

**HERTFORD COUNTY
WINTON, NORTH CAROLINA**

FINANCIAL STATEMENTS

JUNE 30, 2008



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FINANCIAL SECTION

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The CPA. Never Underestimate The Value.™

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Independent Auditor's Report

To the Board of County Commissioners
Hertford County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina, as of and for the year ended June 30, 2008, 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, 2008, 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 5, 2008, 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.

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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 schedules 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 5, 2008

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, 2008. 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

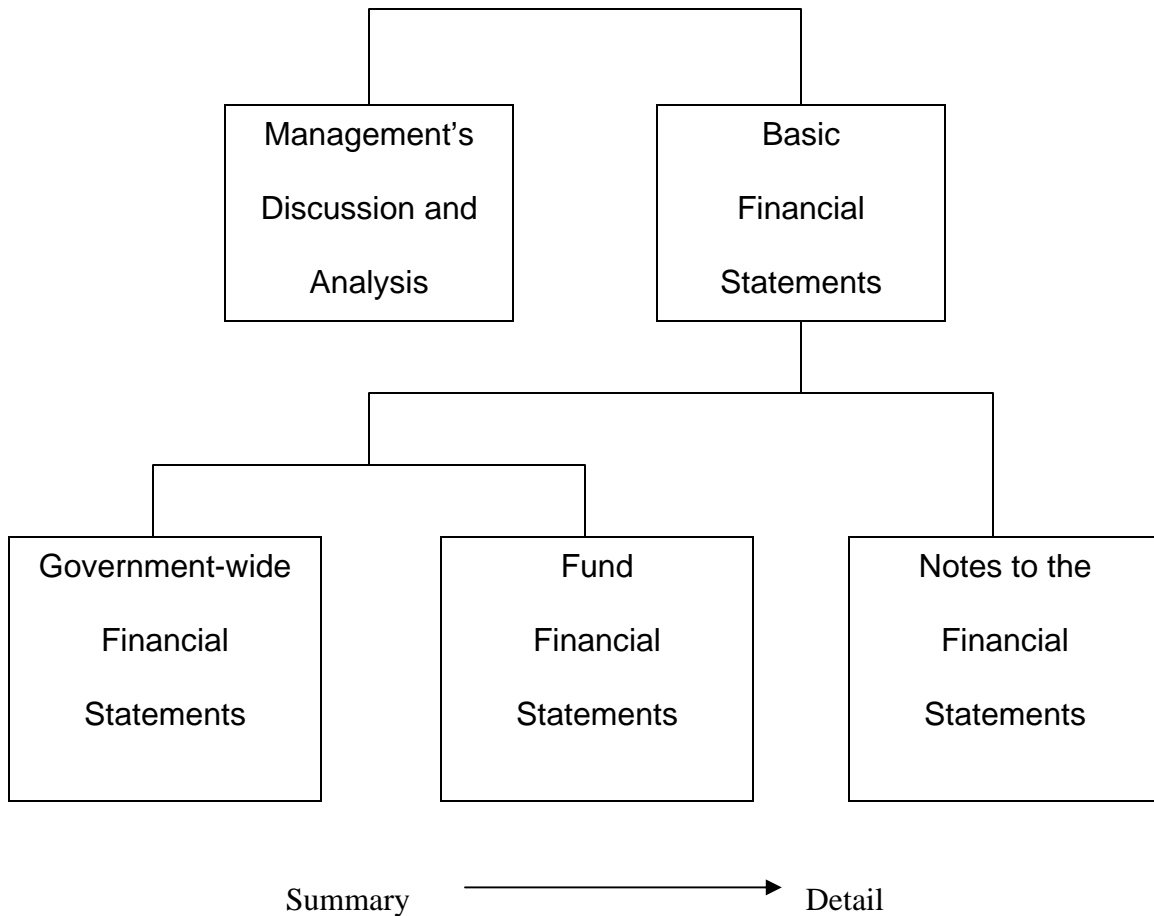
- The assets of Hertford County exceeded its liabilities at the close of the fiscal year by \$17,176,376 (*net assets*).
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$9,189,384, an increase of \$499,659, in comparison with the prior year. Approximately 73.47 percent of this total amount or \$6,751,486 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 \$5,400,755, or 24.48% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

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

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

Fund Financial Statements

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

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

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

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

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

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

Hertford County's Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 11,485,531	\$ 11,011,158	\$ 765,497	\$ 717,168	\$ 12,251,028	\$ 11,728,326
Capital assets	3,944,479	4,013,915	12,777,445	13,123,309	16,721,924	17,137,224
Total assets	<u>\$ 15,430,010</u>	<u>\$ 15,025,073</u>	<u>\$ 13,542,942</u>	<u>\$ 13,840,477</u>	<u>\$ 28,972,952</u>	<u>\$ 28,865,550</u>
Long-term liabilities outstanding	\$ 2,544,457	\$ 2,820,719	\$ 8,321,985	\$ 8,547,660	\$ 10,866,442	\$ 11,368,379
Other liabilities	760,238	872,080	169,896	172,427	930,134	1,044,507
Total liabilities	<u>\$ 3,304,695</u>	<u>\$ 3,692,799</u>	<u>\$ 8,491,881</u>	<u>\$ 8,720,087</u>	<u>\$ 11,796,576</u>	<u>\$ 12,412,886</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 2,957,588	\$ 2,804,378	\$ 4,480,773	\$ 4,597,755	\$ 7,438,361	\$ 7,402,133
Restricted	764	9,335	-	-	764	9,335
Unrestricted	9,166,963	8,518,561	570,288	522,635	9,737,251	9,041,196
Total net assets	<u>\$ 12,125,315</u>	<u>\$ 11,332,274</u>	<u>\$ 5,051,061</u>	<u>\$ 5,120,390</u>	<u>\$ 17,176,376</u>	<u>\$ 16,452,664</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Hertford County exceeded liabilities by \$17,176,376 as of June 30, 2008, one of the largest portions (43.31%) 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, \$764 has been restricted by the governing board. The balance of \$9,737,251 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						
	Governmental		Business-like			
	Activities		Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,725,696	\$ 1,703,465	\$ 2,131,196	\$ 1,967,338	\$ 3,856,892	\$ 3,670,803
Operating grants and contributions	4,754,017	4,793,076	-	-	4,754,017	4,793,076
Capital grants and contributions	-	374,749	-	269,724	-	644,473
General revenues:					-	-
Property taxes	11,015,350	10,813,759	-	-	11,015,350	10,813,759
Local option sales tax	5,072,625	5,084,383	-	-	5,072,625	5,084,383
Other taxes	277,697	187,668	-	-	277,697	187,668
Unrestricted grants and contributions	106,488	101,624	-	-	106,488	101,624
Investment Earnings	314,152	428,657	19,276	12,804	333,428	441,461
Miscellaneous	424,721	43,193	94,794	109,130	519,515	152,323
Total Revenues	23,690,746	23,530,574	2,245,266	2,358,996	25,936,012	25,889,570
Expenses:						
General government	2,578,607	2,475,271	-	-	2,578,607	2,475,271
Public safety	5,446,353	5,204,680	-	-	5,446,353	5,204,680
Transportation	32,009	25,300	-	-	32,009	25,300
Economic and physical development	554,668	1,268,859	-	-	554,668	1,268,859
Human services	8,385,004	8,404,060	-	-	8,385,004	8,404,060
Cultural and recreation	79,111	79,400	-	-	79,111	79,400
Education	5,822,720	5,457,843	-	-	5,822,720	5,457,843
Interest on long-term debt	107,998	112,765	-	-	107,998	112,765
Sanitation	-	-	994,863	926,574	994,863	926,574
Water and sewer	-	-	1,210,969	1,161,636	1,210,969	1,161,636
Total Expenses	23,006,470	23,028,178	2,205,832	2,088,210	25,212,302	25,116,388
Increase in net assets before transfers	684,276	502,396	39,434	270,786	723,710	773,182
Transfers	108,765	26,298	(108,765)	(26,298)	-	-
Increase in net assets	793,041	528,694	(69,331)	244,488	723,710	773,182
Net assets, restated, July 1	11,332,274	10,803,580	5,120,392	4,875,902	16,452,666	15,679,482
Net assets, June 30	\$ 12,125,315	\$ 11,332,274	\$ 5,051,061	\$ 5,120,390	\$ 17,176,376	\$ 16,452,664

Governmental activities. Governmental activities increased the County's net assets by \$793,041, accounting for 109.58% 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 \$83,212 as a result of continued emphasis on the delinquent tax collection program.
- Sales tax revenue increased by \$120,969, representing a 2.40% increase over the prior year, due to the Medicaid hold harmless money received.
- A decrease in interest rates and money available allowed for a decrease in investment earnings of approximately 27.61% over the prior year, or \$117,598.

Business-type activities. Business-type activities decreased Hertford County's net assets by 9.58% or \$69,331 over the prior year. The change in net assets for business-type activities decreased from the prior year by \$313,819. The key elements of this decrease are as follows:

- Operating revenues went up \$149,522 from the prior year.
- Operating expenses increased by \$128,901 and interest paid decreased by \$11,279.
- Capital contributions decreased by \$269,724.

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 \$5,400,755, while total fund balance reached \$7,781,128. 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 24.48 percent of total General Fund expenditures, while total fund balance represents 35.27 percent of that same amount.

At June 30, 2008, the governmental funds of Hertford County reported a combined fund balance of \$9,189,384, a 5.75 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 2008.

- Our 2008 overall collection rate is 95.76%, a little higher than the state, but slightly lower 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 \$1,229,979 or 5.17 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 \$586,841 and those for the Water and Sewer Districts equaled (\$16,553). 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, 2008 totals \$16,721,924 (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:

- Completion of the Northern Water Capital Project
- Completion of the EMS Project
- Purchase of six additional Public Safety vehicles
- Purchase of one new vehicles for Social Services
- Various purchases of additional equipment

Figure 4
Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and Improvements	\$ 442,031	\$ 442,031	\$ 33,046	\$ 33,046	\$ 475,077	\$ 475,077
Construction in Progress	-	905,840	-	536,339	-	1,442,179
Buildings and Improvements	2,767,748	1,941,128	-	-	2,767,748	1,941,128
Plant and distribution systems	-	-	12,591,436	12,362,359	12,591,436	12,362,359
Equipment	194,020	219,309	65,713	80,665	259,732	299,974
Vehicle and Motor Equipment	540,680	505,607	87,250	110,900	627,931	616,507
Total	\$ 3,944,479	\$ 4,013,915	\$ 12,777,445	\$ 13,123,309	\$ 16,721,924	\$ 17,137,224

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

Long-term Debt. As of June 30, 2008, Hertford County had total debt outstanding of \$10,866,442 of which \$9,430,000 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	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 1,150,000	\$ 1,250,000	\$ 8,280,000	\$ 8,501,000	\$ 9,430,000	\$ 9,751,000
Installment Purchases	986,892	1,209,537	16,672	24,555	1,003,564	1,234,092
Compensated Absences	407,565	361,181	25,313	22,105	432,878	383,286
Total Long-Term Debt	\$ 2,544,457	\$ 2,820,718	\$ 8,321,985	\$ 8,547,660	\$ 10,866,442	\$ 11,368,378

During the past fiscal year, Hertford County's total debt decreased by \$501,936, (4.4%) percent. General obligation debt of \$100,000 was retired in governmental activities and business-type activities had a net decrease of \$221,000. There was a net decrease of \$230,529 in installment-purchase obligations.

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 \$84,447,040.

Additional information regarding Hertford County's long-term debt can be found in Note III B-6 beginning on page 50 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 6.8% in comparison with the state average of 6.2%.

Governmental Activities: The County adopted a budget for fiscal year 2008 with a 5.87 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, 2008

				Component Units		
	Governmental Activities	Business-type Activities	Total	Economic Development Commission	Hertford County ABC Board	Hertford County Public Health Authority
ASSETS						
Cash and cash equivalents	\$ 7,499,462	\$ 1,282,293	\$ 8,781,755	\$ 170,504	\$ 307,720	\$ 222,967
Taxes receivable	1,236,914	-	1,236,914	-	-	-
Accrued interest receivable on taxes	352,576	-	352,576	-	-	-
Accounts receivable (net)	1,568,318	311,465	1,879,783	-	-	173,919
Due from other governments	-	-	-	-	-	605,549
Inventories	-	-	-	-	249,376	-
Prepaid expenses	-	-	-	-	-	115,053
Internal balances	828,261	(828,261)	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
Capital assets:						
Land, improvements, and construction in progress	442,031	33,046	475,077	-	24,220	-
Other capital assets, net of depreciation	3,502,448	12,744,399	16,246,847	-	59,330	287,729
Total capital assets	3,944,479	12,777,445	16,721,924	-	83,550	287,729
Total Assets	\$ 15,430,010	\$ 13,542,942	\$ 28,972,952	\$ 170,504	\$ 640,646	\$ 1,405,217
LIABILITIES						
Accounts payable & accrued liabilities	\$ 617,044	\$ 51,443	\$ 668,487	\$ 832	\$ 63,055	\$ 121,391
Customer deposits	-	83,745	83,745	-	-	-
Unearned revenue	89,613	-	89,613	-	-	53,886
Accrued interest payable	53,581	34,708	88,289	-	-	-
Long-term liabilities						
Due within one year	337,573	241,010	578,583	-	-	-
Due in more than one year	2,206,884	8,080,975	10,287,859	-	12,444	161,252
Total liabilities	3,304,695	8,491,881	11,796,576	832	75,499	336,529
NET ASSETS						
Invested in capital assets, net of related debt	2,957,588	4,480,773	7,438,361	-	83,550	287,729
Restricted for:						
Capital projects	-	-	-	-	-	-
Register of Deeds	764	-	764	-	-	-
Working capital	-	-	-	-	54,654	-
Unrestricted (deficit)	9,166,963	570,288	9,737,251	169,672	426,943	780,959
Total net assets	\$ 12,125,315	\$ 5,051,061	\$ 17,176,376	\$ 169,672	\$ 565,147	\$ 1,068,688

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, 2008

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	\$ 2,578,607	\$ 527,813	\$ 16,864	\$ -	\$ (2,033,930)	\$ -	\$ (2,033,930)	\$ -	\$ -	\$ -
Public safety	5,446,353	1,166,545	350,308	-	(3,929,500)	-	(3,929,500)	-	-	-
Transportation	32,009	-	74,738	-	42,729	-	42,729	-	-	-
Economic and physical development	554,668	2,414	127,483	-	(424,771)	-	(424,771)	-	-	-
Human services	8,385,004	28,924	4,184,624	-	(4,171,456)	-	(4,171,456)	-	-	-
Cultural and recreation	79,111	-	-	-	(79,111)	-	(79,111)	-	-	-
Education	5,822,720	-	-	-	(5,822,720)	-	(5,822,720)	-	-	-
Interest on long-term debt	107,998	-	-	-	(107,998)	-	(107,998)	-	-	-
Total governmental activities	23,006,470	1,725,696	4,754,017	-	(16,526,757)	-	(16,526,757)	-	-	-
Business-type activities:										
Sanitation	994,863	885,083	-	-	-	(109,780)	-	-	-	-
Water and Sewer	1,210,969	1,246,113	-	-	-	35,144	-	-	-	-
Total business-type activities	2,205,832	2,131,196	-	-	-	(74,636)	-	-	-	-
Total primary government	\$ 25,212,302	\$ 3,856,892	\$ 4,754,017	\$ -	\$ (16,526,757)	\$ (74,636)	\$ (16,601,393)	\$ -	\$ -	\$ -
Component units:										
Economic Development Commission	\$ 20,378	\$ -	\$ 20,000	\$ -				\$ (378)	\$ -	\$ -
ABC Board	1,728,896	1,774,118	-	-				-	45,222	-
Public Health Authority	4,867,877	2,751,964	1,809,290	-				-	-	(306,623)
Total component units	\$ 6,617,151	\$ 4,526,082	\$ 1,829,290	\$ -				\$ (378)	\$ 45,222	\$ (306,623)
General revenues:										
Taxes:										
Property taxes, levied for general purpose					\$ 11,015,350	\$ -	\$ 11,015,350	\$ -	\$ -	\$ -
Local option sales tax					5,072,625	-	5,072,625	-	-	-
Other taxes					277,697	-	277,697	-	-	-
Grants and contributions not restricted to specific programs					106,488	-	106,488	-	-	267,709
Investment earnings, unrestricted					314,152	19,276	333,428	6,803	7,214	16,685
Miscellaneous, unrestricted					424,721	94,794	519,515	5,000	-	-
Transfers					108,765	(108,765)	-	-	-	-
Total general revenues, special items and transfers					17,319,798	5,305	17,325,103	11,803	7,214	284,394
Change in net assets					793,041	(69,331)	723,710	11,425	52,436	(22,229)
Net assets, restated - beginning					11,332,274	5,120,392	16,452,666	158,247	512,711	1,090,917
Net assets - ending					\$ 12,125,315	\$ 5,051,061	\$ 17,176,376	\$ 169,672	\$ 565,147	\$ 1,068,688

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, 2008

	Major	Nonmajor	
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,126,633	\$ 1,372,829	\$ 7,499,462
Taxes receivable	1,230,677	6,237	1,236,914
Accounts receivables, net	1,520,931	47,387	1,568,318
Due from other funds	858,678	10,138	868,816
	<u>9,736,919</u>	<u>1,436,591</u>	<u>11,173,510</u>
Total Assets	<u>\$ 9,736,919</u>	<u>\$ 1,436,591</u>	<u>\$ 11,173,510</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable & accrued liabilities	\$ 612,480	\$ 4,564	\$ 617,044
Due to other funds	23,021	17,534	40,555
Deferred revenue	1,230,677	6,237	1,236,914
Unearned revenue	89,613	-	89,613
	<u>1,955,791</u>	<u>28,335</u>	<u>1,984,126</u>
Total Liabilities	<u>1,955,791</u>	<u>28,335</u>	<u>1,984,126</u>
Fund balances:			
Reserved for:			
State Statute	2,379,609	57,525	2,437,134
Register of Deeds	764	-	764
Unreserved:			
Designated for subsequent year's expenditures	887,250	-	887,250
Undesignated	4,513,505	-	4,513,505
Unreserved, reported in nonmajor:			
Special revenue funds	-	1,345,231	1,345,231
Capital projects funds	-	5,500	5,500
	<u>7,781,128</u>	<u>1,408,256</u>	<u>9,189,384</u>
Total fund balances	<u>7,781,128</u>	<u>1,408,256</u>	<u>9,189,384</u>
Total liabilities and fund balances	<u>\$ 9,736,919</u>	<u>\$ 1,436,591</u>	<u>\$ 11,173,510</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, 2008

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

Total equity and other credits (Exhibit 3)	\$ 9,189,384
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,944,479
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	352,576
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	1,236,914
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>(2,598,038)</u>
Net assets of governmental activities (Exhibit 1)	<u><u>\$ 12,125,315</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, 2008**

	Major	Nonmajor	
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Ad valorem taxes	\$ 10,847,443	\$ 86,292	\$ 10,933,735
Local option sales taxes	5,171,032	33,815	5,204,847
Other taxes and licenses	98,089	47,386	145,475
Unrestricted intergovernmental	106,488	-	106,488
Restricted intergovernmental	4,662,193	165,704	4,827,897
Permits and fees	249,056	-	249,056
Sales and services	1,262,864	-	1,262,864
Investment earnings	308,256	5,896	314,152
Miscellaneous	564,617	-	564,617
	<u>23,270,038</u>	<u>339,093</u>	<u>23,609,131</u>
Total Revenues	23,270,038	339,093	23,609,131
<u>EXPENDITURES</u>			
Current:			
General government	2,495,783	-	2,495,783
Public safety	5,430,802	120,283	5,551,085
Transportation	32,009	-	32,009
Economic and physical development	549,445	500	549,945
Human services	8,396,503	-	8,396,503
Cultural and recreational	79,111	-	79,111
Education	4,788,720	1,034,000	5,822,720
Capital outlay	25,174	-	25,174
Debt service:			
Principal	161,667	-	161,667
Interest	104,240	-	104,240
	<u>22,063,454</u>	<u>1,154,783</u>	<u>23,218,237</u>
Total Expenditures	22,063,454	1,154,783	23,218,237
Excess (deficiency) of revenues over expenditures	<u>1,206,584</u>	<u>(815,690)</u>	<u>390,894</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, 2008**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in from other funds	233,424	1,070,380	1,303,804
Transfers out to other funds	(1,076,735)	(118,304)	(1,195,039)
Proceeds from debt	-	-	-
	<u>(843,311)</u>	<u>952,076</u>	<u>108,765</u>
Total Other Financing Sources (Uses)			
Net change in fund balance	363,273	136,386	499,659
Fund Balance - July 1	<u>7,417,855</u>	<u>1,271,870</u>	<u>8,689,725</u>
Fund Balance - June 30	<u>\$ 7,781,128</u>	<u>\$ 1,408,256</u>	<u>\$ 9,189,384</u>

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

HERTFORD COUNTY, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

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)	\$ 499,659
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.	323,081
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.	(345,201)
Cost of assets sold and disposed of not recorded in the fund statements	(47,316)
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.	322,646
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	(41,443)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	<u>81,615</u>
Total changes in net assets of governmental activities	<u><u>\$ 793,041</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 - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<u>REVENUES</u>				
Ad valorem taxes	\$ 10,584,681	\$ 10,764,231	\$ 10,847,443	\$ 83,212
Local option sales taxes	4,647,889	4,785,451	5,171,032	385,581
Other taxes and licenses	88,400	86,900	98,089	11,189
Unrestricted intergovernmental	65,000	105,000	106,488	1,488
Restricted intergovernmental	4,878,723	4,936,249	4,662,193	(274,056)
Permits and fees	282,000	282,000	249,056	(32,944)
Sales and services	1,031,200	1,247,400	1,262,864	15,464
Investment earnings	315,000	315,000	308,256	(6,744)
Miscellaneous	40,000	480,371	564,617	84,246
Total revenues	21,932,893	23,002,602	23,270,038	267,436
<u>EXPENDITURES</u>				
Current:				
General government	2,431,475	2,567,499	2,495,783	71,716
Public safety	4,734,932	5,542,532	5,430,802	111,730
Transportation	25,300	32,010	32,009	1
Economic and physical development	502,442	592,405	549,445	42,960
Human services	8,630,604	9,076,594	8,396,503	680,091
Cultural and recreational	79,154	79,154	79,111	43
Education	4,924,720	4,788,720	4,788,720	-
Debt service	267,157	267,157	265,907	1,250
Capital outlay	950,000	950,000	25,174	924,826
Contingency	197,300	-	-	-
Total Expenditures	22,743,084	23,896,071	22,063,454	1,832,617
Revenues Over (Under) Expenditures	(810,191)	(893,469)	1,206,584	2,100,053

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to other funds	(1,070,380)	(1,147,372)	(1,076,735)	70,637
Transfers from other funds	288,024	369,345	233,424	
Proceeds from debt	925,000	925,000	-	(925,000)
Appropriated fund balance	667,547	746,496	-	(746,496)
Total other financing sources (uses)	<u>810,191</u>	<u>893,469</u>	<u>(843,311)</u>	<u>(1,736,780)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	363,273	<u>\$ 363,273</u>
Fund Balance - July 1			<u>7,417,855</u>	
Fund Balance - June 30			<u>\$ 7,781,128</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, 2008

	Major Funds			
	Northern Water District	Southern Water District	Sanitation Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 214,759	\$ 646,743	420,791	\$ 1,282,293
Receivables (net)	23,264	73,627	214,574	311,465
Due from other funds	-	-	12,883	12,883
Total Current Assets	238,023	720,370	648,248	1,606,641
Noncurrent Assets:				
Restricted cash and cash equivalents	-	-	-	-
Capital assets:				
Land, improvements, and construction in progress	-	10,000	23,046	33,046
Other capital assets, net of depreciation	3,771,791	8,741,112	231,496	12,744,399
Total Capital Assets	3,771,791	8,751,112	254,542	12,777,445
Total non-current assets	3,771,791	8,751,112	254,542	12,777,445
Total Assets	\$ 4,009,814	\$ 9,471,482	\$ 902,790	\$ 14,384,086
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 928	\$ 5,667	\$ 44,848	\$ 51,443
Customer deposits	21,525	62,220	-	83,745
Accrued interest payable	10,128	24,580	-	34,708
Due to other funds	172,151	668,993	-	841,144
Compensated absences	1,094	1,094	4,140	6,328
Installment obligations payable	4,091	4,091	-	8,182
General obligation bonds payable	43,000	183,500	-	226,500
Total Current Liabilities	252,917	950,145	48,988	1,252,050
Noncurrent Liabilities:				
Compensated absences	3,283	3,283	12,419	18,985
Installment obligations payable	4,245	4,245	-	8,490
General obligation bonds payable	2,398,500	5,655,000	-	8,053,500
Total Noncurrent Liabilities	2,406,028	5,662,528	12,419	8,080,975
Total Liabilities	2,658,945	6,612,673	61,407	9,333,025
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	1,321,955	2,904,276	254,542	4,480,773
Unrestricted	28,914	(45,467)	586,841	570,288
Total Net Assets	\$ 1,350,869	\$ 2,858,809	\$ 841,383	\$ 5,051,061

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, 2008

	Major			
	Northern Water District	Southern Water District	Sanitation Fund	Total
OPERATING REVENUES				
Charges for services	\$ 310,087	\$ 853,465	\$ 885,083	\$ 2,048,635
Water taps	20,495	62,066	-	82,561
Miscellaneous	35,933	7,723	51,138	94,794
Total operating revenues	366,515	923,254	936,221	2,225,990
OPERATING EXPENSES				
Administration and Operations	234,387	241,260	961,462	1,437,109
Depreciation	94,046	218,416	33,401	345,863
Total Operating Expenses	328,433	459,676	994,863	1,782,972
OPERATING INCOME (LOSS)	38,082	463,578	(58,642)	443,018
NONOPERATING REVENUES (EXPENSES)				
Interest and investment revenue	-	-	19,276	19,276
Interest paid	(121,219)	(301,641)	-	(422,860)
Total Nonoperating Revenues (Expenses) - Net	(121,219)	(301,641)	19,276	(403,584)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(83,137)	161,937	(39,366)	39,434
Capital Contributions	-	-	-	-
Transfer to other funds	(15,120)	(100,000)	-	(115,120)
Transfer from other funds	1,173	1,173	4,009	6,355
Total	(13,947)	(98,827)	4,009	(108,765)
CHANGE IN NET ASSETS	(97,084)	63,110	(35,357)	(69,331)
TOTAL NET ASSETS, RESTATED-BEGINNING	1,447,953	2,795,699	876,740	5,120,392
TOTAL NET ASSETS-ENDING	\$ 1,350,869	\$ 2,858,809	\$ 841,383	\$ 5,051,061

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, 2008

	Major Funds			
	Northern Water District	Southern Water District	Nonmajor	Total
Cash flows from operating activities:				
Cash received from customers	\$ 357,326	\$ 913,110	\$ 888,108	\$ 2,158,544
Cash paid for goods and services	(132,865)	(149,218)	(689,060)	(971,143)
Cash paid to employees for services	(104,776)	(91,780)	(268,729)	(465,285)
Other operating revenue	35,933	7,723	51,138	94,794
Net cash provided by (used) by operating activities	155,618	679,835	(18,543)	816,910
Cash flows from noncapital financing activities:				
Due from other funds	-	-	-	-
Due to other funds	-	-	-	-
Transfer of assets from other funds	-	-	-	-
Transfers (to) from other funds	(13,947)	(98,827)	4,009	(108,765)
Net cash provided (used) by noncapital financing activities	(13,947)	(98,827)	4,009	(108,765)
Cash flows from capital and related financing activities:				
Capital contributions	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-
Purchase of capital assets	-	-	-	-
Proceeds from debt	-	-	-	-
Principal paid on bond maturities	(44,942)	(183,942)	-	(228,884)
Interest paid on bond maturities	(121,219)	(301,641)	-	(422,860)
Net cash provided by capital and related financing activities	(166,161)	(485,583)	-	(651,744)
Cash flows from investing activities:				
Interest on investments	-	-	19,276	19,276
Net cash provided by investing activities	-	-	19,276	19,276
Net increase (decrease) in cash and cash equivalents	(24,490)	95,425	4,742	75,677
Cash and cash equivalents, July 1	239,249	551,318	416,049	1,206,616
Cash and cash equivalents, June 30	\$ 214,759	\$ 646,743	\$ 420,791	\$ 1,282,293
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 38,082	\$ 463,578	\$ (58,642)	\$ 443,018
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	94,046	218,416	33,401	345,863
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	26,744	(2,421)	3,025	27,348
Increase (decrease) in accounts payable and accrued liabilities	(4,154)	(1,077)	1,447	(3,784)
Increase (decrease) in customer deposits	675	1,750	-	2,425
Increase (decrease) in accrued interest payable	(266)	(902)	-	(1,168)
Increase (decrease) in compensated absences	491	491	2,226	3,208
Total adjustments	117,536	216,257	40,099	373,892
Net cash provided by operating activities	\$ 155,618	\$ 679,835	\$ (18,543)	\$ 816,910

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

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, 2008**

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

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B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

The statement of activities presents a comparison between direct expenses and program revenues for the 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 operations in the County.

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

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

The County reports the following fund type:

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

**HERTFORD COUNTY, NORTH CAROLINA
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Interest Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Hertford County Board of Education and interest collected and three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the 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
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North Carolina. Effective with this change in the law, Hertford County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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

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

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

D. Budgetary Data

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

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for the General Fund and functional level for all other annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations 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.

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

**HERTFORD COUNTY, NORTH CAROLINA
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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, 2008, 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, 2007. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance for Doubtful Accounts

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

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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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

At June 30, 2008, 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.

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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:

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

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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 2008-2009 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 \$ 2,935,931 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)	\$ 8,717,844
Less Accumulated Depreciation	<u>4,773,365</u>
Net capital assets	<u>3,944,479</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.	352,576
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	1,236,914
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	(2,136,891)
Compensated absences	(407,566)
Accrued interest payable	<u>(53,581)</u>
Total adjustment	<u>\$ 2,935,931</u>

**HERTFORD COUNTY, NORTH CAROLINA
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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 \$ 293,382 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	\$ 323,081
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	(345,201)
Cost of assets disposed of not recorded in the fund statements	(47,316)
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	322,646
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)	4,941
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(46,384)
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 7-1-07	(1,178,733)
Recording of tax receipts deferred in the fund statements as of 6-30-08	1,236,914
Decrease in accrued taxes receivable for year ended 6-30-08	23,434
Total adjustment	<u>\$ 293,382</u>

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

The County had expenditures exceed appropriation in the following areas.

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General Fund	
Administration	\$ 634
Public Buildings	13,136
Jail	37,595
Emergency Communication	12,949
Rescue	30,924
Inspection	373
Mental Health	32
Appropriations	<u>6,363</u>
Total	<u>\$ 102,006</u>

The County had failed to properly budget based upon an input error for accounts payable. The County will strive in the upcoming year to better anticipate all 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, the Public Health Authority's, and the ABC Board's, deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, the Economic Development Commission's, the Public Health Authority's, or the ABC Boards agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the Economic Development Commission, the Public Health Authority, and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Economic Development Commission, the Public Health Authority, or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Economic Development Commission, the Public Health Authority, or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and 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, the Public Health Authority, and the ABC Board rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Economic Development Commission have no formal policy regarding custodial credit risk for deposits.

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NOTES TO THE FINANCIAL STATEMENTS
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At June 30, 2008, the County's deposits had a carrying amount of \$1,398,092 and a bank balance of \$1,774,729. Of the bank balance, \$100,000 in non-interest bearing deposits, and \$1,674,729 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2008, Hertford County had \$1,200 cash on hand.

At June 30, 2008, the ABC Board's deposits had a carrying amount of \$307,720 and a bank balance of \$329,868. Of the bank balance, \$100,000 was covered by federal depository insurance and the balance was covered by collateral held under the pooling method.

At June 30, 2008, the Economic Development Commission had a carrying amount of \$170,504 and a bank balance of \$170,504. Of the bank balance, \$100,037 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2008, the Public Health Authority had deposits with a carrying amount of \$136,476 and a bank balance of \$282,439. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$182,439 was covered by collateral held under the pooling method.

2. Investments

At June 30, 2008, the County's investments consisted of \$7,470,022 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

At June 30, 2008, the Public Health Authority invested \$86,455 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>
2005	\$ 791,627	\$ 258,092	\$ 1,049,720
2006	796,530	188,737	985,267
2007	783,201	115,169	898,370
2008	808,185	-	808,185
Totals	<u>\$ 3,179,544</u>	<u>\$ 561,998</u>	<u>\$ 3,741,543</u>

**HERTFORD COUNTY, NORTH CAROLINA
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4. Receivables

Receivables at the government-wide level at June 30, 2008, were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from other governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 613,737	\$ 1,589,490	\$ 907,194	\$ 3,110,421
Other Governmental	<u>47,387</u>	<u>-</u>	<u>-</u>	<u>47,387</u>
Total-governmental activities	<u>\$ 661,124</u>	<u>\$ 1,589,490</u>	<u>\$ 907,194</u>	<u>\$ 3,157,808</u>
Business-type Activities:				
Northern Water District	\$ 23,264	\$ -	\$ -	\$ 23,264
Southern Water District	73,627	-	-	73,627
Sanitation	228,424	-	9,160	237,584
Other Business-type	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	325,315	-	9,160	334,475
Allowance for doubtful accounts	<u>(23,010)</u>	<u>-</u>	<u>-</u>	<u>(23,010)</u>
Total-business-type activities	<u>\$ 302,305</u>	<u>\$ -</u>	<u>\$ 9,160</u>	<u>\$ 311,465</u>

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

Local option sales tax	\$ 842,953
Sales tax refund	64,241
Scrap tire tax	7,095
White goods tax	<u>2,065</u>
Total	<u>\$ 916,354</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2008, 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>905,840</u>	<u>10,000</u>	<u>-</u>	<u>(915,840)</u>	<u>-</u>
Total capital assets not being Depreciated	<u>1,347,871</u>	<u>10,000</u>	<u>-</u>	<u>(915,840)</u>	<u>442,031</u>
Capital assets being depreciated:					
Buildings	4,365,105	-	-	915,840	5,280,945
Equipment	1,234,941	55,855	-	-	1,290,796
Vehicles and motor equipment	<u>1,575,206</u>	<u>257,226</u>	<u>112,937</u>	<u>31,893</u>	<u>1,704,072</u>
Total capital assets being Depreciated	<u>7,175,252</u>	<u>313,081</u>	<u>112,937</u>	<u>947,733</u>	<u>8,275,813</u>

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	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Less accumulated depreciation for:					
Buildings	2,423,977	89,220	-	-	2,513,197
Equipment	1,015,632	81,144	-	-	1,096,776
Vehicles and motor equipment	1,069,599	174,837	112,937	31,893	1,163,392
Total accumulated depreciation	<u>4,509,208</u>	<u>\$ 345,201</u>	<u>\$ 112,937</u>	<u>\$ 31,893</u>	<u>4,773,365</u>
Total capital assets being depreciated, net	<u>2,666,044</u>				<u>3,502,448</u>
Governmental activity capital assets, net	<u>\$ 4,013,915</u>				<u>\$ 3,944,479</u>
Business-type activities:					
Northern Water District					
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>536,339</u>	<u>-</u>	<u>-</u>	<u>(536,339)</u>	<u>-</u>
Total capital assets not being Depreciated	<u>536,339</u>	<u>-</u>	<u>-</u>	<u>(536,339)</u>	<u>-</u>
Capital assets being depreciated:					
Plant and distribution systems	4,043,204	-	-	536,339	4,579,543
Machinery and equipment	-	-	-	-	-
Vehicles and motor equipment	<u>12,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,278</u>
Total capital assets being Depreciated	<u>4,059,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,591,821</u>
Less accumulated depreciation for:					
Plant and distribution systems	724,346	91,591	-	-	815,937
Machinery and equipment	-	-	-	-	-
Vehicles and motor equipment	<u>1,637</u>	<u>2,456</u>	<u>-</u>	<u>-</u>	<u>4,093</u>
Total accumulated depreciation	<u>725,983</u>	<u>\$ 94,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>820,030</u>
Total capital assets being depreciated, net	<u>3,329,499</u>				<u>3,771,791</u>
Northern Water District capital assets, net	<u>\$ 3,865,838</u>				<u>\$ 3,771,791</u>
Southern Water District					
Capital assets not being depreciated:					
Land	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>85,918</u>	<u>-</u>	<u>(16,070)</u>	<u>(31,893)</u>	<u>37,955</u>
Total capital assets being depreciated	<u>10,553,179</u>	<u>-</u>	<u>(16,070)</u>	<u>(31,893)</u>	<u>10,505,216</u>

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	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Less accumulated depreciation for:					
Plant and distribution systems	1,499,689	208,648	-	-	1,708,337
Machinery and equipment	29,442	3,485	-	-	32,927
Vehicles and motor equipment	64,520	6,283	(16,070)	(31,893)	22,840
Total accumulated depreciation	<u>1,593,651</u>	<u>\$ 218,416</u>	<u>\$ (16,070)</u>	<u>\$ (31,893)</u>	<u>1,764,104</u>
Total capital assets being depreciated, net	<u>8,959,528</u>				<u>8,741,112</u>
Southern Water District capital assets, net	<u>\$ 8,969,528</u>				<u>\$ 8,751,112</u>
Sanitation					
Capital assets not being depreciated:					
Land	<u>\$ 23,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,046</u>
Total capital assets not being depreciated	<u>23,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,046</u>
Capital assets being depreciated:					
Plant and distribution systems	260,154	-	-	-	260,154
Machinery and equipment	150,963	-	-	-	150,963
Vehicles and motor equipment	<u>166,470</u>	<u>30,980</u>	<u>-</u>	<u>-</u>	<u>261,401</u>
Total capital assets being depreciated	<u>656,448</u>	<u>30,980</u>	<u>-</u>	<u>-</u>	<u>672,401</u>
Less accumulated depreciation for:					
Plant and distribution systems	149,379	7,022	-	-	154,401
Machinery and equipment	75,702	11,469	-	-	87,171
Vehicles and motor equipment	<u>166,470</u>	<u>30,980</u>	<u>-</u>	<u>-</u>	<u>197,451</u>
Total accumulated depreciation	<u>391,551</u>	<u>\$ 49,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>441,023</u>
Total capital assets being depreciated, net	<u>264,897</u>				<u>231,496</u>
Other business-type capital assets, net	<u>\$ 287,943</u>				<u>\$ 254,542</u>
Business-type activities capital assets, net	<u>\$ 13,123,309</u>				<u>\$ 12,777,445</u>

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

General Government	\$ 40,614
Public Safety	287,171
Human Services	13,673
Economic and Physical Development	<u>3,743</u>
Total	<u>\$ 345,201</u>

Discretely presented component units

Capital assets at June 30, 2008 for the ABC Board were as follows:

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Capital assets not being depreciated:	
Land	\$ 24,220
Capital assets being depreciated:	
Buildings, improvements	178,233
Furniture and equipment	104,807
Vehicles	<u>29,801</u>
Total capital assets being depreciated	<u>312,841</u>
Less accumulated depreciation for:	
Buildings, improvements	162,651
Furniture and equipment	67,019
Vehicles	23,841
Deposit on Equipment	<u>-</u>
Total accumulated depreciation	<u>253,511</u>
Total capital assets being depreciated, net	<u>59,330</u>
ABC Board capital assets, net	<u>\$ 83,550</u>

Activity for the Public Health Authority for the year ended June 30, 2008, 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	109,973	-	-	-	109,973
Construction in Progress	-	-	-	-	-
Vehicles	<u>167,862</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>187,862</u>
Total Capital Assets being depreciated	<u>380,591</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>400,591</u>
Less accumulated depreciation					
Land improvements	875	500	-	-	1375
Leasehold improvements	9,416	4,363	-	-	13,779
Equipment and furniture	56,608	12,188	-	-	68,796
Construction in Progress	<u>9,792</u>	<u>19,120</u>	<u>-</u>	<u>-</u>	<u>28,912</u>
Total accumulated depreciation	<u>76,691</u>	<u>\$ 36,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>112,862</u>
Public Health Authority capital assets, net	<u>\$ 303,900</u>				<u>\$ 287,729</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2008, were as follows:

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 612,480	\$ -	\$ -	\$ 612,480
Other governmental	<u>4,564</u>	<u>-</u>	<u>-</u>	<u>4,564</u>
Total-governmental activities	<u>\$ 617,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 617,044</u>

**HERTFORD COUNTY, NORTH CAROLINA
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	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Business-type Activities:				
Northern Water District	\$ 928	\$ 10,128	\$ -	\$ 11,056
Southern Water District	5,667	24,580	-	30,247
Sanitation	44,848	-	-	44,848
Other business-type	-	-	-	-
Total-business-type activities	<u>\$ 51,443</u>	<u>\$ 34,708</u>	<u>\$ -</u>	<u>\$ 86,151</u>

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 4.90% and 4.86%, 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, 2006, 2007, and 2008 were \$241,074, \$258,356, and \$265,878, 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, 2008, the Separation Allowance's membership consisted of:

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

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, 2008 were \$69,556, which consisted of \$33,618 from the County and \$35,938 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.

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Funding Policy – On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2008, the County's required and actual contributions were \$7,910.

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, 2008, the County made payments for postretirement health benefit premiums of \$53,037. The County obtains health care coverage through private insurers. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% and 0.14% of covered payroll, respectively.

f. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2008, the County made contributions to the State for death benefits of \$5,719. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

g. Hertford County Public Health Authority Pension Plan

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

**HERTFORD COUNTY, NORTH CAROLINA
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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)	\$ -	\$ 89,613
Taxes receivable, net (General)	1,230,677	-
Prepaid taxes not yet earned (Special Revenue)	-	-
Taxes receivable, net (Special Revenue)	6,237	-
Total	<u>\$ 1,236,914</u>	<u>\$ 89,613</u>

4. Risk Management

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

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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, 2008:

<u>For Year Ending June 30</u>	<u>Amount</u>
2009	\$ 47,170
2010	51,970
2011	51,970
2012	<u>51,970</u>
Total minimum payments required	<u>\$ 203,080</u>

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

The Public Health Authority leases facilities with remaining commitments of two years. Total operating lease expense for these facilities during the fiscal year ended June 30, 2008 was \$47,178.

For the Authority, future minimum rental payments for these facilities as of June 30, 2008 are as follows:

<u>For Year Ending June 30</u>	<u>Amount</u>
2009	\$ 46,500
2010	<u>45,825</u>
Total	<u>\$ 92,325</u>

6. Long-Term Obligations

a. Installment Purchases

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 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 December 2007, the amortization schedule was redone due to insurance payment in the amount of \$36,500. The new contract requires 2 semi-annual payments of \$8,668 and one semi-annual payment of \$8,952, which includes interest at 3.429%.

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%. This loan paid off during the Fiscal Year 2007-2008.

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%.

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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, 2008, including \$270,734 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 144,451	\$ 39,246	\$ 8,181	\$ 629
2010	102,441	34,291	8,491	320
2011	61,667	30,192	-	-
2012	61,667	27,676	-	-
2013	61,667	25,160	-	-
2014-2018	308,333	88,060	-	-
2019-2022	<u>246,665</u>	<u>25,160</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 986,891</u>	<u>\$ 269,785</u>	<u>\$ 16,672</u>	<u>\$ 949</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, 2008 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.

\$ 1,150,000

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Serviced by the County's Southern Water District:

\$3,474,000 1997 Water Serial Bonds due in annual installments of \$35,000 to \$140,000 through June 1, 2037; interest at 5.0 percent.	\$ 3,088,000
\$1,400,000 1996 Water Serial Bonds due in annual installments of \$25,000 to \$100,000 through June 1, 2016; interest at 5.7 percent.	725,000
\$1,740,000 2001 Water Serial Bonds due in annual installments of \$18,000 to \$72,000 through June 1, 2041; interest at 4.75 percent.	1,619,500
\$ 435,000 2001 Water Serial Bonds due in annual installments of \$4,500 to \$18,000 through June 1, 2041; interest at 4.875 percent.	406,000

Serviced by the County's Northern Water District:

\$2,750,000 1997 Water Serial Bonds due in annual installments of \$29,000 to \$116,000 through June 1, 2037; interest at 4.875 percent.	<u>2,441,500</u>
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Total	<u>\$ 8,280,000</u>
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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
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	100,000	40,000	253,500	361,929
2014-2018	525,000	120,500	1,115,000	1,617,621
2019-2023	125,000	6,750	1,127,500	1,355,571
2024-2028	-	-	1,432,000	1,050,483
2029-2033	-	-	1,665,000	671,606
2034-2038	-	-	1,472,000	255,380
2039-2042	-	-	270,000	25,786
Total	<u>\$ 1,150,000</u>	<u>\$ 380,250</u>	<u>\$ 8,280,000</u>	<u>\$ 6,911,556</u>

At June 30, 2008, Hertford County had a legal debt margin of \$84,447,040.

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, 2008:

	Balance July 1, 2007	Corrections	Increases	Decreases	Balance June 30, 2008	Current Portion
Governmental Activities:						
General obligation debt	\$ 1,250,000	\$ -	\$ -	\$ 100,000	\$ 1,150,000	\$ 100,000
Installment purchases	1,209,537	-	-	222,646	986,891	135,682
Compensated absences	361,181	-	407,566	361,181	407,566	101,891
Total	<u>\$ 2,820,719</u>	<u>\$ -</u>	<u>\$ 407,566</u>	<u>\$ 683,827</u>	<u>\$ 2,544,457</u>	<u>\$ 337,573</u>

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	Balance July 1, 2007	Corrections	Increases	Decreases	Balance June 30, 2008	Current Portion
Business-type Activities:						
General obligation debt	\$ 8,501,000	\$ -	\$ -	\$ 221,000	\$ 8,280,000	\$ 226,500
Installment purchases	24,555	-	-	7,883	16,672	8,182
Compensated absences	<u>22,105</u>	-	<u>25,313</u>	<u>22,105</u>	<u>25,313</u>	<u>6,328</u>
Total	<u>\$ 8,547,660</u>	<u>\$ -</u>	<u>\$ 25,313</u>	<u>\$ 250,988</u>	<u>\$ 8,321,985</u>	<u>\$ 241,010</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, 2008:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental activities:				
Compensated absences	<u>\$ 151,772</u>	<u>\$ 149,088</u>	<u>\$ 139,608</u>	<u>\$ 161,252</u>

C. Interfund Balances and Activity

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
Transfers From/To Other Funds:			
<u>General Fund</u>			
General Fund	School Capital Reserve Fund	\$ 1,034,000	To transfer restricted sales tax money
	Revaluation Fund	36,380	To reserve funds for future reval process
	Sanitation Fund	4,009	To repay expenses
	Northern Water District Fund	1,173	To allocate insurance proceeds
	Southern Water District Fund	1,173	To allocate insurance proceeds
		<u>\$ 1,076,735</u>	
<u>Special Revenue Fund</u>			
Emergency Telephone System Fund	General Fund	<u>\$ 118,304</u>	To fund projects for GIS and 911
<u>Enterprise Fund</u>			
Northern Water District Fund	General Fund	\$ 15,120	To repay expenses
Southern Water District Fund	General Fund	100,000	To repay expenses
		<u>\$ 115,120</u>	
Due To/From Other Funds:			
<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, 2008**

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, 2008. 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 \$736,737 to the community college for operating purposes during the fiscal year ended June 30, 2008. In addition, the County made debt service payments of \$166,500 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, 2008. 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, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$85,622 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, 2008. 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 has an ongoing financial responsibility for the joint venture because the Authority's continued existence

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$21,709 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, 2008. The County was a subrecipient of various grants and other sources totaling \$271,055 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	\$ 28,940,039	\$ 15,047,574
Food Stamp Program	5,025,884	-
Temporary Assistance to Needy Families	307,479	-
Energy Assistance	96,488	-
CWS Adoption Assistance	-	45,398
Adoption Assistance	50,635	14,203
State/County Special Assistance	-	462,741
Title IV-E, Foster Care	54,368	10,601
State Foster Care	<u>-</u>	<u>15,647</u>
Totals	<u>\$ 34,474,893</u>	<u>\$ 15,596,164</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.

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007
	Budget	Actual	Variance Positive (Negative) Actual
REVENUES			
Ad Valorem Taxes:			
Taxes		\$ 10,765,612	\$ 10,570,061
Penalties and interest		81,831	101,854
Total	10,764,231	10,847,443	83,212
Local Option Sales Taxes:			
Article 39 and 44		2,604,190	2,605,376
Article 40 one-half of one percent		1,221,014	1,225,968
Article 42 one-half of one percent		1,213,606	1,218,719
Medicaid hold harmless		132,222	-
Total	4,785,451	5,171,032	385,581
Other taxes and licenses:			
CATV franchise		46,929	49,460
Occupancy tax		48,555	48,812
Privilege licenses		2,605	4,193
Total	86,900	98,089	11,189
Unrestricted intergovernmental:			
ABC profit distribution		35,139	31,336
Beer and wine tax		71,349	70,288
Total	105,000	106,488	1,488
Restricted intergovernmental:			
Social service grants and fees		3,714,454	3,620,946
Federal and State grants		866,519	1,048,234
Court facility fees		73,880	75,259
ABC bottles taxes		7,340	7,307
Total	4,936,249	4,662,193	(274,056)
Permits and fees:			
Building and inspection fees		87,454	105,541
Planning and zoning		2,414	5,504
Register of deeds		159,188	195,214
Total	282,000	249,056	(32,944)

HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007
	Budget	Actual	Variance Positive (Negative) Actual
Sales and services:			
Rents, concessions, and fees		338,512	343,616
Jail Fees		212,361	259,281
Ambulance and rescue squad fees		647,787	611,983
Vehicle tax collection fees		64,204	57,569
Total	1,247,400	1,262,864	15,464
Investment earnings	315,000	308,256	(6,744)
Miscellaneous Revenues			
Sale of materials		-	15,750
Other		564,617	107,442
Total	480,371	564,617	84,246
Total Revenues	23,002,602	23,270,038	267,436
EXPENDITURES			
<u>General Government</u>			
Governing Body:			
Salaries and employee benefits		61,721	62,241
Other operating expenditures		28,699	37,665
Total	93,144	90,420	2,724
Administration:			
Salaries and employee benefits		230,282	228,679
Other operating expenditures		47,518	14,166
Capital outlay		-	-
Total	277,166	277,800	(634)
Elections:			
Salaries and employee benefits		92,785	59,248
Other operating expenditures		41,243	24,311
Capital outlay		1,653	-
Total	138,065	135,681	2,384

HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007
	Budget	Actual	Variance Positive (Negative) Actual
Finance:			
Salaries and employee benefits		206,343	198,375
Other operating expenditures		59,744	84,442
Capital outlay		-	-
Total	279,107	266,087	13,020
Taxes:			
Salaries and employee benefits		341,151	353,583
Other operating expenditures		115,037	102,017
Capital outlay		-	1,200
Total	488,087	456,188	31,899
Legal:			
Contracted services	55,600	47,622	7,978
Register of Deeds:			
Salaries and employee benefits		138,274	132,339
Other operating expenditures		34,560	26,993
Capital outlay		-	19,260
Total	175,794	172,834	2,960
Public Buildings:			
Salaries and employee benefits		159,737	136,591
Other operating expenditures		184,901	176,475
Capital outlay		-	5,634
Total	331,502	344,638	(13,136)
Land Records:			
Salaries and employee benefits		85,518	80,704
Other operating expenditures		24,678	29,791
Total	121,955	110,196	11,759
Data Center:			
Data processing contract services		160,740	196,980
Total	160,740	160,740	-
Court Facilities:			
Operating expenditures		76,346	66,667
Total	78,039	76,346	1,693

HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007
	Budget	Actual	Variance Positive (Negative) Actual
Central Services:			
Operating expenditures		333,892	313,056
Capital outlay		23,339	23,568
Total	368,300	357,231	11,069
Total General Government	2,567,499	2,495,783	71,716
Public Safety			
Sheriff:			
Salaries and employee benefits		1,080,935	1,064,489
Other operating expenditures		396,907	335,977
Capital outlay		107,143	196,492
Total	1,647,283	1,584,985	62,298
Jail:			
Salaries and employee benefits		1,019,826	984,031
Other operating expenditures		621,029	509,405
Capital outlay		7,824	8,241
Total	1,611,084	1,648,679	(37,595)
Emergency communications:			
Salaries and employee benefits		136,294	139,491
Other operating expenditures		44,821	15,434
Capital outlay		20,591	73,420
Total	188,757	201,706	(12,949)
Emergency management:			
Salaries and employee benefits		82,776	95,326
Other operating expenditures		58,124	293,419
Capital outlay		3,675	-
Total	240,989	144,575	96,414
Fire:			
Contribution to forest service		82,143	63,857
Assistance to local fire departments		248,096	254,718
Total	332,364	330,239	2,125

HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007
	Budget	Actual	Variance Positive (Negative) Actual
Mosquito Control:			
Operating expenditures		14,403	11,389
Total	14,403	14,403	-
Inspections:			
Salaries and employee benefits		129,093	112,809
Other Operating expenditures		15,319	13,203
Capital outlay		-	6,382
Total	144,039	144,412	(373)
Rescue units:			
Salaries and employee benefits		625,810	574,363
Other operating expenditures		451,964	163,494
Capital outlay		205,758	42,581
Total	1,252,608	1,283,532	(30,924)
Animal Control:			
Salaries and employee benefits		37,278	32,427
Other operating expenditures		21,559	21,866
Capital outlay		-	8,223
Total	59,951	58,837	1,114
Medical examiner:			
Contracted services		8,200	21,500
Total	15,000	8,200	6,800
Rural addressing			
Salaries and employee benefits		6,218	29,656
Other operating expenditures		5,016	5,660
Total	36,054	11,234	24,820
Total Public Safety	5,542,532	5,430,802	111,730

HARTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007
	Budget	Actual	Variance Positive (Negative) Actual
<u>Transportation</u>			
Contribution to transit authority		10,300	10,300
Contribution to regional airport		21,709	15,000
Total transportation	32,010	32,009	1
<u>Economic and physical development</u>			
Planning and zoning			
Other operating expenditures		4,318	5,104
Total	24,670	4,318	20,352
Economic Development:			
Salaries and employee benefits		105,340	100,513
Other operating expenditures		65,626	407,297
Total	171,170	170,966	204
Agricultural extension:			
Salaries and employee benefits		135,130	102,469
Other operating expenditures		25,291	26,000
Capital Outlay		-	-
Total	174,624	160,421	14,203
Clean-up project:			
Operating expenditures		102,781	140,208
Total	108,048	102,781	5,267
Enhance and reserve:			
Operating expenditures		12,200	15,000
Total	15,000	12,200	2,800
Soil and water conservation:			
Salaries and employee benefits		91,656	86,653
Other operating expenditures		7,103	8,343
Total	98,893	98,759	134
Total Economic and Physical Development	592,405	549,445	42,960

HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007	
	Budget	Actual	Variance Positive (Negative)	Actual
<u>Human Services</u>				
Health:				
Administration:				
Contribution to health department		175,000		100,000
Other operating expenditures		37,028		23,741
Total	214,489	212,028	2,461	123,741
Aid to aging:				
Salaries and employee benefits		183,536		174,426
Other operating expenditures		19,621		24,539
Capital Outlay		-		-
Total	208,238	203,157	5,081	198,965
Senior citizens outreach:				
Operating expenditures		51,012		1,584
Total	51,096	51,012	84	1,584
Respite:				
Salaries and employee benefits		6,739		-
Other operating expenditures		80,414		67,864
Total	105,539	87,153	18,386	67,864
Care assistance:				
Operating expenditures		10,897		18,337
Total	11,605	10,897	708	18,337
Transportation:				
Operating expenditures		24,744		31,558
Total	24,745	24,744	1	31,558
Nutrition:				
Salaries and employee benefits		34,540		36,126
Other operating expenditures		141,715		159,711
Capital outlay		-		3,870
Total	183,763	176,255	7,508	199,707
Twin gables:				
Operating expenditures		-		-
Total	13,900	-	13,900	-

HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007
	Budget	Actual	Variance Positive (Negative) Actual
Mental Health:			
Administration:			
Other operating expenditures		85,622	84,485
Total	85,590	85,622	(32)
Social Services:			
Administration:			
Salaries and employee benefits		2,460,598	2,324,166
Other operating expenditures		240,673	257,902
Capital outlay		-	56,969
Total	2,720,241	2,701,271	18,970
Public Assistance			
Medical assistance program			
Assistance payments		2,205,974	2,476,737
Food stamp program:			
Operating expenditures		9,215	25,183
Day Care:			
Operating expenditures		1,280,339	1,302,011
Work first:			
Operating expenditures		60,688	30,886
Foster care:			
Operating expenditures		156,225	123,878
Special assistance for adults:			
Operating expenditures		463,553	454,897
Home care:			
Operating expenditures		23,700	20,033
TANF domestic violence			
Operating expenditures		12,254	14,322
Aid to blind			
Operating expenditures		6,157	5,196
Legal client services:			
Operating expenditures		33,565	33,265
Total	4,762,930	4,251,670	511,260

HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007	
	Budget	Actual	Variance Positive (Negative)	Actual
Crisis intervention:				
Operating expenditures	140,960	131,725	9,235	124,721
Elderly handicapped:				
Operating expenditures	132,342	74,413	57,929	65,964
CJPP day reporting				
Salaries and employee benefits		55,835		46,193
Other operating expenditures		28,027		28,974
Total	87,917	83,862	4,055	75,167
Community based alternatives:				
Salaries and employee benefits		36,067		34,005
Other operating expenditures		166,792		209,631
Total	237,577	202,859	34,718	243,636
Veterans service office:				
Salaries and employee benefits		45,066		42,538
Other operating expenditures		1,865		5,085
Capital outlay		-		-
Total	49,121	46,931	2,190	47,623
Other programs:				
Other appropriations/contributions		52,904		46,819
Total	46,541	52,904	(6,363)	46,819
Total Human Services	9,076,594	8,396,503	42,340	8,455,616
<u>Cultural and Recreational</u>				
Library and recreation:				
Operating expenditures		2,846		3,135
Contribution to regional library		76,265		76,265
Total cultural and recreational	79,154	79,111	43	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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		Variance	2007
	Budget	Actual	Positive (Negative)	Actual
Education:				
Public schools-current expense		4,051,983		3,751,983
Community college- current		736,737		686,737
Total education	4,788,720	4,788,720	-	4,438,720
Debt Service:				
Principal retirement		161,667		215,000
Interest and other charges		104,240		77,233
Total debt services	267,157	265,907	1,250	292,233
Capital Outlay	950,000	25,174	924,826	905,840
Contingency	-	-	-	-
Total Expenditures	23,896,071	22,063,454	1,832,617	22,580,722
Revenues Over (Under) Expenditures	(893,469)	1,206,584	2,100,053	224,845
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to other funds:				
School Capital Reserve Fund		(1,034,000)		(36,380)
Revaluation Fund		(36,380)		(1,019,123)
Sanitation Fund		(4,009)		-
Northern Water District Fund		(1,173)		(124)
Southern Water District Fund		(1,173)		(247)
Total	(1,147,372)	(1,076,735)	70,637	(1,055,874)
Transfers from other funds:				
Emergency Telephone System Fund		118,304		155,715
Community College Capital Projects Fund		-		65,223
Northern Water District Fund		15,120		26,669
Southern Water District Fund		100,000		-
Scattered Site CDBG Fund		-		2,500
Total	369,345	233,424	(135,921)	250,107
Proceeds from debt	925,000	-	(925,000)	1,042,809
Appropriated fund balance	746,496	-	(746,496)	-
Total other financing sources (uses)	893,469	(843,311)	(1,736,780)	237,042
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	363,273	\$ 363,273	461,887
Fund Balance-July 1		7,417,855		6,955,968
Fund Balance-June 30		\$ 7,781,128		\$ 7,417,855

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.

- **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, 2008**

	Special Revenue Funds					Capital Projects Funds		
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Total Nonmajor Special Revenue Funds	Scattered Site CDBG Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>								
Current Assets:								
Cash and cash equivalents	\$ 995,752	\$ 177,473	\$ 39,522	\$ 154,582	\$ 1,367,329	\$ 5,500	\$ 5,500	\$ 1,372,829
Accounts receivable, net	-	41,762	5,625	-	47,387	-	-	47,387
Taxes receivable, net	-	-	6,237	-	6,237	-	-	6,237
Due from other funds	-	-	10,138	-	10,138	-	-	10,138
Total assets	<u>\$ 995,752</u>	<u>\$ 219,235</u>	<u>\$ 61,522</u>	<u>\$ 154,582</u>	<u>\$ 1,431,091</u>	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ 1,436,591</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 4,564	\$ -	\$ 4,564	\$ -	\$ -	\$ 4,564
Due to other funds	-	17,534	-	-	17,534	-	-	17,534
Deferred revenue	-	-	6,237	-	6,237	-	-	6,237
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>17,534</u>	<u>10,801</u>	<u>-</u>	<u>28,335</u>	<u>-</u>	<u>-</u>	<u>28,335</u>
Fund Balances								
Reserved by State Statute	-	41,762	15,763	-	57,525	-	-	57,525
Unreserved	995,752	159,939	34,958	154,582	1,345,231	5,500	5,500	1,350,731
Total fund balances	<u>995,752</u>	<u>201,701</u>	<u>50,721</u>	<u>154,582</u>	<u>1,402,756</u>	<u>5,500</u>	<u>5,500</u>	<u>1,408,256</u>
Total Liabilities and Fund Balances	<u>\$ 995,752</u>	<u>\$ 219,235</u>	<u>\$ 61,522</u>	<u>\$ 154,582</u>	<u>\$ 1,431,091</u>	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ 1,436,591</u>

**HERTFORD COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds				Capital Projects Funds		
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Total Nonmajor Special Revenue Funds	Scattered Site CDBG Fund	Total Nonmajor Capital Projects Funds
REVENUES							
Ad valorem taxes	\$ -	\$ -	\$ 86,292	\$ -	\$ 86,292	\$ -	\$ 86,292
Local option sales taxes	-	-	33,815	-	33,815	-	33,815
Other taxes and licenses	-	47,386	-	-	47,386	-	47,386
Restricted intergovernmental	-	165,704	-	-	165,704	-	165,704
Investment earnings	-	-	-	5,896	5,896	-	5,896
Miscellaneous	-	-	-	-	-	-	-
Total Revenues	-	213,090	120,107	5,896	339,093	-	339,093
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	120,283	-	120,283	-	120,283
Education	1,034,000	-	-	-	1,034,000	-	1,034,000
Economic and physical development	-	-	-	-	-	500	500
Total expenditures	1,034,000	-	120,283	-	1,154,283	500	1,154,783
Revenues Over (Under)							
Expenditures	(1,034,000)	213,090	(176)	5,896	(815,190)	(500)	(815,690)
OTHER FINANCING SOURCES (USES)							
Transfers from other funds							
General Fund	1,034,000	-	-	36,380	1,070,380	-	1,070,380
Special Revenue Funds	-	-	-	-	-	-	-
Transfers to other funds							
General Fund	-	(118,304)	-	-	(118,304)	-	(118,304)
Special Revenue Funds	-	-	-	-	-	-	-
Total Other Financing Sources (Uses) - Net	1,034,000	(118,304)	-	36,380	952,076	-	952,076
Excess of Revenues and Other Sources Over (Under)							
Expenditures and Other Uses	-	94,786	(176)	42,276	136,886	(500)	136,386
Fund Balance - July 1	995,752	106,915	50,897	112,306	1,265,870	6,000	1,271,870
Fund Balance - June 30	\$ 995,752	\$ 201,701	\$ 50,721	\$ 154,582	\$ 1,402,756	\$ 5,500	\$ 1,408,256

**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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	2008			2007
	Budget	Actual	Variance Positive (Negative)	Actual
<u>REVENUES</u>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>				
Education				
Capital outlay	1,034,000	1,034,000	-	1,019,123
Revenues Over (Under) Expenditures	(1,034,000)	(1,034,000)	-	(1,019,123)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfer in				
General fund	1,034,000	1,034,000	-	1,019,123
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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	2008			2007
	Final Budget	Actual	Variance Positive (Negative)	Actual
<u>REVENUES</u>				
Other taxes and licenses		\$ 47,386		\$ 85,203
Restricted intergovernmental revenue				
Wireless 911 funds		165,704		116,589
Total	173,000	213,090	40,090	201,792
<u>EXPENDITURES</u>				
Public safety	54,696	-	54,696	-
Revenues Over (Under) Expenditures	118,304	213,090	94,786	201,792
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfer in				
General Fund		(118,304)		(155,715)
General Fund		-		-
Revaluation Fund		-		-
	(118,304)	(118,304)	-	(155,715)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	94,786	\$ 94,786	46,077
Fund Balance - July 1		106,915		60,838
Fund Balance - June 30		\$ 201,701		\$ 106,915

**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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	2008			2007
	Budget	Actual	Variance Positive (Negative)	Actual
<u>REVENUES</u>				
Ad Valorem taxes:				
Taxes	\$ 94,830	\$ 86,292	\$ (8,538)	\$ 86,273
Other taxes and licenses	28,385	33,815	5,430	34,320
Total revenues	123,215	120,107	(3,108)	120,593
<u>EXPENDITURES</u>				
Current:				
Public safety				
Union Fire District		7,244		7,083
Ahoskie Fire District		113,039		112,866
Total expenditures	123,215	120,283	2,932	119,949
Revenues Over (Under) Expenditures:	\$ -	(176)	\$ (176)	644
Fund Balance - July 1		50,897		50,253
Fund Balance - June 30		\$ 50,721		\$ 50,897

**HERTFORD COUNTY, NORTH CAROLINA
REVALUATION FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	2008			2007
	Final Budget	Actual	Variance Positive (Negative)	Actual
<u>REVENUES</u>				
Investment earnings	\$ 2,850	\$ 5,896	\$ 3,046	\$ 2,803
<u>EXPENDITURES</u>				
Current:				
General government				
Tax listings:	39,230	-	39,230	-
Revenues Over (Under) Expenditures	(36,380)	5,896	42,276	2,803
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer from (to) other funds				
Emergency Telephone System Fund	-	-	-	-
General Fund	36,380	36,380	-	36,380
Appropriated fund balance	-	-	-	-
Total	36,380	36,380	-	36,380
Excess of Revenues and Other Sources Over (Under) Expenditure:	\$ -	42,276	\$ 42,276	39,183
Fund Balance - July 1		112,306		73,123
Fund Balance - June 30		\$ 154,582		\$ 112,306

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, 2008

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
<u>REVENUES</u>					
Restricted intergovernmental:					
CDBG Program	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
Total revenues	-	-	-	-	-
<u>EXPENDITURES</u>					
Operating expenses		-	-	-	
Economic and physical development		-	500	500	
Total Expenditures	500	-	500	500	-
Revenues Over (Under) Expenditures	(500)	-	(500)	(500)	-
Other financing sources (uses):					
Transfers in (out)					
General Fund	-	-	-	-	-
Appropriated fund balance	500	-	-	-	(500)
Total	500	-	-	-	(500)
Revenues and Other Financing Sources					
Over (Under) Expenditures and Other Financing Use	\$ -	\$ -	(500)	\$ (500)	\$ (500)
FUND BALANCE - BEGINNING			6,000		
FUND BALANCE- ENDING			\$ 5,500		

ENTERPRISE FUNDS

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

Major Enterprise Funds

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

Non-major Enterprise Funds

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

HERTFORD COUNTY, NORTH CAROLINA
NORTHERN WATER DISTRICT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		Variance	2007
	Budget	Actual	Positive (Negative)	Actual
REVENUES				
Operating Revenues				
Charges for services	\$ 362,333	\$ 310,087	\$ (52,246)	\$ 286,492
Tap-on fees	19,000	20,495	1,495	18,308
Other	36,597	35,933	(664)	12,851
Total Operating Revenues	417,930	366,515	(51,415)	317,651
Nonoperating Revenues				
Interest Earnings	-	-	-	-
Total Nonoperating Revenues	-	-	-	-
Total Revenues	417,930	366,515	(51,415)	317,651
EXPENDITURES				
Administration and operations		234,387		183,087
Capital Outlay		-		12,278
Debt Service:				
Interest and fees		121,485		122,948
Debt principal		44,942		39,500
Total Expenditures	464,483	400,814	63,669	357,813
Revenues Over (Under) Expenditures	(46,553)	(34,299)	12,254	(40,162)
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds				
General Fund	(15,120)	(15,120)		
Public Water Works Fund	-	-	-	(20,827)
General Fund	1,173	1,173	-	124
Debt issued	-	-	-	12,278
Fund balance appropriated	60,500	-	(60,500)	-
Total Other Financing Sources (Uses)	46,553	(13,947)	(60,500)	(8,425)
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	\$ -	\$ (48,246)	\$ (48,246)	\$ (48,587)
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL				
Excess of revenues over (under) expenditures		\$ (48,246)		\$ (48,587)
Debt principal		44,942		39,500
Debt issued		-		12,278
Depreciation		(94,046)		(82,501)
Capital outlay		-		(12,278)
Northern Water District Capital Projects Fund		-		248,504
(Increase) decrease in bond interest accrued		266		(148)
(Increase) decrease in vacation pay		-		-
Total reconciling items		(48,838)		205,355
Change in net assets		\$ (97,084)		\$ 156,768

HERTFORD COUNTY, NORTH CAROLINA
SOUTHERN WATER DISTRICT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		Variance	2007
	Budget	Actual	Positive (Negative)	Actual
REVENUES				
Operating Revenues				
Charges for services	\$ 785,791	\$ 853,465	\$ 67,674	\$ 821,269
Tap-on fees	49,100	62,066	12,966	50,212
Other	5,673	7,723	2,050	5,605
Total Operating Revenues	840,564	923,254	80,640	877,086
Nonoperating Revenues				
Interest Earnings	-	-	-	-
Total Nonoperating Revenues	-	-	-	-
Total Revenues	840,564	923,254	80,640	877,086
EXPENDITURES				
Administration and operations		240,770		238,498
Capital Outlay		-		12,278
Debt Service:				
Interest and fees		302,543		311,521
Debt principal		183,942		176,000
Total Expenditures	741,737	727,255	14,482	738,297
Revenues Over (Under) Expenditures	98,827	195,999	97,172	138,789
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds				
General Fund	(100,000)	(100,000)	-	-
Public Water Works Fund	-	-	-	(148,424)
General Fund	1,173	1,173	-	247
Debt proceeds	-	-	-	12,278
Fund balance appropriated	-	-	-	-
Total Other Financing Sources (Uses)	(98,827)	(98,827)	-	(135,899)
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	\$ -	\$ 97,172	\$ 97,172	\$ 2,890

RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL

Excess of revenues over (under) expenditures	\$ 97,172	\$ 2,890
Debt principal	183,942	176,000
Debt issued	-	(12,278)
Depreciation	(218,416)	(218,905)
Capital outlay	-	12,278
(Increase) decrease in bond interest accrued	902	478
(Increase) decrease in vacation pay	(490)	(4,506)
Total reconciling items	(34,062)	(46,933)
Change in net assets	\$ 63,110	\$ (44,043)

HERTFORD COUNTY, NORTH CAROLINA
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Positive (Negative)	Actual
<u>REVENUES</u>				
Operating Revenues				
Charges for services	\$ 889,000	\$ 885,083	\$ (3,917)	\$ 791,057
Other	51,539	51,138	(401)	85,225
Total Operating Revenues	940,539	936,221	(4,318)	876,282
Nonoperating Revenues				
Interest Earnings	5,000	19,276	14,276	12,804
Total Nonoperating Revenues	5,000	19,276	14,276	12,804
Total Revenues	945,539	955,497	9,958	889,086
<u>EXPENDITURES</u>				
Landfill:				
Administration and operations		508,124		508,220
Contract services		437,998		393,632
Capital Outlay		13,114		35,334
Debt Service:				
Interest and fees		-		-
Debt principal		-		-
Total Expenditures	967,594	959,236	8,358	937,186
Revenues Over (Under) Expenditures	(22,055)	(3,739)	18,316	(48,100)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) other funds				
General Fund	4,009	4,009	-	40,939
Fund balance appropriated	18,046	-	(18,046)	-
Total Other Financing Sources (Uses)	22,055	4,009	(18,046)	40,939
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	\$ -	\$ 270	\$ 270	\$ (7,161)
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL				
Excess of revenues over (under) expenditures		\$ 270		\$ (7,161)
Debt principal		-		-
Depreciation		(33,401)		(36,841)
Capital outlay		-		35,334
(Increase) decrease in bond interest accrued		-		-
(Increase) decrease in vacation pay		(2,226)		12,119
Total reconciling items		(35,627)		10,612
Change in net assets		\$ (35,357)		\$ 3,451

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, 2008

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Actual to Date	Positive (Negative)
<u>REVENUES</u>					
Restricted governmental					
Rural Center	\$ 718,891	\$ 400,000	\$ -	\$ 400,000	\$ 318,891
Other	-	(1,351)	-	(1,351)	(1,351)
Total Revenues	<u>718,891</u>	<u>398,649</u>	<u>-</u>	<u>398,649</u>	<u>317,540</u>
<u>EXPENDITURES</u>					
Construction	<u>743,392</u>	<u>536,339</u>	<u>-</u>	<u>536,339</u>	<u>207,053</u>
Revenues Over (Under) Expenditures	<u>(24,501)</u>	<u>(137,690)</u>	<u>-</u>	<u>(137,690)</u>	<u>(113,189)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers from (to) other funds					
General Fund	51,170	38,632	-	38,632	(12,538)
General Fund	(26,669)	(26,669)	-	(26,669)	-
Total	<u>24,501</u>	<u>11,963</u>	<u>-</u>	<u>11,963</u>	<u>(12,538)</u>
Excess of Revenues and Other Sources					
Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (125,727)</u>	<u>\$ -</u>	<u>\$ (125,727)</u>	<u>\$ (125,727)</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL					
Excess of revenues over (under) expenditures			\$ -		
Capital outlay			<u>-</u>		
Change in net assets			<u>\$ -</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, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>Social Services</u>				
Assets				
Cash	\$ 37,179	\$ 99,405	\$ 98,095	\$ 38,489
Liabilities				
Miscellaneous liabilities	\$ 37,179	\$ 99,405	\$ 98,095	\$ 38,489
<u>Inmates Money</u>				
Assets				
Cash	\$ 17,157	\$ 143,459	\$ 113,012	\$ 47,604
Liabilities				
Intergovernmental payable	\$ 17,157	\$ 143,459	\$ 113,012	\$ 47,604
<u>Fines and Forfeitures and DMV Interest</u>				
Assets				
Cash	\$ 1,453	\$ 210,711	\$ 210,698	\$ 1,466
Liabilities				
Intergovernmental payable	\$ -	\$ 188,678	\$ 188,678	\$ -
Due to DMV	1,453	22,033	22,020	1,466
	\$ 1,453	\$ 210,711	\$ 210,698	\$ 1,466
<u>Tax Fund</u>				
Assets				
Cash	\$ -	\$ 2,653,674	\$ 2,653,674	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 2,653,674	\$ 2,653,674	\$ -
<u>Totals - All Agency Funds</u>				
Assets				
Cash	\$ 55,789	\$ 3,107,249	\$ 3,075,479	\$ 87,559
Liabilities				
Miscellaneous liabilities	\$ 55,789	\$ 3,107,249	\$ 3,075,479	\$ 87,559

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, 2008

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2007</u>	<u>Additions</u>	<u>Collections and Adjustments</u>	<u>Uncollected Balance June 30, 2008</u>
2007-2008	\$ -	\$ 10,896,563	\$ 10,435,583	\$ 460,980
2006-2007	410,886	-	260,971	149,915
2005-2006	160,576	-	57,369	103,207
2004-2005	133,895	-	20,904	112,991
2003-2004	36,917	-	6,880	30,037
2002-2003	164,672	-	7,865	156,807
2001-2002	113,500	-	6,461	107,039
2000-2001	52,083	-	3,238	48,845
1999-2000	51,072	-	1,165	49,907
1998-1999	18,472	-	1,286	17,186
1997-1998	36,660	-	36,660	-
	<u>\$ 1,178,734</u>	<u>\$ 10,896,563</u>	<u>\$ 10,838,382</u>	<u>\$ 1,236,914</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund

\$ 10,847,443

Ad valorem taxes - Special Revenue Fund

(45,721)

10,801,722

Reconciling items:

Amounts written off for 1997-1998 levy

36,660

Total Reconciling Items

36,660

Total Collections and Credits

\$ 10,838,382

**HERTFORD COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2008**

	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	\$ 1,137,990,524	0.910	\$ 10,355,714	\$ 8,946,651	\$ 1,409,063
Dog tax	-		7,855	7,855	-
Fire Districts	-		72,918	72,918	-
Total Original Levy	1,137,990,524		10,436,487	9,027,424	1,409,063
Discoveries	50,557,802	0.910	479,605	479,605	-
Abatements	(2,540,769)	0.910	(42,650)	(12,531)	(30,119)
Total Property Valuation	<u>\$ 1,186,007,557</u>				
Net Levy			10,873,442	9,494,498	1,378,944
Uncollected taxes at June 30, 2007			(460,980)	(337,297)	(123,683)
Current year's taxes collected			<u>\$ 10,412,462</u>	<u>\$ 9,157,201</u>	<u>\$ 1,255,261</u>
Current levy collection percentage			<u>95.76%</u>	<u>96.45%</u>	<u>91.03%</u>

**HERTFORD COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2008**

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 1,022,265,435
Personal Property	122,222,255
Public Service Companies	<u>41,519,867</u>
Total Assessed Valuation	1,186,007,557
Tax Rate per \$100	0.91
Levy (includes discoveries, releases and abatements)	<u>\$ 10,873,442</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>\$ 182,295,876</u>
---------------------------	-----------------------

HERTFORD COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2008

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Wackenhut Corrections Corp	Correctional Facility	\$ 47,971,709	4.04%
Nucor Corporation	Manufacturing	35,328,789	2.98%
Kerr Glass Manufacturing Corp	Manufacturing	14,955,782	1.26%
Ahoskie Center LLC	Shopping Center	8,670,577	0.73%
Carroll's Foods of Virginia, Inc.	Livestock	8,142,263	0.69%
Multi-Serv	Manufacturing	5,355,100	0.45%
Rose Brothers Paving Co Inc.	Paving	4,578,057	0.39%
FIATP Timber LLC	Timber	3,461,902	0.29%
Air Liquide	Manufacturing	3,380,914	0.29%
Commercial Ready Mix Products Inc.	Manufacturing	3,326,719	0.28%
		<u>\$ 135,171,812</u>	<u>11.40%</u>

COMPLIANCE SECTION

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

To the 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, 2008, which collectively comprises Hertford County's basic financial statements, and have issued our report thereon dated December 5, 2008. 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 5, 2008.

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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 (08-1 & 08-2).

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 08-1 and 08-2 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 08-3. We noted certain matters that we reported to management of Hertford County, in a separate letter dated December 5, 2008.

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 5, 2008

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

To the 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, 2008. 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 08-4 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.

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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, 2008. 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 5, 2008.

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 08-4 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 08-4 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 5, 2008

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

To the 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, 2008. 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, 2008. 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 5, 2008.

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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

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Certified Public Accountants
December 5, 2008

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

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
10.551, 10.561

Medical Assistance Program
Food Stamp Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: \$1,117,074

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

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

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

II. Financial Statement Findings

08-1 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.

08-2 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, 2008**

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.

08-3 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 \$102,006 more in total than appropriated in the annual budget ordinance.

Effect: Moneys were spent that had not been appropriated.

Cause: The County had overspent in the General Fund accounts.

Recommendation: Budget amendments should be adopted when expenditures exceed appropriations.

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

08-4 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, 2008**

F. State Award Findings and Questioned Costs

None reported.

Section II - Financial Statement Findings

MATERIAL WEAKNESS

08-1 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

08-2 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 08-09.

MATERIAL NONCOMPLIANCE

08-3 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

08-4 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 2008-2009.

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Prior Year Audit Findings:

Financial Statement Findings

Finding 07-1

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

Finding 07-2

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

Finding 07-3

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

Federal Award Findings and Questioned Costs

Finding 07-4

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

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
FEDERAL AWARDS:			
<u>U.S. Dept. of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Administration:			
<u>Food Stamp Cluster:</u>			
Food Stamp Program - Noncash	10.551	5,025,884	-
State Administrative Matching			
Grants for the Food Stamp Program	10.561	291,350	-
Total Food Stamp Cluster		5,317,234	-
Total U.S. Dept. of Agriculture		5,317,234	-
<u>U.S. Dept of Homeland Security</u>			
Passed-through N.C. Dept. of Crime Control and Public Safety:			
Division of Emergency Management			
State Domestic Preparedness Grant	97.004	56,712	-
Hazard Mitigation Grant	97.039	15,206	-
Emergency Management Performance Grant	97.042	21,402	-
Total Federal Emergency Management		93,320	-
<u>U.S. Dept. of Health & Human Services</u>			
<u>Administration on Aging</u>			
Division of Social Services:			
Passed-through Mid-East Commission:			
Aging Cluster:			
Special Programs for the Aging-Title III B			
Grants for Supporting Services and Senior Centers	93.044	111,052	102,763
Nutrition Services	93.044	18,664	-
Total Aging Cluster		129,716	102,763
<u>U.S. Dept of Justice</u>			
<u>Bureau of Justice Assistance</u>			
Byne Formula Grant	16.738	6,512	-
Total Justice Assistance		6,512	-

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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	114,534	14,825
Foster Care - Direct Benefit Payments	93.658	54,368	10,601
Adoption Assistance - Direct Benefit Payments	93.659	50,635	14,203
Chafee Foster Care-Direct	93.674	200	-
Total Foster Care and Adoption Cluster		219,737	39,629
Temporary Assistance for Needy Families			
Administration	93.558	367,435	-
Work First/TANF			
Direct Benefit Payments	93.558	307,479	-
Low-Income Home Energy Assistance Block Grant:			
Administration	93.568	12,724	-
Emergency Assistance-Direct Benefit Payments	93.568	96,488	-
Crisis Intervention Program	93.568	132,571	-
Child Welfare Services- State Grants			
Permanency Planning-Families for Kids	93.645	1,320	439
IV-E Optional- Adoption Assistance	93.659	42,443	13,000
SSBG--Other Services and Training	93.667	145,581	21,517
Promoting Safe & Stable Families	93.556	3,315	-
Independent Living Grant	93.674	10,886	2,721
Total		1,120,242	37,677
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	55,136	-
Division of Child Development:			
Child Care and Development Fund- Discretionary	93.575	426,355	-
Child Care and Development Fund-Mandatory	93.596	171,717	-
Child Care and Development Fund-Match	93.596	125,919	70,144
Total Child Care Development Fund Cluster		779,127	70,144
Social Services Block Grant	93.667	3,430	-
TANF	93.558	150,356	-
Smart Start	n/a	-	10,254

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
State Appropriations	n/a	-	22,954
TANF-MOE	n/a	-	283,600
Total Subsidized Child Care Cluster		932,913	386,952
Division of Facility Management: Bioterrorism Hospital Preparedness	93.003	-	-
<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	28,940,039	15,047,574
Division of Social Services: Administration:			
Medical Assistance Program	93.778	434,551	56,040
State Children's Insurance Program-			
N.C. Health Choice	93.767	24,666	1,465
DMA 2055 Transportation Reimbursement	93.778	-	-
At Risk Case Management	93.778	-	-
Total U.S. Dept. of Health and Human Services		31,801,864	15,672,100
<u>U.S. Election Assistance Commission</u>			
Passed through the State Board of Elections:			
HAVA Grant	90.401	16,864	-
		16,864	-
Total federal awards		37,235,794	15,672,100

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
STATE AWARDS:			
<u>N.C. Dept. of Health and Human Services</u>			
Division of Aging and Adult Services:			
Division of Social Services:			
State/County Special Assistance for			
Adults-Direct Benefit Payments		-	462,741
State Foster Care Benefits Program-Direct		-	15,647
CWS Adoption Subsidy-Direct		-	45,398
State Aid to Counties		-	27,249
Energy Assistance		-	131
State Adult Protective Service		-	25,309
Smart Start		-	14,141
TANF Incent/Prog Integrity		-	725
F/C at Risk Maximization		-	10,213
Senior Center		-	16,404
In-Home Services		-	981
Passed through Mid-East Commission:			
Special Program for the Aging:		-	38,576
Total N.C. Dept. of Health and Human Services		-	657,515
<u>N.C. Dept. of Corrections</u>			
Criminal Justice Partnership Program		-	84,188
Total N.C. Dept of Corrections		-	84,188
<u>N.C. Dept. of Environmental and Natural Resources</u>			
Division of Soil and Water Conservation:			
Soil Technician Grant		-	24,702
Division of Environmental Health:			
State Aid for Mosquito Control		-	5,297
Division of Water Resources:			
Isabel Stream Clean Up		-	102,781
Division of Waste Management			
Scrap Tire Program		-	4,063
Total N.C. Dept. of Environmental and Natural Resources		-	136,843

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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		-	38,408
ROAP Rural General Public Program		-	32,522
ROAP Work First Transitional-Employment		-	3,807
Total N.C. Dept of Transportation		-	74,737
<u>N.C. Dept. of Administration</u>			
Veteran Services Officer		-	2,000
<u>N.C Rural Economic Development Center</u>			
Clean Water Bond Act		-	-
<u>N.C Dept. Juvenile Justice and Delinquency Prevention</u>			
BMB Shelter		-	35,000
Administration		-	2,150
Project Challenge		-	40,000
Parenting First		-	18,150
Youth Leaders in Action		-	16,000
Support our Students Grant		-	43,124
Total N.C. Dept of Juvenile Justice & Delinquency Prevention		-	154,424
N.C. Dept of Crime Control and Public Safety			
Division of Emergency Management			
Surry FNF Funds		-	700
N.C. Dept of Insurance			
SHIP		-	5,000
Total State awards		-	1,115,407
Total federal and State awards		\$ 37,235,794	\$ 16,787,507

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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	-	\$ -	\$ 71,939
BMB Shelter	-	-	38,500
Project Challenge	-	-	44,000
Youth Leaders in Action	-	-	16,800
Parenting First	-	-	19,965
Certification Division Program	-	-	2,739