

HERTFORD COUNTY, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2022

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Hertford County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hertford County, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Hertford County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina as of June 30, 2022, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Hertford County ABC Board, which represent 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units. as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hertford County ABC Board, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under these standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hertford County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Hertford County ABC Board were not audited in accordance with *Governmental Auditing Standards*.

Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about Hertford County's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Governmental Auditing Standard will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Governmental Auditing Standards, we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hertford County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Schedule of Changes in the Net OPEB Liability and Related Ratios on pages 4 through 11 and 63 through 69, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Hertford County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of Hertford County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hertford County's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
October 16, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Hertford 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, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

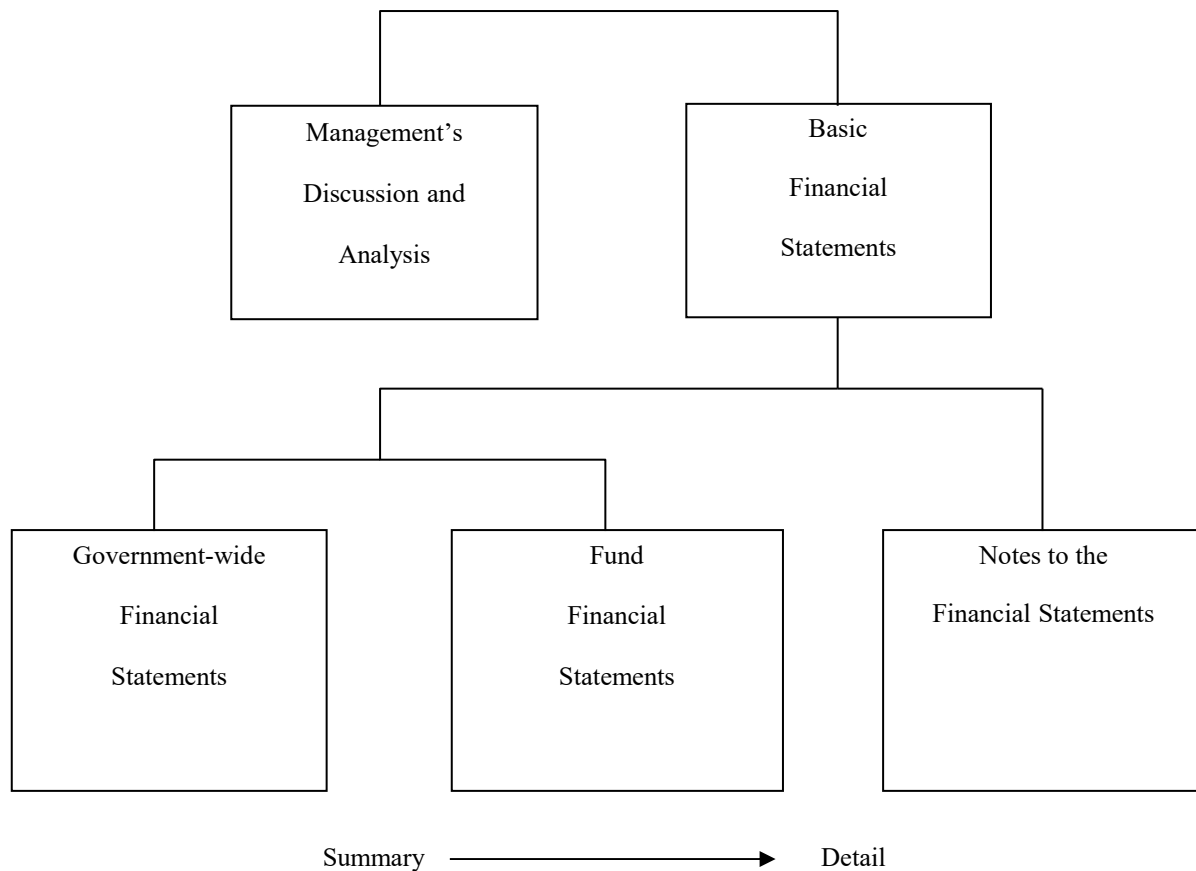
- The assets and deferred outflows of resources of Hertford County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$40,269,220 (net position).
- The government's total net position increased by \$5,696,757, primarily due to an increased net position in the Governmental Activities of \$5,890,930 offset by a decrease in the Business-Type Activities of \$194,173.
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$16,640,223, a decrease of \$639,101 in comparison with the prior year. Approximately 33.99 percent of this total amount, or \$5,565,401, is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,043,569 or 14.86 percent of total general fund expenditures for the fiscal year.
- Hertford County's total debt decreased by \$1,840,517 during the current fiscal year. The key factor is due largely to debt service payments made for the year exceeding new lease and loan proceeds.

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 9) 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 and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension and benefit plans.

Government-wide Financial Statements

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

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and 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 one component unit, the Hertford County ABC Board, that is reported as a discretely presented component unit.

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 funds, proprietary funds, and fiduciary funds.

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

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.

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 sanitation operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Hertford County has two fiduciary funds: the Municipal Tax Fund which accounts for taxes and fees collected by the County for the municipalities and special districts located within the county; and the Jail Inmate Trust Fund which accounts for funds held for inmates while they are incarcerated.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 25 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. Hertford County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$40,269,220 as of June 30, 2022. One of the largest portions, \$34,077,663 (84.62%) reflects the County's net investment in its capital assets (e.g. land, buildings, machinery, and equipment). Hertford County uses these capital assets to provided 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. An additional portion of Hertford County's net position \$5,638,833 (14.00%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$552,724 is unrestricted.

HERTFORD COUNTY'S NET POSITION
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 19,985,216	\$ 22,407,310	\$ 4,692,585	\$ 4,689,835	\$ 24,677,801	\$ 27,097,145
Capital assets	40,932,735	34,648,973	11,907,984	12,183,756	52,840,719	46,832,729
Total assets	60,917,951	57,056,283	16,600,569	16,873,591	77,518,520	73,929,874
Deferred outflows of resources	5,715,501	5,747,044	285,100	282,877	6,000,601	6,029,921
Long-term liabilities outstanding	30,789,784	32,982,020	6,990,081	7,194,457	37,779,865	40,176,477
Other liabilities	1,759,451	3,435,840	367,848	286,985	2,127,299	3,722,825
Total liabilities	32,549,235	36,417,860	7,357,929	7,481,442	39,907,164	43,899,302
Total deferred inflows of resources	3,190,667	1,382,847	152,070	71,836	3,342,737	1,454,683
Net position:						
Net investment in capital assets	28,023,546	21,460,311	6,054,117	6,991,187	34,077,663	28,451,498
Restricted	5,635,127	7,366,000	3,706	3,706	5,638,833	7,369,706
Unrestricted	(2,765,123)	(3,823,961)	3,317,847	2,608,297	552,724	(1,215,394)
Total net position	\$ 30,893,550	\$ 25,002,350	\$ 9,375,670	\$ 9,603,190	\$ 40,269,220	\$ 34,605,810

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

- Slight increase in tax collection percentages;
- Continued recognition of OPEB liability and pension liabilities;
- Ongoing school construction project

HERTFORD COUNTY'S CHANGES IN NET POSITION

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,669,937	\$ 1,967,800	\$ 2,633,743	\$ 2,771,471	\$ 4,303,680	\$ 4,739,271
Operating grants and contributions	6,950,710	4,926,153	-	-	6,950,710	4,926,153
Capital grants and contributions	3,108,213	11,333,217	-	-	3,108,213	11,333,217
General revenues:						
Property taxes	14,173,590	15,059,801	-	-	14,173,590	15,059,801
Local option sales tax	6,199,777	5,874,917	-	-	6,199,777	5,874,917
Other taxes	87,577	85,447	-	-	87,577	85,447
Unrestricted grants and contributions	130,222	103,989	-	-	130,222	103,989
Investment Earnings	20,792	18,651	9,149	7,566	29,941	26,217
Miscellaneous	202,021	74,076	84,287	60,692	286,308	134,768
Total revenues	32,542,839	39,444,051	2,727,179	2,839,729	35,270,018	42,283,780
Expenses:						
General government	5,081,422	5,306,732	-	-	5,081,422	5,306,732
Public safety	8,797,674	9,157,197	-	-	8,797,674	9,157,197
Transportation	30,300	30,300	-	-	30,300	30,300
Economic and physical development	342,315	275,027	-	-	342,315	275,027
Human services	6,232,992	6,067,391	-	-	6,232,992	6,067,391
Cultural and recreation	105,942	105,942	-	-	105,942	105,942
Education	5,650,004	5,615,524	-	-	5,650,004	5,615,524
Interest on long-term debt	411,260	424,208	-	-	411,260	424,208
Sanitation	-	-	1,439,266	1,405,748	1,439,266	1,405,748
Water and sewer	-	-	1,482,086	1,457,395	1,482,086	1,457,395
Total expenses	26,651,909	26,982,321	2,921,352	2,863,143	29,573,261	29,845,464
Increase in net position before transfers and special items	5,890,930	12,461,730	(194,173)	(23,414)	5,696,757	12,438,316
Special Items	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Increase in net position	5,890,930	12,461,730	(194,173)	(23,414)	5,696,757	12,438,316
Net position, July 1, as restated	25,002,620	12,540,890	9,569,843	9,626,604	34,572,463	22,167,494
Net position, June 30	\$ 30,893,550	\$ 25,002,620	\$ 9,375,670	\$ 9,603,190	\$ 40,269,220	\$ 34,605,810

Governmental activities. Governmental activities increased the County's net position by \$5,890,930. Key elements of this increase are as follows:

- Property tax collections increased by \$112,801 and Local option sales tax increased by \$324,860.
- The County received over \$2m in ARPA funds that were used as revenue replacement in the General Fund.
- Ahoskie School project financed by Needs Based Grant Funds.

Business-type activities. Business-type activities decreased Hertford County's net position by \$194,173 from the prior year. The key elements of this decrease are as follows.

- Expenditures increased by \$58,209.
- Charges for services decreased by \$137,728.

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, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Hertford County. At the end of the current fiscal year, Hertford County's fund balance available in the General Fund was \$10,235,498, while total fund balance reached \$15,546,295. The Governing Body of Hertford County has determined that the County should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 37.62% of general fund expenditures, while total fund balance represents 57.14% of that same amount.

At June 30, 2022, the governmental funds of Hertford County reported a combined fund balance of \$16,640,223, a 3.63% decrease from last year. The primary reasons for this decrease was a expenditures for the school project for which revenues were received in previous years.

There were other variances reflected in the governmental fund financial statements for 2022.

- Our 2022 overall collection rate is 96.58%, lower than the state average, and slightly above the prior year rate of 96.39%.

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 \$1,762,521 or 6.50 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 position of the Sanitation Fund at the end of the fiscal year amounted to a deficit of \$19,414 and those for the Water and Sewer Districts equaled \$3,337,261. Other factors concerning the finances of these 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, 2022, totals \$52,840,719 (net of accumulated depreciation). These assets include buildings, water lines, land, machinery and equipment, facilities, and vehicles.

Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and Improvements	\$ 482,083	\$ 482,083	\$ 44,317	\$ 44,317	\$ 526,400	\$ 526,400
Construction in Progress	19,978,771	12,819,500	-	-	19,978,771	12,819,500
Buildings and Improvements	19,060,259	19,571,469	286,778	302,159	19,347,037	19,873,628
Plant and Distribution Systems	1,090,187	1,217,352	11,070,303	11,435,013	12,160,490	12,652,365
Equipment	321,435	558,569	404,533	276,086	725,968	834,655
Vehicle and Motor Equipment	-	-	102,053	126,181	102,053	126,181
Total	\$ 40,932,735	\$ 34,648,973	\$ 11,907,984	\$ 12,183,756	\$ 52,840,719	\$ 46,832,729

Additional information on the County's capital assets can be found in Note III(a)(5) on pages 38-41.

Long-term Debt. As of June 30, 2022, Hertford County had total debt outstanding of \$37,625,319 of which \$12,012,886 is bonded debt backed by the full faith and credit of the County.

Hertford County's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 7,217,913	\$ 7,867,705	\$ 4,794,973	\$ 5,192,569	\$ 12,012,886	\$ 13,060,274
Installment Purchases	5,689,737	6,466,866	-	-	5,689,737	6,466,866
Revenue Bonds	-	-	904,000	920,000	904,000	920,000
Lease liabilities	418,604	-	114,787	-	533,391	-
Compensated Absences	603,252	605,638	41,426	45,258	644,678	650,896
Net pension liability (LGERS)	1,410,145	3,144,128	69,775	155,754	1,479,920	3,299,882
Total pension liability (LEOSSA)	942,924	973,625	-	-	942,924	973,625
Landfill closure payable	-	-	104,311	107,201	104,311	107,201
Net OPEB liability	14,507,209	13,924,058	806,263	773,854	15,313,472	14,697,912
Total Long-Term Debt	\$ 30,789,784	\$ 32,982,020	\$ 6,835,535	\$ 7,194,636	\$ 37,625,319	\$ 40,176,656

During the past fiscal year, Hertford County's total debt increased by \$2,551,337 or 6.35 percent. General obligation debt of \$649,792 was retired in governmental activities and \$397,596 in the business-type activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. Hertford County's debt limit is \$125,192,003.

Additional information regarding Hertford County's long-term debt can be found in Note III(a)(8) beginning on page 56 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 County's top ten taxpayers have an assessed valuation of \$330,999,290 which reflects 18.18% of the total assessed value. These top ten taxpayers remain sound and viable industries with property values remaining steady.
- Hertford County has managed to maintain the same level of service and funding for key agencies such as public schools, social services & community college, doing so while maintaining a fund balance above the recommended percentage issued by the Local Government Commission.
- In spite of the worldwide economic implications of the COVID-19 pandemic, Hertford County has remained financially stable due to prudent planning and investments. Further, the County continues to exercise conservative revenue projections to ensure our long-term financial viability. As a result, the County has been able to maintain service levels within the constraints of the financial impact of the pandemic.

Budget Highlights for Fiscal Year Ending June 30, 2023

Government Activities: The County adopted Fiscal Year 2023 general fund budget in the amount of \$27,157,987, which represents a one (.39%) percent increase over last year's adopted budget due largely in part to an increase in operational expenses as well as debt service payments.

Business-type Activities: The Rural Water Districts and Solid Waste Department continue to operate as viable enterprise funds. Hertford County continues to invest in our community's future by expanding and improving our infrastructure. As well, we diligently monitor the utility and service fees to ensure consonance between adequately funding the operational/capital costs and the reasonableness of the fees charged to our customers.

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 Kevin Paterson, Interim County Manager, Hertford County Government Center 115 Justice Drive, Suite 1, Winton, North Carolina 27986. You can also call (252) 358-7805, visit our website at www.hertfordcountync.gov, or send an email to hertford.county@hertfordcountync.gov for more information.

**BASIC
FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Hertford County, North Carolina
Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hertford County ABC Board
<u>ASSETS</u>				
Cash and cash investments	\$ 7,691,834	\$ 3,991,126	\$ 11,682,960	\$ 785,728
Taxes receivable	765,552	-	765,552	-
Accrued interest receivable on taxes	88,193	-	88,193	-
Accounts receivables (net)	297,558	398,984	696,542	-
Due from other governments	6,208,594	66,071	6,274,665	-
Leases receivable	109,791	-	109,791	-
Internal balances	-	-	-	-
Net pension asset	25,841	-	25,841	-
Inventory	-	8,579	8,579	540,724
Prepaid expenses	-	-	-	500
Restricted cash and cash equivalents	4,380,788	113,386	4,494,174	-
Right to use assets, net	417,065	114,439	531,504	-
Capital assets:				
Land, improvements, and construction in progress	20,460,854	34,317	20,495,171	113,708
Other capital assets, net of depreciation	20,471,881	11,873,667	32,345,548	769,289
Total capital assets	40,932,735	11,907,984	52,840,719	882,997
Total assets	60,917,951	16,600,569	77,518,520	2,209,949
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	5,715,501	285,100	6,000,601	161,044
<u>LIABILITIES</u>				
Accounts payable & accrued liabilities	1,646,538	231,696	1,878,234	236,579
Customer deposits	25,000	109,680	134,680	-
Accrued interest payable	87,913	26,472	114,385	-
Long-term liabilities:				
Due within one year	2,346,881	518,198	2,865,079	560,015
Due in more than one year	28,442,903	6,471,883	34,914,786	581,859
Total long-term liabilities	30,789,784	6,990,081	37,779,865	1,141,874
Total liabilities	32,549,235	7,357,929	39,907,164	1,378,453
<u>DEFERRED INFLOWS OF RESOURCES</u>	3,190,667	152,070	3,342,737	124,518
<u>NET POSITION</u>				
Net investment in capital assets	28,023,546	6,054,117	34,077,663	322,982
Restricted for:				
Stabalization by State Statute	5,332,616	-	5,332,616	-
Register of Deeds	35,838	-	35,838	-
Public Safety	7,130	-	7,130	-
Human Services	259,543	-	259,543	-
Working Capital	-	-	-	111,838
Capital Improvements	-	-	-	433,202
Unrestricted (deficit)	(2,765,123)	3,321,553	556,430	-
Total net position	\$ 30,893,550	\$ 9,375,670	\$ 40,269,220	\$ 868,022

Hertford County, North Carolina
Statement of Activities
For the Year Ended June 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Hertford County ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 5,081,422	\$ 371,547	\$ 2,327,083	\$ -	\$ (2,382,792)	\$ -	\$ (2,382,792)	\$ -
Public safety	8,797,674	1,126,530	564,072	-	(7,107,072)	-	(7,107,072)	-
Transportation	30,300	-	-	-	(30,300)	-	(30,300)	-
Economic and physical development	342,315	550	26,829	-	(314,936)	-	(314,936)	-
Human services	6,232,992	171,310	3,782,726	-	(2,278,956)	-	(2,278,956)	-
Cultural and recreation	105,942	-	250,000	-	144,058	-	144,058	-
Education	5,650,004	-	-	3,108,213	(2,541,791)	-	(2,541,791)	-
Interest on long-term debt	411,260	-	-	-	(411,260)	-	(411,260)	-
Total governmental activities	26,651,909	1,669,937	6,950,710	3,108,213	(14,923,049)	-	(14,923,049)	-
Business-type activities:								
Sanitation	1,439,266	1,270,792	-	-	-	(168,474)	(168,474)	-
Water and Sewer	1,482,086	1,362,951	-	-	-	(119,135)	(119,135)	-
Total business-type activities	2,921,352	2,633,743	-	-	-	(287,609)	(287,609)	-
Total primary government	29,573,261	4,303,680	6,950,710	3,108,213	(14,923,049)	(287,609)	(15,210,658)	-
Component Units:								
ABC Board	2,728,153	2,907,779	-	-	-	-	-	179,626
Total component units	\$ 2,728,153	\$ 2,907,779	\$ -	\$ -	-	-	-	179,626
General revenues:								
Taxes:								
Property taxes, levied for general purpose					14,173,590	-	14,173,590	-
Local option sales tax					6,199,777	-	6,199,777	-
Other taxes					87,577	-	87,577	-
Grants and contributions, not restricted to specific programs					130,222	-	130,222	-
Investment earnings, unrestricted					20,792	9,149	29,941	248
Miscellaneous, unrestricted					202,021	84,287	286,308	-
Transfers					-	-	-	-
Total general revenues, special items, and transfers					20,813,979	93,436	20,907,415	248
Change in net position					5,890,930	(194,173)	5,696,757	179,874
Net position, beginning					25,002,620	9,603,190	34,605,810	627,880
Prior Period Adjustments (see Note VIII)					-	(33,347)	(33,347)	60,268
Net position, beginning, as restated					25,002,620	9,569,843	34,572,463	688,148
Net position, ending					\$ 30,893,550	\$ 9,375,670	\$ 40,269,220	\$ 868,022

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, 2022

	Major		Non-Major	
	General Fund	Ahoscie Elementary School Project	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,393,966	\$ -	\$ 297,868	\$ 7,691,834
Restricted cash	4,380,788	-	-	4,380,788
Taxes receivable	756,921	-	8,631	765,552
Accounts receivable, net	286,065	-	11,493	297,558
Leases receivable	109,791	-	-	109,791
Due from other governments	2,768,611	3,429,657	10,326	6,208,594
Due from other funds	2,457,101	-	-	2,457,101
Total assets	<u>\$ 18,153,243</u>	<u>\$ 3,429,657</u>	<u>\$ 328,318</u>	<u>\$ 21,911,218</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,448,223	\$ 176,915	\$ 21,400	\$ 1,646,538
Due to other funds	-	2,457,101	-	2,457,101
Deposits	25,000	-	-	25,000
Total liabilities	<u>1,473,223</u>	<u>2,634,016</u>	<u>21,400</u>	<u>4,128,639</u>
Deferred Inflows of Resources:	<u>1,133,725</u>	<u>-</u>	<u>8,631</u>	<u>1,142,356</u>
Fund balances:				
Nonspendable:				
Leases	1,045	-	-	1,045
Restricted:				
Stabilization by State Statute	5,310,797	-	21,819	5,332,616
Register of Deeds	35,838	-	-	35,838
Human Services	-	-	7,130	7,130
Economic and Physical Development	-	-	21,274	21,274
Public Safety	-	-	259,543	259,543
Education	-	-	-	-
Committed:				
Revaluation	94,300	-	-	94,300
Capital Reserve	4,133,345	-	-	4,133,345
Assigned:				
Subsequent year's expenditures	1,927,401	-	-	1,927,401
Unassigned	<u>4,043,569</u>	<u>795,641</u>	<u>(11,479)</u>	<u>4,827,731</u>
Total fund balances	<u>15,546,295</u>	<u>795,641</u>	<u>298,287</u>	<u>16,640,223</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 18,153,243</u>	<u>\$ 3,429,657</u>	<u>\$ 328,318</u>	<u>\$ 21,911,218</u>

Hertford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

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

Total equity and other credits (Exhibit 3)	\$ 16,640,223
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	40,932,735
Right to Use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	417,065
Net Pension Asset	25,841
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	803,390
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	291,448
Deferred outflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	1,665,886
Deferred outflows of resources reported in the government-wide statements but not the fund statements - OPEB related deferrals	2,940,772
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	14,005
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	88,193
Net pension liability	(1,410,145)
Net OPEB liability	(14,507,209)
Total pension liability	(942,924)
Deferred inflows of resources for taxes receivable	765,552
Deferred inflows of resources for EMS receivable	200,980
Pension related deferrals	(2,116,440)
OPEB related deferrals	(898,403)
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	(14,017,419)
Net position of governmental activities (Exhibit 1)	<u>\$ 30,893,550</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major		Non-Major	
		Ahoskie		
	General Fund	Elementary School Project	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Ad valorem taxes	\$ 14,583,539	\$ -	\$ 101,523	\$ 14,685,062
Local option sales taxes	6,160,491	-	39,287	6,199,778
Other taxes and licenses	87,578	-	-	87,578
Unrestricted intergovernmental	130,222	-	-	130,222
Restricted intergovernmental	4,773,020	3,108,213	2,360,962	10,242,195
Permits and fees	213,555	-	-	213,555
Sales and services	1,338,759	-	-	1,338,759
Investment earnings	19,634	58	1,100	20,792
Miscellaneous	260,304	-	2,937	263,241
Total revenues	27,567,102	3,108,271	2,505,809	33,181,182
<u>EXPENDITURES</u>				
Current:				
General government	4,768,232	-	-	4,768,232
Public safety	7,887,841	-	401,988	8,289,829
Transportation	30,300	-	-	30,300
Economic and physical development	325,343	-	735	326,078
Human services	6,149,780	-	52,537	6,202,317
Cultural and recreational	105,016	-	-	105,016
Education	5,650,004	-	-	5,650,004
Capital Outlay	-	7,159,271	-	7,159,271
Debt service:				
Principal	1,402,129	-	-	1,402,129
Interest and other charges	445,836	-	-	445,836
Total expenditures	26,764,481	7,159,271	455,260	34,379,012
Excess (deficiency) of revenues over expenditures	802,621	(4,051,000)	2,050,549	(1,197,830)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in from other funds	2,299,490	1,000,000	-	3,299,490
Transfers out to other funds	(1,000,000)	-	(2,299,490)	(3,299,490)
Lease liabilities issued	558,729	-	-	558,729
Proceeds from debt	-	-	-	-
Total other financing sources and uses	1,858,219	1,000,000	(2,299,490)	558,729
Net change in fund balance	2,660,840	(3,051,000)	(248,941)	(639,101)
Fund Balances, beginning	13,213,306	3,846,641	547,228	17,607,175
Prior Period adjustment (see Note VIII)	(327,851)	-	-	(327,851)
Fund Balances, ending	\$ 15,546,295	\$ 795,641	\$ 298,287	\$ 16,640,223

Hertford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

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

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (639,101)
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.	7,449,236
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	(1,165,474)
Capital outlay expenditures recorded in the fund statements but capitalized as right to use leased assets in the statement of activities.	558,729
Amortization expense, the allocation of those assets over the lease term, that is recorded on the statement of activities but not in the fund statements.	(141,664)
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 position. This amount is the net effect of these differences in the treatment of long-term debt.	983,525
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	803,390
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	14,005
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	291,448
Some expenses reported in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in current financial resources and, therefore, are not reported as expenditures in governmental funds	(1,649,613)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	(613,551)
Total changes in net position of governmental activities	<u>\$ 5,890,930</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances -Budget and Actual
General Fund
For the Year Ended June 30, 2022

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<u>Revenues</u>				
Ad valorem taxes	\$ 14,380,155	\$ 14,380,155	\$ 14,583,539	\$ 203,384
Local option sales tax	5,627,051	5,627,051	6,160,491	533,440
Other taxes and licenses	86,094	86,094	87,578	1,484
Unrestricted intergovernmental	93,936	93,936	130,222	36,286
Restricted intergovernmental	3,305,128	4,554,542	4,773,020	218,478
Permits and fees	231,417	231,417	213,555	(17,862)
Sales and services	1,573,717	1,573,717	1,338,759	(234,958)
Investment earnings	14,000	14,000	19,634	5,634
Miscellaneous	134,222	360,839	260,304	(100,535)
Total revenues	25,445,720	26,921,751	27,567,102	645,351
<u>Expenditures</u>				
Current:				
General government	4,930,153	5,051,708	4,768,232	283,476
Public safety	7,717,107	8,317,011	7,887,841	429,170
Transportation	30,300	30,300	30,300	-
Economic and physical development	414,060	414,060	325,343	88,717
Human services	5,580,472	6,599,085	6,149,780	449,305
Cultural and recreational	105,016	105,016	105,016	-
Education	5,365,292	5,410,853	5,362,698	48,155
Debt service	1,857,994	1,862,278	1,847,965	14,313
Contingency	357,593	334,835	-	334,835
Total expenditures	26,357,987	28,125,146	26,477,175	1,647,971
Revenues over (under) expenditures	(912,267)	(1,203,395)	1,089,927	2,293,322
<u>Other financing sources (uses)</u>				
Transfers to other funds	(800,000)	(800,000)	(1,599,971)	(799,971)
Transfers from other funds	-	-	2,299,490	2,299,490
Lease liabilities issued			558,729	
Appropriated fund balance	1,680,968	1,967,458	-	(1,967,458)
Total other financing sources (uses)	880,968	1,167,458	1,258,248	(467,939)
Net Change in fund balance	\$ (31,299)	\$ (35,937)	2,348,175	\$ 1,825,383
Fund balance, beginning			9,298,326	
Prior Period Adjustment (see Note VIII)			(327,851)	
Fund balance, ending			\$ 11,318,650	
A legally budgeted School Capital Reserve Fund, Capital Reserve Fund, and Revaluation Fund were consolidated into the General Fund for reporting purposes:				
Education - Capital Outlay			(287,306)	
Transfers from General Fund			1,599,971	
Transfers to AES Project Fund			(1,000,000)	
Fund balance, Beginning			3,914,980	
Fund Balance, Ending (Exhibit 4)			\$ 15,546,295	

Hertford County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2022

	MAJOR		NON-MAJOR		
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,939,220	\$ 1,761,088	\$ 117,997	\$ 172,821	\$ 3,991,126
Restricted cash and cash equivalents	38,956	74,430	-	-	113,386
Receivables (net)	48,980	101,734	4,555	243,715	398,984
Due from other funds	-	1,359,000	-	-	1,359,000
Due from other governments	11,347	22,014	723	31,987	66,071
Inventory	2,402	6,177	-	-	8,579
Total current assets	<u>2,040,905</u>	<u>3,324,443</u>	<u>123,275</u>	<u>448,523</u>	<u>5,937,146</u>
Non-current assets:					
Right to use assets, net	32,043	82,396	-	-	114,439
Capital assets:					
Land, improvements and construction in progress	-	-	11,271	23,046	34,317
Other capital assets, net of depreciation	3,847,177	5,945,914	1,710,142	370,434	11,873,667
Total capital assets	<u>3,847,177</u>	<u>5,945,914</u>	<u>1,721,413</u>	<u>393,480</u>	<u>11,907,984</u>
Total non-current assets	<u>3,879,220</u>	<u>6,028,310</u>	<u>1,721,413</u>	<u>393,480</u>	<u>12,022,423</u>
Total assets	<u>5,920,125</u>	<u>9,352,753</u>	<u>1,844,688</u>	<u>842,003</u>	<u>17,959,569</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>93,762</u>	<u>123,511</u>	<u>-</u>	<u>67,827</u>	<u>285,100</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	7,899	7,499	1,013	176,675	193,086
Customer deposits	35,250	74,430	-	-	109,680
Accrued interest payable	12,090	13,301	1,081	-	26,472
Compensated absences	5,465	2,660	-	2,232	10,357
Accrued payroll	5,470	14,072	-	19,068	38,610
Due to other funds	1,359,000	-	-	-	1,359,000
Revenue bonds payable	16,000	-	-	-	16,000
General obligation bonds payable	129,055	272,722	6,000	-	407,777
Lease liabilities	12,720	32,708	-	-	45,428
Installment purchase agreement	-	-	-	38,636	38,636
Total current liabilities	<u>1,582,949</u>	<u>417,392</u>	<u>8,094</u>	<u>236,611</u>	<u>2,245,046</u>
Noncurrent liabilities:					
Net pension liability	14,543	37,333	-	17,899	69,775
Compensated absences	16,395	7,979	-	6,695	31,069
Revenue bonds payable	888,000	-	-	-	888,000
General obligation bonds payable	1,323,449	2,796,747	267,000	-	4,387,196
Lease liabilities	19,420	49,939	-	-	69,359
Installment purchase agreement	-	-	-	115,910	115,910
Net OPEB obligation	317,711	316,523	-	172,029	806,263
Landfill closure payable	-	-	-	104,311	104,311
Total noncurrent liabilities	<u>2,579,518</u>	<u>3,208,521</u>	<u>267,000</u>	<u>416,844</u>	<u>6,471,883</u>
Total liabilities	<u>4,162,467</u>	<u>3,625,913</u>	<u>275,094</u>	<u>653,455</u>	<u>8,716,929</u>
DEFERRED INFLOWS OF RESOURCES	<u>40,964</u>	<u>74,251</u>	<u>-</u>	<u>36,855</u>	<u>152,070</u>
NET POSITION					
Net investment in capital assets	1,490,576	2,876,194	1,448,413	238,934	6,054,117
Restricted	3,706	-	-	-	3,706
Unrestricted	316,174	2,899,906	121,181	(19,414)	3,317,847
Total net position	<u>\$ 1,810,456</u>	<u>\$ 5,776,100</u>	<u>\$ 1,569,594</u>	<u>\$ 219,520</u>	<u>\$ 9,375,670</u>

Hertford County, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2022

	MAJOR		NON-MAJOR		Total
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	
OPERATING REVENUE					
Charges for Services	\$ 362,714	\$ 888,425	\$ 28,471	\$ 1,270,792	\$ 2,550,402
Tap on fees	24,915	58,426	-	-	83,341
Miscellaneous	2,761	3,748	-	53,150	59,659
Total Operating Revenues	<u>390,390</u>	<u>950,599</u>	<u>28,471</u>	<u>1,323,942</u>	<u>2,693,402</u>
OPERATING EXPENDITURES					
Administration and Operations	279,437	567,833	18,880	1,420,201	2,286,351
Depreciation and Amortization	144,679	274,433	38,867	18,091	476,070
Capital Outlay	4,700	-	-	974	5,674
Total Operating Expenses	<u>428,816</u>	<u>842,266</u>	<u>57,747</u>	<u>1,439,266</u>	<u>2,768,095</u>
OPERATING INCOME (LOSS)	<u>(38,426)</u>	<u>108,333</u>	<u>(29,276)</u>	<u>(115,324)</u>	<u>(74,693)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment earnings	1,868	6,734	296	251	9,149
State Aid - White Goods	-	-	-	101	101
Interest paid and bond issuance cost	(61,088)	(85,566)	(6,603)	-	(153,257)
Gain (loss) on sale of assets	3,235	8,318	-	12,973	24,526
Total Nonoperating Revenues (Expenses)	<u>(55,985)</u>	<u>(70,514)</u>	<u>(6,307)</u>	<u>13,325</u>	<u>(119,481)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(94,411)</u>	<u>37,819</u>	<u>(35,583)</u>	<u>(101,999)</u>	<u>(194,174)</u>
Capital contributions	-	-	-	-	-
Transfers from (to) other funds	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(94,411)</u>	<u>37,819</u>	<u>(35,583)</u>	<u>(101,999)</u>	<u>(194,174)</u>
NET POSITION, BEGINNING	<u>1,904,867</u>	<u>5,741,730</u>	<u>1,635,075</u>	<u>321,519</u>	<u>9,603,191</u>
Prior Period Adjustments (see Note VIII)	<u>-</u>	<u>(3,449)</u>	<u>(29,898)</u>	<u>-</u>	<u>(33,347)</u>
TOTAL NET POSITION,	<u>1,904,867</u>	<u>5,738,281</u>	<u>1,605,177</u>	<u>321,519</u>	<u>9,569,844</u>
NET POSITION, ENDING	<u>\$ 1,810,456</u>	<u>\$ 5,776,100</u>	<u>\$ 1,569,594</u>	<u>\$ 219,520</u>	<u>\$ 9,375,670</u>

Hertford County, North Carolina
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2022

	MAJOR		NON-MAJOR		Total
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 392,189	\$ 962,682	\$ 28,022	\$ 1,238,889	\$ 2,621,782
Cash paid for goods and services	(189,145)	(268,489)	(17,964)	(899,606)	(1,375,204)
Cash paid to employees for services	(105,351)	(268,279)	-	(424,193)	(797,823)
Other operating revenue	2,761	3,748	-	53,150	59,659
Net cash provided (used) by operating activities	100,454	429,662	10,058	(31,760)	508,414
Cash flows from noncapital financing activities					
Receipt of nonoperating grants	-	-	-	101	101
Net cash provided (used) by noncapital financial activities	-	-	-	101	101
Cash flows from capital and related financing activities:					
Proceeds from sale of fixed assets	3,235	8,318	-	12,973	24,526
Purchase of capital assets	(44,860)	(115,355)	-	(154,523)	(314,738)
Purchase installment proceeds	44,860	115,355	-	154,545	314,760
Lease principal payments	(12,720)	(32,708)	-	-	(45,428)
Principal paid on bond maturities	(141,785)	(265,811)	(6,000)	-	(413,596)
Interest paid on bond maturities	(61,735)	(86,718)	(6,626)	-	(155,079)
Net cash provided (used) by capital and related financing activities	(213,005)	(376,919)	(12,626)	12,995	(589,555)
Cash flows from investing activities:					
Interest on investments	1,868	6,734	296	251	9,149
Net cash provided by investing activities	1,868	6,734	296	251	9,149
Net increase (decrease) in cash and cash equivalents	(110,683)	59,477	(2,272)	(18,413)	(71,891)
Cash and cash equivalents, beginning	2,088,859	1,776,041	120,269	191,234	4,176,403
Cash and cash equivalents, ending	\$ 1,978,176	\$ 1,835,518	\$ 117,997	\$ 172,821	\$ 4,104,512

Hertford County, North Carolina
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2022

	MAJOR		NON-MAJOR		Total
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (38,426)	\$ 108,333	\$ (29,276)	\$ (115,324)	\$ (74,693)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	144,679	274,433	38,867	18,091	476,070
Changes in assets and liabilities:					-
(Increase) decrease in accounts receivable	5,210	17,431	(449)	(31,903)	(9,711)
(Increase) decrease in inventory	4,526	11,639	-	-	16,165
Increase (decrease) in accounts payable and accrued liabilities	(32,912)	1,541	916	102,228	71,773
Increase (decrease) in customer deposits	(650)	(1,600)	-	-	(2,250)
Increase (decrease) in compensated absences	4,904	2,321	-	(11,059)	(3,834)
Increase (decrease) in accrued payroll	2,297	5,926	-	4,940	13,163
Increase (decrease) in OPEB Liability	12,771	12,723	-	6,915	32,409
(Increase) decrease in deferred outflows of resources - pensions	(5,099)	(11,402)	-	(4,493)	(20,994)
(Increase) decrease in deferred outflows of resources - OPEB	7,178	7,889	-	3,704	18,771
Increase (decrease) in net pension liability	(17,375)	(45,117)	-	(23,307)	(85,799)
Increase (decrease) in deferred inflows of resources - pensions	20,534	52,701	-	25,228	98,463
Increase (decrease) in deferred inflows of resources - OPEB	(7,183)	(7,156)	-	(3,890)	(18,229)
Increase (decrease) in landfill closure and postclosure costs	-	-	-	(2,890)	(2,890)
Total adjustments	<u>138,880</u>	<u>321,329</u>	<u>39,334</u>	<u>83,564</u>	<u>583,107</u>
Net cash provided (used) by operating activities	<u>\$ 100,454</u>	<u>\$ 429,662</u>	<u>\$ 10,058</u>	<u>\$ (31,760)</u>	<u>\$ 508,414</u>

Hertford County, North Carolina
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 111,816
Taxes receivable, net of allowance	<u>191,490</u>
Total assets	<u><u>303,306</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	-
Due to other governments	<u>82,815</u>
Total liabilities	<u>82,815</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>220,491</u>
Total fiduciary net position	<u><u>\$ 220,491</u></u>

Hertford County, North Carolina
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Custodial Funds
<u>ADDITIONS</u>	
Ad Valorem taxes for other governments	\$ 4,013,662
Collections for Inmates	347,467
Total additions	<u>4,361,129</u>
<u>DEDUCTIONS</u>	
Tax distributions to other governments	4,006,866
Payment on behalf of inmates	335,940
Total deductions	<u>4,342,806</u>
Net Increase (decrease) in fiduciary net position	18,323
Net Position, beginning	<u>202,168</u>
Net Position, ending	<u><u>\$ 220,491</u></u>

**NOTES TO THE
FINANCIAL STATEMENTS**

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component unit; a legally separate entity for which the County is financially accountable. Hertford County's Northern and Southern Water Districts (the *Districts*) exist to provide and maintain water systems for the County residents within the districts. The Districts are reported as enterprise funds in the County's financial statements. 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 Tunis Sewer 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 ABC Board	Discrete	The members of the ABC Board 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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by 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.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

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

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

The County reports the following major governmental fund:

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 Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

Ahoskie Elementary School Project Fund. This fund accounts for construction at Ahoskie elementary School.

The County reports the following major enterprise funds.

Northern Water District Fund. This fund is used to account for the operations 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 types:

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County for various municipalities within the County but that are not revenues to the County, and the Jail Inmate Pay Fund, which holds cash deposits made to inmates as payment for work performed while incarcerated as well as cash collections for the benefit of inmates from their friends and families.

Non-major Funds - The County maintains seven legally budgeted nonmajor funds. The Emergency Telephone System Fund, Fire District Fund, Cooperative Extension Trust, Representative Payee Fund, and ARP Fund are reported as non-major special revenue funds. The School Capital Reserve Fund and Revaluation Fund are consolidated in the General Fund in accordance with GASB Statement No. 54. The Sanitation Fund and Tunis Sewer District Fund are reported as a non-major proprietary funds.

C. Measurement Focus and Basis of Accounting

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

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

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

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

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

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Since September 1, 2013, the State of North Carolina has been responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. These property taxes are due when vehicles are registered. Motor vehicle property tax revenues are applicable to the fiscal year in which they are received. Uncollected taxes that were billed by the County for periods prior to September 1, 2013 or those for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

C. 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 Cooperative Extension Trust Fund, the Representative Payee Fund, the Revaluation Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Ahoskie Elementary School Project Fund.

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

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the County and Hertford County ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The County 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 and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market deposit accounts, and certificates of deposit.

State Law [G.S. 159-30(c)] authorizes the County 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 majority of the County and the ABC Board's investments are carried at fair value. Non-participating interest earning investment contracts are accounted for at cost. The North Carolina Capital Management Trust (NCCMT) is a SEC-registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. All NCCMT portfolios are reported at fair value.

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 considered cash and cash equivalents. The ABC Board considers demand deposits and investments with a maturity date of 90 days or less at the time of purchase to be cash and cash equivalents.

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, 2021, there were no unexpended bond proceeds of the District's Serial Bonds. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund and Capital Reserve Fund and money reserved for Register of Deeds is also classified as restricted assets because its use is restricted per North Carolina General Statute 153-A-150. The following table illustrates the breakdown of Hertford County Restricted Cash.

Governmental Activities		
General Fund	Tax Revaluation	\$ 94,300
General Fund	Capital Reserve	4,225,650
General Fund	Register of Deeds	35,838
General Fund	Deposit - Sale of Home Health	25,000
Ahoskie School Project	Capital Project	-
Total Governmental Activities		<u>\$ 4,380,788</u>
Business-Type Activities		
Northern Water District	Customer Deposits	\$ 35,250
Northern Water District	USDA Reserve for Debt Service	3,706
Southern Water District	Customer Deposits	74,430
Tunis Sewer District	Customer Deposits	-
Total Business-Type Activities		<u>\$ 113,386</u>
Total Restricted Cash		<u>\$ 4,494,174</u>

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, 2020.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

5. Lease Receivable

The County's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under the lease agreement. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

6. 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.

7. Inventory

The inventories of the County and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory of the County's enterprise funds as well as those of the ABC Board consists of materials and supplies held for consumption or resale, and is reported at lower of cost or market.

8. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure \$5,000; computer equipment, furniture and equipment, \$5,000; and vehicles \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Hertford County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Hertford County Board of Education.

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, Improvements	10-33
Furniture/ Equipment	10
Vehicles	3-5

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

9. Right to use assets

The County has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion - pension related deferrals, OPEB related deferrals, and contributions made to the pension or OPEB plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criterion for this category - prepaid taxes and other OPEB or pension related deferrals.

11. 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 on the statements of net position.

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

12. Compensated Absences

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

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

13. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the State ("State Abatement Fund")
- 80% to abatement funds established by Local Governments ("Local Abatement Funds")
- 5% to a County Incentive Fund.

The County received \$0 as part of this settlement in Fiscal Year 2022. Per the terms of the MOA, the County will create a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30, 2022.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

14. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The County was allocated \$4,598,980 of fiscal recovery funds to be paid in two equal installments. The first installment of \$2,299,490 was received in July 2021. The second installment will be received in mid-2022. County staff and the Board of Commissioners have elected to use \$2,299,490 of the ARPA funds for revenue replacement by way of salary supplanting. The County plans on using the rest of the funds for revenue replacement in Fiscal Year 2023. The \$2,299,490 used for salary supplanting was transferred to the General Fund from the ARPA Fund. Revenue replacement funds will be transferred to the appropriate funds once the County has determined the intended use of the funds.

15. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Leases - portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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

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

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

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

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

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

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

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

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

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

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

16. Defined Benefit Cost-Sharing Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS), the Register of Deeds' Supplemental Pension Fund (RODSPF), and the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans.

E. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$14,253,327 consists of the following:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities that are not financial resources and are therefore not reported in the funds	\$ 52,854,637
Less Accumulated Depreciation	(11,921,902)
Net capital assets	<u>40,932,735</u>
Right to use assets used in governmental activities are not financial resources and are therefore not reported in the funds	558,729
Less accumulated amortization	(141,664)
Net right to use assets	<u>417,065</u>

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

Net pension asset	25,841
Contributions to the pension plan in the current fiscal year	803,390
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	291,448
Deferred outflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	1,665,886
Deferred outflows of resources reported in the government-wide statements but not the fund statements - OPEB related deferrals	2,940,772
Benefit payments and pension administration costs for LEOSSA	14,005
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	88,193
Deferred inflows of resources for taxes receivable	765,552
Deferred inflows of resources for EMS receivable	200,980
Deferred inflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	(2,116,440)
Deferred inflows of resources reported in the government-wide statements but not the fund statements - OPEB related deferrals	(898,403)
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	(13,326,254)
Compensated absences	(603,252)
Total OPEB Liability	(14,507,209)
Net pension liability-LGERS	(1,410,145)
Net pension liability-LEOSSA	(942,924)
Accrued interest payable	(87,913)
Total adjustment	<u>\$ 14,253,327</u>

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

The government fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$6,530,031 is comprised of the following:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 7,449,236
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	(1,165,474)
Capital outlay expenditures recorded in the fund statements but capitalized as right to use leased assets in the statement of activities.	558,729

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

Amortization expense, the allocation of those assets over the lease term, that is recorded on the statement of activities but not in the fund statements.	(141,664)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	1,402,129
GASB 87 Lease payments that were charged as departmental expenses instead of debt service.	140,125
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net	(558,729)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	803,390
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	14,005
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position	291,448
Expenses reported in that 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)	9,784
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	2,386
OPEB Expense	(911,055)
County's portion of collective pension expense	(750,728)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Change in deferred inflows of resources - taxes receivable at the end of year	(413,117)
Change in accrued taxes receivable for year	(98,355)
Change in deferred inflows of resources - EMS receivable at the end of year	(126,871)
Amortization of bond premium	24,792
Total adjustment	<u><u>\$ 6,530,031</u></u>

II: Stewardship, Compliance and Accountability

A. Noncompliance with North Carolina General Statutes

The County should have established a budget for the Representative Payee Fund that was created as a result of the implementation of GASB 84 in the prior year. As a result of not adopting a budget, expenditures were made that were not properly authorized.

B. Budget Violation

The budget was overspent in the following departments in General Fund: Human Resources \$5,997, Finance \$27,213, Register of Deeds \$10,096, Sheriff \$144,653, Emergency Communications \$52,717, Inspections \$40,695, Mental Health \$1,768, Community Based Alternatives \$11,000, Veterans Services \$5,134, and Other Programs \$71,445. In addition, expenses were overspent in the Fire District by \$22,335, and the Landfill Fund by \$49,823. The majority of the expenditures were a result of not properly budgeting for GASB 87 implementation entries.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

III. Detail Notes on All Funds

a. Assets

1. Deposits

All of the County'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 and the ABC Board's agent 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 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 or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for the under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County 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 has no formal policy regarding custodial credit risk for deposits.

At June 30, 2022 the County's deposits had a carrying amount of \$9,451,651 and a bank balance of \$9,591,531. Of the bank balance, \$250,081 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2022, Hertford County had \$1,480 cash on hand.

At June 30, 2022, the carrying amount of deposits for the ABC Board was \$784,178 and a bank balance of \$806,615. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Board also had cash on hand of \$1,550.

2. Investments

At June 30, 2022, the County had the following investments and maturities.

<u>Investment</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less than 6 Months</u>
NC Capital Management Trust - Government Portfolio	Fair Value - Level I	\$ 6,835,819	\$ 6,835,819
Total		<u>\$ 6,835,819</u>	<u>\$ 6,835,819</u>

Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from S&P and AAA-mf by Moody's Investor Service.

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level Two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

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

In accordance with the general statutes, agriculture, horticulture, and forest land may be taxed by the County at the 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.

Year Levied	Total Taxes	Interest	Total
2019	\$ 1,443,378	\$ 471,571	\$ 1,914,949
2020	1,422,407	337,323	1,759,730
2021	1,414,597	208,526	1,623,123
2022	1,408,268	80,903	1,489,171
Total	<u>\$ 5,688,650</u>	<u>\$ 1,098,323</u>	<u>\$ 6,786,973</u>

4. Receivables

Receivables at the government-wide level at June 30, 2022, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Total
Governmental Activities:				
General	\$ 1,908,179	\$ 1,455,114	\$ 2,768,611	\$ 6,131,904
Ahoskie Elementary School Project	-	-	3,429,657	3,429,657
Other Governmental	11,493	8,631	10,326	30,450
Total	1,919,672	1,463,745	6,208,594	9,592,011
Allowance for Doubtful Accts.	(1,622,114)	(610,000)	-	(2,232,114)
Total-governmental activities	<u>\$ 297,558</u>	<u>\$ 853,745</u>	<u>\$ 6,208,594</u>	<u>\$ 7,359,897</u>
Business-type Activities:				
Northern Water District	\$ 50,721	\$ -	\$ 11,347	\$ 62,068
Southern Water District	105,603	-	22,014	127,617
Tunis Sewer District	7,083	-	723	7,806
Sanitation	444,213	-	31,987	476,200
Total	\$ 607,620	\$ -	\$ 66,071	\$ 673,691
Allowance for Doubtful Accts.	(208,636)	-	-	(208,636)
Total-business-type activities	<u>\$ 398,984</u>	<u>\$ -</u>	<u>\$ 66,071</u>	<u>\$ 465,055</u>

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

Local option sales tax	\$ 1,594,919
Franchise tax	6,721
Sales tax refund	650,194
Other grants, ABC Distributions	720,056
Scrap tire tax	9,633
Solid waste disposal tax	2,996
Needs Based Lottery Funding	3,108,213
NCVTS	181,933
Total	<u>\$ 6,274,665</u>

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

Lease Receivable

For the year ended 6/30/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On 07/01/2021, Hertford County entered into a 36 month lease as Lessor for the use of Office Space (Young Williams). An initial lease receivable was recorded in the amount of \$105,852. As of 06/30/2022, the value of the lease receivable is \$71,271. The lessee is required to make monthly fixed principal and interest payments of \$3,031.88. The lease has an interest rate of 2%. The value of the deferred inflow of resources as of 06/30/2022 was \$70,568, and Hertford County recognized lease revenue of \$35,284 during the fiscal year.

On 07/01/2021, Hertford County entered into a 53 month lease as Lessor for the use of Office Space (USDA). An initial lease receivable was recorded in the amount of \$35,077. As of 06/30/2022, the value of the lease receivable is \$27,404. The lessee is required to make monthly fixed principal and interest payments of \$692.04. The lease has an interest rate of 2%. The value of the deferred inflow of resources as of 06/30/2022 was \$27,135, and Hertford County recognized lease revenue of \$7,942 during the fiscal year.

On 11/1/2021, Hertford County entered into a 36 month lease as Lessor for the use of Office Space (DAC). An initial lease receivable was recorded in the amount of \$14,198. As of 06/30/2022, the value of the lease receivable is \$11,116. The lessee is required to make monthly fixed principal and interest payments of \$406.66. The lease has an interest rate of 2%. The value of the deferred inflow of resources as of 06/30/2022 was \$11,043, and Hertford County recognized lease revenue of \$3,155 during the fiscal year.

Principal and Interest Expected to Maturity

<u>Year Ending June 30</u>	Governmental Activities	
	Principal	Interest
2023	\$ 47,808	\$ 1,759
2024	48,773	794
2025	9,767	164
2026	3,443	17
2027	-	-
Total General	<u>\$ 109,791</u>	<u>\$ 2,734</u>

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

5. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 482,083	\$ -	\$ -	\$ 482,083
Construction in Progress	12,819,500	7,159,271	-	19,978,771
Total capital assets not being depreciated	13,301,583	7,159,271	-	20,460,854
Capital assets being depreciated:				
Buildings and Improvements	25,238,835	42,978	-	25,281,813
Equipment	4,374,973	246,987	-	4,621,960
Vehicles and motor equipment	2,784,308	-	(294,298)	2,490,010
Total capital assets being depreciated	32,398,116	289,965	(294,298)	32,393,783
Less accumulated depreciation for:				
Buildings and Improvements	5,667,366	554,188	-	6,221,554
Equipment	3,157,621	374,152	-	3,531,773
Vehicles and motor equipment	2,225,739	237,134	(294,298)	2,168,575
Total accumulated depreciation	11,050,726	\$ 1,165,474	\$ (294,298)	11,921,902
Total capital assets being depreciated, net	21,347,390			20,471,881
Governmental activities capital assets, net	\$ 34,648,973			\$ 40,932,735

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

General government	\$ 475,254
Public Safety	655,561
Human Services	25,953
Cultural and Recreational	926
Economic and Physical Development	7,780
Total depreciation expense	<u>\$ 1,165,474</u>

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
Northern Water District				
Capital assets not being depreciated:				
Construction in process	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Plant and distribution systems	\$ 5,859,733	-	-	\$ 5,859,733
Buildings	91,454	-	-	91,454
Vehicles and equipment	176,501	-	-	176,501
Total capital assets being depreciated	6,127,688	-	-	6,127,688
Less accumulated depreciation for:				
Plant and distribution systems	2,032,221	117,195	-	2,149,416
Buildings	16,084	3,658	-	19,742
Vehicles and motor equipment	100,342	11,009	-	111,351
Total accumulated depreciation	2,148,647	\$ 131,862	\$ -	2,280,509
Total capital assets being depreciated, net	3,979,041			3,847,179
Northern Water District Capital assets, net	<u>\$ 3,979,041</u>			<u>\$ 3,847,179</u>
Southern Water District				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets not being depreciated:	10,000	-	-	10,000
Capital assets being depreciated:				
Plant and distribution systems	10,213,751	-	-	10,213,751
Buildings	119,796	-	-	119,796
Machinery and equipment	229,398	-	-	229,398
Vehicles and motor equipment	181,130	-	-	181,130
Total capital assets being depreciated	10,744,075	-	-	10,744,075
Less accumulated depreciation for:				
Plant and distribution systems	4,355,259	208,648	-	4,563,907
Buildings	17,407	4,792	-	22,199
Machinery and equipment	62,914	14,916	-	77,830
Vehicles and motor equipment	131,108	13,119	-	144,227
Total accumulated depreciation	4,566,688	\$ 241,475	\$ -	4,808,163
Total capital assets being depreciated, net	6,177,387			5,935,912
Southern Water District capital assets, net	<u>\$ 6,187,387</u>			<u>\$ 5,945,912</u>

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

Tunis Sewer District

Capital assets not being depreciated:

Land	\$ 11,271	\$ -	\$ -	\$ 11,271
Total capital assets not being depreciated	11,271	-	-	11,271

Capital assets being depreciated:

Plant and distribution systems	1,943,344	-	-	1,943,344
Total capital assets being depreciated	1,943,344	-	-	1,943,344

Less accumulated depreciation for:

Plant and distribution systems	194,335	38,867	-	233,202
Total accumulated depreciation	194,335	\$ 38,867	\$ -	233,202

Total capital assets being depreciated, net
Tunis Sewer District capital assets, net

1,749,009				1,710,142
\$ 1,760,280				\$ 1,721,413

Beginning Balances	Increases	Decreases	Ending Balances
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Sanitation

Capital assets not being depreciated:

Land	\$ 23,046	\$ -	\$ -	\$ 23,046
Total capital assets not being depreciated	23,046	-	-	23,046

Capital assets being depreciated:

Buildings	214,766	-	-	214,766
Machinery and equipment	280,753	154,523	-	435,276
Total capital assets being depreciated	495,519	154,523	-	650,042

Less accumulated depreciation for:

Buildings	90,366	6,931	-	97,297
Machinery and equipment	171,151	11,160	-	182,311
Total accumulated depreciation	261,517	\$ 18,091	\$ -	279,608

Total capital assets being depreciated, net
Other business-type capital assets, net

234,002				370,434
\$ 257,048				\$ 393,480

Business-type activities capital assets, net

\$ 12,183,756				\$ 11,907,984
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Construction Commitments

The government has active construction projects as of June 30, 2022. The projects include the Ahoskie Elementary School and Ahoskie Elementary Auditorium projects. At June 30, 2022, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Ahoskie Elementary School	\$ 19,978,770	\$ 1,021,230
Total	\$ 19,978,770	\$ 1,021,230

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

Discretely presented component units

Capital assets at June 30, 2022 for the ABC Board were as follows:

Capital assets not being depreciated:	
Land	\$ 113,708
Capital assets not being depreciated:	<u>113,708</u>
Buildings, improvements	1,082,368
Furniture and equipment	84,682
Vehicles	29,801
Total capital assets being depreciated	<u>1,196,851</u>
Less accumulated depreciation for:	
Buildings, improvements	321,704
Furniture and equipment	76,057
Vehicles	29,801
Total accumulated depreciation	<u>427,562</u>
Total capital assets being depreciated, net	<u>769,289</u>
ABC Board capital assets, net	<u>\$ 882,997</u>

Right to Use Leased Assets

The County has recorded two right to use leased assets. The assets are right to use assets for leased equipment and leased vehicles. The related leases are discussed in the Leases subsection of the Long-term obligations section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Right to use assets				
Leased vehicles	\$ -	\$ 23,794	\$ -	\$ 23,794
Leased office equipment	-	695,150	-	695,150
Total right to use	<u>-</u>	<u>718,944</u>	<u>-</u>	<u>718,944</u>
Less accumulated amortization for:				
Leased vehicles	-	12,404		12,404
Leased office equipment	-	175,035		175,035
Total accumulated amortization	<u>-</u>	<u>187,439</u>	<u>-</u>	<u>187,439</u>
Right to use assets, net	<u>\$ -</u>	<u>\$ 531,505</u>	<u>\$ -</u>	<u>\$ 531,505</u>

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

b. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2022, were as follows :

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 1,448,223	\$ 87,913	-	\$ 1,536,136
Ahoskie Elementary School	176,915	-	-	176,915
Other governmental	21,400	-	-	21,400
Total-governmental activities	<u>\$ 1,646,538</u>	<u>\$ 87,913</u>	<u>\$ -</u>	<u>\$ 1,734,451</u>
Business-Type Activities				
Northern Water District	\$ 13,369	\$ 12,090	-	\$ 25,459
Southern Water District	21,571	13,301	-	34,872
Tunis Sewer District	1,013	1,081	-	2,094
Sanitation	195,743	-	-	195,743
Total Business-Type Activities	<u>\$ 231,696</u>	<u>\$ 26,472</u>	<u>\$ -</u>	<u>\$ 258,168</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions . Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.43% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$841,293 for the year ended June 30, 2022.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2022, the County reported a liability of \$1,479,920 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the County's proportion was 0.0965% (measured as of June 30, 2021), which was an increase of 0.0042% from its proportion measured as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the County recognized pension expense of \$676,036. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 470,816	\$ -
Changes of assumptions	929,768	-
Net difference between projected and actual earnings on pension plan investments	-	2,114,361
Changes in proportion and differences between County Contributions and proportionate share of contributions	110,764	51,986
County contributions subsequent to the measurement date	841,293	-
Total	<u>\$ 2,352,641</u>	<u>\$ 2,166,347</u>

\$841,293 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

Year Ended June 30:

2023	\$ 155,711
2024	(31,260)
2025	(132,444)
2026	(647,006)
2027	-
Thereafter	-
Total	<u>\$ (654,999)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	3.25% to 8.25%, which includes a 3.25% inflation and productivity factor
Investment Rate of Return	6.5 percent, net of pension plan investment expense, including inflation

The plan actuary uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuations were based on the results of an actuarial experience review for LGERS for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Credit	7%	6.0%
Inflation Protection	6%	4.0%
	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net pension liability (asset)	\$ 5,744,927	\$ 1,479,920	\$ (2,029,933)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

b. Law Enforcement Officers' 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation allowance is equal to 0.85 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.

All full-time County law enforcement officers are covered by the Separation Allowance. At the December 31, 2020 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Active plan members	22
	<u>25</u>

2. Summary of Significant Accounting Policies:

Basis of Accounting - The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent
Discount rate	2.25 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

Mortality Rate

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths Before Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

Deaths After Retirement (Disabled): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

4. Contributions

The County is required by article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The County paid \$51,710 as benefits came due for the reporting period.

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

At June 30, 2022, the County reported a total pension liability of \$942,924. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was rolled forward to December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the County recognized pension expense of \$102,809.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,596	\$ 20,062
Changes of assumptions	185,671	31,778
County benefit payments and plan administrative expenses made subsequent to the measurement date	14,005	-
Total	<u>\$ 234,272</u>	<u>\$ 51,840</u>

Hertford County, North Carolina
Notes To The Financial Statements
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The County paid \$14,005 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 52,891
2024	43,687
2025	40,275
2026	33,687
2027	(1,131)
Thereafter	(982)

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 2.25 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 1,026,498	\$ 942,924	\$ 866,745

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

	2022
Beginning balance	\$ 973,625
Service Cost	52,611
Interest paid on the total pension liability	18,292
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(23,980)
Changes of assumptions or other inputs	(25,914)
Other changes	-
Benefit payments	(51,710)
Ending balance of the total pension liability	<u>\$ 942,924</u>

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 1.93 percent at June 30, 2020 (measurement date) to 2.25 percent at June 30, 2021 (measurement date).

Changes in Benefit Terms. No changes since the prior Measurement Date.

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five year period ending December 31, 2019.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

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 the State Treasurer and a Board of Trustees. The plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 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, 2022 were \$73,200 which consisted of \$53,587 from the County and \$19,613 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description . Hertford County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Register of Deeds' Supplemental Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Register of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions . Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$1,762 for the year ended June 30, 2022.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the County reported an asset of \$25,841 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2021, the County's proportion was 0.1345%, which was a decrease of 0.0172% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the County recognized pension expense of \$3,757. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 276	\$ 313
Changes of assumptions	1,884	-
Net difference between projected and actual earnings on pension plan investments	-	79
Changes in proportion and differences between County Contributions and proportionate share of contributions	3,368	-
County contributions subsequent to the measurement date	1,762	-
Total	<u>\$ 7,290</u>	<u>\$ 392</u>

\$1,762 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2023	\$ 2,925
2024	1,669
2025	(61)
2026	603
2027	-
Thereafter	-
Total	<u>\$ 5,136</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.25% - 8.25%
Investment Rate of Return	3.00%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

Hertford County, North Carolina
Notes To The Financial Statements
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The actuarial assumptions used in the December 31, 2020 valuations were based on the results of an actuarial experience review for LGERS for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2022 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions will continue to follow the current funding policy. Based on these assumptions, the system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.00 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension liability (asset)	\$ (20,526)	\$ (25,841)	\$ (30,308)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for LGERS and ROD was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020. The total pension liability for LEOSA was measured as of June 30, 2021, with an actuarial valuation date as of December 31, 2020.

The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 1,479,920	\$ (25,841)	\$ -	\$ 1,454,079
Proportion of the Net Pension Liability (Asset)	0.0965%	0.1345%	n/a	
Total Pension Liability	\$ -	\$ -	\$ 942,924	\$ 942,924
Pension Expense	\$ 676,036	\$ 3,757	\$ 102,809	\$ 782,602

At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 470,816	\$ 276	\$ 34,596	\$ 505,688
Changes of assumptions	929,768	1,884	185,671	1,117,323
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	110,764	3,368	-	114,132
County contributions (LGERS, ROD)/benefit payments and administrations costs (LEOSSA) subsequent to the measurement date	841,293	1,762	14,005	857,060
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ -	\$ 313	\$ 20,062	\$ 20,375
Changes of assumptions	-	-	31,778	31,778
Net difference between projected and actual earnings on pension plan investments	2,114,361	79	-	2,114,440
Changes in proportion and difference between County contributions and proportionate share of contributions	51,986	-	-	51,986

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description - Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefit Plan (HCB Plan). The County Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Hertford County, North Carolina
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Benefits Provided. This plan provides postemployment healthcare benefits to retirees of the County as follows: (1) employees who were hired before July 1, 1988, retire under NCLGERS, are actively employed with the County at the time of retirement, and retire with 30 years of county service (24 for those who become disabled), or at age 62 with 20 years of County service or at age 65; (2) employees who were hired on and after July 1, 1988 but before July 1, 2007, retiree under the NCLGERS, are actively employed with the County at the time of retirement, and retire with 30 years of County service, or at age 62 with 20 years of County service, or at age 65 with 10 years of County service; (3) employees who were hired on and after July 1, 2007, retire under NCLGERS, are actively employed with the County at the time of retirement, and retire with 30 years of County service with the County; or (4) qualifying elected officials who serve four full consecutive terms with the County. The County Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	<u>Employees</u>
Retirees receiving benefits	73
Terminated plan members entitled to but not yet receiving benefits	-
Active Plan members	<u>177</u>
Total	<u><u>250</u></u>

Total OPEB Liability

The County's total OPEB liability of \$15,313,472 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability was determined by actuarial valuations as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases, including wage inflation	
General Employees	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law Enforcement Officers	3.25% - 7.90%
Municipal Bond Index Rate	
Prior Measurement Date	2.21%
Measurement Date	2.16%
Health Care Cost Trends	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Medicare	5.25% for 2020 decreasing to an ultimate rate of 4.50% by 2024

The County selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Hertford County, North Carolina
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Changes in the Total OPEB Liability

	Total OPEB
Balances at June 30, 2020	\$ 14,697,911
Changes	
Service Cost	365,541
Interest	328,867
Change in benefit terms	-
Differences between Expected and Actual	(13,294)
Changes of assumptions	301,653
Benefit Payments	(367,206)
Net Changes	615,561
Balances at June 30, 2021	\$ 15,313,472

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate.

At June 30, 2022, the following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16%) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 18,462,424	\$ 15,313,472	\$ 12,883,706

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County at June 30, 2021, as well as what the County's total OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	\$ 12,685,306	\$ 15,313,472	\$ 18,763,603

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

For the year ended June 30, 2021, the County recognized OPEB expense of \$954,205. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Hertford County, North Carolina
Notes To The Financial Statements
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	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 157,031	\$ 290,275
Changes of assumptions	2,947,179	658,058
County contributions subsequent to the measurement date	302,186	-
Total	<u>\$ 3,406,396</u>	<u>\$ 948,333</u>

\$302,186 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a decrease in the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2023	\$ 323,844
2024	323,844
2025	459,030
2026	640,649
2027	390,913
Thereafter	17,597

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. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are established for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

3. Closure and Postclosure Care Costs - Landfill Facility

State and Federal laws and regulations require the County to place a final cover on its Hertford County Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Hertford County landfill closed in 1994. The \$104,311 reported as landfill closure payable liability at June 30, 2022, represents the latest estimate for costs remaining. The County budgets annually for postclosure care. In the event of a natural occurrence, inflation, or any other unforeseen event occurs, the County would appropriate funds from the Sanitation fund balance and/or increase charges to future sanitation customers.

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4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions, OPEB - difference between expected and actual experience		
LGERS	\$ 470,816	\$ -
LEOSSA	34,596	20,062
Register of Deeds	276	313
OPEB	157,031	290,275
Pensions, OPEB- changes in assumptions		
LGERS	929,768	-
LEOSSA	185,671	31,778
Register of Deeds	1,884	-
OPEB	2,947,181	658,057
Pensions - difference between projected and actual investment		
LGERS	-	2,114,361
Register of Deeds	-	79
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	110,764	51,986
Register of Deeds	3,368	-
Contributions to pension plan in current fiscal year		
LGERS	841,293	-
Register of Deeds	1,762	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	14,005	-
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	302,186	-
Prepaid taxes not yet earned (General)	-	67,079
Taxes receivable, net (General)	-	756,921
Taxes receivable, net (Special Revenue)	-	8,631
EMS receivable, net (General Fund)		200,980
Leases		108,746
	<u>\$ 6,000,601</u>	<u>\$ 4,309,268</u>

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement 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, and workers' compensation coverage up to the statutory limits. The pools also provide \$1 million in Cyber Event Coverage per loss occurrence. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$750,000 for workers. Through the captive, the Liability and Property Pool is reinsure for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

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In accordance with G.S. 159-29, the County's employees that access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond with a \$250,000 occurrence limit. The Director of Finance and tax collector are each individually bonded for \$50,000 and \$250,000, respectively. The Register of Deeds is bonded for \$10,000 and the Sheriff is bonded for \$25,000.

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 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 ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability. For the ABC Board, there have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

6. Contingent Liabilities

At June 30, 2022, the County was a defendant to various lawsuits. In the opinion of management and the County management and the County's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Long-Term Obligations

a. Leases

Serviced by the General Fund

For the year ended 6/30/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On 07/01/2021, Hertford County entered into a 44 month lease as Lessee for the use of Enterprise 2021 Chevrolet Silverado V#6666. An initial lease liability was recorded in the amount of \$30,754. As of 06/30/2022, the value of the lease liability is \$22,434. Hertford County is required to make monthly fixed principal and interest payments of \$706.85. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$30,754 with accumulated amortization of \$8,388 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 45 month lease as Lessee for the use of Enterprise 2021 Chevrolet Silverado V#3923. An initial lease liability was recorded in the amount of \$31,517. As of 06/30/2022, the value of the lease liability is \$23,183. Hertford County is required to make monthly fixed principal and interest payments of \$708.60. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$31,517 with accumulated amortization of \$8,596 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 44 month lease as Lessee for the use of Enterprise 2021 Chevrolet Silverado V#9989. An initial lease liability was recorded in the amount of \$31,517. As of 06/30/2022, the value of the lease liability is \$23,183. Hertford County is required to make monthly fixed principal and interest payments of \$708.60. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$31,517 with accumulated amortization of \$8,405 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

Hertford County, North Carolina
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On 07/01/2021, Hertford County entered into a 42 month lease as Lessee for the use of Enterprise 2021 Chevrolet Silverado V#9759. An initial lease liability was recorded in the amount of \$30,602. As of 06/30/2022, the value of the lease liability is \$21,914. Hertford County is required to make monthly fixed principal and interest payments of \$736.23. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$30,602 with accumulated amortization of \$8,743 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 42 month lease as Lessee for the use of Enterprise 2021 Chevrolet Silverado V#0964. An initial lease liability was recorded in the amount of \$32,407. As of 06/30/2022, the value of the lease liability is \$23,218. Hertford County is required to make monthly fixed principal and interest payments of \$780.07. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$32,407 with accumulated amortization of \$9,259 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 48 month lease as Lessee for the use of Enterprise 2021 Chevrolet Tahoe V#8512. An initial lease liability was recorded in the amount of \$38,144. As of 06/30/2022, the value of the lease liability is \$28,689. Hertford County is required to make monthly fixed principal and interest payments of \$803.94. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$38,144 with accumulated amortization of \$9,536 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 48 month lease as Lessee for the use of Enterprise 2021 Chevrolet Tahoe V#8429. An initial lease liability was recorded in the amount of \$38,101. As of 06/30/2022, the value of the lease liability is \$28,657. Hertford County is required to make monthly fixed principal and interest payments of \$803.04. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$38,101 with accumulated amortization of \$9,498 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 48 month lease as Lessee for the use of Enterprise 2021 Chevrolet Tahoe V#3861. An initial lease liability was recorded in the amount of \$38,144. As of 06/30/2022, the value of the lease liability is \$28,689. Hertford County is required to make monthly fixed principal and interest payments of \$803.94. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$38,144 with accumulated amortization of \$9,536 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 48 month lease as Lessee for the use of Enterprise 2021 Chevrolet Tahoe V#3001. An initial lease liability was recorded in the amount of \$38,144. As of 06/30/2022, the value of the lease liability is \$28,689. Hertford County is required to make monthly fixed principal and interest payments of \$803.94. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$38,144 with accumulated amortization of \$9,536 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 48 month lease as Lessee for the use of Enterprise 2021 Chevrolet Tahoe V#7969. An initial lease liability was recorded in the amount of \$38,144. As of 06/30/2022, the value of the lease liability is \$28,689. Hertford County is required to make monthly fixed principal and interest payments of \$803.94. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$38,144 with accumulated amortization of \$9,536 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 48 month lease as Lessee for the use of Enterprise 2021 Chevrolet Tahoe V#7925. An initial lease liability was recorded in the amount of \$38,144. As of 06/30/2022, the value of the lease liability is \$28,689. Hertford County is required to make monthly fixed principal and interest payments of \$803.94. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$38,144 with accumulated amortization of \$9,536 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

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On 07/01/2021, Hertford County entered into a 48 month lease as Lessee for the use of Enterprise 2021 Chevrolet Tahoe V#8846. An initial lease liability was recorded in the amount of \$38,144. As of 06/30/2022, the value of the lease liability is \$28,689. Hertford County is required to make monthly fixed principal and interest payments of \$803.94. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$38,144 with accumulated amortization of \$9,536 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 48 month lease as Lessee for the use of Enterprise 2021 Chevrolet Tahoe V#7988. An initial lease liability was recorded in the amount of \$38,144. As of 06/30/2022, the value of the lease liability is \$28,689. Hertford County is required to make monthly fixed principal and interest payments of \$803.94. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$38,144 with accumulated amortization of \$9,536 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 09/17/2021, Hertford County entered into a 48 month lease as Lessee for the use of Enterprise 2021 Chevrolet Tahoe V#7952. An initial lease liability was recorded in the amount of \$38,235. As of 06/30/2022, the value of the lease liability is \$31,132. Hertford County is required to make monthly fixed principal and interest payments of \$805.87. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$38,235 with accumulated amortization of \$7,169 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 04/30/2022, Hertford County entered into a 48 month lease as Lessee for the use of Enterprise 2021 Chevrolet Tahoe V#2117. An initial lease liability was recorded in the amount of \$34,797. As of 06/30/2022, the value of the lease liability is \$32,584. Hertford County is required to make monthly fixed principal and interest payments of \$749.33. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$34,797 with accumulated amortization of \$2,221 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 29 month lease as Lessee for the use of a Pitney Bowes postage meter for the finance department. An initial lease liability was recorded in the amount of \$7,563. As of 06/30/2022, the value of the lease liability is \$4,463. Hertford County is required to make monthly fixed principal and interest payments of \$256.59. The lease has an interest rate of 1.60%. The value of the right to use asset as of 06/30/2022 of \$7,563 with accumulated amortization of \$3,130 is included with Office Equipment on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 21 month lease as Lessee for the use of a Pitney Bowes postage meter for DSS. An initial lease liability was recorded in the amount of \$16,231. As of 06/30/2022, the value of the lease liability is \$7,012. Hertford County is required to make monthly fixed principal and interest payments of \$784.27. The lease has an interest rate of 1.60%. The value of the right to use asset as of 06/30/2022 of \$16,231 with accumulated amortization of \$9,275 is included with Office Equipment on the Right to Use Leased Asset Schedule found above.

Serviced by the Enterprise Funds

On 07/01/2021, Hertford County entered into a 42 month lease as Lessee for the use of Enterprise 2021 Chevrolet Silverado V#0413. An initial lease liability was recorded in the amount of \$30,586. As of 06/30/2022, the value of the lease liability is \$21,914. Hertford County is required to make monthly fixed principal and interest payments of \$736.23. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$30,586 with accumulated amortization of \$8,739 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 42 month lease as Lessee for the use of Enterprise 2021 Chevrolet Silverado V#9856. An initial lease liability was recorded in the amount of \$32,407. As of 06/30/2022, the value of the lease liability is \$23,218. Hertford County is required to make monthly fixed principal and interest payments of \$780.06. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$32,407 with accumulated amortization of \$9,259 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

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On 07/01/2021, Hertford County entered into a 42 month lease as Lessee for the use of Enterprise 2021 Chevrolet Silverado V#1815. An initial lease liability was recorded in the amount of \$32,407. As of 06/30/2022, the value of the lease liability is \$23,218. Hertford County is required to make monthly fixed principal and interest payments of \$780.06. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$32,407 with accumulated amortization of \$9,259 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 42 month lease as Lessee for the use of Enterprise 2021 Chevrolet Silverado V#8259. An initial lease liability was recorded in the amount of \$32,407. As of 06/30/2022, the value of the lease liability is \$23,218. Hertford County is required to make monthly fixed principal and interest payments of \$780.06. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$32,407 with accumulated amortization of \$9,259 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

On 07/01/2021, Hertford County entered into a 42 month lease as Lessee for the use of Enterprise 2021 Chevrolet Silverado V#1848. An initial lease liability was recorded in the amount of \$32,407. As of 06/30/2022, the value of the lease liability is \$23,218. Hertford County is required to make monthly fixed principal and interest payments of \$780.06. The lease has an interest rate of 0.60%. The value of the right to use asset as of 06/30/2022 of \$32,407 with accumulated amortization of \$9,259 is included with Vehicles on the Right to Use Leased Asset Schedule found above.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 147,651	\$ 2,110	\$ 45,708	\$ 573
2024	139,630	1,212	45,985	293
2025	122,927	411	23,098	41
2026	8,396	16	-	-
2027	-	-	-	-
Total	<u>\$ 418,604</u>	<u>\$ 3,749</u>	<u>\$ 114,791</u>	<u>\$ 907</u>

b. Direct Placement Installment Purchases

In May 2016, the County entered into a direct placement installment purchase agreement for \$2,855,613 to renovate the DSS building. The building is pledged as collateral for the debt. The contract requires twelve annual payments of \$237,968 plus 2.28% interest. The note contains provisions that an event of default would allow the Bank to sell the mortgaged property under power of sale.

\$ 1,427,806

Effective June 30, 2018, the County assumed the liabilities of the Hertford County Public Health Authority. In January 2015, the Authority entered into a direct placement installment purchase agreement to finance a building. The building is pledged as collateral for the debt. The contract requires monthly payments of \$1,744, including 4.49% interest. Upon default, the Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then the Borrower will be required to pay that amount.

50,963

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On February 12, 2020, the County entered into a direct placement installment purchase agreement for \$5,000,000 to finance the construction of a new school. The building is pledged as collateral for the debt. The contract requires annual principal payments of \$500,000 on April 1 each year, and semi-annual payments of interest at 2.2% which range from \$70,608 to \$5,550 on October 1 and April 1 each year. Upon default, the Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then the Borrower will be required to pay that amount, or proceed by appropriate court action to enforce performance by the County of the covenants of the contract.

4,000,000

On October 22, 2020, the County entered into a direct placement installment purchase agreement for \$232,040 to finance the purchase of emergency services equipment. The equipment is pledged as collateral for the debt. The contract requires annual payments of \$26,003 including interest at 2.125% on October 22 with the final payment due October 22, 2030. Upon default, the Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then the Borrower will be required to pay that amount, proceed by appropriate court action to enforce performance by the County of the covenants of the contract, or terminate the contract and take possession of the collateral.

210,968

Total - Governmental Activities

\$ 5,689,737

On March 29, 2022, the County entered into a direct placement installment purchase agreement for \$154,545 to finance the purchase of equipment. The equipment is pledged as collateral for the debt. The contract requires annual payments of \$38,636 plus interest at 1.60% starting in September 22 with the final payment due September 2026. Upon default, the Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then the Borrower will be required to pay that amount, proceed by appropriate court action to enforce performance by the County of the covenants of the contract, or terminate the contract and take possession of the collateral.

\$ 154,545

Total Business-type Activities

\$ 154,545

The future minimum payments of the installment purchases as of June 30, 2022, including \$539,963 and \$6,187 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 778,417	\$ 127,834	\$ 38,636	\$ 2,473
2024	779,752	109,973	38,636	1,860
2025	772,639	92,097	38,636	1,236
2026	760,889	74,859	38,637	618
2027	761,376	57,846	-	-
2028-2032	1,836,664	77,354	-	-
2033-2037	-	-	-	-
Total	<u>\$ 5,689,737</u>	<u>\$ 539,963</u>	<u>\$ 154,545</u>	<u>\$ 6,187</u>

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For the Year Ended June 30, 2022

c. 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, the Northern and Southern Water Districts, and the Tunis Sewer District issue general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Northern and Southern Water District Funds and the Tunis Sewer Fund, 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. In the event of a default, the County agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the County under this Agreement.

The County's general obligation bonds payable at June 30, 2022 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$11,945,000 2013 Limited Obligation Bonds due in annual installments of \$525,000 to \$635,000 beginning April 1, 2014 through April 1, 2033; interest varying from 2.0 percent to	\$ 6,970,000
Total	<u><u>\$ 6,970,000</u></u>

Serviced by the County's Southern Water District:

\$4,332,850 Refunding, Series 2016 Bonds due in annual installments of \$352,528, through December 15, 2031, including interest at 2.60 percent.	\$ 3,069,469
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Serviced by the County's Northern Water District:

\$2,050,350 Refunding, Series 2016 Bonds due in annual installments of \$166,820 through December 15, 2031, including interest at 2.60 percent.	1,452,504
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Serviced by the County's Tunis Sewer District:

\$307,000 2014 USDA Sanitary Sewer Bonds due in monthly installments of \$5,500 to \$12,000 through June 1, 2054; interest at 2.375 percent.	273,000
Total	<u><u>\$ 4,794,973</u></u>

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 635,000	\$ 239,718	\$ 407,777	\$ 124,055
2024	635,000	210,968	418,223	113,466
2025	635,000	186,194	428,941	102,606
2026	635,000	161,418	439,937	91,466
2027	635,000	142,368	451,220	80,043
2028-2032	3,165,000	419,118	2,440,875	218,066
2033-2037	630,000	21,262	39,000	22,896
2038-2042	-	-	43,500	18,062
2043-2047	-	-	49,000	12,623
2048-2052	-	-	55,500	6,520
2053-2057	-	-	21,000	713
Total	<u><u>\$ 6,970,000</u></u>	<u><u>\$ 1,381,046</u></u>	<u><u>\$ 4,794,973</u></u>	<u><u>\$ 790,516</u></u>

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

d. Revenue Bonds

Serviced by the Northern Water District

\$811,000 Water System, Series 2020A USDA Revenue Bonds issued on March 18, 2020 for water and sewer system improvements. Principal and interest installments are due annually on June 1, at an annual interest rate of 2.25%.

\$ 783,000

\$125,000 Water System, Series 2020B USDA Revenue Bonds issued on March 18, 2020 for water and sewer system improvements. Principal and interest installments are due annually on June 1, at an annual interest rate of 2.25%.

121,000

Total Serviced by the Northern Water District

\$ 904,000

Year Ending		
June 30	Principal	Interest
2023	\$ 16,000	\$ 20,340
2024	16,000	19,980
2025	16,000	19,620
2026	17,000	19,260
2027	17,000	18,878
2028-2032	93,000	88,470
2033-2037	105,000	77,378
2038-2042	116,000	65,093
2043-2047	130,000	51,458
2048-2052	146,000	36,068
2053-2057	164,000	18,900
2058-2062	68,000	2,273
Total	<u>\$ 904,000</u>	<u>\$ 437,718</u>

e. Advance Refundings

On December 15, 2017, the County issued \$2,050,350 of General Obligation Refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$2,502,302. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the respective statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$17,350, which was the amount received for bond issuance costs. These costs were expensed. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$735,068 and resulted in an economic gain of \$756,241.

On December 15, 2017, the County issued \$4,332,850 of General Obligation Refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$5,287,925. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the respective statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$17,350, which was the amount received for bond issuance cost. These costs were expensed. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$1,794,799, and resulted in an economic gain of \$1,413,609.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

f. Long-Term Obligation Activity:

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
Governmental Activities:					
General obligation debt	\$ 7,595,000	\$ -	\$ 625,000	\$ 6,970,000	\$ 635,000
Premium	272,705	-	24,792	247,913	-
Net general obligation debt	7,867,705	-	649,792	7,217,913	635,000
Lease liabilities	-	558,729	140,125	418,604	147,651
Direct Placement Installment purchases	6,466,866	-	777,129	5,689,737	778,417
Compensated Absences	605,638	-	2,386	603,252	150,813
Net pension liability (LGRS)	3,144,128	-	1,733,983	1,410,145	-
Total pension liability (LEOSSA)	973,625	-	30,701	942,924	-
Total OPEB liability	13,924,058	583,151	-	14,507,209	-
Total	<u>\$ 32,982,020</u>	<u>\$ 1,141,880</u>	<u>\$ 3,983,908</u>	<u>\$ 30,789,784</u>	<u>\$ 2,346,881</u>
Business-type Activities:					
General Obligation Debt	\$ 5,192,569	\$ -	\$ 397,596	\$ 4,794,973	\$ 407,777
Revenue Bonds	920,000	-	16,000	904,000	16,000
Lease liabilities	-	160,215	45,428	114,787	45,705
Direct Placement Installment purchases	-	154,545	-	154,545	38,636
Compensated absences	45,258	-	3,832	41,426	10,357
Net pension liability (LGRS)	155,754	-	85,979	69,775	-
Landfill closure	107,201	-	2,890	104,311	-
Total OPEB Liability	773,854	32,409	-	806,263	-
Total	<u>\$ 7,194,636</u>	<u>\$ 347,169</u>	<u>\$ 551,725</u>	<u>\$ 6,990,080</u>	<u>\$ 10,357</u>

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

At June 30, 2022, Hertford County had a legal debt margin of \$125,192,003.

d. Interfund Balances and Activity

Transfers From/ To Other Funds:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	School Capital Reserve Fund	\$ 1,599,971	To transfer restricted sales tax
ARP Fund	General Fund	2,299,490	To transfer ARPA funds designated as revenue replacement
			To provide funding for project expenses incurred prior to receiving loan proceeds
School Capital Reserve Fund	Ahoskie Elementary School Project	1,000,000	
Total Transfers		<u>\$ 4,899,461</u>	

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

Due to / from Balances:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
Ahoskie Elementary School Project	General Fund	\$ 2,457,101	Cover cash overdraft for project expenditures
Southern Water District	Northern Water District Project	1,359,000	Provide resources for project

f. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Capital assets	\$ 40,932,735	\$ 11,907,984
Right to use assets	417,065	114,439
Capital debt calculation:		
Total debt, gross	13,326,254	5,968,306
Total capital debt	13,326,254	5,968,306
Net investment in capital assets	<u>\$ 28,023,546</u>	<u>\$ 6,054,117</u>

g. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriations:

Total Fund Balance - General Fund	\$ 15,546,295
Less:	
Nonspendable	1,045
Stabilization by State Statute	5,310,797
Register of Deeds	35,838
Revaluation	94,300
Capital Reserve	4,133,345
Appropriated Fund Balance in 2023 budget	1,927,401
Remaining Fund Balance	<u>\$ 4,043,569</u>

The County had no outstanding encumbrances at June 30, 2022.

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, 2022. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$105,016 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office in Winton, NC.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

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 to the community college. The president of the community college's student government serves as an ex-office 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 a 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 appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$0 is outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to providing funding for the community college's facilities. The County contributed \$949,474 and \$122,406 to the community college for operating purposes and capital outlay, respectively during the fiscal year ended June 30, 2022. 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, 2022. 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 Trillium 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 have any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2022. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$88,168 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, 2022. 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 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, 2022. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$20,000 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office at Route 1, Aulander, NC 27805.

V. Jointly Governed Organization

The County, in conjunction with five other counties and thirty-two municipalities, established the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the commission's governing board. The County paid membership fees of \$7,956 to the Commission during the fiscal year ended June 30, 2022.

Hertford County, North Carolina
Notes To The Financial Statements
For the Year Ended June 30, 2022

VI. 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

VII. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2022 and September 20, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no events that occurred during this time that were deemed to be significant enough to be disclosed.

VIII. Prior Period Adjustment

A prior period adjustment was recorded in the General Fund to reflect the receivable balance for EMS as of June 30, 2021 as a deferred inflow of resources, as these balances are not considered available within 60 days. This adjustment resulted in a decrease in fund balance in the General Fund of \$327,851. This adjustment is not needed on the government-wide statements, as the entire amount had already been recognized as revenues. Additionally, a prior period adjustment was recorded to adjust beginning receivable balances between the Southern Water District and Tunis Sewer Fund, which resulted in a decrease in net position for the Southern Water District Fund of \$3,419 and Tunis Sewer Fund of \$29,898.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of County's Proportionate Share of Net Pension Liability (Asset) - Local Government Employees' Retirement Systems
- Schedule of County Contributions - Local Governmental Employees' Retirement
- Schedule of County's Proportionate Share of Net Pension Liability (Asset) - Register of Deeds' Supplemental Pension Fund
- Schedule of County Contributions - Register of Deeds' Supplemental Pension Fund
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll
- Schedule of Changes in the Net OPEB Liability and Related Ratios

Hertford County
Schedule of County's Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Last Nine Fiscal Years*

Local Government Employees' Retirement System					
	2022	2021	2020	2019	2018
County's proportion of the net pension liability (asset)	0.096%	0.092%	0.092%	0.107%	0.106%
County's proportionate share of the net pension liability (asset)	\$ 1,479,920	\$ 3,299,702	\$ 2,508,625	\$ 2,541,253	\$ 1,619,845
County's covered payroll	\$ 7,138,023	\$ 6,800,162	\$ 6,562,211	\$ 7,042,654	\$ 6,795,799
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.73%	48.52%	38.23%	36.08%	23.84%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	88.61%	90.86%	92.00%	94.18%
	2017	2016	2015	2014	
County's proportion of the net pension liability (asset)	0.100%	0.097%	0.102%	0.103%	
County's proportionate share of the net pension liability (asset)	\$ 2,124,670	\$ 436,138	\$ (599,123)	\$ 1,236,724	
County's covered payroll	\$ 6,426,685	\$ 6,046,680	\$ 5,911,581	\$ 6,077,841	
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.06%	7.21%	-10.13%	20.35%	
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%	

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Information included above is intended to included ten yearsl however only the years above have information available. Additional years will be included as information become available.

*This schedule will not present 10 years' worth of information until fiscal year 2023.

Hertford County, North Carolina
Schedule of County Contributions
Local Government Employees' Retirement System
Last Nine Fiscal Years*

Local Government Employees' Retirement System					
	2022	2021	2020	2019	2018
Contractually required contribution	\$ 841,293	\$ 736,650	\$ 620,881	\$ 515,832	\$ 535,485
Contributions in relation to the contractually required contribution	841,293	736,650	620,881	515,832	535,485
Contribution deficiency (excess)	-	-	-	-	-
County's covered payroll	\$ 7,308,624	\$ 7,138,023	\$ 6,800,162	\$ 6,562,211	\$ 7,042,654
Contributions as a percentage of covered payroll	11.51%	10.32%	9.13%	7.86%	7.60%
	2017	2016	2015	2014	
Contractually required contribution	\$ 507,255	\$ 441,786	\$ 421,035	\$ 419,855	
Contributions in relation to the contractually required contribution	507,255	441,786	421,035	419,855	
Contribution deficiency (excess)	-	-	-	-	
County's covered payroll	\$ 6,795,799	\$ 6,426,685	\$ 6,046,680	\$ 5,911,581	
Contributions as a percentage of covered payroll	7.46%	6.87%	6.96%	7.10%	

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

*This schedule will not present 10 years' worth of information until fiscal year 2023.

Hertford County, North Carolina
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)
Register of Deeds' Supplemental Pension Fund
Last Nine Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
County's proportionate share of the net pension liability (asset)	0.134%	0.152%	0.154%	0.172%	0.179%
County's proportionate share of the net pension liability (asset)	\$ (25,841)	\$ (34,767)	\$ (30,318)	\$ (28,513)	\$ (30,470)
Plan fiduciary net position as a percentage of the total pension liability	156.53%	173.52%	164.11%	153.31%	153.77%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
County's proportionate share of the net pension liability (asset)	0.186%	0.186%	0.192%	0.184%	
County's proportionate share of the net pension liability (asset)	\$ (34,715)	\$ (43,136)	\$ (43,562)	\$ (39,213)	
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%	

* The amounts presented for the fiscal year were determined as of June 30.

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

*This schedule will not present 10 years' worth of information until fiscal year 2023.

Hertford County, North Carolina
Schedule of County Contributions
Register of Deeds' Supplemental Pension Fund
Last Nine Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 1,762	\$ 1,614	\$ 1,453	\$ 3,824	\$ 3,577
Contributions in relation to contractually required contribution	1,762	1,614	1,453	3,824	3,577
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Contractually required contributions	\$ 3,262	\$ 1,596	\$ 1,194	\$ 1,569	
Contributions in relation to contractually required contribution	3,262	1,596	1,194	1,569	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

*This schedule will not present 10 years' worth of information until fiscal year 2023.

Hertford County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years*

	2022	2021	2020
Beginning balance	\$ 973,625	\$ 721,867	\$ 680,289
Service Cost	52,611	33,261	30,012
Interest on the total pension liability	18,292	22,574	23,770
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(23,980)	7,041	19,800
Changes of assumptions or other inputs	(25,914)	247,702	22,536
Benefit payments	(51,710)	(58,820)	(54,540)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 942,924</u>	<u>\$ 973,625</u>	<u>\$ 721,867</u>

	2019	2018	2017
Beginning balance	\$ 663,501	\$ 586,384	\$ 568,161
Service Cost	30,580	25,102	33,656
Interest on the total pension liability	20,259	21,770	19,899
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	36,670	38,402	-
Changes of assumptions or other inputs	(25,958)	36,606	(13,802)
Benefit payments	(44,763)	(44,763)	(21,530)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 680,289</u>	<u>\$ 663,501</u>	<u>\$ 586,384</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

*This schedule will not present 10 years' worth of information until fiscal year 2026.

Hertford County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 942,924	\$ 973,625	\$ 721,867
Covered payroll	1,093,254	1,006,012	1,032,243
Total pension liability as a percentage of covered payroll	86.25%	96.78%	69.93%

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 680,289	\$ 663,501	\$ 586,384
Covered payroll	978,915	934,554	1,118,710
Total pension liability as a percentage of covered payroll	69.49%	71.00%	52.42%

Notes to the schedules:

Hertford County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

*This schedule will not present 10 years' worth of information until fiscal year 2026.

Hertford County, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Healthcare Benefits Plan
Last Five Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 365,541	\$ 249,986	\$ 220,044	\$ 297,802	\$ 344,875
Interest	328,867	383,471	380,243	352,074	316,356
Changes of benefit terms	-	-	-	968,059	-
Differences between expected and actual experience	(13,294)	217,455	9,113	(706,582)	(188)
Changes of assumptions	301,653	3,320,199	679,475	(726,371)	(1,074,367)
Benefit payments	(367,206)	(356,007)	(358,482)	(242,456)	(172,657)
Net change in total OPEB	<u>615,561</u>	<u>3,815,104</u>	<u>930,393</u>	<u>(57,474)</u>	<u>(585,981)</u>
Total OPEB liability - beginning	<u>14,697,911</u>	<u>10,882,807</u>	<u>9,952,414</u>	<u>10,009,888</u>	<u>10,595,869</u>
Total OPEB liability - ending	<u><u>\$ 15,313,472</u></u>	<u><u>\$ 14,697,911</u></u>	<u><u>\$ 10,882,807</u></u>	<u><u>\$ 9,952,414</u></u>	<u><u>\$ 10,009,888</u></u>

*This schedule will not present 10 years' worth of information until fiscal year 2027.

MAJOR GOVERNMENTAL FUNDS

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

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Ad valorem Taxes			
Taxes		\$ 14,420,737	
Penalties and interest		162,802	
Total	\$ 14,380,155	14,583,539	\$ 203,384
Local Option Sales Taxes			
Article 39 and 44		3,162,120	
Article 40 one-half of one percent		1,777,746	
Article 42 one-half of one percent		1,220,625	
Total	5,627,051	6,160,491	533,440
Other Taxes and Licenses			
CATV franchise		26,520	
Occupancy tax		61,058	
Total	86,094	87,578	1,484
Unrestricted Intergovernmental Revenues			
ABC profit distribution		79,112	
Beer and wine tax		51,110	
Total	93,936	130,222	36,286
Restricted Intergovernmental Revenues			
Social services grants and fees		3,435,245	
Federal and State grants		841,444	
Court facility fees		31,725	
ABC bottle taxes		10,252	
Miscellaneous		454,354	
Total	4,554,542	4,773,020	218,478
Permits and Fees			
Building and inspection fees		74,800	
Planning and zoning		550	
Register of deeds		138,205	
Total	231,417	213,555	(17,862)
Sales and Services			
Rents, concessions, and fees		174,160	
Jail Fees		127,346	
Ambulance and rescue squad fees		725,344	
EMS cost share		167,790	
Vehicle tax collection fees		148,487	
Health Authority		632	
Cost Allocation (from Proprietary Funds)		(5,000)	
Total	1,573,717	1,338,759	(234,958)

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance Positive (Negative)
	Budget	Actual	
Investment Earnings	14,000	19,634	5,634
Miscellaneous Revenues			
Sale of materials		32,148	
Other		228,156	
Total	360,839	260,304	(100,535)
Total Revenues	26,921,751	27,567,102	645,351
<u>Expenditures</u>			
<u>General Government</u>			
Governing Body:			
Salaries and employee benefits		119,538	
Other operating expenditures		49,737	
Total	201,979	169,275	32,704
Administration:			
Salaries and employee benefits		343,472	
Other operating expenditures		149,951	
Total	549,878	528,220	21,658
Human Resources:			
Salaries and employee benefits		399,703	
Other operating expenditures		27,847	
Total	421,553	427,550	(5,997)
Elections:			
Salaries and employee benefits		128,621	
Other operating expenditures		41,449	
Capital Outlay		53,593	
Total	242,888	223,663	19,225
Finance:			
Salaries and employee benefits		341,408	
Other operating expenditures		99,815	
Total	421,573	448,786	(27,213)
Taxes:			
Salaries and employee benefits		379,463	
Other operating expenditures		201,820	
Total	631,322	581,283	50,039
Legal:			
Contract services	78,000	75,000	3,000

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance
	Budget	Actual	Positive (Negative)
Register of Deeds:			
Salaries and employee benefits		172,342	
Other operating expenditures		36,364	
Total	198,610	208,706	(10,096)
Public Buildings:			
Salaries and employee benefits		533,998	
Other operating expenditures		339,036	
Capital outlay		228,735	
Total	1,215,615	1,101,769	113,846
Land Records:			
Salaries and employee benefits		205,315	
Other operating expenditures		28,075	
Total	236,925	233,390	3,535
Court Facilities:			
Operating expenditures		89,429	
Total	89,859	89,429	430
Central Services:			
Salaries and employee benefits		91,883	
Operating expenditures		539,759	
Capital outlay		49,519	
Total	763,506	681,161	82,345
Total General Government	5,051,708	4,768,232	283,476
<u>Public Safety</u>			
Sheriff:			
Salaries and employee benefits		1,936,823	
Other operating expenditures		446,356	
Capital outlay		524,746	
Total	2,763,272	2,907,925	(144,653)
Jail:			
Salaries and employee benefits		1,091,107	
Other operating expenses		614,831	
Capital outlay		2,800	
Total	2,021,408	1,708,738	312,670
Emergency Communications:			
Salaries and employee benefits		690,868	
Other operating expenditures		88,337	
Total	726,488	779,205	(52,717)

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance
	Budget	Actual	Positive (Negative)
Emergency Management:			
Salaries and employee benefits		203,775	
Other operating expenditures		189,528	
Total	413,257	393,303	19,954
Fire:			
Contribution to forest service		75,881	
Assistance to local fire departments		350,542	
Total	443,583	426,423	17,160
Inspections:			
Salaries and employee benefits		132,177	
Other operating expenditures		17,911	
Total	141,801	182,496	(40,695)
Rescue Units:			
Salaries and employee benefits		1,064,288	
Other operating expenditures		225,809	
Capital outlay		77,276	
Total	1,679,139	1,367,373	311,766
Animal Control:			
Salaries and employee benefits		83,604	
Other operating expenditures		23,897	
Total	109,838	107,501	2,337
Medical Examiner:			
Contracted services		14,877	
Total	18,225	14,877	3,348
Total Public Safety	8,317,011	7,887,841	429,170
<u>Transportation</u>			
Contribution to transit authority		10,300	
Contribution to regional airport		20,000	
Total transportation	30,300	30,300	-
<u>Economic and Physical Development</u>			
Economic Development:			
Salaries and employee benefits		97,540	
Other operating expenditures		17,955	
Total	124,723	115,495	9,228

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance
	Budget	Actual	Positive (Negative)
Agricultural Extension:			
Salaries and employee benefits		68,938	
Other operating expenditures		10,316	
Total	151,836	79,254	72,582
Solid and Water Conservation:			
Salaries and employee benefits		124,782	
Other operating expenditures		5,812	
Total	137,501	130,594	6,907
Total Economic and Physical Development	414,060	325,343	88,717
<u>Human Services</u>			
Health:			
Administration:			
Salaries and Benefits		57,788	
Contribution to health department		400,021	
Other operating expenditures		34,122	
Total	502,498	491,931	10,567
Aid to Aging:			
Salaries and employee benefits		281,256	
Other operating expenditures		52,444	
Capital outlay		-	
Total	366,289	333,700	32,589
Respite:			
Other operating expenditures		321,330	
Total	431,806	321,330	110,476
Mental Health:			
Administration:			
Other operating expenditures		88,168	
Total	86,400	88,168	(1,768)
Social Services:			
Administration:			
Salaries and employee benefits		2,477,502	
Other operating expenditures		558,233	
Total	3,165,851	3,051,966	113,885

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance
	Budget	Actual	Positive (Negative)
Public Assistance			
Work first:			
Operating expenditures		1,352,591	
Foster care:			
Operating expenditures		53,125	
Total	1,602,384	1,405,716	196,668
Elderly Handicapped:			
Operating expenditures	160,177	90,619	69,558
Community Based Alternatives:			
Other operating expenditures		149,810	
Total	138,810	149,810	(11,000)
Veterans Service Office:			
Salaries and employee benefits		67,827	
Other operating expenditures		5,134	
Total	72,736	72,961	(225)
Other Programs:			
Other appropriations/contributions		143,579	
Total	72,134	143,579	(71,445)
Total Human Services	6,599,085	6,149,780	449,305
<u>Cultural and Recreational</u>			
Library and Recreation:			
Contribution to regional library		105,016	
Total Cultural and Recreational	105,016	105,016	-
<u>Education</u>			
Public schools-current expenses		4,290,818	
Community college- current		949,474	
Community college- capital outlay		122,406	
Total Education	5,410,853	5,362,698	48,155
<u>Debt Service</u>			
Principal retirement		1,402,129	
Interest and other charges		445,836	
Total debt services	1,862,278	1,847,965	14,313

Hertford County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance
	Budget	Actual	Positive (Negative)
Contingency	334,835	-	334,835
Total Expenditures	28,125,146	26,477,175	1,647,971
Revenues Over (Under) Expenditures	(1,203,395)	1,089,927	2,293,322
<u>Other Financing Sources (Uses)</u>			
Transfers (to) from other funds:			
School Capital Reserve Fund		(1,599,971)	
ARPA Fund		2,299,490	
Total Transfers	(800,000)	699,519	1,499,519
Lease liabilities issued	-	558,729	558,729
Appropriated fund balance	1,967,458	-	(1,967,458)
Total other financing sources (uses)	1,167,458	1,258,248	90,790
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (35,937)	2,348,175	\$ 2,384,112
Fund Balance , beginning		9,298,326	
Prior Period Adjustment (see Note VIII)		(327,851)	
Fund Balance, ending		\$ 11,318,650	

Hertford County, North Carolina
School Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance
	Budget	Actual	Positive (Negative)
<u>Revenues</u>			
Restricted intergovernmental	\$ -	\$ -	\$ -
<u>Expenditures</u>			
Education			
Capital Outlay	800,000	287,306	512,694
Revenues Over (Under) Expenditures	(800,000)	(287,306)	512,694
<u>Other Financing Sources (Uses)</u>			
Operating transfer in			
General fund	800,000	1,599,971	799,971
AES School Project Fund	-	(1,000,000)	(1,000,000)
Total	800,000	599,971	(200,029)
Revenues Over Expenditures and Other Uses	\$ -	312,665	\$ 312,665
Fund Balance, beginning		3,820,680	
Fund Balance, ending		\$ 4,133,345	

Hertford County, North Carolina
Revaluation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		
	Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>			
Investment Earnings	\$ -	\$ -	\$ -
<u>Expenditures</u>			
Current:			
General government			
Tax listings:	-	-	-
<u>Other Financing Sources (Uses)</u>			
Transfer from (to) other funds			
General Fund	-	-	-
Fund Balance Appropriated	-	-	-
Total	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	-	\$ -
Fund Balance, beginning		94,300	
Fund Balance, ending		\$ 94,300	

Hertford County, North Carolina
Ahoskie Elementary School Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

		Actual			Variance
	Project				Positive
	Authorization	Prior Years	Current Year	Total to Date	(Negative)
<u>Revenues</u>					
Lottery Procceds	\$ -	\$ 11,089,457	\$ 3,108,213	\$ 14,197,670	\$ 14,197,670
Investment earnings	-	10,786	58	10,844	10,844
Total	-	11,100,243	3,108,271	14,208,514	14,208,514
<u>Expenditures</u>					
Capital outlay					
Contingency	1,100,000	-	-	-	1,100,000
Administrative Cost	255,000	255,000	-	255,000	-
Architectural Fees	922,000	866,495	-	866,495	55,505
Testing and Geographical Survey	276,000	276,000	-	276,000	-
Fixtures, Furniture, and Equipment	1,120,000	-	45,711	45,711	1,074,289
Construction Cost	15,521,375	10,622,005	7,113,560	17,735,565	(2,214,190)
Site Development	800,000	800,000	-	800,000	-
Miscellaneous Expenses	5,625	-	-	-	5,625
Total	20,000,000	12,819,500	7,159,271	19,978,771	21,229
Revenues Over (Under) Expenditures	(20,000,000)	(1,719,257)	(4,051,000)	(5,770,257)	14,229,743
<u>Other Financing Sources (Uses)</u>					
Transfer from School Capital Reserve	3,500,000	565,898	1,000,000	1,565,898	(1,934,102)
Proceeds from Debt	16,500,000	5,000,000	-	5,000,000	(11,500,000)
Total	20,000,000	5,565,898	1,000,000	6,565,898	(13,434,102)
Excess of Revenues and Other					
Sources Over (Under) Expenditures	\$ -	\$ 3,846,641	(3,051,000)	\$ 795,641	\$ 795,641
Fund Balance - July 1			3,846,641		
Fund Balance - June 30			\$ 795,641		

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

- **Emergency Telephone System Fund:** This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.
- **Fire District Fund:** This fund accounts for the ad valorem tax levies of the two fire districts in Hertford County.
- **Representative Fund:** This fund accounts for the trust funds held for DSS Recipients.
- **Cooperative Extension Trust Fund:** This fund accounts for a special cooperative extension program.
- **ARP Fund:** This fund accounts for the ARPA funds received by the County.

Hertford County, North Carolina
Combining Balance Sheets
Non-Major Governmental Funds
June 30, 2022

	Special Revenue Funds					Total Non-Major Governmental
	Emergency Telephone System Fund	Fire District Fund	Representative Payee Fund	Cooperative Extension Trust	ARP Fund	
<u>ASSETS</u>						
Current Assets:						
Cash and cash equivalents	\$ 260,031	\$ 9,336	\$ 7,130	\$ 21,371	\$ -	\$ 297,868
Restricted cash and cash equivalents	-	-	-	-	-	-
Accounts receivable, net	-	11,493	-	-	-	11,493
Taxes receivable, net	-	8,631	-	-	-	8,631
Due from other governments	10,304	-	-	22	-	10,326
Total assets	<u>\$ 270,335</u>	<u>\$ 29,460</u>	<u>\$ 7,130</u>	<u>\$ 21,393</u>	<u>\$ -</u>	<u>\$ 328,318</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable and accrued liabilities	<u>\$ 488</u>	<u>\$ 20,815</u>	<u>\$ -</u>	<u>\$ 97</u>	<u>\$ -</u>	<u>\$ 21,400</u>
Total liabilities	<u>488</u>	<u>20,815</u>	<u>-</u>	<u>97</u>	<u>-</u>	<u>21,400</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>	<u>8,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,631</u>
Fund balances:						
Restricted:						
Stabalization by State Statue	10,304	11,493	-	22	-	21,819
Public Safety	259,543	-	-	-	-	259,543
Human Services	-	-	7,130	-	-	7,130
Economic and Physical Development	-	-	-	21,274	-	21,274
Unassigned	-	(11,479)	-	-	-	(11,479)
Total fund balances	<u>269,847</u>	<u>14</u>	<u>7,130</u>	<u>21,296</u>	<u>-</u>	<u>298,287</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 270,335</u>	<u>\$ 29,460</u>	<u>\$ 7,130</u>	<u>\$ 21,393</u>	<u>\$ -</u>	<u>\$ 319,687</u>

Hertford County, North Carolina
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds					Total
	Emergency Telephone System Fund	Fire District Fund	Representative Payee Fund	Cooperative Extension Trust	ARP Fund	
Revenues						
Ad valorem taxes	\$ -	\$ 101,523	\$ -	\$ -	\$ -	\$ 101,523
Local option sales tax	-	39,287	-	-	-	39,287
Restricted intergovernmental	9,199	-	52,273	-	2,299,490	2,360,962
Investment earnings	1,100	-	-	-	-	1,100
Miscellaneous	-	-	-	2,937	-	2,937
Total revenues	10,299	140,810	52,273	2,937	2,299,490	2,505,809
Expenditures						
Current:						
Public safety	261,178	140,810	-	-	-	401,988
Human Services	-	-	52,537	-	-	52,537
Economic and Physical Development	-	-	-	735	-	735
Total expenditures	261,178	140,810	52,537	735	-	455,260
Revenues over (under) expenditures	(250,879)	-	(264)	2,202	2,299,490	2,050,549
Other financing sources (uses)						
Transfers (to) other funds						
General Fund	-	-	-	-	(2,299,490)	(2,299,490)
Total other financing sources (uses)	-	-	-	-	(2,299,490)	(2,299,490)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(250,879)	-	(264)	2,202	-	(248,941)
Fund balances, beginning	520,726	14	7,394	19,094	-	547,228
Fund balances, ending	\$ 269,847	\$ 14	\$ 7,130	\$ 21,296	\$ -	\$ 298,287

Hertford County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance
	Final Budget	Actual	Positive (Negative)
<u>Revenues</u>			
Restricted intergovernmental revenue			
Wireless 911 funds		\$ 9,199	
Investment earnings		1,100	
Total	\$ 87,785	10,299	\$ (77,486)
<u>Expenditures</u>			
Public safety	461,483	261,178	200,305
Revenues Over (Under) Expenditures	(373,698)	(250,879)	122,819
<u>Other financing sources (uses)</u>			
Appropriated fund balance	373,698	-	(373,698)
Total Other Financing Sources (Uses)	373,698	-	(373,698)
Revenues and Other Financing Sources			
Over (Under) Expenditures and			
Other Financing Sources	\$ -	(250,879)	\$ (250,879)
Fund Balance July 1		520,726	
Fund Balance - June 30		\$ 269,847	
<u>Emergency Telephone System Unspent Balance</u>			
Amounts reported above are different from the PSAP Revenue-Expenditure Report because:			
Net Change in Fund Balance, reported on Budget to Actual		\$ (250,879)	
Less: Additional expenses on report not on General Ledger		(34,029)	
Less: Revenue on GL not on Report		(9,199)	
Net Change per PSAP Revenue-Expenditure Report		(294,107)	
Beginning Balance, PSAP Revenue-Expenditure Report		563,954	
Ending Balance, PSAP Revenue-Expenditure Report		\$ 269,847	

Hertford County, North Carolina
Fire District Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	2022		Variance
	Budget	Actual	Positive (Negative)
<u>Revenues</u>			
Ad Valorem taxes:			
Taxes	\$ 97,425	\$ 101,523	\$ 4,098
Other taxes and licenses	21,050	39,287	18,237
Total revenues	118,475	140,810	22,335
<u>Expenditures</u>			
Public Safety			
Woodland Fire District		4,987	
Union Fire District		9,902	
Ahoskie Fire District		125,921	
Total expenditures	118,475	140,810	(22,335)
Revenues over (under) expenditures	-	-	-
<u>Other financing sources:</u>			
Appropriated fund balance		-	
Total other financing sources	-	-	-
Revenues and Other Financing Sources			
Over (Under) Expenditures	\$ -	-	\$ -
Fund Balance - July 1		14	
Fund Balance - June 30		\$ 14	

Hertford County, North Carolina
Representative Payee Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance
	Budget	Actual	Positive (Negative)
<u>Revenues</u>			
DSS Trust Revenue	\$ -	\$ 52,273	\$ 52,273
Total revenues	-	52,273	52,273
<u>Expenditures</u>			
Special Assistance for Adults	-	52,537	52,537
Total expenditures		52,537	(52,537)
Revenues over (under) expenditures	-	(264)	(264)
Revenues and Other Financing Sources			
Over (Under) Expenditures	<u>\$ -</u>	<u>(264)</u>	<u>\$ (264)</u>
Fund Balance - July 1		<u>7,394</u>	
Fund Balance - June 30		<u>\$ 7,130</u>	

**Hertford County, North Carolina
Cooperative Extension Trust
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022**

	2022		Variance Positive (Negative)
	Budget	Actual	
<u>Revenues</u>			
Other Income	\$ 19,094	\$ 2,937	\$ (16,157)
Total revenues	19,094	2,937	(16,157)
<u>Expenditures</u>			
Economic and Physical Development	19,094	735	18,359
Total expenditures	19,094	735	18,359
Revenues over (under) expenditures	-	2,202	2,202
Revenues and Other Financing Sources			
Over (Under) Expenditures	\$ -	2,202	\$ 2,202
Fund Balance - July 1		19,094	
Fund Balance - June 30		\$ 21,296	

Hertford County, North Carolina
ARP Funds
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<u>Revenues</u>					
ARP Funds	\$ 2,299,490	\$ -	\$ 2,299,490	\$ 2,299,490	\$ -
Total	2,299,490	-	2,299,490	2,299,490	-
<u>Expenditures</u>					
ARP Expenditures	2,299,490		-	-	2,299,490
Total	2,299,490	-	-	-	2,299,490
Revenues Over (Under) Expenditures	-	-	2,299,490	2,299,490	2,299,490
<u>Other Financing Sources (Uses)</u>					
Transfer from (to) General Fund	-	-	(2,299,490)	(2,299,490)	(2,299,490)
Total	-	-	(2,299,490)	(2,299,490)	(2,299,490)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund Balance, beginning			-		
Fund Balance, ending			\$ -		

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

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, 2022

	2022		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Operating Revenues			
Charges for services	\$ 500,200	\$ 362,714	\$ (137,486)
Tap-on fees	20,053	24,915	4,862
Other	1,620	2,761	1,141
Total operating revenues	521,873	390,390	(131,483)
Nonoperating revenues:			
Interest Earned on Investments	1,100	1,868	768
Gain (Loss) on Disposal of Assets	-	3,235	3,235
Total Nonoperating Revenues	1,100	5,103	4,003
Total Revenues	522,973	395,493	(127,480)
Expenditures			
Administration and operations		261,390	
Capital Outlay		49,560	
Debt Service:			
Interest and fees		61,735	
Debt principal		141,805	
Total Expenditures	522,973	514,490	8,483
Revenues Over (Under) Expenditures	-	(118,997)	(118,997)
Other Financing Sources (Uses)			
Lease liabilities issued	-	44,860	-
Total Other Financing Sources (Uses)	-	44,860	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (74,137)	\$ (118,997)
Reconciliation from budgetary basis (modified accrual) to full accrual			
Excess of revenues over (under) expenditures		\$ (74,137)	
Debt principal		141,785	
Depreciation		(131,862)	
Capital Outlay		-	
Right to use leased assets		44,860	
Amortization		(12,817)	
Lease liabilities issued		(44,860)	
(Increase) decrease in bond interest accrued		647	
(Increase) decrease in vacation payable		(4,904)	
(Increase) decrease in accrued payroll		(2,297)	
(Increase) decrease in net OPEB liability		(12,771)	
Increase (decrease) in deferred outflows of resources - pension		5,099	
Increase (decrease) in deferred outflows of resources - OPEB		(7,178)	
(Increase) decrease in net pension liability		17,375	
(Increase) decrease in deferred inflows of resources - pensions		(20,534)	
(Increase) decrease in deferred inflows of resources - OPEB		7,183	
Total reconciling items		(20,274)	
Change in net position		\$ (94,411)	

Hertford County, North Carolina
Northern Water Improvement Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2022

		Actual			Variance
	Project		Current		Positive
	Authorization	Prior Year	Year	Total to Date	(Negative)
Revenues					
Restricted intergovernmental revenue					
USDA Rural Development grant	\$ 248,527	\$ -	\$ -	\$ -	\$ (248,527)
Tap on fees	7,600	-	-	-	(7,600)
Total Revenues	256,127	-	-	-	(256,127)
Expenditures					
Capital Outlay					
Contingency	5,133	-	-	-	5,133
Administrative Cost	3,750	-	-	-	3,750
Contract services - construction	1,126	-	-	-	1,126
Contract services - engineering	138,962	-	-	-	138,962
Interest Expense	18,000	-	-	-	18,000
Total Expenditures	166,971	-	-	-	166,971
Revenues Over (Under) Expenditures	89,156	-	-	-	(89,156)
Other Financing Sources (Uses)					
USDA Loan Proceeds	-	-	-	-	-
Loan from Southern Water District	-	1,269,844	-	1,269,844	1,269,844
Repay loan from Southern Water District	(1,359,000)	-	-	-	1,359,000
Total Other Financing Sources					
(Uses)	(1,359,000)	1,269,844	-	1,269,844	2,628,844
Excess of Revenues and Other Sources Over					
(Under) Expenditures and Other Uses	\$ (1,269,844)	\$ 1,269,844	\$ -	\$ 1,269,844	\$ 2,539,688

Hertford County, North Carolina
Southern Water District Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022

	2022		Variance Positive (Negative)
	Budget	Actual	
<u>Revenues</u>			
Operating Revenues			
Charges for services	\$ 972,500	\$ 888,425	\$ (84,075)
Tap-on fees	41,000	58,426	17,426
Other	2,750	3,748	998
Total operating revenues	1,016,250	950,599	(65,651)
Nonoperating revenues:			
Interest Earned on Investments	4,750	6,734	1,984
Gain (Loss) on Disposal of Assets	-	8,318	8,318
Total Nonoperating Revenues	4,750	15,052	10,302
Total Revenues	1,021,000	965,651	(55,349)
<u>Expenditures</u>			
Administration and operations		549,897	
Capital Outlay		115,355	
Debt Service:			
Interest and fees		86,718	
Debt principal		265,862	
Total Expenditures	1,021,000	1,017,832	3,168
Revenues Over (Under) Expenditures	-	(52,181)	(52,181)
<u>Other Financing Sources (Uses)</u>			
Lease liabilities issued		115,355	
Total Other Financing Sources (Uses)	-	115,355	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ 63,174	\$ (52,181)
Reconciliation from budgetary basis (modified accrual) to full accrual			
Excess of revenues over (under) expenditures		\$ 63,174	
Debt principal		265,811	
Depreciation		(241,475)	
Right to use leased assets		115,355	
Amortization		(32,958)	
Lease liabilities issued		(115,355)	
(Increase) decrease in bond interest accrued		1,152	
(Increase) decrease in accrued payroll		(5,926)	
(Increase) decrease in vacation payable		(2,321)	
(Increase) decrease in net OPEB obligation		(12,723)	
Increase in deferred outflows of resources - pension		11,402	
Increase in deferred outflows of resources - OPEB		(7,889)	
Increase (decrease) in net pension liability		45,117	
(Increase) Decrease in deferred inflows of resources - pensions		(52,701)	
(Increase) Decrease in deferred inflows of resources - OPEB		7,156	
Total reconciling items		(25,355)	
Change in net position		\$ 37,819	

Hertford County, North Carolina
Tunis Sewer District Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022

	2022		Variance Positive (Negative)
	Budget	Actual	
<u>Revenues</u>			
Operating Revenues			
Charges for services	\$ 28,000	\$ 28,471	\$ 471
Tap on fees	-	-	-
Total operating revenues	28,000	28,471	471
Nonoperating revenues:			
Interest Earned on Investments	-	296	296
Total Nonoperating Revenues	-	296	296
Total Revenues	28,000	28,767	767
<u>Expenditures</u>			
Administration and operations		18,880	
Debt Service:			
Debt Principal		6,000	
Interest and fees		6,580	
Total Expenditures	32,543	31,460	1,083
Revenues Over (Under) Expenditures	(4,543)	(2,693)	1,850
<u>Other Financing Sources (Uses)</u>			
Fund Balance Appropriated	4,543	-	(4,543)
Total Other Financing Sources (Uses)	4,543	-	(4,543)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (2,693)	\$ (2,693)
Reconciliation from budgetary basis (modified accrual) to full accrual			
Excess of revenues over (under) expenditures		(2,693)	
Debt Principal		6,000	
Depreciation Expense		(38,867)	
(Increase) decrease in bond interest accrued		(23)	
Total reconciling items		(32,890)	
Change in net position		\$ (35,583)	

Hertford County, North Carolina
Sanitation Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022

	2022		Variance Positive (Negative)
	Budget	Actual	
<u>Revenues</u>			
Operating Revenues			
Charges for services	\$ 1,333,275	\$ 1,270,792	\$ (62,483)
Other	42,460	53,150	10,690
Total Operating Revenues	<u>1,375,735</u>	<u>1,323,942</u>	<u>(51,793)</u>
Nonoperating revenues:			
Interest Earnings	450	251	(199)
State Aid - White Goods	-	101	101
Gain on Disposal	-	12,973	12,973
Total Nonoperating Revenues	<u>450</u>	<u>13,325</u>	<u>12,875</u>
Total Revenues	<u>1,376,185</u>	<u>1,337,267</u>	<u>(38,918)</u>
<u>Expenditures</u>			
Landfill:			
Administration and operations		525,485	
Contract services		899,568	
Capital Outlay		155,497	
Total Expenditures	<u>1,530,728</u>	<u>1,580,550</u>	<u>(49,822)</u>
Revenues Over (Under) Expenditures	<u>(154,543)</u>	<u>(243,283)</u>	<u>(88,740)</u>
<u>Other Financing Sources (Uses)</u>			
Installment Purchase Proceeds	154,543	154,545	2
Total Other Financing Sources (Uses)	<u>154,543</u>	<u>154,545</u>	<u>2</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (88,738)</u>	<u>\$ (88,738)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual			
Excess of revenues over (under) expenditures		\$ (88,738)	
Depreciation		(18,091)	
Capital outlay		154,523	
Installment Purchase proceeds		(154,545)	
(Increase) decrease in vacation payable		11,059	
(Increase) decrease in accrued payroll		(4,940)	
(Increase) decrease in net OPEB liability		(6,915)	
(Increase) decrease in landfill closure		2,890	
Increase in deferred outflows of resources - pension		4,493	
Increase in deferred outflows of resources - OPEB		(3,704)	
Increase in net pension liability		23,307	
Decrease in deferred outflows of resources - pensions		(25,228)	
Decrease in deferred outflows of resources - OPEB		3,890	
Total reconciling items		<u>(13,261)</u>	
Change in net position		<u>\$ (101,999)</u>	

CUSTODIAL FUNDS

Custodial funds are used to account for assets held by the county on behalf of individuals, private organizations, other governments, and/or other funds.

- **Inmates Trust Fund:** This fund accounts for moneys of inmates that are held by the County for their personal expenses.
- **Municipal 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
Custodial Funds
Combining Statement of Fiduciary Net Position
June 30, 2022

	Inmate Trust Fund	Municipal Tax Fund	Total Custodial Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 29,001	\$ 82,815	\$ 111,816
Tax receivable, net of allowance	-	191,490	191,490
Total assets	<u>29,001</u>	<u>274,305</u>	<u>303,306</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	-	-	-
Due to other governments	-	82,815	82,815
Total liabilities	<u>-</u>	<u>82,815</u>	<u>82,815</u>
<u>NET POSITION</u>			
Restricted for:			
Individuals, organizations, and other	<u>29,001</u>	<u>191,490</u>	<u>220,491</u>
Net Position, ending	<u><u>\$ 29,001</u></u>	<u><u>\$ 191,490</u></u>	<u><u>\$ 220,491</u></u>

Hertford County, North Carolina
Custodial Funds
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Inmate Trust Fund	Municipal Tax Fund	Total Custodial Funds
<u>ADDITIONS</u>			
Ad Valorem taxes for other governments	\$ -	\$ 4,013,662	\$ 4,013,662
Collections for Inmates	347,467	-	347,467
Total additions	<u>347,467</u>	<u>4,013,662</u>	<u>4,361,129</u>
<u>DEDUCTIONS</u>			
Tax distributions to other governments	-	4,006,866	4,006,866
Payment on behalf of inmates	335,940	-	335,940
Total deductions	<u>335,940</u>	<u>4,006,866</u>	<u>4,342,806</u>
Net Increase (decrease) in fiduciary net position	11,527	6,796	18,323
Net Position, beginning	<u>17,474</u>	<u>184,694</u>	<u>202,168</u>
Net Position, ending	<u><u>\$ 29,001</u></u>	<u><u>\$ 191,490</u></u>	<u><u>\$ 220,491</u></u>

OTHER SCHEDULES

This section includes 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
For the Year Ended June 30, 2022

Fiscal Year	Uncollected Beginning Balance	Additions	Collections And Credits	Uncollected Ending Balance
2021-2022	\$ -	\$ 14,550,561	\$ 14,052,297	\$ 498,264
2020-2021	542,402	-	240,154	302,248
2019-2020	319,996	-	181,541	138,455
2018-2019	208,654	-	92,590	116,064
2017-2018	144,470	-	73,256	71,214
2016-2017	111,350	-	60,255	51,095
2015-2016	90,064	-	49,572	40,492
2014-2015	70,081	-	33,519	36,562
2013-2014	76,678	-	22,000	54,678
2012-2013	74,493	-	8,013	66,480
2011-2012	60,483	-	60,483	-
Totals	<u>\$ 1,698,671</u>	<u>\$ 14,550,561</u>	<u>\$ 14,873,680</u>	<u>\$ 1,375,552</u>

Less: allowance for uncollectible accounts (610,000)

Taxes Receivable (Net) \$ 765,552

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 14,583,539	
Interest and penalties	<u>(162,801)</u>	
		14,420,738
Reconciling items:		
Other adjustments		392,459
Amounts written off for 2011-2012 levy		60,483
Total Reconciling Items		<u>452,942</u>
Total Collections and Credits		<u>\$ 14,873,680</u>

Hertford County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Year Ended June 30, 2022

	County - wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,731,745,952	0.840	\$ 14,546,666	\$ 12,824,901	\$ 1,721,765
Dog tax			3,895	3,895	-
Total Original Levy	<u>1,731,745,952</u>		<u>14,550,561</u>	<u>12,828,796</u>	<u>1,721,765</u>
Total Property Valuation	<u>\$ 1,731,745,952</u>				
Net levy			14,550,561	12,828,796	1,721,765
Uncollected taxes at June 30, 2022			<u>498,264</u>	<u>498,264</u>	<u>-</u>
Current year's taxes collected			<u>\$ 14,052,297</u>	<u>\$ 12,330,532</u>	<u>\$ 1,721,765</u>
Current levy collection percentage			<u>96.58%</u>	<u>96.12%</u>	<u>100.00%</u>

Hertford County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Year Ended June 30, 2022

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 1,116,300,960
Personal Property	488,144,258
Public Service Companies	<u>127,300,734</u>
Total Assessed Valuation	1,731,745,952
Tax Rate per \$100	0.84
Levy (includes discoveries, releases and abatements)	<u><u>\$ 14,461,536</u></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><u>\$ 85,130</u></u>
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**Hertford County, North Carolina
Ten Largest Taxpayers
For the Year Ended June 30, 2022**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Dominion North Carolina Power	Energy	\$ 72,745,849	4.20%
Nucor Corporation	Manufacturing	62,155,181	3.59%
Wackenhut Corrections Corp	Correctional Facility	52,219,088	3.02%
Enviva Pellets Ahsokie, LLC	Manufacturing	32,904,283	1.90%
Roanoke Electric Membership Corp	Energy	28,602,173	1.65%
Commercial Ready Mix Products Inc	Construction	23,695,768	1.37%
Kerr Group LLC	Manufacturing	18,224,006	1.05%
Aulander Holloman Solar, LLC	Solar	15,923,042	0.92%
Harsco Metals	Manufacturing	12,581,592	0.73%
Carrolls Foods of Virginia Inc	Livestock	11,948,308	0.69%
		<u>\$ 330,999,290</u>	<u>19.11%</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***

Independent Auditors' Report

To the Board of County Commissioners
Hertford County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hertford County, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hertford County basic financial statements, and have issued our report thereon dated September 18, 2023. Our report includes a reference to other auditors who audited the financial statements of the Hertford County ABC Board, as described in our report on Hertford County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of Hertford County ABC Board were not audited in accordance with Government Auditing Standards.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hertford County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hertford County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs [2022-002, 2022-004] to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs [2022-001, 2022-003, 2022-005] to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hertford County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 questioned costs as items [2022-001, 2022-003].

Hertford County's Response to Findings

Hertford County's responses to the findings identified in our audit are described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
October 16, 2023



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**Report On Compliance With Requirements Applicable To Each Major Federal
Program And Internal Control Over Compliance In Accordance With OMB
Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditors' Report

To the Board of County Commissioners
Hertford County, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hertford County, North Carolina's, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Hertford County's major federal programs for the year ended June 30, 2022. Hertford County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hertford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Hertford County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hertford County's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Hertford County federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hertford County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hertford County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hertford County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Hertford County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hertford County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [2022-006]. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Hertford County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Hertford County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [2022-006] to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [2022-007, 2022-008, 2022-009, 2022-010, 2022-011] to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Hertford County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Hertford County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Hertford County is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Hertford County's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
October 16, 2023



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**Report On Compliance With Requirements Applicable To Each Major State
Program And Internal Control Over Compliance In Accordance With
OMB Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditors' Report

To the Board of County Commissioners
Hertford County, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Hertford County, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Hertford County's major State programs for the year ended June 30, 2022. 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.

In our opinion, Hertford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Hertford County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of Hertford County's compliance with the compliance requirements referred to above.

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Hertford County State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hertford County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance Hertford County's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hertford County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Hertford County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hertford County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [2022-007, 2022-008, 2022-009, 2022-010, 2022-011] that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Hertford County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Hertford County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Hertford County is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Hertford County's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
October 16, 2023

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified? X yes X no
- Significant Deficiency(s) identified? X yes none reported

Noncompliance material to financial statements noted

 yes X no

Federal Awards

Internal control over major federal programs:

- Material Weakness(es) identified? X yes no
- Significant Deficiency(s) identified? X yes none reported

Noncompliance material to federal awards

 yes X no

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

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

 X yes no

Identification of major federal programs:

CFDA #
21.027
93.568
93.778

Program Name
Coronavirus State and Local Fiscal Recovery Fund
Low-Income Home Energy Assistance:
Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs

 \$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

State Awards

Internal control over major State programs:

- Material Weakness(es) identified? yes X no

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I. Summary of Auditors' Results (continued)

• Significant Deficiency(s) identified? X yes none reported

Noncompliance material to State awards yes X no

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act X yes no

Identification of major State programs:

Program Name
Medical Assistance Program
Public School Building Capital Fund - Needs Based Lottery Fund

Section II. Financial Statement Findings

Finding: 2022-001 Budget Violation

NONCOMPLIANCE / SIGNIFICANT DEFICENCY

Criteria: GASB 84 identifies criteria when fiduciary activities should be reported as a special revenue fund. 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: The County did not properly adopt and record budget and budget amendments for the revenues and expenditures for this fund. The Representative Payee Fund is required to be reported as special revenue funds as a result of the implementation of GASB 84.

Effect: Monies were spent that had not been appropriated, as there was no budget reflected for this fund.

Cause: County experienced finance staff turnover and oversight of the new accounting standard.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2021-001.

Recommendation: The finance office should review the General Statutes and GASB Statement more carefully to ensure funds are properly authorized and are properly accounted for.

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

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II. Financial Statement Findings (continued)

Finding: 2022-002
MATERIAL WEAKNESS

Reconciliation of Records

Criteria:	Management should have a system in place to reduce the likelihood of errors in financial reporting and ensure the timeliness of financial reporting.
Condition:	In reviewing records and testing certain account balances, we noted that several accounts were not reconciled and adjusted timely to include cash, receivables, payables, and other balance sheet accounts. Needs Based Lottery Funds were requested and received from NC Department of Public Instruction, but not recorded in County accounting system.
Effect:	The County's management and other users of the financial statements do not have accurate and timely information for decision making and monitoring of the county's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.
Cause:	Entries that should be part of the year-end close were overlooked. Finance should ensure that the balance sheet accounts are all reconciled to subsidiary ledgers, and that year-end entries are made to properly reflect balances. The adjustment of balance sheet items often leads to changes in revenues and expenditures, which management relies on to make decisions.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2021-002.
Recommendation:	The County should implement internal control procedures that will require periodic reviews of balance sheet accounts to ensure that balances are correct.
Views of responsible officials and planned corrective actions:	The County agrees with this finding.

Finding: 2022-003

Budget Violation

NONCOMPLIANCE / SIGNIFICANT DEFICIENCY

Criteria:	In accordance with North Carolina General Statutes § 143C, Budget revisions must be requested and approved prior to any commitment and/or expenditure that would exceed the amount budgeted. Entities should not overspend the authorized budget.
Condition:	The budget was overspent in the following departments in General Fund: Human Resources \$5,997, Finance \$27,213, Register of Deeds \$10,096, Sheriff \$144,653, Emergency Communications \$52,717, Inspections \$40,695, Mental Health \$1,768, Community Based Alternatives \$11,000, Veterans Services \$5,134, and Other Programs \$71,445. In addition, expenses were overspent in the Fire District by \$22,335, and the Landfill Fund by \$49,823. The majority of the expenditures were a result of not properly budgeting for GASB 87 implementation entries.
Effect:	Monies were spent that had not been appropriated, as there was not enough budget reflected for these departments.

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II. Financial Statement Findings (continued)

Cause:	The County did not properly adopt and record budget and budget amendments for the revenues and expenditures for these funds. Amendments were not made to account for the GASB 87 implementation to record the initial lease values.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2021-003.
Recommendation:	The budget should be reviewed and appropriate amendments made during the year.
Views of responsible officials and planned corrective actions:	The County agrees with this finding.

Finding: 2022-004 Late Submission of Audit

MATERIAL WEAKNESS

Criteria:	The audit report is expected to be submitted within five months plus one day from the fiscal year end per the contract with the Local Government Commission. As stewards of the public's resources, the governing body is responsible for ensuring that the audited financial statements are available to the public in a timely manner.
Condition:	The report was not finalized until 15 months after year end.
Effect:	External groups such as the North Carolina General Assembly, federal and State agencies that provide funding, and other public associations need current financial information about each unit of local government.
Cause:	The County's audits have been submitted late over the past several years. The County was unable to provide information necessary to complete the audit timely as a result of staffing issues.
Recommendation:	The County should allocate sufficient resources to ensure that all records are reconciled timely to allow time for the audit to be completed timely.
Views of responsible officials:	The County agrees with this finding. Please refer to the corrective action plan for details.

Finding: 2022-005 Prior Period Adjustments

SIGNIFICANT DEFICIENCY

Criteria:	Management should have a system in place to verify that transactions are recorded in the correct fund, thereby reducing the likelihood of errors in financial reporting.
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Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II. Financial Statement Findings (continued)

Condition:	A prior period adjustment was recorded in the General Fund to reflect the receivable balance for EMS as of June 30, 2021 as a deferred inflow of resources, as these balances are not considered available within 60 days. This adjustment resulted in a decrease in fund balance in the General Fund of \$327,851. This adjustment is not needed on the government-wide statements, as the entire amount had already been recognized as revenues. Additionally, a prior period adjustment was recorded to adjust beginning receivable balances between the Southern Water District and Tunis Sewer Fund, which resulted in a decrease in net position for the Southern Water District Fund of \$3,419 and Tunis Sewer Fund of \$29,898.
Effect:	The County's management and other users of the financial statements do not have accurate information for decisions-making and monitoring of the county's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.
Cause:	The County had previously been recognizing the net receivable for EMS. However, because collection percentages have decreased (with gross receivable and allowance increasing), it was determined that the net receivable would be more accurately classified as a deferred inflow. Additionally, the reports used by the County for utility receivables does not accurately split the balances by funds. Adjustments were needed to correct prior year receivables by fund.
Recommendation:	The County should review the ledger and financial documents regularly to ensure that necessary adjustments are made timely during the year.
Views of responsible	The County agrees with the finding. Please refer to the corrective action plan for details.

Section III. Federal Award Findings and Questioned Costs

Finding: 2022-006 Late Submission of Data Collection Form

NONCOMPLIANCE / MATERIAL WEAKNESS

Criteria:	In accordance with the Single Audit Act of 1984 (amended in 1996), and the Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements for Federal Awards (Uniform Guidance), a single audit reporting package and data collection form is required to be submitted to the Federal Audit Clearinghouse (FAC) 30 days after receipt of the auditor's report, or 9 months after the end of the fiscal year, whichever comes first.
Condition:	The report was not finalized until 15 months after year end.
Effect:	Federal agencies that provide funding and other public associations need current financial information about each unit of local government.
Cause:	The County's audits have been submitted late over the past several years. The County was unable to provide information necessary to complete the audit timely as a result of staffing issues.
Recommendation:	The County should allocate sufficient resources to ensure that all records are reconciled timely to allow time for the audit to be completed timely.
Views of responsible	The County agrees with the finding. Please refer to the corrective action plan for details.

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section III. Federal Award Findings and Questioned Costs

US Department of Treasury

Program Name: Coronavirus State and Local Fiscal Recovery Fund

CFDA# 21.027

Finding: 2022-007 Untimely Adoption of Policy

SIGNIFICANT DEFICIENCY

Criteria:	In accordance with the U.S. Department of Treasury 31 CFR Part 35, Coronavirus State and Local Fiscal Recovery Funds Final Rule and the Uniform Guidance, General Financial Management Internal Controls, Eligible Projects Determination & Documentation Policy, Cost Principles/Allowable Costs Policy, Civil Rights Compliance / Nondiscrimination Policy, Records Retention Policy are required to be adopted as condition of receiving the funds.
Condition:	The County expended the funds as revenue replacement without adopting the policies specific to the federal award.
Effect:	The County could use the funds for unallowable costs that were prohibited by the Final Rule.
Cause:	County oversight of the new federal grant requirement to have the stated policies in place.
Recommendation:	The finance office should review the grant agreement and the Uniform Guidance more carefully to ensure all compliance requirements are met.
Views of responsible officials and planned corrective actions:	The County agrees with the finding. See the response in the corrective action plan.

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA# 93.778

Finding: 2022-008 Untimely Review of SSI Termination

SIGNIFICANT DEFICIENCY

Eligibility

Criteria:	The State sends notification to the County when a participant is no longer eligible under SSI determination. The County has a certain time period to initiate an ex parte review to determine whether the recipient qualifies for Medicaid under any other coverage group, such as Family and Children's Medicaid, North Carolina Health Choice for Children, Work First Family Assistance, or Medicaid for the Aged, Blind and Disabled.
Condition:	There was 1 applicant/beneficiary not reviewed timely and determined to be eligible for Medicaid when their SSI benefits were terminated.
Questioned Costs:	There was no known affect to eligibility and there were no known questioned costs.

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section III. Federal Award Findings and Questioned Costs (continued)

Context:	We examined 60 cases from of a total of 317,958 Medicaid claims from the Medicaid beneficiary report provided by NC Department of Health and Human Services to re-determine eligibility. These findings are being reported with the financial statement audit as it relates to Medicaid administrative cost compliance audit.
Effect:	The County did not initiate ex parte review timely, therefore, no eligibility review was completed in the required time period. The lack of follow up and certification could lead to applicants receiving Medicaid benefits for which they were not eligible.
Cause:	Ineffective communication between departments within the Department of Social Services. One area within DSS received State communications that applicants would no longer be eligible for SSI benefits and the County needed to conduct an application process. This information was not shared with other departments in DSS from which the recipient was also receiving benefits.
Recommendation:	Any State communications related to applicants' benefits received by any DSS department should be shared with all areas from which the participant receives benefits. State files should be reviewed internally to ensure all actions have been properly closed and the corrective action has been taken. Workers should be retrained on what process needs to be followed when State communications are received.
Views of responsible officials and planned corrective actions:	The County agrees with the finding. See the response in the corrective action plan.

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA# 93.778

Finding: 2022-009 Inaccurate Information Entry

SIGNIFICANT DEFICENCY

Eligibility

Criteria:	In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific standards, and documentation must be maintained to support eligibility determinations. In accordance with 2 CFR 200, management should have an adequate system of internal controls procedures in place to ensure an applicant is properly determined or redetermined for benefits.
Condition:	There were 9 errors discovered during our procedures that inaccurate information was entered when determining eligibility.
Questioned Costs:	There was no known affect to eligibility and there were no known questioned costs.
Context:	We examined 60 cases from of a total of 317,958 Medicaid claims from the Medicaid beneficiary report provided by NC Department of Health and Human Services to re-determine eligibility. These findings are being reported with the financial statement audit as it relates to Medicaid administrative cost compliance audit.

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section III. Federal Award Findings and Questioned Costs (continued)

Effect:	For those certifications/re-certifications there was a chance that information was not properly documented and reconciled to NC FAST and a participant could have been approved for benefits for which they were not eligible.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2021-005.
Cause:	Ineffective record keeping and ineffective case review process, incomplete documentation, and incorrect application of rules for purposes of determining eligibility.
Recommendation:	Files should be reviewed internally to ensure proper documentation is in place for eligibility. Workers should be retrained on what files should contain and the importance of complete and accurate record keeping. We recommend that all files include online verifications, documented resources of income and those amounts agree to information in NC FAST. The results found or documentation made in case notes should clearly indicate what actions were performed and the results of those actions.
Views of responsible officials and planned corrective actions:	The County agrees with the finding. See the response in the corrective action plan.

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA# 93.778

Finding: 2022-010 Inaccurate Resources Entry

SIGNIFICANT DEFICIENCY

Eligibility

Criteria:	Medicaid for Aged, Blind and Disabled case records should contain documentation that verifications were done in preparation of the application and these items will agree to reports in the NC FAST system. In this process, the countable resources should be calculated correctly and agree back to the amounts in the NC FAST system. Any items discovered in the verification process should be considered countable or non-countable resources and explained within the documentation.
Condition:	There were 4 errors discovered during our procedures that resources in the county documentation and those same resources contained in NC FAST were not the same amounts or files containing resources were not properly documented to be considered countable or non-countable.
Questioned Costs:	There was no known affect to eligibility and there were no known questioned costs.
Context:	We examined 60 cases from of a total of 317,958 Medicaid claims from the Medicaid beneficiary report provided by NC Department of Health and Human Services to re-determine eligibility. These findings are being reported with the financial statement audit as it relates to Medicaid administrative cost compliance audit.
Effect:	For those certifications/re-certifications there was a chance that information was not properly documented and reconciled to NC FAST which could affect countable resource. Therefore, applicants could have received assistance for which they were not eligible.

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section III. Federal Award Findings and Questioned Costs (continued)

Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2021-006.
Cause:	Ineffective record keeping and ineffective case review process, incomplete documentation, and incorrect application of rules for purposes of determining eligibility.
Recommendation:	Files should be reviewed internally to ensure proper documentation is in place for eligibility. Workers should be retrained on what files should contain and the importance of complete and accurate record keeping. We recommend that all files include online verifications, documented resources of income and those amounts agree to information in NC FAST. The results found or documentation made in case notes should clearly indicate what actions were performed and the results of those actions.
Views of responsible officials and planned corrective actions:	The County agrees with the finding. See the response in the corrective action plan.

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA# 93.778

Finding: 2022-011 Inadequate Request for Information

SIGNIFICANT DEFICIENCY

Eligibility

Criteria:	In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific standards, and documentation must be maintained to support eligibility determinations. Electronic matches are required at applications and redeterminations.
Condition:	There were 22 errors discovered during our procedures that inadequate information was requested at applications and/or redeterminations.
Questioned Costs:	There was no known affect to eligibility and there were no known questioned costs.
Context:	We examined 60 cases from of a total of 317,958 Medicaid claims from the Medicaid beneficiary report provided by NC Department of Health and Human Services to re-determine eligibility. These findings are being reported with the financial statement audit as it relates to Medicaid administrative cost compliance audit.
Effect:	For those certifications/re-certifications there was a chance that information was not properly documented and reconciled to NC FAST which could affect countable resource. Therefore, applicants could have received assistance for which they were not eligible.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2021-007.
Cause:	Ineffective record keeping and ineffective case review process, incomplete documentation, and incorrect application of rules for purposes of determining eligibility.

Hertford County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section III. Federal Award Findings and Questioned Costs (continued)

Recommendation: Files should be reviewed internally to ensure proper documentation is in place for eligibility. Workers should be retrained on what files should contain and the importance of complete and accurate record keeping. We recommend that all files include online verifications, documented resources of income and those amounts agree to information in NC FAST. The results found or documentation made in case notes should clearly indicate what actions were performed and the results of those actions.

Views of responsible officials and planned corrective actions: The County agrees with the finding. See the response in the corrective action plan.

Section IV. State Award Findings and Questioned Costs

Program Name: Medical Assistance Program (Medicaid; Title XIX)
CFDA # 93.778

SIGNIFICANT DEFICENCY: Finding 2022-008, 2022-009, 2022-010 and 2022-011 also apply to State requirements and State Awards.



Corrective Action Plan
For the Year Ended June 30, 2022

Section II - Financial Statement Findings

Finding 2022-001

Budget Violation

Name of contact person: Leslie Edwards, Finance Director

Corrective Action: Hertford County Finance Office has created special revenue funds for the Representative Payee Fund and Cooperative Extension Trust. As well, the budgeted amounts will be reflected in the appropriate line items with each special revenue fund by way of inclusion in the Board of Commissioners' approved budget ordinance. The Finance Office staff have received training review of applicable North Carolina General Statutes (NCGS)/Governmental Accounting Standards Board (GASB) Statement to ensure that funds are properly authorized and accounted for within the appropriate fund.

Proposed completion date: 31-Dec-22

Finding 2022-002

Reconciliation of Records

Name of contact person: Leslie Edwards, Finance Director

Corrective Action: The Hertford County Finance Director has conducted training with Hertford County Finance Office staff and all other County Departments/Offices/Agencies personnel responsible for financial transactions. The training included reconciliation of balance sheet accounts, bank statements and reconciling accounts and governing NCGS as well as GASB Statements. The Staff Accountant will be tasked with monthly reconciliation of accounts. The finance officer reviews and approves all account reconciliations to make sure accounts are reconciled properly and any necessary adjusting journal entries are completed and to ensure internal control.

Proposed completion date: December 31, 2022.

Finding 2022-003

Budget Violation

Name of contact person: Leslie Edwards, Finance Director

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HERTFORD

C O U N T Y

North Carolina

Corrective Action Plan For the Year Ended June 30, 2022

Section II - Financial Statement Findings (continued)

Corrective Action: The Hertford County Finance Director and County Manager will review and make any necessary adjustments to the opening balances (revenues and expenditures) for all funds at the beginning of each fiscal year. The Finance Director will review and approve each budget amendment prior to submission to the Board of Commissioners for their action. Budget amendments will be prepared to appropriate funds for the GASB 87 entries and will be budgeted in the budget ordinance.

Proposed completion date: December 31, 2022.

Finding 2022-004 Late Submission of Audit

Name of contact person: Leslie Edwards, Finance Director

Corrective Action: The Finance Office is currently fully staffed and Finance Office personnel have been trained on posting of revenue, reconciliation of cash, accounts payable, accounts reviewable, and balance sheet accounts. Procedures have been put in place to insure internal controls are being met and duties are being performed in a timely manner. This will ensure for records being submitted to auditors in a more accurate and timely manner.

Proposed completion date: December 31, 2022.

Finding 2022-005 Prior Period Adjustments

Name of contact person: Leslie Edwards, Finance Director

Corrective Action: The Finance Office staff will ensure receivables are balanced on a monthly basis to ensure that balances will be available within 60 days. Monthly balancing will ensure material prior period adjustments are not needed and adjustments are made in a timely manner.

Proposed completion date: December 31, 2022.

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HERTFORD

C O U N T Y

North Carolina

Corrective Action Plan For the Year Ended June 30, 2022

Section III - Federal Award Findings and Question Costs

Finding 2022-006 Late Submission of Data Collection Form

Name of contact person: Leslie Edwards, Finance Director

Corrective Action: The Finance Office is currently fully staffed and Finance Office personnel have been trained on posting of revenue, reconciliation of cash, accounts payable, accounts reviewable, and balance sheet accounts. Procedures have been put in place to insure internal controls are being met and duties are being performed in a timely manner. This will ensure for records being submitted to auditors in a more accurate and timely manner. Completing necessary documents in a timely manner will ensure timely submission of Data Collection Form.

Proposed completion date: December 31, 2023.

Finding 2022-007 Untimely Adoption of Policy

Name of contact person: Leslie Edwards, Finance Director

Corrective Action: The Finance Office is currently fully staffed, the Finance Director and the County Manager will work together to ensure proper policies are completed and up to date for federal awards. The finance director will ensure that policies needed for federal grant awards are in place.

Proposed completion date: December 31, 2023.

Finding 2022-008 Untimely Review of SSI Termination

Name of contact person: Brenda Brown, Director and Satonya Gonzales, Adult Medicaid Supervisor

Corrective Action: SSI\SDX Policy reviewed with staff.

Proposed completion date: Training on-going.

Finding 2022-009 Inaccurate Information Entry

Name of contact person: Brenda Brown, Director and Kimberly Ward, F & C Medicaid Supervisor

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HERTFORD

C O U N T Y

North Carolina

Corrective Action Plan For the Year Ended June 30, 2022

Section III - Federal Award Findings and Question Costs (continued)

Corrective Action: Trainings have been conducted and continually emphasized to staff the importance of following policy, procedures and guidelines that have been established. Staff reminded of MAGI rules and how it affects the determination size of a household and the factors that affect the number.

Proposed completion date: Trainings will continue to be conducted with staff throughout the year.

Finding 2022-010 Inaccurate Resources Entry

Name of contact person: Brenda Brown, Director and Satonya Gonzales, Adult Medicaid Supervisor

Corrective Action: Adult Medicaid unit will participate in future trainings monthly, to review policies as outlined in the ABD Manual 2300. Staffed will review webinars in the Learning Gateway. Second Party Reviews will be conducted by staff and the supervisor. OST guidance will be requested as needed to ensure policy is adhered to. Our goal is to elevate \minimize repeat errors as listed in the audit findings.

Proposed completion date: Management will continue to monitor the progress of this issue and modify the controls as needed.

Finding 2022-011 Inadequate Request for Information

Name of contact person: Brenda Brown, Director and Kimberly Ward, F & C Medicaid Supervisor

Corrective Action: Trainings have been conducted and continually emphasized to staff the importance of following policy, procedures and guidelines that have been established. Staff reminded TWN must be requested for cases and income should be input correctly. Mailing appropriate forms and 5097s when necessary was also reiterated.

Proposed completion date: Trainings will continue to be conducted with staff throughout the year.

Section IV - State Award Findings and Question Costs

Corrective Action Plan for Finding 2022-008, 2022-009, 2022-010 and 2022-011 also apply to the State Awards Findings.

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Hertford County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022

Finding:	2021-001
Status:	This finding is not corrected. Repeated as Finding 2022-001.
Finding:	2021-002
Status:	This finding is not corrected. Repeated as Finding 2022-002.
Finding:	2021-003
Status:	This finding is not corrected. Repeated as Finding 2022-003.
Finding:	2021-004
Status:	Corrected.
Finding:	2021-005
Status:	This finding is not corrected. Repeated as Finding 2021-009.
Finding:	2021-006
Status:	This finding is not corrected. Repeated as Finding 2022-010.
Finding:	2021-007
Status:	This finding is not corrected. Repeated as Finding 2022-011.

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Dept. of Agriculture</u>						
Passed-through N.C. Dept. of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for the						
Supplemental Nutrition Assistance Program	10.561		\$ 292,405	\$ -	\$ -	\$ 292,404
FNS ARPA	10.561		35,517	-	-	-
FNS CAA	10.561		13,045	-	-	-
Total Supplemental Nutrition Assistance Program			340,967	-	-	292,404
Total U.S. Dept. of Agriculture			340,967	-	-	292,404
<u>U.S. Dept. of Justice</u>						
Passed-through N.C. Department of Public Safety						
Edward Byrne Memorial Justice Assistance Grant Program	16.738		49,046	-	-	-
Total U.S. Dept. of Justice			49,046	-	-	-
<u>U.S. Dept. of Treasury</u>						
Direct Assistance						
Coronavirus State and Local Fiscal Recovery Fund	21.027		2,299,490	-	-	-
Total U.S. Dept of Treasury			2,299,490	-	-	-
<u>US Dept. of Health and Human Services</u>						
Passed-through Mid East Commissions:						
Division of Aging and Adult Services:						
<u>Aging Cluster</u>						
Special Programs for the Aging Title IIIB						
Grants for Supportive Services and Senior Centers	93.044		32,660	1,921	-	-
COVID-19 - Special Programs for the Aging Title IIIB	93.044		690	-	-	-
Special Programs for the Aging Title IIIC Nutrition Services	93.045		92,712	4,224	-	-
COVID-19 - Special Programs for the Aging Title IIIC	93.045		8,457	-	-	-
Nutrition Services Incentive Program	93.053		15,401	-	-	-
Total Aging Cluster			149,920	6,145	-	-
Division of Social Services:						
Temporary Assistance Needy Family Cluster						
TANF-Work First	93.558		275,537	-	-	133,082
Total TANF Cluster			275,537	-	-	133,082
Family Preservation	93.556		80	-	-	-
<u>Foster Care and Adoption Cluster</u>						
Foster Care - Title IV-E	93.658		39,703	5,778	-	33,095
Adoption Assistance	93.659		4,310	-	-	4,310
Foster Care	N/A		882	-	-	-
IV-E Adoption	N/A		458	-	-	-
Total Foster Care and Adoption Cluster			45,353	5,778	-	37,405
Child Support Enforcement	93.563		317,391	-	-	163,505
Low-Income Home Energy Assistance:						
Administration	93.568		23,858	-	-	-
Energy Assistance - Direct Benefit Payments	93.568		411,679	-	-	-
Crisis Intervention Program	93.568		172,664	-	-	-
COVID-19 LIEAP Admin	93.568		22,558	-	-	-
LIEAP ARPA	93.568		213,318	-	-	-

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
LIEAP ARPA ADM	93.568		13,241	-	-	-
LIHWAP ADM	93.568		834	-	-	-
Total Low-Income Energy Assistance			858,152	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program:						
Permanency Planning - Families for Kids	93.645		278	-	-	93
Total Stephanie Tubbs Jones Child Welfare Services Program:			278	-	-	93
SSBG - Other Service and Training	93.667		154,148	-	-	51,382
Division of Aging and Adult Services						
SSBG	93.667		1,772	51	-	-
Division of Social Services						
SSBG - State In Home Service Fund	93.667		11,250	-	-	1,607
SSBG - State Adult Day Care	93.667		25,154	5,533	-	7,941
Total Social Service Block Grant			192,324	5,584	-	60,930
<u>Administration for Children and Families</u>						
Passed-through the N.C. Dept. of Health and Human Services						
Subsidized Child Care:						
<u>Child Care Development Fund Cluster:</u>						
Division of Social Services:						
Child Care Development Fund-Administration	93.596		78,084	-	-	-
Total Subsidized Child Care Cluster			78,084	-	-	-
Passed-through the N.C. Department of Health and Human						
Division of Medical Assistance:						
Division of Social Services						
Medical Assistance Program - Administration	93.778		1,106,767	11,228	-	449,395
State Children's Insurance Program - N.C. Health Choice	93.767		22,464	328	-	4,711
Total U. S. Department of Health and Human Services			3,046,350	29,063	-	849,121
<u>U.S. Dept. of Homeland Security</u>						
Passed through the NC Dept. of Public Safety						
Division of Emergency Management						
Emergency Management Performance Grant	97.042	EMPG-2018	63,619	-	-	-
Total U.S. Dept. of Homeland Security			63,619	-	-	-
Total Federal Awards			\$ 5,799,472	\$ 29,063	\$ -	\$ 1,141,525
State Awards:						
<u>N.C. Dept. of Health and Human Services</u>						
Division of Aging and Adult Services						
State Funds - Access			\$ -	\$ 3,308	\$ -	\$ -
State Funds - Congregate Meals			-	18,967	-	-
State Funds - Home Delivered Meals			-	23,907	-	-
State Funds - In-Home Services			-	49,341	-	-
State Appropriation			-	11,802	-	-
Total Division of Aging and Adult Services			-	107,325	-	-
Division of Social Services:						
DCD Smart Start		N/A	-	6,272	-	-
State Child Welfare/CPS/CS LD		N/A	-	6,084	-	-
County Funded Programs		N/A	-	-	-	272,693
Work First Non Reimbursable		N/A	-	-	-	37,168
Non-Allocating County Cost		N/A	-	-	-	39,789

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
SFHF MAXIMIZATION		N/A	-	17,534	-	17,534
STATE FOSTER HOME		N/A	-	6,565	-	4,577
F/C AT RISK MAXIMIZATION			-	437	-	155
IV-B EFT CHAF INDEP LIV			-	25,000		-
Total for Division of Social Services			-	61,892	-	371,916
Total N.C. Dept. Health and Human Services			-	169,217	-	371,916
<u>N. C. Dept. of Environmental Quality</u>						
Division of Waste Management						
Electronics Management			-	172	-	-
Scrap Tire Program		N/A	-	101	-	-
Total N.C. Dept. of Environmental Quality			-	273	-	-
<u>N.C. Dept. of Administration</u>						
Veterans Service		N/A	-	2,109	-	-
Total N.C. Dept. of Administration			-	2,109	-	-
<u>N.C. Dept. of Transportation</u>						
Rural Operating Assistance Program (ROAP) Cluster						
		DOT-16CL				
ROAP Rural General Public Program		36228.22.10.1	-	69,846	-	-
		DOT-16CL				
ROAP Elderly and Disabled Transportation Assistance Program		36220.10.10.1	-	19,198	-	-
		DOT-16CL				
ROAP Work First Transitional - Employment		36236.11.9.1	-	1,575	-	-
Total ROAP Cluster			-	90,619	-	-
<u>N.C. Dept. of Insurance</u>						
SHIIP Grant			-	3,700	-	-
Total N.C. Dept. of Insurance			-	3,700	-	-
<u>N.C. Dept. of Public Safety</u>						
JCPC Programs						
JCPC Administration		N/A	-	5,961	-	-
Second Chance Courts			-	32,444	32,444	3,244
Power of U			-	29,700	29,700	2,970
Vocational Job and Education			-	39,600	39,600	3,960
			-	27,720	27,720	2,772
Total JCPC Programs			-	135,425	129,464	12,946
Tier II Universal Grant		N/A	-	1,000	-	-
Surry Fund			-	690	-	-
Sheriff Assistance Grant			-	84,270	-	-
Total N.C Dept. of Public Safety			-	221,385	129,464	12,946
<u>N.C. Department of Agriculture and Consumer Services</u>						
Soil & Water Conservation			-	26,829	-	-
Total N.C. Department of Agriculture and Consumer Services			-	26,829	-	-
<u>N.C. Department of Public Instruction</u>						
Public School Building Capital Fund - Needs Based Lottery Fund			-	3,108,213	3,108,213	-
			-	3,108,213	3,108,213	-
Total State Awards			\$ -	\$ 3,622,345	\$ 3,237,677	\$ 384,862
Total Federal and State Awards			\$ 5,799,472	\$ 3,651,408	\$ 3,237,677	\$ 1,526,387

Hertford County, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Year Ended June 30, 2022

Grantor/Pass-through	Federal	State/ Pass-through	Fed (Direct & Pass-through	State	Provided to	Local
<u>Grantor/Program Title</u>	<u>Assistance</u>	<u>Grantor's</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Subrecipients</u>	<u>Expenditures</u>
	<u>Listing No.</u>	<u>Number</u>				

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of Hertford County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Hertford County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Hertford County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Hertford County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Cluster of Programs

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

Note 5: 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 that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

<u>Program Title</u>	<u>CFDA No.</u>	<u>Federal</u>	<u>State</u>
Food and Nutrition Services	10.551	\$ 18,390,625	\$ -
Special Supplemental Nutrition Program for Women Infant and Children	10.557	662,261	-
Medical Assistance Program	93.778	47,797,889	18,363,014
Children's Health Insurance Program	93.767	259,749	58,206
TANF Payments & Penalties	93.558	87,435	-
IV-E Adopt & Vendor	93.659	40,595	-
CWS Adopt, Vendor, Guard	N/A	-	55,075
SC/SA Domiciliary Care	N/A	-	302,242