements of this increase/decrease are as follows:

- Operating revenues went up \$119,249 from the prior year.
- Operating expenses increased by \$3,071 and interest paid decreased by \$5,572.

### **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, unreserved fund balance of the General Fund was \$4,654,606, while total fund balance reached \$7,417,855. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 19.69 percent of total General Fund expenditures, while total fund balance represents 31.38 percent of that same amount.

At June 30, 2007, the governmental funds of Hertford County reported a combined fund balance of \$8,689,725, a 5.89 percent increase over last year. This increase is largely attributable to positive budget variances in ad valorem tax revenue and sales and service.

There were variances reflected in the governmental fund financial statements for 2007.

- Our 2007 overall collection rate is 96.13%, a little lower than the state, but slightly higher than that of the prior year rate.
- ½ cent sales tax helped to keep our revenue sources stable.

**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 \$1,794,527 or 7.9 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 \$588,797 and those for the Water and Sewer Districts equaled (\$66,162). 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, 2007 totals \$17,137,224 (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:

- Construction in Progress for a Northern Water Capital Project
- Construction in Progress for EMS Project
- Purchase of three additional Public Safety vehicles
- Purchase of three new vehicles for Social Services
- Purchase of two new vehicles for Water/Sewer
- Various building improvements
- Various purchases of additional equipment

**Figure 4**

#### Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land and Improvements	\$ 442,031	\$ 442,031	\$ 33,046	\$ 33,046	\$ 475,077	\$ 475,077
Construction in Progress	905,840	-	536,339	355,914	1,442,179	355,914
Buildings and Improvements	1,941,128	2,031,601	-	-	1,941,128	2,031,601
Plant and distribution systems	-	-	12,362,359	12,658,893	12,362,359	12,658,893
Equipment	219,309	262,441	80,665	58,518	299,974	320,959
Vehicle and Motor Equipment	<u>505,607</u>	<u>570,841</u>	<u>110,900</u>	<u>114,871</u>	<u>616,507</u>	<u>685,712</u>
Total	\$ 4,013,915	\$ 3,306,914	\$ 13,123,309	\$ 13,201,242	\$ 17,137,224	\$ 16,528,156

Additional information on capital assets can be found in Note 3(a)(5) on pages 42-45.

**Long-term Debt.** As of June 30, 2007, Hertford County had total debt outstanding of \$11,368,379, of which \$9,751,000 is bonded debt backed by the full faith and credit of the County.

## Hertford County's Outstanding Debt

Figure 5

	Governmental Activities		Business-like Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 1,250,000	\$ 1,350,000	\$ 8,501,000	\$ 8,716,500	\$ 9,751,000	\$ 10,066,500
Installment Purchases	1,209,537	374,124	24,555	-	1,234,092	374,124
Compensated Absences	361,182	345,775	22,105	29,403	383,287	375,178
Total Long-Term Debt	\$ 2,820,719	\$ 2,069,899	\$ 8,547,660	\$ 8,745,903	\$ 11,368,379	\$ 10,815,802

During the past fiscal year, Hertford County's total debt increased by \$552,577, (5.1%) percent. General obligation debt of \$100,000 was retired in governmental activities and business-type activities had a net decrease of \$215,500. There was a net increase of \$859,968 in installment-purchase obligations due to new borrowing associated with construction and vehicle purchases.

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 \$81,753,336.

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

### Economic Factors and Next Year's Budgets and Rates

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

- The local economy remains stagnant with unemployment at 6.0% in comparison with the state average of 5.1%.

**Governmental Activities:** The County adopted a budget for fiscal year 2008 with a 6.14 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, 2007**

				Component Units		
	Governmental Activities	Business-type Activities	Total	Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,744,519	\$ 1,206,616	\$ 7,951,135	\$ 159,079	\$ 276,854	\$ 396,414
Taxes receivable	1,178,733	-	1,178,733	-	-	-
Accrued interest receivable on taxes	329,142	-	329,142	-	-	-
Accounts receivable (net)	1,930,503	338,813	2,269,316	-	-	161,880
Due from other governments	-	-	-	-	-	491,419
Inventories	-	-	-	-	242,028	-
Prepaid expenses	-	-	-	-	-	36,081
Internal balances	828,261	(828,261)	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
Capital assets:						
Land, improvements, and construction in progress	1,347,871	569,385	1,917,256	-	24,220	-
Other capital assets, net of depreciation	2,666,044	12,553,924	15,219,968	-	47,059	303,900
Total capital assets	4,013,915	13,123,309	17,137,224	-	71,279	303,900
Total Assets	<u>\$ 15,025,073</u>	<u>\$ 13,840,477</u>	<u>\$ 28,865,550</u>	<u>\$ 159,079</u>	<u>\$ 590,161</u>	<u>\$ 1,389,694</u>
<b>LIABILITIES</b>						
Accounts payable & accrued liabilities	\$ 750,085	\$ 55,231	\$ 805,316	\$ 832	\$ 66,957	\$ 106,250
Customer deposits	-	81,320	81,320	-	-	-
Unearned revenue	63,473	-	63,473	-	-	40,755
Accrued interest payable	58,522	35,876	94,398	-	-	-
Long-term liabilities						
Due within one year	395,943	234,411	630,354	-	-	-
Due in more than one year	2,424,776	8,313,249	10,738,025	-	10,493	151,772
Total liabilities	<u>3,692,799</u>	<u>8,720,087</u>	<u>12,412,886</u>	<u>832</u>	<u>77,450</u>	<u>298,777</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	2,804,378	4,597,755	7,402,133	-	71,279	303,900
Restricted for:						
Capital projects	-	-	-	-	-	-
Register of Deeds	9,335	-	9,335	-	-	-
Working capital	-	-	-	-	50,934	-
Unrestricted (deficit)	8,518,561	522,635	9,041,196	158,247	390,498	787,017
Total net assets	<u>\$ 11,332,274</u>	<u>\$ 5,120,390</u>	<u>\$ 16,452,664</u>	<u>\$ 158,247</u>	<u>\$ 512,711</u>	<u>\$ 1,090,917</u>

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-Type Activities	Total	Hertford County Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority
Primary Government:										
Governmental Activities:										
General government	\$ 2,475,271	\$ 560,618	\$ 5,784	\$ -	\$ (1,908,869)	\$ -	\$ (1,908,869)	\$ -	\$ -	\$ -
Public safety	5,204,680	1,106,621	522,246	-	(3,575,813)	-	(3,575,813)	-	-	-
Transportation	25,300	-	66,771	-	41,471	-	41,471	-	-	-
Economic and physical development	1,268,859	5,504	165,015	374,749	(723,591)	-	(723,591)	-	-	-
Human services	8,404,060	30,722	4,033,260	-	(4,340,078)	-	(4,340,078)	-	-	-
Cultural and recreation	79,400	-	-	-	(79,400)	-	(79,400)	-	-	-
Education	5,457,843	-	-	-	(5,457,843)	-	(5,457,843)	-	-	-
Interest on long-term debt	112,765	-	-	-	(112,765)	-	(112,765)	-	-	-
Total governmental activities	23,028,178	1,703,465	4,793,076	374,749	(16,156,888)	-	(16,156,888)	-	-	-
Business-type activities:										
Sanitation	926,574	791,057	-	-	-	(135,517)	-	-	-	-
Water and Sewer	1,161,636	1,176,281	-	269,724	-	284,369	-	-	-	-
Total business-type activities	2,088,210	1,967,338	-	269,724	-	148,852	-	-	-	-
Total primary government	\$ 25,116,388	\$ 3,670,803	\$ 4,793,076	\$ 644,473	\$ (16,156,888)	\$ 148,852	\$ (16,008,036)	\$ -	\$ -	\$ -
Component units:										
Economic Development Commission	\$ 38,552	\$ -	\$ 25,000	\$ -				\$ (13,552)	\$ -	\$ -
ABC Board	1,587,771	1,654,680	-	-				-	66,909	-
Public Health Authority	4,660,319	2,935,744	1,499,190	83,193				-	-	(142,192)
Total component units	\$ 6,286,642	\$ 4,590,424	\$ 1,524,190	\$ 83,193				\$ (13,552)	\$ 66,909	\$ (142,192)
General revenues:										
Taxes:										
Property taxes, levied for general purpose					\$ 10,813,759	\$ -	\$ 10,813,759	\$ -	\$ -	\$ -
Local option sales tax					5,084,383	-	5,084,383	-	-	-
Other taxes					187,668	-	187,668	-	-	-
Grants and contributions not restricted to specific programs					101,624	-	101,624	-	-	100,000
Investment earnings, unrestricted					428,657	12,804	441,461	6,710	9,628	27,183
Miscellaneous, unrestricted					43,193	109,130	152,323	11,500	137	-
Transfers					26,298	(26,298)	-	-	-	-
Total general revenues, special items and transfers					16,685,582	95,636	16,781,218	18,210	9,765	127,183
Change in net assets					528,694	244,488	773,182	4,658	76,674	(15,009)
Net assets, restated - beginning					10,803,580	4,875,902	15,679,482	153,589	436,037	1,105,926
Net assets - ending					\$ 11,332,274	\$ 5,120,390	\$ 16,452,664	\$ 158,247	\$ 512,711	\$ 1,090,917

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, 2007**

	Major	Nonmajor	
	General	Other	Total
	Fund	Governmental	Governmental
	Funds	Funds	Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 5,496,125	\$ 1,248,394	\$ 6,744,519
Taxes receivable	1,173,131	5,602	1,178,733
Accounts receivables, net	1,895,236	35,267	1,930,503
Due from other funds	858,678	10,138	868,816
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 9,423,170</u>	<u>\$ 1,299,401</u>	<u>\$ 10,722,571</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable & accrued liabilities	\$ 745,690	\$ 4,395	\$ 750,085
Due to other funds	23,021	17,534	40,555
Deferred revenue	1,173,131	5,602	1,178,733
Unearned revenue	63,473	-	63,473
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>2,005,315</u>	<u>27,531</u>	<u>2,032,846</u>
Fund balances:			
Reserved for:			
State Statute	2,753,914	45,405	2,799,319
Register of Deeds	9,335	-	9,335
Unreserved:			
Designated for subsequent year's expenditures	669,147	-	669,147
Undesignated	3,985,459	-	3,985,459
Unreserved, reported in nonmajor:			
Special revenue funds	-	1,220,465	1,220,465
Capital projects funds	-	6,000	6,000
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>7,417,855</u>	<u>1,271,870</u>	<u>8,689,725</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 9,423,170</u>	<u>\$ 1,299,401</u>	<u>\$ 10,722,571</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, 2007**

---

---

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

Total equity and other credits (Exhibit 3)	\$ 8,689,725
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,013,915
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	329,142
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	1,178,733
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>(2,879,241)</u>
Net assets of governmental activities (Exhibit 1)	<u><u>\$ 11,332,274</u></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, 2007**

	Major	Nonmajor	
	General	Other	Total
	Fund	Governmental	Governmental
	Funds	Funds	Funds
<b><u>REVENUES</u></b>			
Ad valorem taxes	\$ 10,671,915	\$ 86,273	\$ 10,758,188
Local option sales taxes	5,050,063	34,320	5,084,383
Other taxes and licenses	102,465	85,203	187,668
Unrestricted intergovernmental	101,624	-	101,624
Restricted intergovernmental	4,751,746	491,338	5,243,084
Permits and fees	306,259	-	306,259
Sales and services	1,272,449	-	1,272,449
Investment earnings	425,854	2,803	428,657
Miscellaneous	123,192	500	123,692
	<u>22,805,567</u>	<u>700,437</u>	<u>23,506,004</u>
Total Revenues			
<b><u>EXPENDITURES</u></b>			
Current:			
General government	2,414,173	-	2,414,173
Public safety	5,077,853	119,948	5,197,801
Transportation	25,300	-	25,300
Economic and physical development	891,587	371,749	1,263,336
Human services	8,455,616	-	8,455,616
Cultural and recreational	79,400	-	79,400
Education	4,438,720	1,019,123	5,457,843
Capital outlay	905,840	-	905,840
Debt service:			
Principal	215,000	-	215,000
Interest	77,233	-	77,233
	<u>22,580,722</u>	<u>1,510,820</u>	<u>24,091,542</u>
Total Expenditures			
Excess (deficiency) of revenues over expenditures	<u>224,845</u>	<u>(810,383)</u>	<u>(585,538)</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, 2007**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in from other funds	250,107	1,055,503	1,305,610
Transfers out to other funds	(1,055,874)	(223,438)	(1,279,312)
Proceeds from debt	1,042,809	-	1,042,809
Total Other Financing Sources (Uses)	237,042	832,065	1,069,107
Net change in fund balance	461,887	21,682	483,569
Fund Balance - July 1	6,955,968	1,250,188	8,206,156
Fund Balance - June 30	\$ 7,417,855	\$ 1,271,870	\$ 8,689,725

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, 2007**

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)	\$ 483,569
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.	1,092,986
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.	(354,984)
Cost of assets sold and disposed of not recorded in the fund statements	(15,750)
Loss on the sale and disposal of assets	(15,251)
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.	(676,687)
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	(40,760)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	<u>55,571</u>
Total changes in net assets of governmental activities	<u>\$ 528,694</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, 2007**

	General Fund			Variance with Final Positive Positive (Negative)
	Original Budget	Final Budget	Actual	
<u>REVENUES</u>				
Ad valorem taxes	\$ 10,546,322	\$ 10,536,322	\$ 10,671,915	\$ 135,593
Local option sales taxes	4,634,399	5,059,371	5,050,063	(9,308)
Other taxes and licenses	95,200	95,200	102,465	7,265
Unrestricted intergovernmental	65,000	68,000	101,624	33,624
Restricted intergovernmental	5,051,911	4,882,091	4,751,746	(130,345)
Permits and fees	288,375	270,000	306,259	36,259
Sales and services	1,184,100	1,003,965	1,272,449	268,484
Investment earnings	261,000	390,484	425,854	35,370
Miscellaneous	25,000	60,900	123,192	62,292
Total revenues	22,151,307	22,366,333	22,805,567	439,234
<u>EXPENDITURES</u>				
Current:				
General government	2,546,684	2,475,784	2,414,173	61,611
Public safety	4,689,214	4,935,027	5,077,853	(142,826)
Transportation	25,300	25,300	25,300	-
Economic and physical development	810,846	792,471	891,587	(99,116)
Human services	8,496,841	8,915,506	8,455,616	459,890
Cultural and recreational	79,400	79,400	79,400	-
Education	4,438,720	4,658,720	4,438,720	220,000
Debt service	294,393	294,393	292,233	2,160
Capital outlay		963,278	905,840	57,438
Contingency	190,000	181,726	-	181,726
Total Expenditures	21,571,398	23,321,605	22,580,722	740,883
Revenues Over (Under) Expenditures	579,909	(955,272)	224,845	1,180,117

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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to other funds	(1,042,225)	(1,086,545)	(1,055,874)	30,671
Transfers from other funds	223,339	223,339	250,107	
Proceeds from debt	-	1,025,476	1,042,809	17,333
Appropriated fund balance	238,977	793,002	-	(793,002)
Total other financing sources (uses)	<u>(579,909)</u>	<u>955,272</u>	<u>237,042</u>	<u>(718,230)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	461,887	<u>\$ 461,887</u>
Fund Balance - July 1			<u>6,955,968</u>	
Fund Balance - June 30			<u>\$ 7,417,855</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, 2007**

	Major Funds			
	Northern Water District	Southern Water District	Nonmajor	Total
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and cash equivalents	\$ 239,249	\$ 551,318	\$ 416,049	\$ 1,206,616
Receivables (net)	50,008	71,206	217,599	338,813
Due from other funds	-	-	12,883	12,883
Total Current Assets	<u>289,257</u>	<u>622,524</u>	<u>646,531</u>	<u>1,558,312</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	-	-	-	-
Capital assets:				
Land, improvements, and construction in progress	536,339	10,000	23,046	569,385
Other capital assets, net of depreciation	3,329,499	8,959,528	264,897	12,553,924
Total Capital Assets	<u>3,865,838</u>	<u>8,969,528</u>	<u>287,943</u>	<u>13,123,309</u>
Total non-current assets	<u>3,865,838</u>	<u>8,969,528</u>	<u>287,943</u>	<u>13,123,309</u>
Total Assets	<u>\$ 4,155,095</u>	<u>\$ 9,592,052</u>	<u>\$ 934,474</u>	<u>\$ 14,681,621</u>
<b><u>LIABILITIES</u></b>				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 5,084	\$ 6,745	\$ 43,402	\$ 55,231
Customer deposits	20,850	60,470	-	81,320
Accrued interest payable	10,394	25,482	-	35,876
Due to other funds	172,151	668,993	-	841,144
Compensated absences	972	972	3,583	5,527
Installment obligations payable	3,942	3,942	-	7,884
General obligation bonds payable	41,000	180,000	-	221,000
Total Current Liabilities	<u>254,393</u>	<u>946,604</u>	<u>46,985</u>	<u>1,247,982</u>
Noncurrent Liabilities:				
Compensated absences	2,915	2,915	10,749	16,579
Installment obligations payable	8,335	8,335	-	16,670
General obligation bonds payable	2,441,500	5,838,500	-	8,280,000
Total Noncurrent Liabilities	<u>2,452,750</u>	<u>5,849,750</u>	<u>10,749</u>	<u>8,313,249</u>
Total Liabilities	<u>2,707,143</u>	<u>6,796,354</u>	<u>57,734</u>	<u>9,561,231</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	1,371,061	2,938,751	287,943	4,597,755
Unrestricted	76,891	(143,053)	588,797	522,635
Total Net Assets	<u>\$ 1,447,952</u>	<u>\$ 2,795,698</u>	<u>\$ 876,740</u>	<u>\$ 5,120,390</u>

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Major			
	Northern Water District	Southern Water District	Nonmajor	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 286,492	\$ 821,269	\$ 791,057	\$ 1,898,818
Water taps	18,308	50,212	-	68,520
Miscellaneous	18,300	5,605	85,225	109,130
Total operating revenues	323,100	877,086	876,282	2,076,468
<b>OPERATING EXPENSES</b>				
Administration and Operations	183,087	243,004	889,733	1,315,824
Depreciation	82,501	218,905	36,841	338,247
Total Operating Expenses	265,588	461,909	926,574	1,654,071
<b>OPERATING INCOME (LOSS)</b>	57,512	415,177	(50,292)	422,397
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	-	-	12,804	12,804
Interest paid	(123,096)	(311,043)	-	(434,139)
Total Nonoperating Revenues (Expenses) - Net	(123,096)	(311,043)	12,804	(421,335)
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	(65,584)	104,134	(37,488)	1,062
Capital Contributions	269,724	-	-	269,724
Transfer to other funds	(47,496)	(148,424)	(40,939)	(236,859)
Transfer from other funds	124	247	210,190	210,561
Total	222,352	(148,177)	169,251	243,426
<b>CHANGE IN NET ASSETS</b>	156,768	(44,043)	131,763	244,488
<b>TOTAL NET ASSETS, RESTATED-BEGINNING</b>	1,291,184	2,839,741	744,977	4,875,902
<b>TOTAL NET ASSETS-ENDING</b>	\$ 1,447,952	\$ 2,795,698	\$ 876,740	\$ 5,120,390

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, 2007**

	Major Funds			
	Northern Water District	Southern Water District	Nonmajor	Total
Cash flows from operating activities:				
Cash received from customers	\$ 272,162	\$ 864,360	\$ 812,420	\$ 1,948,942
Cash paid for goods and services	(135,958)	(116,750)	(551,980)	(804,688)
Cash paid to employees for services	(111,296)	(113,283)	(353,512)	(578,091)
Other operating revenue	18,300	5,605	85,225	109,130
Net cash provided by (used) by operating activities	43,208	639,932	(7,847)	675,293
Cash flows from noncapital financing activities:				
Due from other funds	-	-	343,450	343,450
Due to other funds	15,691	157,312	(516,453)	(343,450)
Transfer of assets from other funds	-	(15,893)	15,893	-
Transfers (to) from other funds	(47,372)	(148,177)	169,251	(26,298)
Net cash provided (used) by noncapital financing activities	(31,681)	(6,758)	12,141	(26,298)
Cash flows from capital and related financing activities:				
Capital contributions	269,724	-	-	269,724
Proceeds from sale of fixed assets	-	-	-	-
Purchase of capital assets	(192,703)	(12,278)	(35,334)	(240,315)
Proceeds from debt	12,278	12,278	-	24,556
Principal paid on bond maturities	(39,500)	(176,000)	-	(215,500)
Interest paid on bond maturities	(123,096)	(311,043)	-	(434,139)
Net cash provided by capital and related financing activities	(73,297)	(487,043)	(35,334)	(595,674)
Cash flows from investing activities:				
Interest on investments	-	-	12,804	12,804
Net cash provided by investing activities	-	-	12,804	12,804
Net increase (decrease) in cash and cash equivalents	(61,770)	146,131	(18,236)	66,125
Cash and cash equivalents, July 1	301,019	405,187	434,285	1,140,491
Cash and cash equivalents, June 30	\$ 239,249	\$ 551,318	\$ 416,049	\$ 1,206,616
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 57,512	\$ 415,177	\$ (50,292)	\$ 422,397
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	82,501	218,905	36,841	338,247
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(32,638)	(7,121)	21,363	(18,396)
Increase (decrease) in accounts payable and accrued liabilities	(69,102)	6,712	(688)	(63,078)
Increase (decrease) in customer deposits	900	2,850	-	3,750
Increase (decrease) in accrued interest payable	148	(478)	-	(330)
Increase (decrease) in compensated absences	3,887	3,887	(15,071)	(7,297)
Total adjustments	(14,304)	224,755	42,445	252,896
Net cash provided by operating activities	\$ 43,208	\$ 639,932	\$ (7,847)	\$ 675,293

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, 2007**

<hr/> <hr/>	
	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 55,789
	<hr/> <hr/>
LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous liabilities	\$ 55,789
	<hr/> <hr/>

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, 2007**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

**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 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 nonmajor funds.

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

The County reports the following major governmental funds:

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

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

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

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

**Sanitation Fund.** This fund is used to account for the operations involving sanitation 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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

maintains four agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures and DMV Interest Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Hertford County Board of Education and interest collected and remitted to NC DMV; the Tax Fund, which accounts for registered motor vehicle and other property taxes and fees 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.

**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 are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as 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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

North Carolina. Effective with this change in the law, Carolina 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 those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, 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 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31<sup>st</sup> each year with taxes due by May 1<sup>st</sup> of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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

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

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

**D. Budgetary Data**

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

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

**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, 2007, 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.

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2006. As allowed by State law, the

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

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

**5. Allowance for Doubtful Accounts**

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

**6. Inventory**

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

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

**7. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: land \$500; buildings, improvements, substations, lines, and other plant and distribution systems, \$5000; infrastructure, \$5000; computer equipment, furniture and equipment, \$5000; and vehicles \$5000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

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

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



**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

At June 30, 2007, the Economic Development Commission has no capital assets.

**8. Long-Term Obligations**

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

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

**9. Compensated Absences**

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

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

The Economic Development Commission had no employees.

**10. Net Assets/Fund Balances**

**Net Assets**

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

**Fund Balances**

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

**Reserved**

**Reserved by State Statute** – portion of fund balance, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which are not offset by deferred revenues.

**Reserved for Register of Deeds** – portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the Register of Deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the Register of Deeds.

**Unreserved**

**Designated for subsequent year's expenditures** – portion of total fund balance available for appropriation which has been designated for the adopted 2007-2008 budget ordinance.

**Undesignated** – portion of total fund balance available for appropriation which is uncommitted at year-end.

**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 \$ 2,642,549 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)	\$ 8,523,123
Less Accumulated Depreciation	<u>4,509,208</u>
Net capital assets	<u>4,013,915</u>
 Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	 329,142
 Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	 1,178,733
 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	(2,459,537)
Compensated absences	(361,182)
Accrued interest payable	<u>(58,522)</u>
 Total adjustment	 <u>\$ 2,642,549</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$ 45,125 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,092,986
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	(354,984)
Cost of assets sold and disposed of not recorded in the fund statements	(15,750)
Loss on the sale and disposal of assets	(15,251)
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	366,122
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net assets	(1,042,809)
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)	(25,353)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(15,407)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Reversal of deferred tax revenue recorded at 7-1-06	(1,154,642)
Recording of tax receipts deferred in the fund statements as of 6-30-07	1,178,733
Decrease in accrued taxes receivable for year ended 6-30-07	<u>31,480</u>
Total adjustment	<u>\$ 45,125</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

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

**A. Excess of Expenditures over Appropriations**

The County had expenditures exceed appropriation in the following areas.

General Fund	
Governing Body	\$ 7,645
Finance	15,972
Central Services	22,249
Sheriff's Department	23,567
Emergency Management	225,528
Mosquito Control	1,389
Economic Development	1,721
Clean-up Project	140,208
Soil and Water Conservation	1,695
Senior Citizens Outreach	276
Care Assistance	7,325
Nutrition	9,170
Mental Health	235
Crisis Intervention	40,873
Community based alternatives	48,554
 School Capital Reserve Fund	 13,278
 Community College Capital Projects Fund	 
Transfer out – General Fund	<u>65,223</u>
	 <u>\$ 622,928</u>

The County had failed to properly budget ongoing grants annually in the General Fund. The County will strive in the upcoming year to include these items as part of the budget process and strive to better anticipate all other expenditures to ensure that all expenditures stay within the budgeted amounts.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All of the County's, the Economic Development Commission'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 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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the Economic Development Commission, 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, or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Economic Development Commission, or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and its 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 and the ABC Board rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Economic Development Commission have no formal policy regarding custodial credit risk for deposits.

At June 30, 2007, the County's deposits had a carrying amount of \$2,361,343 and a bank balance of \$2,636,354. Of the bank balance, \$100,000 in non-interest bearing deposits, and \$2,536,354 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2007, Hertford County had \$1,050 cash on hand.

At June 30, 2007, the ABC Board's deposits had a carrying amount of \$274,951 and a bank balance of \$319,882. Of the bank balance, \$100,000 was covered by federal depository insurance and the balance was covered by collateral held under the pooling method. The ABC Board had \$1,903 cash on hand.

At June 30, 2007, the Economic Development Commission had a carrying amount of \$159,079 and a bank balance of \$159,701. Of the bank balance, \$149,887 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2007, the Public Health Authority had deposits with a carrying amount of \$179,065 and a bank balance of \$298,629. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$198,629 was covered by collateral held under the pooling method.

**2. Investments**

At June 30, 2007, the County's investments consisted of \$5,644,531 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

At June 30, 2007, the Public Health Authority invested \$217,349 with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Authority does not have a policy for managing interest rate risk or credit rate risk.

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

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

<u>Year</u> <u>Levied</u>	<u>Total</u> <u>Taxes</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 807,967	\$ 263,591	\$ 1,071,558
2005	791,627	187,206	978,833
2006	796,530	116,978	913,508
2007	803,497	-	803,497
Totals	<u>\$ 3,199,621</u>	<u>\$ 567,775</u>	<u>\$ 3,767,396</u>

**4. Receivables**

Receivables at the government-wide level at June 30, 2007, were as follows:

	<u>Accounts</u>	<u>Taxes and</u> <u>Related Accrued</u> <u>Interest</u>	<u>Due from</u> <u>other</u> <u>governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 913,385	\$ 1,507,875	\$ 981,851	\$ 3,403,111
Other Governmental	35,267	-	-	35,267
Total-governmental activities	<u>\$ 948,652</u>	<u>\$ 1,507,875</u>	<u>\$ 981,851</u>	<u>\$ 3,438,378</u>
Business-type Activities:				
Northern Water District	\$ 50,008	\$ -	\$ -	\$ 50,008
Southern Water District	71,206	-	-	71,206
Sanitation	231,635	-	8,974	240,609
Other Business-type	-	-	-	-
Total	352,849	-	8,974	361,823
Allowance for doubtful accounts	(23,010)	-	-	(23,010)
Total-business-type activities	<u>\$ 329,839</u>	<u>\$ -</u>	<u>\$ 8,974</u>	<u>\$ 338,813</u>

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

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Local option sales tax	\$ 851,470
Sales tax refund	130,381
Scrap tire tax	6,570
White goods tax	<u>2,404</u>
Total	<u>\$ 990,825</u>

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 442,031	\$ -	\$ -	\$ -	\$ 442,031
Construction in progress	<u>-</u>	<u>905,840</u>	<u>-</u>	<u>-</u>	<u>905,840</u>
Total capital assets not being depreciated	<u>442,031</u>	<u>905,840</u>	<u>-</u>	<u>-</u>	<u>1,347,871</u>
Capital assets being depreciated:					
Buildings	4,417,879	-	52,774	-	4,365,105
Equipment	1,203,024	38,960	7,043	-	1,234,941
Vehicles and motor equipment	<u>1,724,521</u>	<u>148,186</u>	<u>313,571</u>	<u>16,070</u>	<u>1,575,206</u>
Total capital assets being depreciated	<u>7,345,424</u>	<u>187,146</u>	<u>373,388</u>	<u>16,070</u>	<u>7,175,252</u>
Less accumulated depreciation for:					
Buildings	2,386,278	90,473	52,774	-	2,423,977
Equipment	940,583	82,092	7,043	-	1,015,632
Vehicles and motor equipment	<u>1,153,680</u>	<u>182,419</u>	<u>282,570</u>	<u>16,070</u>	<u>1,069,599</u>
Total accumulated depreciation	<u>4,480,541</u>	<u>\$ 354,984</u>	<u>\$ 342,387</u>	<u>\$ 16,070</u>	<u>4,509,208</u>
Total capital assets being depreciated, net	<u>2,864,883</u>				<u>2,666,044</u>
Governmental activity capital assets, net	<u>\$ 3,306,914</u>				<u>\$ 4,013,915</u>

**Business-type activities:**

**Northern Water District**

Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>355,914</u>	<u>180,425</u>	<u>-</u>	<u>-</u>	<u>536,339</u>
Total capital assets not being depreciated	<u>355,914</u>	<u>180,425</u>	<u>-</u>	<u>-</u>	<u>536,339</u>
Capital assets being depreciated:					
Plant and distribution systems	4,043,204	-	-	-	4,043,204
Machinery and equipment	-	-	-	-	-
Vehicles and motor equipment	<u>-</u>	<u>12,278</u>	<u>-</u>	<u>-</u>	<u>12,278</u>
Total capital assets being depreciated	<u>4,043,204</u>	<u>12,278</u>	<u>-</u>	<u>-</u>	<u>4,055,482</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Less accumulated depreciation for:					
Plant and distribution systems	643,482	80,864	-	-	724,346
Machinery and equipment	-	-	-	-	-
Vehicles and motor equipment	-	1,637	-	-	1,637
Total accumulated depreciation	<u>643,482</u>	<u>\$ 82,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>725,983</u>
Total capital assets being depreciated, net	<u>3,399,722</u>				<u>3,329,499</u>
Northern Water District capital assets, net	<u>\$ 3,755,636</u>				<u>\$ 3,865,838</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Southern Water District</b>					
Capital assets not being depreciated:					
Land	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:					
Plant and distribution systems	10,432,415	-	-	-	10,432,415
Machinery and equipment	34,846	-	-	-	34,846
Vehicles and motor equipment	<u>31,894</u>	<u>12,277</u>	<u>-</u>	<u>41,747</u>	<u>85,918</u>
Total capital assets being depreciated	<u>10,499,155</u>	<u>12,277</u>	<u>-</u>	<u>41,747</u>	<u>10,553,179</u>
Less accumulated depreciation for:					
Plant and distribution systems	1,291,041	208,648	-	-	1,499,689
Machinery and equipment	25,957	3,485	-	-	29,442
Vehicles and motor equipment	<u>31,894</u>	<u>6,772</u>	<u>-</u>	<u>25,854</u>	<u>64,520</u>
Total accumulated depreciation	<u>1,348,892</u>	<u>\$ 218,905</u>	<u>\$ -</u>	<u>\$ 25,854</u>	<u>1,593,651</u>
Total capital assets being depreciated, net	<u>9,150,263</u>				<u>8,959,528</u>
Southern Water District capital assets, net	<u>\$ 9,160,263</u>				<u>\$ 8,969,528</u>
<b>Sanitation</b>					
Capital assets not being depreciated:					
Land	\$ 16,046	\$ -	\$ -	\$ 7,000	\$ 23,046
Total capital assets not being depreciated	<u>16,046</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>23,046</u>
Capital assets being depreciated:					
Plant and distribution systems	260,154	-	-	-	260,154
Machinery and equipment	115,629	35,334	-	-	150,963
Vehicles and motor equipment	<u>276,628</u>	<u>-</u>	<u>(15,227)</u>	<u>(16,070)</u>	<u>245,331</u>
Total capital assets being depreciated	<u>652,411</u>	<u>35,334</u>	<u>(15,227)</u>	<u>(16,070)</u>	<u>656,448</u>
Less accumulated depreciation for:					



**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Plant and distribution systems	142,357	7,022	-	-	149,379
Machinery and equipment	66,000	9,702	-	-	75,702
Vehicles and motor equipment	<u>177,650</u>	<u>20,117</u>	<u>(15,227)</u>	<u>(16,070)</u>	<u>166,470</u>
Total accumulated depreciation	<u>386,007</u>	<u>\$ 36,841</u>	<u>\$ (15,227)</u>	<u>\$ (16,070)</u>	<u>391,551</u>
Total capital assets being depreciated, net	<u>266,404</u>				<u>264,897</u>
Other business-type capital assets, net	<u>\$ 282,450</u>				<u>\$ 287,943</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Other Business-type</b>					
Capital assets not being depreciated:					
Land	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,000)</u>	<u>\$ -</u>
Total capital assets not being depreciated	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>(7,000)</u>	<u>-</u>
Capital assets being depreciated:					
Vehicles and motor equipment	<u>41,747</u>	<u>-</u>	<u>-</u>	<u>(41,747)</u>	<u>-</u>
Total capital assets being depreciated	<u>41,747</u>	<u>-</u>	<u>-</u>	<u>(41,747)</u>	<u>-</u>
Less accumulated depreciation for:					
Vehicles and motor equipment	<u>25,854</u>	<u>-</u>	<u>-</u>	<u>(25,854)</u>	<u>-</u>
Total accumulated depreciation	<u>25,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,854)</u>	<u>-</u>
Total capital assets being depreciated, net	<u>15,893</u>				<u>-</u>
Other business-type capital assets, net	<u>\$ 22,893</u>				<u>\$ -</u>
Business-type activities capital assets, net	<u>\$ 13,221,242</u>				<u>\$ 13,123,309</u>

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

General Government	\$ 87,112
Public Safety	254,143
Human Services	9,986
Economic and Physical Development	<u>3,743</u>
Total	<u>\$ 354,984</u>

**Discretely presented component units**

Capital assets at June 30, 2007 for the ABC Board were as follows:

Capital assets not being depreciated:	
Land	\$ 24,220
Capital assets being depreciated:	
Buildings, improvements	176,733
Furniture and equipment	108,846

**HERTFORD COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Vehicles	29,801
Total capital assets being depreciated	315,380
Less accumulated depreciation for:	
Buildings, improvements	161,575
Furniture and equipment	88,865
Vehicles	17,881
Deposit on Equipment	-
Total accumulated depreciation	268,321
Total capital assets being depreciated, net	47,059
ABC Board capital assets, net	\$ 71,279

Activity for the Public Health Authority for the year ended June 30, 2007, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclass- ifications</u>	<u>Ending Balances</u>
Capital assets being depreciated:					
Land improvements	\$ -	\$ 7,500	\$ -	\$ -	\$ 7,500
Leasehold improvements	95,256	-	-	-	95,256
Equipment and furniture	103,402	6,571	-	-	109,973
Construction in Progress	99,913	-	-	(99,913)	-
Vehicles	-	67,949	-	99,913	167,862
Total Capital Assets being depreciated	298,571	82,020	-	-	380,591
Less accumulated depreciation					
Land improvements	-	875	-	-	875
Leasehold improvements	7,810	1,606	-	-	9,416
Equipment and furniture	45,186	11,422	-	-	56,608
Construction in Progress	-	9,792	-	-	9,792
Total accumulated depreciation	52,996	23,695	-	-	76,691
Public Health Authority capital assets, net	\$ 245,575				\$ 303,900

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2007, were as follows:

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 745,690	\$ -	\$ -	\$ 745,690
Other governmental	4,395	-	-	4,395
Total-governmental activities	\$ 750,085	\$ -	\$ -	\$ 750,085
Business-type Activities:				
Northern Water District	\$ 5,084	\$ 10,394	\$ -	\$ 15,478
Southern Water District	6,745	25,482	-	32,227
Sanitation	43,402	-	-	43,402
Other business-type	-	-	-	-

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---



---

Total-business-type activities	\$ 55,231	\$ 35,876	\$ -	\$ 91,107
--------------------------------	-----------	-----------	------	-----------

---

**2. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description* – Hertford County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy* – Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.91% and 4.78%, 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, 2005, 2006, and 2007 were \$232,538, \$241,074, and \$258,356, 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, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	=
Total	=

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

**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, 2007, were \$66,338, which consisted of \$33,515 from the County and \$32,823 from the law enforcement officers.

**d. Registers of Deeds' Supplemental Pension Fund**

*Plan Description* – Hertford County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds that is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy* – On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

Fund. For the fiscal year ended June 30, 2007, the County's required and actual contributions were \$6,282.

**e. Other Postemployment Benefits – Hertford County**

According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the County. The County pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the county's group rates. Currently, 15 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2007, the County made payments for postretirement health benefit premiums of \$56,578. The County obtains health care coverage through private insurers.

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, 2007, the County made contributions to the State for death benefits of \$6,022. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.11% 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.

**f. 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 Revenues/Unearned Revenues**

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 63,473
Taxes receivable, net (General)	1,173,131	-
Prepaid taxes not yet earned (Special Revenue)	-	-
Taxes receivable, net (Special Revenue)	<u>5,602</u>	<u>-</u>
Total	<u>\$ 1,178,733</u>	<u>\$ 63,473</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

**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 \$100,000.

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. 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, 2007:

<u>For Year Ending June 30</u>	<u>Amount</u>
2008	\$ 48,513
2009	48,513
2010	35,886
2011	<u>26,800</u>
Total minimum payments required	<u>\$ 159,712</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

Total rent paid during the fiscal year ended June 30, 2006 was approximately \$59,560.

The Public Health Authority leases facilities with remaining commitments ranging from five months to two years and five months. Total operating lease expense for these facilities during the fiscal year ended June 30, 2007 was \$53,185.

For the Authority, future minimum rental payments for these facilities as of June 30, 2006 are as follows:

<u>For Year Ending June 30</u>	<u>Amount</u>
2008	\$ 46,500
2009	46,500
2010	<u>45,825</u>
Total	<u>\$ 138,825</u>

**6. Long-Term Obligations**

**a. Installment Purchases**

In June 1990, the County entered into an installment purchase contract to finance the construction of a jail facility in Hertford County. The financing contract requires principal payments semi-annually along with interest at a 7.9% rate. This loan was paid off during fiscal year 06-07.

In August 2003, the County entered into an installment purchase contract to finance imaging equipment for the Register of Deeds. The contract requires five annual payments of \$4,800, which includes interest at 3.74%.

In December 2004, the County entered into an installment purchase contract to finance the acquisition of a 2004 Ford Explorer. The contract requires 3 annual payments of \$8,645, which includes interest at 3.3%, and is secured by the vehicle.

In December 2004, the County entered into an installment purchase contract to finance the acquisition of a Cargo van for the Jail and 3 Crown Victoria's. The contract requires three annual payments of \$38,191, which includes interest of 3.3%, and is secured by the vehicles.

In June 2006, the County entered into an installment purchase contract to finance the acquisition of 2 ambulances. The contract requires eight semi-annual payments of \$21,291, which includes interest at 3.376%.

In March 2004, the County entered into an installment purchase contract to finance the acquisition of a 2004 Ford F-150 Supercab. The contract requires six semi-annual payments of \$3,793, which includes interest at 2.69%.

In October 2004, the County entered into an installment purchase contract to finance the acquisition of a 2005 Ford F-150 truck. The contract requires six semi-annual payments of \$3,191, which includes interest at 4.105%.

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

In November 2005, the County entered into an installment purchase contract to finance the acquisition of 6 2006 Crown Victoria's. The contract requires 36 monthly payments of \$4,406, which includes interest at 3.72%.

In January 2007, the County entered into an installment purchase contract to finance the acquisition of 2 2007 Crown Victorias. The contract requires three annual payments of \$22,519, which includes interest at 3.98%.

In October 2006, the County entered into an installment purchase contract to finance the acquisition of 2 2007 Ford 500s, 1 Ford Freestar, and 2 Ford Rangers. The contract requires three annual payments of \$28,648, which includes interest at 3.77%.

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.

The future minimum payments of the installment purchases as of June 30, 2007, including \$318,257 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 198,207	\$ 47,001	\$ 7,884	\$ 926
2009	168,891	39,768	8,181	628
2010	102,441	34,291	8,490	320
2011	61,666	30,192	-	-
2012	61,667	27,676	-	-
2013-2017	308,333	100,640	-	-
2018-2022	308,333	37,740	-	-
Total	<u>\$ 1,209,538</u>	<u>\$ 317,308</u>	<u>\$ 24,555</u>	<u>\$ 1,874</u>

**b. General Obligation Indebtedness**

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

The County's general obligation bonds payable at June 30, 2007 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.

\$ 1,250,000



**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Serviced by the County's Southern Water District:

<b>\$3,474,000</b> 1997 Water Serial Bonds due in annual installments of \$35,000 to \$140,000 through June 1, 2037; interest at 5.0 percent.	\$ 3,140,000
<b>\$1,400,000</b> 1996 Water Serial Bonds due in annual installments of \$25,000 to \$100,000 through June 1, 2016; interest at 5.7 percent.	825,000
<b>\$1,740,000</b> 2001 Water Serial Bonds due in annual installments of \$18,000 to \$72,000 through June 1, 2041; interest at 4.75 percent.	1,642,000
<b>\$ 435,000</b> 2001 Water Serial Bonds due in annual installments of \$4,500 to \$18,000 through June 1, 2041; interest at 4.875 percent.	411,500

Serviced by the County's Northern Water District:

<b>\$2,750,000</b> 1997 Water Serial Bonds due in annual installments of \$29,000 to \$116,000 through June 1, 2037; interest at 4.875 percent.	<u>2,482,500</u>
---	------------------

Total	<u>\$ 8,501,000</u>
-------	---------------------

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 100,000	\$ 66,500	\$ 221,000	\$ 423,102
2009	100,000	61,200	226,500	411,467
2010	100,000	55,900	233,000	399,561
2011	100,000	50,600	239,000	387,336
2012	100,000	45,300	246,500	374,816
2013-2017	500,000	147,000	1,172,500	1,677,729
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>\$ 1,250,000</u>	<u>\$ 446,750</u>	<u>\$ 8,501,000</u>	<u>\$ 7,334,657</u>

At June 30, 2007, Hertford County had a legal debt margin of \$81,753,336.

**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, 2007:

	Balance July 1, 2006	Corrections	Increases	Decreases	Balance June 30, 2007	Current Portion
<b>Governmental Activities:</b>						
General obligation debt	\$ 1,350,000	\$ -	\$ -	\$ 100,000	\$ 1,250,000	\$ 100,000
Installment purchases	374,124	58,726	1,042,809	266,122	1,209,537	205,648
Compensated absences	345,775	-	361,182	345,774	361,182	90,295
Total	<u>\$ 2,069,899</u>	<u>\$ 58,726</u>	<u>\$ 1,403,991</u>	<u>\$ 711,896</u>	<u>\$ 2,820,719</u>	<u>\$ 395,943</u>

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Business-type**

**Activities:**

General obligation debt	\$ 8,716,500	\$ -	\$ -	\$ 215,500	\$ 8,501,000	\$ 221,000
Installment purchases	-	-	24,555	-	24,555	7,884
Compensated absences	29,403	-	22,105	29,403	22,105	5,526
Total	<u>\$ 8,745,903</u>	<u>\$ -</u>	<u>\$ 46,660</u>	<u>\$ 244,903</u>	<u>\$ 8,547,660</u>	<u>\$ 234,410</u>

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

The following is a summary of changes in the Hertford County Public Health Authority's long-term obligations for the fiscal year ended June 30, 2007:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Governmental activities:				
Compensated absences	<u>\$ 159,012</u>	<u>\$ 139,456</u>	<u>\$ 146,696</u>	<u>\$ 151,772</u>

**C. Interfund Balances and Activity**

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
<b>Transfers From/To Other Funds:</b>			
<u>General Fund</u>			
General Fund	School Capital Reserve Fund	\$ 1,019,123	To transfer restricted sales tax money
	Revaluation Fund	36,380	To reserve funds for future reval process
	Northern Water District Fund	124	To allocate insurance proceeds
	Southern Water District Fund	247	To allocate insurance proceeds
		<u>\$ 1,055,627</u>	
<u>Special Revenue Fund</u>			
Emergency Telephone System Fund	General Fund	<u>\$ 155,715</u>	To fund projects for GIS and 911
<u>Capital Projects Fund</u>			
Comm. College Cap Proj Fund	General Fund	\$ 65,223	To close out fund
Scattered Site CDBG Fund	General Fund	2,500	To repay funds spent early in project
		<u>\$ 67,723</u>	
<u>Enterprise Fund</u>			
Northern Water District Fund	General Fund	\$ 26,669	To pay for insurance
Northern Water District Fund	Public Water Works Fund	20,827	To close out fund
Southern Water District Fund	Public Water Works Fund	148,424	To close out fund
Landfill Closure Fund	Sanitation Fund	40,939	To close out fund
		<u>\$ 236,859</u>	
<b>Due To/From Other Funds:</b>			
<u>General Fund</u>			
General Fund	Sanitation Fund	\$ 12,883	
General Fund	Fire District Fund	10,138	
		<u>\$ 23,021</u>	
<u>Special Revenue Fund</u>			
Emergency Telephone System Fund	General Fund	<u>\$ 17,534</u>	
<u>Enterprise Fund</u>			
Northern Water District Fund	General Fund	\$ 172,151	
Southern Water District Fund	General Fund	668,993	
		<u>\$ 841,144</u>	

**HERTFORD COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

**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, 2007. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$76,265 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 bond issue for this purpose, \$1,350,000 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 \$686,737 to the community college for operating purposes during the fiscal year ended June 30, 2007. In addition, the County made debt service payments of \$171,800 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, 2007. 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, 2007. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$77,750 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, 2007. 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, 2007**

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, 2007. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$15,000 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office at Route 1, Aulander, NC 27805.

**V. Jointly Governed Organization**

The County, in conjunction with five other counties and thirty-two municipalities, established the Mid East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the commission's governing board. The County paid membership fees of \$5,650 to the Commission during the fiscal year ended June 30, 2007. The County was a subrecipient of various grants and other sources totaling \$291,932 that was passed through the Commission.

**VI. Benefit Payments Issued by the State**

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 30,133,577	\$ 15,211,807
Food Stamp Program	4,742,923	-
Temporary Assistance to Needy Families	337,481	-
Energy Assistance	158,588	-
CWS Adoption Assistance	-	38,663
Adoption Assistance	46,776	13,215
State/County Special Assistance	-	456,681
Title IV-E, Foster Care	54,668	9,668
State Foster Care	-	10,474
	<hr/>	<hr/>
Totals	<u>\$ 35,474,013</u>	<u>\$ 15,740,508</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, 2007**

---

**VIII. Restatement of Net Assets**

During the 2006-07 fiscal year, several items were found that warranted adjustments that would cause a restatement of beginning net assets for governmental funds. The items affecting the governmental funds are as follows:

In the prior fiscal year, installment purchases totaling \$58,727 were not classified correctly as outstanding debt. This caused the expenses to be overstated in the prior year in the Statement of Activities.

The beginning balance for net assets has changed as follows:

Balance, July 1, 2006	\$ 10,862,306
Change due to debt	<u>(58,726)</u>
Balance, restated, July 1, 2006	<u>\$ 10,803,580</u>

**COMBINING AND INDIVIDUAL FUND**  
**STATEMENTS AND SCHEDULES**

## MAJOR GOVERNMENTAL FUNDS

---

- **General Fund:** This fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007		2006
	Budget	Actual	Variance Positive (Negative)
			Actual
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes		\$ 10,570,061	\$ 10,638,715
Penalties and interest		101,854	136,459
Total	10,536,322	10,671,915	135,593
Local Option Sales Taxes:			
Article 39 and 44		2,605,376	2,524,932
Article 40 one-half of one percent		1,225,968	1,089,474
Article 42 one-half of one percent		1,218,719	1,083,378
Total	5,059,371	5,050,063	(9,308)
Other taxes and licenses:			
CATV franchise		49,460	37,209
Occupancy tax		48,812	49,022
Privilege licenses		4,193	2,479
Total	95,200	102,465	7,265
Unrestricted intergovernmental:			
ABC profit distribution		31,336	40,000
Beer and wine tax		70,288	68,551
Total	68,000	101,624	33,624
Restricted intergovernmental:			
Social service grants and fees		3,620,946	3,489,954
Federal and State grants		1,048,234	824,784
Court facility fees		75,259	83,270
ABC bottles taxes		7,307	7,547
Total	4,882,091	4,751,746	(130,345)
Permits and fees:			
Building and inspection fees		105,541	80,813
Planning and zoning		5,504	25,480
Register of deeds		195,214	167,526
Total	270,000	306,259	36,259



**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007		2006
	Budget	Actual	Variance Positive (Negative) Actual
Sales and services:			
Rents, concessions, and fees		343,616	372,727
Jail Fees		259,281	307,086
Ambulance and rescue squad fees		611,983	660,588
Aging fees		-	23,558
Vehicle tax collection fees		57,569	66,166
Total	1,003,965	1,272,449	268,484
Investment earnings	390,484	425,854	35,370
Miscellaneous Revenues			
Sale of materials		15,750	5,004
Other		107,442	102,606
Total	60,900	123,192	62,292
Total Revenues	22,366,333	22,805,567	439,234
<b>EXPENDITURES</b>			
<b><u>General Government</u></b>			
Governing Body:			
Salaries and employee benefits		62,241	61,336
Other operating expenditures		37,665	34,101
Total	92,261	99,906	(7,645)
Administration:			
Salaries and employee benefits		228,679	212,308
Other operating expenditures		14,166	13,015
Capital outlay		-	2,879
Total	246,801	242,845	3,956
Elections:			
Salaries and employee benefits		59,248	62,269
Other operating expenditures		24,311	35,295
Capital outlay		-	29,519
Total	88,975	83,559	5,416

**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007		2006
	Budget	Actual	Variance Positive (Negative) Actual
Finance:			
Salaries and employee benefits		198,375	204,405
Other operating expenditures		84,442	48,387
Capital outlay		-	1,320
Total	266,845	282,817	(15,972)
Taxes:			
Salaries and employee benefits		353,583	343,432
Other operating expenditures		102,017	166,283
Capital outlay		1,200	5,930
Total	487,405	456,800	30,605
Legal:			
Contracted services	41,600	40,188	1,412
Register of Deeds:			
Salaries and employee benefits		132,339	121,441
Other operating expenditures		26,993	17,954
Capital outlay		19,260	1,220
Total	182,636	178,592	4,044
Public Buildings:			
Salaries and employee benefits		136,591	124,000
Other operating expenditures		176,475	189,104
Capital outlay		5,634	-
Total	329,006	318,700	10,306
Land Records:			
Salaries and employee benefits		80,704	76,067
Other operating expenditures		29,791	6,925
Total	152,265	110,495	41,770
Data Center:			
Data processing contract services		196,980	196,980
Total	196,980	196,980	-
Court Facilities:			
Operating expenditures		66,667	67,754
Total	76,635	66,667	9,968

**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007		2006
	Budget	Actual	Variance Positive (Negative) Actual
Central Services:			
Operating expenditures		313,056	256,650
Capital outlay		23,568	53,773
Total	314,375	336,624	(22,249)
Total General Government	2,475,784	2,414,173	61,611
<u>Public Safety</u>			
Sheriff:			
Salaries and employee benefits		1,064,489	925,808
Other operating expenditures		335,977	270,459
Capital outlay		196,492	270,355
Total	1,573,391	1,596,958	(23,567)
Jail:			
Salaries and employee benefits		984,031	966,411
Other operating expenditures		509,405	533,113
Capital outlay		8,241	-
Total	1,557,712	1,501,677	56,035
Emergency communications:			
Salaries and employee benefits		139,491	135,565
Other operating expenditures		15,434	806
Capital outlay		73,420	-
Total	248,895	228,345	20,550
Emergency management:			
Salaries and employee benefits		95,326	75,082
Other operating expenditures		293,419	78,321
Capital outlay		-	4,793
Total	163,217	388,745	(225,528)
Fire:			
Contribution to forest service		63,857	63,374
Assistance to local fire departments		254,718	256,088
Total	320,029	318,575	1,454

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007		2006
	Budget	Actual	Variance Positive (Negative) Actual
Highway safety program:			
Salaries and employee benefits		-	18,758
Other operating expenditures		-	2,448
Total	-	-	21,206
Mosquito Control:			
Operating expenditures		11,389	1,982
Total	10,000	11,389	(1,389)
Inspections:			
Salaries and employee benefits		112,809	80,072
Other Operating expenditures		13,203	12,685
Capital outlay		6,382	7,251
Total	143,571	132,394	11,177
Rescue units:			
Salaries and employee benefits		574,363	533,346
Other operating expenditures		163,494	136,830
Capital outlay		42,581	100,211
Total	787,341	780,438	6,903
Animal Control:			
Salaries and employee benefits		32,427	33,757
Other operating expenditures		21,866	10,575
Capital outlay		8,223	10,015
Total	70,168	62,516	7,652
Homeland security:			
Operating expenditures		-	1,688
Total	-	-	1,688
Medical examiner:			
Contracted services		21,500	14,675
Total	23,000	21,500	1,500
Rural addressing			
Salaries and employee benefits		29,656	-
Other operating expenditures		5,660	-
Total	37,703	35,316	2,387
Total Public Safety	4,935,027	5,077,853	(142,826)

**HARTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007		2006
	Budget	Actual	Variance Positive (Negative) Actual
<u>Transportation</u>			
Contribution to transit authority		10,300	10,300
Contribution to regional airport		15,000	15,000
Total transportation	25,300	25,300	-
<u>Economic and physical development</u>			
Planning and zoning			
Other operating expenditures		5,104	13,036
Total	8,580	5,104	3,476
Economic Development:			
Salaries and employee benefits		100,513	95,608
Other operating expenditures		407,297	407,277
Total	506,089	507,810	(1,721)
Agricultural extension:			
Salaries and employee benefits		102,469	83,813
Other operating expenditures		26,000	29,795
Capital Outlay		-	-
Total	156,877	128,469	28,408
Clean-up project:			
Operating expenditures		140,208	79,617
Total		140,208	(140,208)
Enhance and reserve:			
Operating expenditures		15,000	21,095
Total	27,624	15,000	12,624
Soil and water conservation:			
Salaries and employee benefits		86,653	81,894
Other operating expenditures		8,343	7,237
Total	93,301	94,996	(1,695)
Total Economic and Physical Development	792,471	891,587	(99,116)

**HERTFORD COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007			2006
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Human Services</b>				
Health:				
Administration:				
Contribution to health department		100,000		-
Other operating expenditures		23,741		22,619
Total	127,885	123,741	4,144	22,619
Aid to aging:				
Salaries and employee benefits		174,426		161,129
Other operating expenditures		24,539		50,230
Capital Outlay		-		-
Total	199,820	198,965	855	211,359
Senior citizens outreach:				
Operating expenditures		1,584		1,846
Total	1,308	1,584	(276)	1,846
Respite:				
Salaries and employee benefits		-		56,348
Other operating expenditures		67,864		2,999
Total	80,556	67,864	12,692	59,347
Care assistance:				
Operating expenditures		18,337		21,412
Total	11,012	18,337	(7,325)	21,412
Transportation:				
Operating expenditures		31,558		30,357
Total	39,000	31,558	7,442	30,357
Nutrition:				
Salaries and employee benefits		36,126		36,690
Other operating expenditures		159,711		139,245
Capital outlay		3,870		3,530
Total	190,537	199,707	(9,170)	179,465
Twin gables:				
Operating expenditures		-		3,641
Total	13,900	-	13,900	3,641

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007		2006
	Budget	Actual	Variance Positive (Negative) Actual
Mental Health:			
Administration:			
Other operating expenditures		84,485	70,469
Total	84,250	84,485	(235) 70,469
Social Services:			
Administration:			
Salaries and employee benefits		2,324,166	2,139,848
Other operating expenditures		257,902	362,392
Capital outlay		56,969	36,636
Total	2,807,703	2,639,037	168,666 2,538,876
Public Assistance			
Medical assistance program			
Assistance payments		2,476,737	2,382,263
Food stamp program:			
Operating expenditures		25,183	27,213
Day Care:			
Operating expenditures		1,302,011	1,187,414
Work first:			
Operating expenditures		30,886	26,521
Foster care:			
Operating expenditures		123,878	161,951
Special assistance for adults:			
Operating expenditures		454,897	408,382
Home care:			
Operating expenditures		20,033	21,018
TANF domestic violence			
Operating expenditures		14,322	9,764
Aid to blind			
Operating expenditures		5,196	6,225
Legal client services:			
Operating expenditures		33,265	35,969
Total	4,817,273	4,486,408	330,865 4,266,720

**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007		2006
	Budget	Actual	Variance Positive (Negative) Actual
Crisis intervention:			
Operating expenditures	83,848	124,721	(40,873)
Elderly handicapped:			
Operating expenditures	81,306	65,964	15,342
CJPP day reporting			
Salaries and employee benefits		46,193	47,616
Other operating expenditures		28,974	27,292
Total	83,052	75,167	7,885
Community based alternatives:			
Salaries and employee benefits		34,005	41,037
Other operating expenditures		209,631	199,306
Total	195,082	243,636	(48,554)
Veterans service office:			
Salaries and employee benefits		42,538	38,922
Other operating expenditures		5,085	4,550
Capital outlay		-	1,405
Total	49,682	47,623	2,059
Other programs:			
Other appropriations/contributions		46,819	38,383
Total	49,292	46,819	2,473
Total Human Services	8,915,506	8,455,616	28,732
<u>Cultural and Recreational</u>			
Library and recreation:			
Operating expenditures		3,135	2,542
Contribution to regional library		76,265	74,537
Total cultural and recreational	79,400	79,400	-



**HERTFORD COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007			2006
	Budget	Actual	Variance Positive (Negative)	Actual
Education:				
Public schools-current expense		3,751,983		3,521,983
Community college- current		686,737		616,737
Total education	4,658,720	4,438,720	220,000	4,138,720
Debt Service:				
Principal retirement		215,000		320,000
Interest and other charges		77,233		101,000
Total debt services	294,393	292,233	2,160	421,000
Capital Outlay	963,278	905,840	57,438	-
Contingency	181,726	-	-	-
Total Expenditures	23,321,605	22,580,722	740,883	20,431,980
Revenues Over (Under) Expenditures	(955,272)	224,845	1,180,117	1,782,680
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers to other funds:				
School Capital Reserve Fund		(1,019,123)		-
Revaluation Fund		(36,380)		(972,000)
Emergency Telephone System Fund		-		(8,500)
Northern Water District Fund		(124)		(38,632)
Southern Water District Fund		(247)		-
Total	(1,086,545)	(1,055,874)	30,671	(1,019,132)
Transfers from other funds:				
Emergency Telephone System Fund		155,715		-
Community College Capital Projects Fund		65,223		-
Northern Water District Fund		26,669		-
Scattered Site CDBG Fund		2,500		-
Total	223,339	250,107	26,768	-
Proceeds from debt	1,025,476	1,042,809	17,333	149,869
Appropriated fund balance	793,002	-	(793,002)	-
Total other financing sources (uses)	955,272	237,042	(718,230)	(869,263)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	461,887	\$ 461,887	913,417
Fund Balance-July 1		6,955,968		6,042,551
Fund Balance-June 30		\$ 7,417,855		\$ 6,955,968

# NONMAJOR GOVERNMENTAL FUNDS

---

## Special Revenue Funds

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

- **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.
- **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.
- **Revaluation Fund:** This fund accounts for the accumulation of resources to be used for the octennial revaluation of real property.

## Capital Project Funds

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

- **Community College Capital Projects Fund:** This fund is used to account for the construction of major capital outlay projects for Roanoke-Chowan Community College. The projects will be financed primarily with general obligation proceeds.
- **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.

**HERTFORD COUNTY, NORTH CAROLINA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	Special Revenue Funds					Capital Projects Funds			
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Total Nonmajor Special Revenue Funds	Community College Capital Projects Fund	Scattered Site CDBG Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b><u>ASSETS</u></b>									
Current Assets:									
Cash and cash equivalents	\$ 995,752	\$ 94,983	\$ 39,353	\$ 112,306	\$ 1,242,394	\$ -	\$ 6,000	\$ 6,000	\$ 1,248,394
Accounts receivable, net	-	29,466	5,801	-	35,267	-	-	-	35,267
Taxes receivable, net	-	-	5,602	-	5,602	-	-	-	5,602
Due from other funds	-	-	10,138	-	10,138	-	-	-	10,138
Total assets	<u>\$ 995,752</u>	<u>\$ 124,449</u>	<u>\$ 60,894</u>	<u>\$ 112,306</u>	<u>\$ 1,293,401</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 1,299,401</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>									
Liabilities:									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 4,395	\$ -	\$ 4,395	\$ -	\$ -	\$ -	\$ 4,395
Due to other funds	-	17,534	-	-	17,534	-	-	-	17,534
Deferred revenue	-	-	5,602	-	5,602	-	-	-	5,602
Unearned revenue	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>17,534</u>	<u>9,997</u>	<u>-</u>	<u>27,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,531</u>
Fund Balances:									
Reserved by State Statute	-	29,466	15,939	-	45,405	-	-	-	45,405
Unreserved	995,752	77,449	34,958	112,306	1,220,465	-	6,000	6,000	1,226,465
Total fund balances	<u>995,752</u>	<u>106,915</u>	<u>50,897</u>	<u>112,306</u>	<u>1,265,870</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>	<u>1,271,870</u>
Total Liabilities and Fund Balances	<u>\$ 995,752</u>	<u>\$ 124,449</u>	<u>\$ 60,894</u>	<u>\$ 112,306</u>	<u>\$ 1,293,401</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 1,299,401</u>

**HERTFORD COUNTY, NORTH CAROLINA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds					Capital Projects Funds			
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Total Nonmajor Special Revenue Funds	Community College Capital Projects Fund	Scattered Site CDBG Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>									
Ad valorem taxes	\$ -	\$ -	\$ 86,273	\$ -	\$ 86,273	\$ -	\$ -	\$ -	\$ 86,273
Local option sales taxes	-	-	34,320	-	34,320	-	-	-	34,320
Other taxes and licenses	-	85,203	-	-	85,203	-	-	-	85,203
Restricted intergovernmental	-	116,589	-	-	116,589	-	374,749	374,749	491,338
Investment earnings	-	-	-	2,803	2,803	-	-	-	2,803
Miscellaneous	-	-	-	-	-	-	500	500	500
Total Revenues	-	201,792	120,593	2,803	325,188	-	375,249	375,249	700,437
<b>EXPENDITURES</b>									
Current:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	119,948	-	119,948	-	-	-	119,948
Education	1,019,123	-	-	-	1,019,123	-	-	-	1,019,123
Economic and physical development	-	-	-	-	-	-	371,749	371,749	371,749
Total expenditures	1,019,123	-	119,948	-	1,139,071	-	371,749	371,749	1,510,820
Revenues Over (Under)									
Expenditures	(1,019,123)	201,792	645	2,803	(813,883)	-	3,500	3,500	(810,383)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers from other funds:									
General Fund	1,019,123	-	-	36,380	1,055,503	-	-	-	1,055,503
Special Revenue Funds	-	-	-	-	-	-	-	-	-
Transfers to other funds:									
General Fund	-	(155,715)	-	-	(155,715)	(65,223)	(2,500)	(67,723)	(223,438)
Special Revenue Funds	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses) - Net	1,019,123	(155,715)	-	36,380	899,788	(65,223)	(2,500)	(67,723)	832,065
Excess of Revenues and Other Sources Over (Under)									
Expenditures and Other Uses	-	46,077	645	39,183	85,905	(65,223)	1,000	(64,223)	21,682
Fund Balance - July 1	995,752	60,838	50,252	73,123	1,179,965	65,223	5,000	70,223	1,250,188
Fund Balance - June 30	\$ 995,752	\$ 106,915	\$ 50,897	\$ 112,306	\$ 1,265,870	\$ -	\$ 6,000	\$ 6,000	\$ 1,271,870

**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, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007			2006
	Budget	Actual	Variance Positive (Negative)	Actual
<b><u>REVENUES</u></b>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
<b><u>EXPENDITURES</u></b>				
Education				
Capital outlay	1,005,845	1,019,123	(13,278)	972,000
Revenues Over (Under) Expenditures	(1,005,845)	(1,019,123)	(13,278)	(972,000)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating transfer in				
General fund	1,005,845	1,019,123	13,278	972,000
Operating transfer (out)				
General fund	-	-	-	-
Revenues over expenditures and other uses	\$ -	-	\$ -	-
Fund Balance - July 1		995,752		995,752
Fund Balance - June 30		\$ 995,752		\$ 995,752

**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, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007			2006
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b><u>REVENUES</u></b>				
Other taxes and licenses		\$ 85,203		\$ 83,110
Restricted intergovernmental revenue				
Wireless 911 funds		116,589		108,166
Total	181,690	201,792	20,102	191,276
<b><u>EXPENDITURES</u></b>				
Public safety	-	-	-	165,594
Revenues Over (Under) Expenditures	181,690	201,792	20,102	25,682
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating transfer in				
General Fund		(155,715)		-
General Fund		-		8,500
Revaluation Fund		-		36,380
	(181,690)	(155,715)	(25,975)	44,880
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	46,077	\$ 46,077	70,562
Fund Balance - July 1		60,838		(9,724)
Fund Balance - June 30		\$ 106,915		\$ 60,838

**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, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007			2006
	Budget	Actual	Variance Positive (Negative)	Actual
<b><u>REVENUES</u></b>				
Ad Valorem taxes:				
Taxes	\$ 95,995	\$ 86,273	\$ (9,722)	\$ 94,308
Other taxes and licenses	40,080	34,320	(5,760)	38,584
Total revenues	136,075	120,593	(15,482)	132,892
<b><u>EXPENDITURES</u></b>				
Current:				
Public safety				
Union Fire District		7,082		6,624
Ahoskie Fire District		112,866		121,071
Total expenditures	136,075	119,948	16,127	127,695
Revenues Over (Under) Expenditures	\$ -	645	\$ 645	5,197
Fund Balance - July 1		50,252		45,055
Fund Balance - June 30		\$ 50,897		\$ 50,252

**HERTFORD COUNTY, NORTH CAROLINA  
REVALUATION FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007			2006
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b><u>REVENUES</u></b>				
Investment earnings	\$ 1,200	\$ 2,803	\$ 1,603	\$ 1,641
<b><u>EXPENDITURES</u></b>				
Current:				
General government				
Tax listings:	37,580	-	37,580	-
Revenues Over (Under) Expenditures	(36,380)	2,803	39,183	1,641
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer from (to) other funds				
Emergency Telephone System Fund	-	-	-	(36,380)
General Fund	36,380	36,380	-	-
Appropriated fund balance	-	-	-	-
Total	36,380	36,380	-	(36,380)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	39,183	\$ 39,183	(34,739)
Fund Balance - July 1		73,123		107,862
Fund Balance - June 30		\$ 112,306		\$ 73,123



**HERTFORD COUNTY, NORTH CAROLINA  
COMMUNITY COLLEGE CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007			2006
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b><u>REVENUES</u></b>				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b><u>EXPENDITURES</u></b>				
Capital outlay	-	-	-	-
Revenues Over (Under) Expenditures	-	-	-	-
<b><u>OTHER FINANCING SOURCES:</u></b>				
Transfers in (out)				
General Fund	-	(65,223)	(65,223)	-
Bond proceeds	-	-	-	-
Total other financing sources	-	(65,223)	(65,223)	-
Revenues and Other Financing Sources Over (Under) Expenditures	\$ -	(65,223)	\$ (65,223)	-
Fund Balance - July 1		65,223		65,223
Fund Balance - June 30		\$ -		\$ 65,223

**HERTFORD COUNTY, NORTH CAROLINA  
SCATTERED SITE CDBG CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
<b>REVENUES</b>					
Restricted intergovernmental:					
CDBG Program	\$ 385,000	\$ -	\$ 374,749	\$ 374,749	\$ (10,251)
Other	-	-	500	500	500
Total revenues	<u>385,000</u>	<u>-</u>	<u>375,249</u>	<u>375,249</u>	<u>(9,751)</u>
<b>EXPENDITURES</b>					
Operating expenses		-	-	-	
Economic and physical development		-	371,749	371,749	
Total Expenditures	<u>382,500</u>	<u>-</u>	<u>371,749</u>	<u>371,749</u>	<u>10,751</u>
Revenues Over (Under) Expenditures	2,500	-	3,500	3,500	1,000
Other financing sources (uses):					
Transfers in (out)					
General Fund	(2,500)	-	(2,500)	(2,500)	-
Appropriated fund balance	-	-	-	-	-
Total	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>-</u>
Revenues and Other Financing Sources					
Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	1,000	<u>\$ 1,000</u>	<u>\$ 1,000</u>
FUND BALANCE - BEGINNING			<u>5,000</u>		
FUND BALANCE- ENDING			<u>\$ 6,000</u>		

# ENTERPRISE FUNDS

---

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

---

## **Major Enterprise Funds**

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

## **Non-major Enterprise Funds**

- **Sanitation Fund:** This fund accounts for the operation, maintenance and development of various refuse disposal sites.
- **Public Water Works Fund:** This fund accounts for common or joint expenditures, which support both the Northern and Southern Water District Funds.
- **Landfill Closure Fund:** This fund accounts for landfill closure operations.

**HERTFORD COUNTY, NORTH CAROLINA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2007**

	Public Water Works Fund	Landfill Closure Fund	Sanitation Fund	Total Nonmajor Enterprise Funds
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 416,049	\$ 416,049
Receivables, net	-	-	217,599	217,599
Due from other funds	-	-	12,883	12,883
Total current assets	-	-	646,531	646,531
Non-current assets:				
Land, improvements, and construction in progress	-	-	23,046	23,046
Other capital assets, net of depreciation	-	-	264,897	264,897
Total capital assets	-	-	287,943	287,943
Total non-current assets	-	-	287,943	287,943
Total assets	\$ -	\$ -	\$ 934,474	\$ 934,474
<b><u>LIABILITIES</u></b>				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ 43,402	\$ 43,402
Central depository overdraft	-	-	-	-
Customer deposits	-	-	-	-
Accrued interest payable	-	-	-	-
Due to other funds	-	-	-	-
Compensated absences	-	-	3,583	3,583
General obligation bonds payable	-	-	-	-
Total current liabilities	-	-	46,985	46,985
Noncurrent liabilities:				
Compensated absences	-	-	10,749	10,749
General obligation bonds payable	-	-	-	-
Total noncurrent liabilities	-	-	10,749	10,749
Total liabilities	-	-	57,734	57,734
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	-	-	287,943	287,943
Unrestricted	-	-	588,797	588,797
Total net assets	\$ -	\$ -	\$ 876,740	\$ 876,740

**HERTFORD COUNTY, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Public Water Works Fund	Landfill Closure Fund	Sanitation Fund	Total Nonmajor Enterprise Funds
<b><u>OPERATING REVENUES</u></b>				
Charges for services	\$ -	\$ -	\$ 791,057	\$ 791,057
Water taps	-	-	-	-
Miscellaneous	-	-	85,225	85,225
Total Operating Revenues	-	-	876,282	876,282
<b><u>OPERATING EXPENSES</u></b>				
Administration and Operations	-	-	889,733	889,733
Depreciation	-	-	36,841	36,841
Total Operating Expenses	-	-	926,574	926,574
Operating income (loss)	-	-	(50,292)	(50,292)
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
Interest and investment revenue	-	-	12,804	12,804
Interest paid	-	-	-	-
Total nonoperating revenue (expenses)	-	-	12,804	12,804
Income (loss) before contributions and transfers	-	-	(37,488)	(37,488)
Transfers (to) other funds	-	(40,939)	-	(40,939)
Transfer from other funds	169,251	-	40,939	210,190
Capital contributions	-	-	-	-
Total	169,251	(40,939)	40,939	169,251
Change in net assets	169,251	(40,939)	3,451	131,763
Total net assets - beginning	(169,251)	40,939	873,289	744,977
Total net assets - ending	\$ -	\$ -	\$ 876,740	\$ 876,740

**HERTFORD COUNTY, NORTH CAROLINA  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	Public Water Works Fund	Landfill Closure Fund	Sanitation Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ -	\$ -	\$ 812,420	\$ 812,420
Cash paid for goods and services	(11,539)	(77)	(540,364)	(551,980)
Cash paid to employees for services	-	-	(353,512)	(353,512)
Other operating revenue	-	-	85,225	85,225
Net cash provided by (used) by operating activities	(11,539)	(77)	3,769	(7,847)
Cash flows from noncapital financing activities:				
Due from other funds	343,450	-	-	343,450
Due to other funds	(516,453)	-	-	(516,453)
Transfer of assets to (from) other funds	15,893	7,000	(7,000)	15,893
Transfers (to) from other funds	169,251	(40,939)	40,939	169,251
Net cash provided (used) by noncapital financing activities	12,141	(33,939)	33,939	12,141
Cash flows from capital and related financing activities:				
Proceeds from sale of fixed assets	-	-	-	-
Purchase of capital assets	-	-	(35,334)	(35,334)
Net cash provided by capital and related financing activities	-	-	(35,334)	(35,334)
Cash flows from investing activities:				
Interest on investments	-	-	12,804	12,804
Net cash provided by investing activities	-	-	12,804	12,804
Net increase (decrease) in cash and cash equivalents	602	(34,016)	15,178	(18,236)
Cash and cash equivalents, July 1	(602)	34,016	400,871	434,285
Cash and cash equivalents, June 30	\$ -	\$ -	\$ 416,049	\$ 416,049
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ -	\$ -	\$ (50,292)	\$ (50,292)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	-	36,841	36,841
Loss on disposal of assets	-	-	-	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	21,363	21,363
Increase (decrease) in accounts payable and accrued liabilities	(5,004)	(77)	4,393	(688)
Increase (decrease) in water deposits	-	-	-	-
Increase (decrease) in compensated absences	(6,535)	-	(8,536)	(15,071)
Total adjustments	(11,539)	(77)	54,061	42,445
Net cash provided by operating activities	\$ (11,539)	\$ (77)	\$ 3,769	\$ (7,847)

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**NORTHERN WATER DISTRICT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007			2006
	Budget	Actual	Variance Positive (Negative)	Actual
<b><u>REVENUES</u></b>				
Operating Revenues				
Charges for services	\$ 425,934	\$ 286,492	\$ (139,442)	\$ 275,482
Tap-on fees	-	18,308	18,308	18,250
Other	500	12,851	12,351	350
Total Operating Revenues	426,434	317,651	(108,783)	294,082
Nonoperating Revenues				
Interest Earnings	-	-	-	-
Total Nonoperating Revenues	-	-	-	-
Total Revenues	426,434	317,651	(108,783)	294,082
<b><u>EXPENDITURES</u></b>				
Administration and operations		183,087		15,708
Capital Outlay		12,278		-
Debt Service:				
Interest and fees		122,948		124,776
Debt principal		39,500		37,500
Total Expenditures	405,606	357,813	47,793	177,984
Revenues Over (Under) Expenditures	20,828	(40,162)	(60,990)	116,098
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from (to) other funds				
Public Water Works Fund	(20,828)	(20,827)	1	(107,520)
General Fund	-	124	124	-
Debt issued	-	12,278	12,278	-
Fund balance appropriated	-	-	-	-
Total Other Financing Sources (Uses)	(20,828)	(8,425)	12,403	(107,520)
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	\$ -	\$ (48,587)	\$ (48,587)	\$ 8,578

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

Excess of revenues over (under) expenditures	\$ (48,587)	\$ 8,578
Debt principal	39,500	37,500
Debt issued	12,278	
Depreciation	(82,501)	(80,833)
Capital outlay	(12,278)	-
Northern Water District Capital Projects Fund	248,504	37,024
(Increase) decrease in bond interest accrued	(148)	10
(Increase) decrease in vacation pay	-	-
Total reconciling items	205,355	(6,299)
Change in net assets	\$ 156,768	\$ 2,279

**HERTFORD COUNTY, NORTH CAROLINA**  
**SOUTHERN WATER DISTRICT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007		Variance Positive (Negative)	2006
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating Revenues				
Charges for services	\$ 971,287	\$ 821,269	\$ (150,018)	\$ 741,080
Tap-on fees	-	50,212	50,212	49,960
Other	1,000	5,605	4,605	2,570
Total Operating Revenues	972,287	877,086	(99,806)	793,610
Nonoperating Revenues				
Interest Earnings	-	-	-	-
Total Nonoperating Revenues	-	-	-	-
Total Revenues	972,287	877,086	(99,806)	793,610
<b>EXPENDITURES</b>				
Administration and operations		238,498		33,084
Capital Outlay		12,278		-
Debt Service:				
Interest and fees		311,521		320,218
Debt principal		176,000		162,500
Total Expenditures	823,863	738,297	85,566	515,802
Revenues Over (Under) Expenditures	148,424	138,789	(9,635)	277,808
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) other funds				
Public Water Works Fund	(148,424)	(148,424)	-	(216,795)
General Fund	-	247	247	-
Debt proceeds	-	12,278	12,278	-
Fund balance appropriated	-	-	-	-
Total Other Financing Sources (Uses)	(148,424)	(135,899)	12,525	(216,795)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ 2,890	\$ 2,890	\$ 61,013
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL</b>				
Excess of revenues over (under) expenditures		\$ 2,890		\$ 61,013
Debt principal		176,000		162,500
Debt issued		(12,278)		-
Depreciation		(218,905)		(205,711)
Capital outlay		12,278		-
(Increase) decrease in bond interest accrued		478		5,273
(Increase) decrease in vacation pay		(4,506)		-
Total reconciling items		(46,933)		(37,938)
Change in net assets		\$ (44,043)		\$ 23,075



**HERTFORD COUNTY, NORTH CAROLINA**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007			2006
	Budget	Actual	Variance Positive (Negative)	Actual
<b><u>REVENUES</u></b>				
Operating Revenues				
Charges for services	\$ 935,939	\$ 791,057	\$ (144,882)	\$ 776,895
Other	13,400	85,225	71,825	99,332
Total Operating Revenues	949,339	876,282	(73,057)	876,227
Nonoperating Revenues				
Interest Earnings	2,800	12,804	10,004	5,979
Total Nonoperating Revenues	2,800	12,804	10,004	5,979
Total Revenues	952,139	889,086	(63,053)	882,206
<b><u>EXPENDITURES</u></b>				
Landfill:				
Administration and operations		508,220		557,414
Contract services		393,632		363,375
Capital Outlay		35,334		-
Debt Service:				
Interest and fees		-		-
Debt principal		-		-
Total Expenditures	993,519	937,186	56,333	920,789
Revenues Over (Under) Expenditures	(41,380)	(48,100)	(6,720)	(38,583)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from (to) other funds				
Landfill Closure Fund	-	-	-	(23,000)
Landfill Closure Fund	-	40,939	40,939	-
Fund balance appropriated	41,380	-	(41,380)	-
Total Other Financing Sources (Uses)	41,380	40,939	(441)	(23,000)
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	\$ -	\$ (7,161)	\$ (7,161)	\$ (61,583)

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

Excess of revenues over (under) expenditures	\$ (7,161)	\$ (61,583)
Debt principal	-	-
Depreciation	(36,841)	(52,562)
Capital outlay	35,334	-
(Increase) decrease in bond interest accrued	-	-
(Increase) decrease in vacation pay	12,119	(5,234)
Total reconciling items	10,612	(57,796)
Change in net assets	\$ 3,451	\$ (119,379)

**HERTFORD COUNTY, NORTH CAROLINA**  
**PUBLIC WATER WORKS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007		Variance	2006
	Budget	Actual	Positive (Negative)	Actual
<b><u>REVENUES</u></b>				
Operating Revenues				
Charges for services	\$ -	\$ -	\$ -	\$ -
Tap-on fees, other	-	-	-	-
Total Operating Revenues	-	-	-	-
Nonoperating Revenues				
Interest Earnings	-	-	-	-
Total Nonoperating Revenues	-	-	-	-
Total Revenues	-	-	-	-
<b><u>EXPENDITURES</u></b>				
Administration and operations		-		305,721
Capital Outlay		-		12,599
Total Expenditures	169,252	-	169,252	318,320
Revenues Over (Under) Expenditures	(169,252)	-	169,252	(318,320)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from other funds				
Southern Water District Fund	148,424	148,424	-	216,795
Northern Water District Fund	20,828	20,827	(1)	107,520
Fund balance appropriated	-	-	-	-
Total Other Financing Sources (Uses)	169,252	169,251	(1)	324,315
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	\$ -	\$ 169,251	\$ 169,251	\$ 5,995
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL</b>				
Excess of revenues over (under) expenditures		\$ 169,251		\$ 5,995
Debt principal		-		-
Depreciation		-		(3,262)
Capital outlay		-		12,599
(Increase) decrease in bond interest accrued		-		-
(Increase) decrease in vacation pay		-		1,228
Total reconciling items		-		10,565
Change in net assets		\$ 169,251		\$ 16,560

**HERTFORD COUNTY, NORTH CAROLINA**  
**LANDFILL CLOSURE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006**

	2007			2006
	Budget	Actual	Variance Positive (Negative)	Actual
<b><u>REVENUES</u></b>				
Operating Revenues				
Charges for services	\$ -	\$ -	\$ -	\$ -
Other	40,939	-	(40,939)	-
Total Operating Revenues	40,939	-	(40,939)	-
Nonoperating Revenues				
Interest Earnings	-	-	-	-
Total Nonoperating Revenues	-	-	-	-
Total Revenues	40,939	-	(40,939)	-
<b><u>EXPENDITURES</u></b>				
Landfill operations:				
Contract labor and testing		-		29,324
Contract services		-		-
Debt Service:				
Interest and fees		-		-
Debt principal		-		-
Total Expenditures	-	-	-	29,324
Revenues Over (Under) Expenditures	40,939	-	(40,939)	(29,324)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from other funds				
Sanitation Fund	(40,939)	(40,939)	-	-
Sanitation Fund	-	-	-	23,000
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Total Other Financing Sources (Uses)	(40,939)	(40,939)	-	23,000
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	\$ -	\$ (40,939)	\$ (40,939)	\$ (6,324)

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

Excess of revenues over (under) expenditures	\$ (40,939)	\$ (6,324)
Debt principal	-	-
Depreciation	-	-
Capital outlay	-	-
(Increase) decrease in bond interest accrued	-	-
(Increase) decrease in vacation pay	-	-
Total reconciling items	-	-
Change in net assets	\$ (40,939)	\$ (6,324)

**HERTFORD COUNTY, NORTH CAROLINA**  
**NORTHERN WATER DISTRICT CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Actual to Date	Positive (Negative)
<b>REVENUES</b>					
Restricted governmental					
Rural Center	\$ 718,891	\$ 130,276	\$ 269,724	\$ 400,000	\$ 318,891
Other	-	(6,800)	5,449	(1,351)	(1,351)
Total Revenues	<u>718,891</u>	<u>123,476</u>	<u>275,173</u>	<u>398,649</u>	<u>317,540</u>
<b>EXPENDITURES</b>					
Construction	<u>743,392</u>	<u>355,914</u>	<u>180,425</u>	<u>536,339</u>	<u>207,053</u>
Revenues Over (Under) Expenditures	<u>(24,501)</u>	<u>(232,438)</u>	<u>94,748</u>	<u>(137,690)</u>	<u>(113,189)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from (to) other funds					
General Fund	51,170	38,632	-	38,632	(12,538)
General Fund	<u>(26,669)</u>	<u>-</u>	<u>(26,669)</u>	<u>(26,669)</u>	<u>-</u>
Total	<u>24,501</u>	<u>38,632</u>	<u>(26,669)</u>	<u>11,963</u>	<u>(12,538)</u>
Excess of Revenues and Other Sources					
Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (193,806)</u>	<u>\$ 68,079</u>	<u>\$ (125,727)</u>	<u>\$ (125,727)</u>
<b>RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL</b>					
Excess of revenues over (under) expenditures			\$ 68,079		
Capital outlay			<u>180,425</u>		
Change in net assets			<u>\$ 248,504</u>		

## AGENCY FUNDS

---

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

---

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>Social Services</u>				
Assets				
Cash	\$ 51,506	\$ 124,199	\$ 138,526	\$ 37,179
Liabilities				
Miscellaneous liabilities	\$ 51,506	\$ 124,199	\$ 138,526	\$ 37,179
<u>Inmates Money</u>				
Assets				
Cash	\$ 9,579	\$ 101,656	\$ 94,078	\$ 17,157
Liabilities				
Intergovernmental payable	\$ 9,579	\$ 101,656	\$ 94,078	\$ 17,157
<u>Fines and Forfeitures and DMV Interest</u>				
Assets				
Cash	\$ -	\$ 205,277	\$ 203,824	\$ 1,453
Liabilities				
Intergovernmental payable	\$ -	\$ 185,956	\$ 185,956	\$ -
Due to DMV	-	19,321	17,868	1,453
	\$ -	\$ 205,277	\$ 203,824	\$ 1,453
<u>Tax Fund</u>				
Assets				
Cash	\$ -	\$ 2,514,704	\$ 2,514,704	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 2,514,704	\$ 2,514,704	\$ -
<u>Totals - All Agency Funds</u>				
Assets				
Cash	\$ 61,085	\$ 2,945,836	\$ 2,951,132	\$ 55,789
Liabilities				
Miscellaneous liabilities	\$ 61,085	\$ 2,945,836	\$ 2,951,132	\$ 55,789

## **OTHER SCHEDULES**

---

This schedule contains additional information required on property taxes.

---

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

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2007**

Fiscal Year	Uncollected Balance July 1, 2006	Additions	Collections and Adjustments	Uncollected Balance June 30, 2007
2006-2007	\$ -	\$ 10,655,211	\$ 10,244,325	\$ 410,886
2005-2006	422,166	-	261,590	160,576
2004-2005	188,500	-	54,605	133,895
2003-2004	54,263	-	17,346	36,917
2002-2003	176,035	-	11,363	164,672
2001-2002	121,138	-	7,638	113,500
2000-2001	55,412	-	3,329	52,083
1999-2000	53,625	-	2,553	51,072
1998-1999	21,243	-	2,771	18,472
1997-1998	39,804	-	3,144	36,660
1996-1997	22,455	-	22,455	-
	<u>\$ 1,154,642</u>	<u>\$ 10,655,211</u>	<u>\$ 10,631,119</u>	<u>\$ 1,178,733</u>

## Reconcilement with revenues:

Ad valorem taxes - General Fund

\$ 10,671,915

Ad valorem taxes - Special Revenue Fund

(49,086)

10,622,829

## Reconciling items:

Amounts written off for 1996-1997 levy

8,290

Total Reconciling Items

8,290

Total Collections and Credits

\$ 10,631,119



**HERTFORD COUNTY, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
JUNE 30, 2007**

	County-wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,110,455,527	0.910	\$ 10,105,145	\$ 8,730,431	\$ 1,374,714
Dog tax	-		7,820	7,820	-
Fire Districts	-		71,919	71,919	-
Total Original Levy	<u>1,110,455,527</u>		<u>10,184,884</u>	<u>8,810,170</u>	<u>1,374,714</u>
Discoveries	51,684,286	0.910	470,327	461,584	8,743
Abatements	<u>(2,909,451)</u>	0.910	<u>(26,476)</u>	<u>8,743</u>	<u>(35,219)</u>
Total Property Valuation	<u>\$ 1,159,230,362</u>				
Net Levy			10,628,735	9,280,497	1,348,238
Uncollected taxes at June 30, 2007			<u>(410,886)</u>	<u>(303,259)</u>	<u>(107,627)</u>
Current year's taxes collected			<u>\$ 10,217,849</u>	<u>\$ 8,977,238</u>	<u>\$ 1,240,611</u>
Current levy collection percentage			<u>96.13%</u>	<u>96.73%</u>	<u>92.02%</u>

**HERTFORD COUNTY, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
JUNE 30, 2007**

---

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 962,386,442
Personal Property	149,677,748
Public Service Companies	<u>47,166,172</u>
Total Assessed Valuation	1,159,230,362
Tax Rate per \$100	0.91
Levy (includes discoveries, releases and abatements)	<u>\$ 10,628,735</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>\$ 179,796,674</u>
---------------------------	-----------------------

**HERTFORD COUNTY, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
JUNE 30, 2007**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Wackenhut Corrections Corp	Correctional Facility	\$ 47,971,709	4.14%
Nucor Corporation	Manufacturing	35,825,678	3.09%
Kerr Glass Manufacturing Copr	Manufacturing	12,993,355	1.12%
Ahoskie Center LLC	Shopping Center	8,670,577	0.75%
Carroll's Foods of Virginia, Inc.	Livestock	7,521,390	0.65%
Perdue Farms	Poultry	7,369,145	0.64%
Multi-Serv	Manufacturing	5,203,701	0.45%
Georgia Pacific	Timber	4,856,490	0.42%
Rose Brothers Paving Co Inc.	Paving	4,507,242	0.39%
Air Liquide	Manufacturing	3,673,513	0.32%
		<u>\$ 138,592,800</u>	<u>11.96%</u>

## **COMPLIANCE SECTION**

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

Certified Public Accountants



The CPA. Never Underestimate The Value™

James P. Winston II, CPA  
Gary L. Williams, CPA  
Leonard R. Creech, Jr. CPA  
Carleen P. Evans, CPA

Jennifer T. Reese, CPA

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

To the Honorable Mayor and  
Members of the County Council  
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, 2007, which collectively comprises Hertford County's basic financial statements, and have issued our report thereon dated November 21, 2007. We did not audit the financial statements of Hertford County Economic Development Commission, the Hertford County Public Health Authority, or the Hertford County ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for Hertford County Economic Development Commission, the Hertford County Public Health Authority, and Hertford County ABC Board, 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. 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

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 opinion 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.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. We noted other matters involving the internal control over financial reporting, which we have reported to management of Hertford County in a separate letter dated December 12, 2007.

102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614

www.wwcecpa.com



A control deficiency exists when designed or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (07-1 & 07-2).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 07-1 and 07-2 material weaknesses.

### **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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 07-3. We noted certain matters that we reported to management of Hertford County, in a separate letter dated December 12, 2007.

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

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

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

Winston, Williams, Creech, Evans & Company, LLP  
Certified Public Accountants  
December 12, 2007

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

Certified Public Accountants



The CPA. Never Underestimate The Value.™

James P. Winston II, CPA  
Gary L. Williams, CPA  
Leonard R. Creech, Jr. CPA  
Carleen P. Evans, CPA

Jennifer T. Reese, CPA

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

To the Honorable Mayor and  
Members of the County's Council  
Hertford County, North Carolina

### Compliance

We have audited the compliance of Hertford County, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2007. 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, North Carolina'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.

As described in item 07-3 in the accompanying schedule of findings and questioned costs, Hertford County did not comply with requirements regarding Reporting that are applicable to all federal programs. Compliance with such requirements is necessary, in our opinion, for Hertford County to comply with requirements applicable to that program.

102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614

www.wwcecpa.com



In our opinion, except for the noncompliance described in the preceding paragraph, Hertford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. We noted concerns regarding internal control over compliance with certain Federal program requirements, which we have reported to management of Hertford County in a separate letter, dated December 12, 2007.

### **Internal Control Over Compliance**

The management of Hertford County is responsible for establishing and maintaining effective internal control over compliance with 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Hertford County's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies internal control over compliance that we consider to be significant deficiencies and others that we can consider to be material weaknesses.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Hertford County's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-4 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Hertford County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 07-4 to be a material weakness.

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

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

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

Winston, Williams, Creech, Evans & Company, LLP  
Certified Public Accountants  
December 12, 2007



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

Certified Public Accountants



The CPA. Never Underestimate The Value.™

James P. Winston II, CPA  
Gary L. Williams, CPA  
Leonard R. Creech, Jr. CPA  
Carleen P. Evans, CPA

Jennifer T. Reese, CPA

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

To the Honorable Mayor and  
Members of the County's Council  
Hertford County, North Carolina

### Compliance

We have audited the compliance of Hertford County, North Carolina, 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, 2007. 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 Auditor's 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, North Carolina complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2007. We noted concerns regarding internal control over compliance with certain State program requirements, which we have reported to management of Hertford County in a separate letter, dated December 12, 2007.

102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614

www.wwcecpa.com



### **Internal Control Over Compliance**

The management of Hertford County is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Hertford County's internal control over compliance.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program that is more than inconsequential will not be detected by Hertford County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by Hertford County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Winston, Williams, Creech, Evans & Company, LLP  
Certified Public Accountants  
December 12, 2007

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

---

**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:

**CFDA Numbers**

**Name of Federal Program or Cluster**

93.778

Medical Assistance Program

93.558

Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B Programs: \$1,161,545

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

---

State Awards

Internal Control Over State Programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant Deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ No

Type of auditors' report issued on compliance for major State program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act ☒ Yes ☐ No

Identification of major state Programs:

Program Name  
Medical Assistance  
State/County Special Assistance Program

II. Financial Statement Findings

07-1 Segregation of Duties

MATERIAL WEAKNESS

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among County personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The County agrees with this finding.

07-2 Preparation of Financial Statements

MATERIAL WEAKNESS

Criteria: Management staff should have adequate knowledge to be able to prepare the financial statements to ensure material errors are detected.

Condition: There is limited knowledge of management staff in preparation of the County's financial statements.

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

---

**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:

CFDA Numbers

Name of Federal Program or Cluster

93.778

Medical Assistance Program

93.558

Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B Programs: \$1,161,545

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

---

State Awards

Internal Control Over State Programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant Deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ No

Type of auditors' report issued on compliance for major State program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act ☒ Yes ☐ No

Identification of major state Programs:

Program Name

Medical Assistance

State/County Special Assistance Program

II. Financial Statement Findings

07-1 Segregation of Duties

MATERIAL WEAKNESS

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among County personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The County agrees with this finding.

07-2 Preparation of Financial Statements

MATERIAL WEAKNESS

Criteria: Management staff should have adequate knowledge to be able to prepare the financial statements to ensure material errors are detected.

Condition: There is limited knowledge of management staff in preparation of the County's financial statements.

**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

---

Effect: Financial statements could be presented with material misstatements.

Cause: Management has limited knowledge regarding GAAP and its application to the financial statements.

Recommendation: Management should obtain additional training to become proficient with the rules of GAAP and its application to the financial statements.

Views of responsible officials and planned corrective actions: The County agrees with this finding. Additional training will be sought for management personnel.

**07-3 Excess of Expenditures over Appropriations**

**MATERIAL NONCOMPLIANCE**

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: Hertford County expended \$622,928 more in total than appropriated in the annual budget ordinance.

Effect: Moneys were spent that had not been appropriated.

Cause: The County had inappropriately handled the budgeting of grant appropriations. Many grants carry over from year to year. Even though grant budgets may carry over, the County still needs to annually look at these grants and include them in the County's annual budget.

Recommendation: Budget amendments should be adopted when expenditures exceed appropriations. The County should exercise care when booking nonroutine transactions and handling grant carryovers.

Views of responsible officials and planned corrective actions: The County agrees with the finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

**E. Federal Award Findings and Questioned Costs**

**07-4 Reconciliation of 1571 to County's general ledger**

**MATERIAL WEAKNESS**

Criteria: The Department of Social Services uses the 1571 to report expenses for reimbursement on a monthly basis. These expenses must be reconciled to the County's general ledger on a monthly basis to ensure that expenses reported on the 1571 are also recorded on the County's general ledger.

Condition: Costs reported on the 1571 are not being reconciled with County's general ledger.

Effect: Claims could be submitted for the County for reimbursement that are not included on the County books or claims could reflect inadequate reimbursement amounts.

Cause: Employee turnover and lack of training and personnel contribute to large amounts of paperwork and inadequate time to handle the caseload.

Recommendation: Management should set up a process to use to ensure that costs reported on the 1571 are reconciled with the County's general ledger.

Views of responsible officials and planned corrective actions: The County agrees with this finding. A process will be implemented to verify that costs reported on the 1571 are reconciled with the County's general ledger.

**HERTFORD COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

F. State Award Findings and Questioned Costs

None reported.

**Section II - Financial Statement Findings**

MATERIAL WEAKNESS

07-1 Segregation of Duties

Name of contact person: Robbin Stephenson, Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately.

MATERIAL WEAKNESS

07-2 Preparation of financial statements

Name of contact person: Robbin Stephenson, Finance Officer

Corrective Action: Management personnel will obtain additional training to enhance their knowledge of GAAP and the preparation of the financial statements.

Proposed Completion Date: The management personnel will obtain additional training during fiscal year 07-08.

MATERIAL NONCOMPLIANCE

07-3 Excess of Expenditures over Appropriations

Name of contact person: Robbin Stephenson, Finance Officer

Corrective Action Plan: The Board members will periodically review a budget-to-actual report prepared by the finance officer. Budget amendments will be made as considered necessary.

Proposed Completion Date: The Board will implement the above procedure at their upcoming meetings.

**Section III - Federal Award Findings**

MATERIAL WEAKNESS

07-4 Reconciliation of 1571 to County's general ledger

Name of contact person: Robbin Stephenson, Finance Director

Corrective Action: Management will implement a process to verify monthly that expenditures reported on the 1571 are on the general ledger prior to requesting reimbursement.

Proposed Completion Date: This process will be put into place during fiscal year 2007-2008.



**HERTFORD COUNTY, NORTH CAROLINA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

There were no prior year audit findings.

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE 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 and Human Services:			
Division of Social Services:			
Administration:			
<u>Food Stamp Cluster:</u>			
Food Stamp Program - Noncash	10.551	4,742,923	-
State Administrative Matching			
Grants for the Food Stamp Program	10.561	281,376	-
Total Food Stamp Cluster		5,024,299	-
USDA Supplement	10.570	20,969	
Total U.S. Dept. of Agriculture		5,045,268	-
<u>U.S. Dept. of Housing and Urban Development</u>			
Passed-through N.C. Dept. of Commerce:			
Division of Community Assistance			
Community Development Block Grant (CDBG)	14.228	374,748	-
Total US Dept of Housing and Urban Development		374,748	-
<u>U.S. Dept of Homeland Security</u>			
Passed-through N.C. Dept. of Crime Control and Public Safety:			
Division of Emergency Management			
Homeland Security Grant	16.607	93	-
Homeland Security Grant	97.004	12,448	-
Hazard Mitigation Grant	97.039	207,909	-
Emergency Management Performance Grant	97.042	18,263	-
Total Federal Emergency Management		238,713	-
<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	104,815	131,876
Total Aging Cluster		104,815	131,876

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services			
Division of Social Services:			
<u>Foster Care and Adoption Cluster:</u>			
Title IV-E Foster Care-Administration	93.658	105,429	24,501
Foster Care - Direct Benefit Payments	93.658	54,668	9,668
Adoption Assistance - Direct Benefit Payments	93.659	46,776	13,215
Total Foster Care and Adoption Cluster		206,873	47,384
Work First/ Temporary Assistance for Needy Families TANF	93.558	319,174	
Work First/TANF			
Direct Benefit Payments	93.558	337,481	
Temporary Assistance for Needy Families (TANF)			
Domestic Violence	93.558	14,865	
Low-Income Home Energy Assistance Block Grant:			
Administration	93.568	13,528	
Emergency Assistance-Direct Benefit Payments	93.568	158,588	
Crisis Intervention Program	93.568	123,873	
Child Welfare Services- State Grants			
Permanency Planning-Families for Kids	93.645	1,136	
IV-E Optional- Adoption Assistance	93.659		
SSBG--Other Services and Training	93.667	178,098	14,333
Independent Living Grant	93.674		
Total		1,146,743	14,333
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	61,013	
Division of Child Development:			
Child Care and Development Fund- Discretionary	93.575	418,062	
Child Care and Development Fund-Mandatory	93.596	168,247	
Child Care and Development Fund-Match	93.596	223,089	123,719
Total Child Care Development Fund Cluster		870,411	123,719
Social Services Block Grant	93.667	672	
TANF	93.558	154,122	
Smart Start	n/a		3,255

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
State Appropriations	n/a		4,494
TANF-MOE	n/a		182,611
Total Subsidized Child Care Cluster		1,025,205	314,079
Division of Facility Management: Bioterrorism Hospital Preparedness	93.003	9,383	
<u>Centers for Medicare and Medicaid Services</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medical Assistance Program	93.778	30,133,577	15,211,807
Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	415,571	52,223
State Children's Insurance Program-			
N.C. Health Choice	93.767	17,277	1,323
DMA 2055 Transportation Reimbursement	93.778		
At Risk Case Management	93.778		
Total U.S. Dept. of Health and Human Services		33,059,444	15,773,025
Total federal awards		38,718,173	15,773,025

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<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 Adults-Direct Benefit Payments			456,681
State Foster Care Benefits Program-Direct			10,474
CWS Adoption Subsidy-Direct			38,663
State Aid to Counties			27,249
Energy Assistance			109
State Adult Protective Service			18,213
Smart Start			16,107
TANF Insent/Prog Integrity			803
F/C at Risk Maximization			2,999
Senior Center			16,495
In-Home Services			17,777
Total N.C. Dept. of Health and Human Services			605,570
<u>N.C. Dept. of Corrections</u>			
Criminal Justice Partnership Program			76,013
Total N.C. Dept of Corrections			76,013
<u>N.C. Dept. of Environmental and Natural Resources</u>			
Division of Soil and Water Conservation:			
Soil Conservation			4,000
Ag-Costs sharing Program			24,807
Division of Environmental Health:			
State Aid for Mosquito Control			5,320
Division of Water Resources:			
Isabel Stream Clean Up			140,208
Division of Waste Management			
Scrap Tire Program			28,591
Total N.C. Dept. of Environmental and Natural Resources			202,926

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<u>N.C. Dept. of Transportation</u>			
Rural Operating Assistance Program (ROAP)			
ROAP Elderly and Disabled Transportation			30,431
ROAP Rural General Public Program			36,340
ROAP Work First Transitional-Employment			-
Total N.C. Dept of Transportation			<u>66,771</u>
<u>N.C. Dept. of Administration</u>			
Veteran Services Officer			<u>2,000</u>
<u>N.C Rural Economic Development Center</u>			
Clean Water Bond Act			<u>269,724</u>
<u>N.C Dept. Juvenile Justice and Delinquency Prevention</u>			
BMB Shelter			30,000
Juvenile Crime Prevention Council Program			1,000
Project Challenge			40,000
Parenting First			15,000
Youth Leaders in Action			12,650
Stay			12,650
Juvenile Crime Prevention Programs			5,784
Support our Students Grant			62,085
Total N.C. Dept of Juvenile Justice & Delinquency Prevention			<u>179,169</u>
N.C. Dept of Crime Control and Public Safety			
Division of Emergency Management			
Surry FNF Funds			<u>1,400</u>
Total State awards		<u>-</u>	<u>1,403,573</u>
Total federal and State awards		<u>\$ 38,718,173</u>	<u>\$ 17,176,598</u>

**HERTFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

---

**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

<u>Program Title</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
ROAP-Elderly and Disabled Transportation	-	\$ -	\$ 30,431
ROAP-Rural General Public Program	-	-	36,340
BMB Shelter	-	-	30,000
Project Challenge	-	-	40,000
Youth Leaders in Action	-	-	12,650
Stay	-	-	12,650
Parenting First	-	-	15,000
Juvenile Crime Prevention Programs	-	-	5,784