

***REVIEWED***

***By SLGFD at 9:03 am, Dec 22, 2021***

HERTFORD COUNTY, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2021

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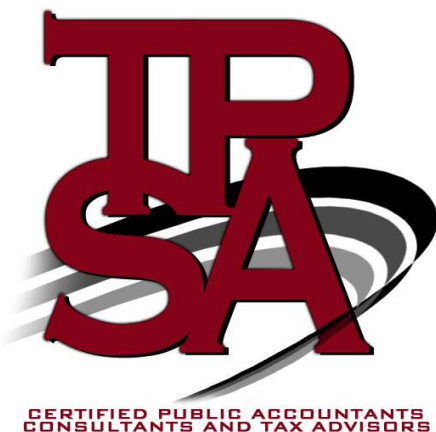
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## FINANCIAL SECTION



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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, 2021, and the related notes to the financial statements, which collectively comprise Hertford County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hertford County ABC Board. Those financial statements were audited by other auditors whose report 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Hertford County ABC Board were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based upon on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina as of June 30, 2021, 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.

### ***Other Matters***

#### ***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 purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, 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 November 29, 2021, 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.*

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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
November 29, 2021

## 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, 2021. 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

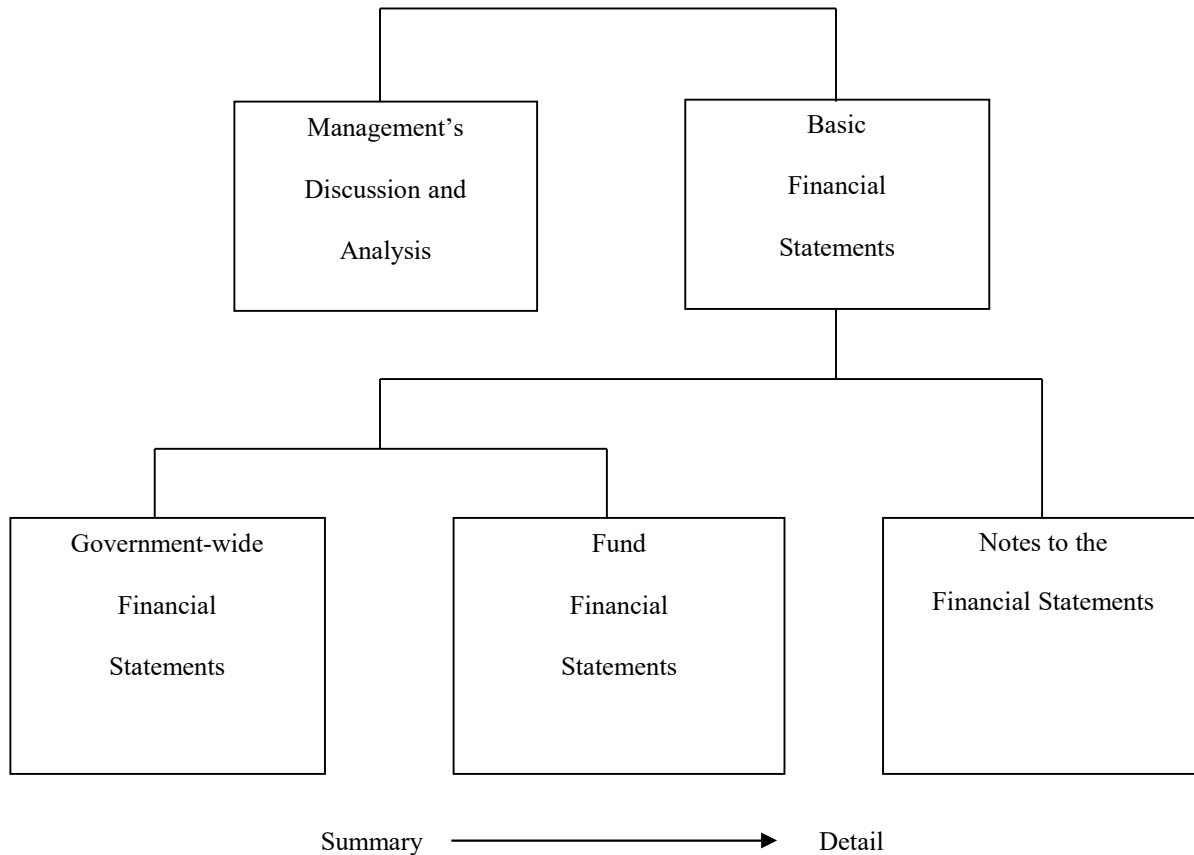
- The assets and deferred outflows of resources of Hertford County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$34,605,810 (net position).
- The government's total net position increased by \$12,438,316, primarily due to an increased net position in the Governmental Activities of \$12,461,730 offset by a decrease in the Business-Type Activities of \$23,414.
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$17,607,175, an increase of \$1,790,176 in comparison with the prior year. Approximately 41.94 percent of this total amount, or \$7,385,052, is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,759,524 or 17.93 percent of total general fund expenditures for the fiscal year.
- Hertford County's total debt decreased by \$1,650,178 during the current fiscal year. The key factor is due largely to debt service payments made for the year exceeding new 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 \$34,605,810 as of June 30, 2021. One of the largest portions, \$28,451,498 (82.22%) 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 \$7,369,706 (21.30%) represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$1,215,394 is unrestricted.

## HERTFORD COUNTY'S NET POSITION

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 22,407,310	\$ 18,473,354	\$ 4,689,835	\$ 4,907,206	\$ 27,097,145	\$ 23,380,560
Capital assets	34,648,973	24,700,601	12,183,756	12,394,520	46,832,729	37,095,121
Total assets	57,056,283	43,173,955	16,873,591	17,301,726	73,929,874	60,475,681
Deferred outflows of resources	5,747,044	2,477,625	282,877	115,490	6,029,921	2,593,115
Long-term liabilities outstanding	32,982,020	29,547,949	7,194,457	7,362,280	40,176,477	36,910,229
Other liabilities	3,435,840	1,840,923	286,985	336,452	3,722,825	2,177,375
Total liabilities	36,417,860	31,388,872	7,481,442	7,698,732	43,899,302	39,087,604
Total deferred inflows of resources	1,382,847	1,744,936	71,836	91,880	1,454,683	1,836,816
Net position:						
Net investment in capital assets	21,460,311	9,119,524	6,991,187	6,814,279	28,451,498	15,933,803
Restricted	7,366,000	6,287,630	3,706	-	7,369,706	6,287,630
Unrestricted	(3,823,691)	(2,889,382)	2,608,297	2,812,325	(1,215,394)	(77,057)
Total net position	\$ 25,002,620	\$ 12,517,772	\$ 9,603,190	\$ 9,626,604	\$ 34,605,810	\$ 22,144,376

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

- Slight decrease in tax collection percentages;
- Continued recognition of OPEB liability, including adoption of GASB 75;
- Implementation of pension standards;

### HERTFORD COUNTY'S CHANGES IN NET POSITION

**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,967,800	\$ 2,214,614	\$ 2,771,471	\$ 2,989,779	\$ 4,739,271	\$ 5,204,393
Operating grants and contributions	4,926,153	3,819,093	-	-	4,926,153	3,819,093
Capital grants and contributions	11,333,217	-	-	174,473	11,333,217	174,473
General revenues:						
Property taxes	15,059,801	14,103,802	-	-	15,059,801	14,103,802
Local option sales tax	5,874,917	5,477,660	-	-	5,874,917	5,477,660
Other taxes	85,447	221,518	-	-	85,447	221,518
Unrestricted grants and contributions	103,989	96,213	-	-	103,989	96,213
Investment Earnings	18,651	118,322	7,566	45,103	26,217	163,425
Miscellaneous	74,076	134,116	60,692	46,812	134,768	180,928
Total revenues	39,444,051	26,185,338	2,839,729	3,256,167	42,283,780	29,441,505
Expenses:						
General government	5,306,732	4,483,313	-	-	5,306,732	4,483,313
Public safety	9,157,197	8,028,566	-	-	9,157,197	8,028,566
Transportation	30,300	30,300	-	-	30,300	30,300
Economic and physical development	275,027	339,869	-	-	275,027	339,869
Human services	6,067,391	5,674,822	-	-	6,067,391	5,674,822
Cultural and recreation	105,942	105,942	-	-	105,942	105,942
Education	5,615,524	5,711,803	-	-	5,615,524	5,711,803
Interest on long-term debt	424,208	382,876	-	-	424,208	382,876
Sanitation	-	-	1,405,748	1,333,389	1,405,748	1,333,389
Water and sewer	-	-	1,457,395	1,338,850	1,457,395	1,338,850
Total expenses	26,982,321	24,757,491	2,863,143	2,672,239	29,845,464	27,429,730
Increase in net position before transfers and special items	12,461,730	1,427,847	(23,414)	583,928	12,438,316	2,011,775
Special Items	-	584,111	-	-	-	584,111
Transfers	-	-	-	-	-	-
Increase in net position	12,461,730	2,011,958	(23,414)	583,928	12,438,316	2,595,886
Net position, July 1	12,517,772	10,505,814	9,626,604	9,042,676	22,144,376	19,548,490
Restatement	23,118	-	-	-	23,118	-
Net position, July 1, as restated	12,540,890	10,505,814	9,626,604	9,042,676	22,167,494	19,548,490
Net position, June 30	\$ 25,002,620	\$ 12,517,772	\$ 9,603,190	\$ 9,626,604	\$ 34,605,810	\$ 22,144,376

**Governmental activities.** Governmental activities increased the County's net position by \$12,461,730. Key elements of this increase are as follows:

- Property tax collections increased by \$955,999 and Local option sales tax increased by \$397,257.
- The County received over \$11m in Needs Based Grant Funding for a school project that is capitalized.

**Business-type activities.** Business-type activities decreased Hertford County's net position by \$23,413 from the prior year. The key elements of this decrease are as follows.

- Expenditures increased by \$190,904
- Charges for services decreased by \$218,307

### **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 \$10,259,160, while total fund balance reached \$13,213,306. 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 38.65% of general fund expenditures, while total fund balance represents 49.78% of that same amount.

At June 30, 2021, the governmental funds of Hertford County reported a combined fund balance of \$17,607,175, a 11.33% increase over last year. The primary reasons for this increase was a significant increase in property tax revenue and local option sales tax revenue.

There were other variances reflected in the governmental fund financial statements for 2021.

- Our 2021 overall collection rate is 96.39%, lower than the state average, and slightly lower than the prior year rate of 96.65%.

**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 \$2,269,011 or 8.46 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 \$64,471 and those for the Water and Sewer Districts equaled \$2,543,826. 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, 2021, totals \$46,832,729 (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	
	2021	2020	2021	2020	2021	2020
Land and Improvements	\$ 482,083	\$ 482,083	\$ 44,317	\$ 44,317	\$ 526,400	\$ 526,400
Construction in Progress	12,819,500	2,538,174	-	1,280,190	12,819,500	3,818,364
Buildings and Improvements	19,571,469	19,928,822	302,159	297,895	19,873,628	20,226,717
Plant and Distribution Systems	1,217,352	1,441,187	11,435,013	10,519,533	12,652,365	11,960,720
Equipment	558,569	310,335	276,086	199,385	834,655	509,720
Vehicle and Motor Equipment	-	-	126,181	53,201	126,181	53,201
Total	\$ 34,648,973	\$ 24,700,601	\$ 12,183,756	\$ 12,394,521	\$ 46,832,729	\$ 37,095,122

Additional information on the County's capital assets can be found in Note III(a)(5) on pages 37-40.

**Long-term Debt.** As of June 30, 2021, Hertford County had total debt outstanding of \$40,176,476 of which \$13,060,274 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	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 7,867,705	\$ 8,517,497	\$ 5,192,569	\$ 5,580,241	\$ 13,060,274	\$ 14,097,738
Installment Purchases	6,466,866	7,063,580	-	-	6,466,866	7,063,580
Revenue Bonds	-	-	920,000	936,000	920,000	936,000
Compensated Absences	605,638	544,835	45,258	40,944	650,896	585,779
Net pension liability (LGERS)	3,144,128	2,390,349	155,574	118,276	3,299,702	2,508,625
Total pension liability (LEOSSA)	973,625	721,867	-	-	973,625	721,867
Landfill closure payable	-	-	107,201	113,834	107,201	113,834
Net OPEB liability	13,924,058	10,309,821	773,854	572,985	14,697,912	10,882,806
Total Long-Term Debt	\$ 32,982,020	\$ 29,547,949	\$ 7,194,456	\$ 7,362,280	\$ 40,176,476	\$ 36,910,229

During the past fiscal year, Hertford County's total debt increased by \$3,266,247 or 8.85 percent. General obligation debt of \$649,792 was retired in governmental activities and \$387,672 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 \$128,107,991.

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 \$310,779,780, which reflects 18.73% 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, 2022

**Government Activities:** The County adopted Fiscal Year 2022 general fund budget in the amount of \$27,050,902, which represents a one (1%) 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 David Cotton, 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](http://www.hertfordcountync.gov), or send an email to [hertford.county@hertfordcountync.gov](mailto:hertford.county@hertfordcountync.gov) for more information.

**BASIC  
FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**Hertford County, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hertford County ABC Board
<b><u>ASSETS</u></b>				
Cash and cash investments	\$ 10,047,042	\$ 4,060,767	\$ 14,107,809	\$ 542,461
Taxes receivable	1,178,671	-	1,178,671	-
Accrued interest receivable on taxes	186,548	-	186,548	-
Accounts receivables (net)	380,371	435,999	816,370	-
Due from other governments	2,755,561	52,689	2,808,250	-
Internal balances	-	-	-	-
Net pension asset	34,767	-	34,767	-
Inventory	-	24,744	24,744	428,457
Prepaid expenses	-	-	-	-
Restricted cash and cash equivalents	7,824,350	115,636	7,939,986	-
Capital assets:				
Land, improvements, and construction in progress	13,301,583	34,317	13,335,900	113,708
Other capital assets, net of depreciation	21,347,390	12,149,439	33,496,829	206,368
Total capital assets	34,648,973	12,183,756	46,832,729	320,076
Total assets	57,056,283	16,873,591	73,929,874	1,290,994
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	5,747,044	282,877	6,029,921	133,541
<b><u>LIABILITIES</u></b>				
Accounts payable & accrued liabilities	1,013,653	146,761	1,160,414	147,854
Customer deposits	25,000	111,930	136,930	-
Unspent ARP Funding	2,299,490	-	2,299,490	-
Accrued interest payable	97,697	28,294	125,991	-
Due to primary government	-	-	-	-
Long-term liabilities:				
Due within one year	2,178,539	424,911	2,603,450	-
Due in more than one year	30,803,482	6,769,546	37,573,028	592,024
Total long-term liabilities	32,982,020	7,194,457	40,176,477	592,024
Total liabilities	36,417,860	7,481,442	43,899,302	739,878
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	1,382,847	71,836	1,454,683	56,777
<b><u>NET POSITION</u></b>				
Net investment in capital assets	21,460,311	6,991,187	28,451,498	320,076
Restricted for:				
Stabalization by State Statute	2,973,118	-	2,973,118	-
Register of Deeds	25,837	-	25,837	-
Public Safety	7,394	-	7,394	-
Human Services	513,010	-	513,010	-
Education	3,846,641	-	3,846,641	-
Working Capital	-	-	-	102,448
Capital Improvements	-	-	-	205,356
Unrestricted (deficit)	(3,823,691)	2,612,003	(1,211,688)	-
Total net position	\$ 25,002,620	\$ 9,603,190	\$ 34,605,810	\$ 627,880

**Hertford County, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Hertford County ABC Board
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 5,306,732	\$ 454,404	\$ 23,000	\$ -	\$ (4,829,328)	\$ -	\$ (4,829,328)	\$ -
Public safety	9,157,197	1,498,867	1,319,781	243,760	(6,094,789)	-	(6,094,789)	-
Transportation	30,300	-	-	-	(30,300)	-	(30,300)	-
Economic and physical development	275,027	825	30,480	-	(243,722)	-	(243,722)	-
Human services	6,067,391	13,704	3,552,892	-	(2,500,795)	-	(2,500,795)	-
Cultural and recreation	105,942	-	-	-	(105,942)	-	(105,942)	-
Education	5,615,524	-	-	11,089,457	5,473,933	-	5,473,933	-
Interest on long-term debt	424,208	-	-	-	(424,208)	-	(424,208)	-
Total governmental activities	26,982,321	1,967,800	4,926,153	11,333,217	(8,755,151)	-	(8,755,151)	-
Business-type activities:								
Sanitation	1,405,748	1,236,492	-	-	-	(169,256)	(169,256)	-
Water and Sewer	1,457,395	1,534,979	-	-	-	77,584	77,584	-
Total business-type activities	2,863,143	2,771,471	-	-	-	(91,672)	(91,672)	-
Total primary government	29,845,464	4,739,271	4,926,153	11,333,217	(8,755,151)	(91,672)	(8,846,823)	-
<b>Component Units:</b>								
ABC Board	2,550,278	2,663,652	-	-	-	-	-	113,374
Total component units	\$ 2,550,278	\$ 2,663,652	\$ -	\$ -	-	-	-	113,374
General revenues:								
Taxes:								
Property taxes, levied for general purpose					15,059,801	-	15,059,801	-
Local option sales tax					5,874,917	-	5,874,917	-
Other taxes					85,447	-	85,447	-
Grants and contributions, not restricted to specific programs					103,989	-	103,989	-
Investment earnings, unrestricted					18,651	7,566	26,217	89
Miscellaneous, unrestricted					74,076	60,692	134,768	718
Transfers					-	-	-	-
Total general revenues, special items, and transfers					21,216,881	68,258	21,285,139	807
Change in net position					12,461,730	(23,414)	12,438,316	114,181
Net position, beginning					12,517,772	9,626,604	22,144,376	513,699
Restatement - Change in accounting principle (see Note VIII)					23,118	-	23,118	-
Net position, beginning, as restated					12,540,890	9,626,604	22,167,494	513,699
Net position, ending					\$ 25,002,620	\$ 9,603,190	\$ 34,605,810	\$ 627,880

FUND  
FINANCIAL STATEMENTS

**Hertford County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	<b>Major</b>		<b>Ahoskie Elementary School Project</b>	<b>Non-Major</b>	<b>Total</b>
	<b>General Fund</b>	<b>ARP Funds</b>		<b>Other Governmental Funds</b>	<b>Governmental Funds</b>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 7,206,511	\$ 2,299,490	\$ -	\$ 541,041	\$ 10,047,042
Restricted cash	4,134,904	-	3,689,446	-	7,824,350
Taxes receivable	1,170,774	-	-	7,897	1,178,671
Accounts receivable, net	369,157	-	-	11,214	380,371
Due from other governments	2,584,989	-	162,814	7,758	2,755,561
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 15,466,335</u>	<u>\$ 2,299,490</u>	<u>\$ 3,689,446</u>	<u>\$ 567,910</u>	<u>\$ 22,185,995</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 995,249	\$ -	\$ 5,619	\$ 12,785	\$ 1,013,653
Due to other funds	-	-	-	-	-
Unspent CARES/ARP Funding	-	2,299,490	-	-	2,299,490
Deposits	25,000	-	-	-	25,000
Total liabilities	<u>1,020,249</u>	<u>2,299,490</u>	<u>5,619</u>	<u>12,785</u>	<u>3,338,143</u>
Deferred Inflows of Resources:	<u>1,232,780</u>	<u>-</u>	<u>-</u>	<u>7,897</u>	<u>1,240,677</u>
Fund balances:					
Restricted:					
Stabilization by State Statute	2,954,146	-	-	18,972	2,973,118
Register of Deeds	25,837	-	-	-	25,837
Human Services	-	-	-	7,394	7,394
Economic and Physical Development	-	-	-	19,052	19,052
Public Safety	-	-	-	513,010	513,010
Education	-	-	3,846,641	-	3,846,641
Committed:					
Revaluation	94,300	-	-	-	94,300
Capital Reserve	3,820,680	-	-	-	3,820,680
Assigned:					
Subsequent year's expenditures	1,558,819	-	-	-	1,558,819
Unassigned	4,759,524	-	-	(11,200)	4,748,324
Total fund balances	<u>13,213,306</u>	<u>-</u>	<u>3,846,641</u>	<u>547,228</u>	<u>17,607,175</u>
Total Liabilities, Deferred Inflows of Resources, and Fund	<u>\$ 15,466,335</u>	<u>\$ 2,299,490</u>	<u>\$ 3,852,260</u>	<u>\$ 567,910</u>	<u>\$ 22,185,995</u>

**Hertford County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

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

Total equity and other credits (Exhibit 3)	\$ 17,607,175
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,648,973
Net Pension Asset	34,767
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	703,532
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	294,286
Deferred outflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	1,415,173
Deferred outflows of resources reported in the government-wide statements but not the fund statements - OPEB related deferrals	3,302,381
Benefit payments and pension administration costs for LEOSA are deferred outflows of resources on the Statement of Net Position	31,672
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	186,548
Net pension liability	(3,144,128)
Net OPEB liability	(13,924,058)
Total pension liability	(973,625)
Deferred inflows of resources for taxes receivable	1,178,671
Pension related deferrals	(94,446)
OPEB related deferrals	(1,226,395)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the fund statements	<u>(15,037,906)</u>
Net position of governmental activities (Exhibit 1)	<u><u>\$ 25,002,620</u></u>



**Hertford County, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<b>Major</b>			<b>Non-Major</b>	
			<b>Anoskie Elementary School Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>	<b>General Fund</b>	<b>ARP Funds</b>			
Ad valorem taxes	\$ 14,468,955	\$ -	-	\$ 103,306	\$ 14,572,261
Local option sales taxes	5,837,740	-	-	37,176	5,874,916
Other taxes and licenses	85,448	-	-	-	85,448
Unrestricted intergovernmental	103,989	-	-	-	103,989
Restricted intergovernmental	5,160,690	-	11,089,457	148,805	16,398,952
Permits and fees	256,111	-	-	-	256,111
Sales and services	1,522,590	-	-	-	1,522,590
Investment earnings	17,181	-	501	969	18,651
Miscellaneous	123,418	-	-	175	123,593
Total revenues	27,576,122	-	11,089,958	290,431	38,956,511
<b>EXPENDITURES</b>					
Current:					
General government	4,669,341	-	-	-	4,669,341
Public safety	8,302,564	-	-	297,159	8,599,723
Transportation	30,300	-	-	-	30,300
Economic and physical development	304,617	-	-	236	304,853
Human services	5,841,799	-	-	45,497	5,887,296
Cultural and recreational	105,016	-	-	-	105,016
Education	5,615,524	-	-	-	5,615,524
Capital Outlay	-	-	10,281,326	-	10,281,326
Debt service:					
Principal	1,427,676	-	-	-	1,427,676
Interest and other charges	477,320	-	-	-	477,320
Total expenditures	26,774,157	-	10,281,326	342,892	37,398,375
Excess (deficiency) of revenues over expenditures	801,965	-	808,632	(52,461)	1,558,136
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in from other funds	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-
Proceeds from debt	232,040	-	-	-	232,040
Total other financing sources and uses	232,040	-	-	-	232,040
Net change in fund balance	1,034,005	-	808,632	(52,461)	1,790,176
Fund Balances, beginning	12,179,301	-	3,038,009	576,571	15,793,881
Prior period restatement - change in accounting principle	-	-	-	23,118	23,118
Fund Balances, beginning, as restated	12,179,301	-	3,038,009	599,689	15,816,999
Fund Balances, ending	\$ 13,213,306	\$ -	\$ 3,846,641	\$ 547,228	\$ 17,607,175

**Hertford County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

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)	\$ 1,790,176
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.	11,059,457
The allocation of the costs of assets over the life of the assets through depreciation is not a current financial use in the funds; therefore, depreciation expense is not recorded in these statements.	(1,111,085)
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.	1,195,636
Principal payments on a loan for written off by the bank as a result of the bank retaining vehicles that were totaled.	26,078
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	703,532
Benefit payments and pension administration costs for LEOSA are deferred outflows of resources on the Statement of Net Position	31,672
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	294,286
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	(2,040,354)
Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	512,332
Total changes in net position of governmental activities	<u>\$ 12,461,730</u>

**Hertford County, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances -Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2021**

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<u>Revenues</u>				
Ad valorem taxes	\$ 14,101,556	\$ 14,101,556	\$ 14,468,955	\$ 367,399
Local option sales tax	4,788,588	4,788,588	5,837,740	1,049,152
Other taxes and licenses	71,479	71,479	85,448	13,969
Unrestricted intergovernmental	60,000	80,000	103,989	23,989
Restricted intergovernmental	3,313,350	5,353,338	5,160,690	(192,648)
Permits and fees	213,000	213,000	256,111	43,111
Sales and services	1,596,238	1,750,520	1,522,590	(227,930)
Investment earnings	110,000	110,000	17,181	(92,819)
Miscellaneous	73,235	126,033	123,418	(2,615)
Total revenues	24,327,446	26,594,514	27,576,122	981,608
<u>Expenditures</u>				
Current:				
General government	4,777,676	5,016,736	4,669,341	347,395
Public safety	7,241,733	8,919,479	8,302,564	616,915
Transportation	30,300	30,300	30,300	-
Economic and physical development	419,319	441,659	304,617	137,042
Human services	5,565,473	6,086,232	5,841,799	244,433
Cultural and recreational	153,174	105,016	105,016	-
Education	5,415,792	5,365,292	5,269,792	95,500
Debt service	1,823,302	1,908,418	1,904,996	3,422
Contingency	184,000	6,648	-	6,648
Total expenditures	25,610,769	27,879,780	26,428,425	1,451,355
Revenues over (under) expenditures	(1,283,323)	(1,285,266)	1,147,697	2,432,963
<u>Other financing sources (uses)</u>				
Transfers to other funds	(1,223,000)	(1,223,000)	(1,289,184)	(66,184)
Transfers from other funds	120,798	25,000	-	(25,000)
Loan Proceeds	-	-	232,040	232,040
Appropriated fund balance	2,385,525	2,483,266	-	(2,483,266)
Total other financing sources (uses)	1,283,323	1,285,266	(1,057,144)	(2,342,410)
Net Change in fund balance	\$ -	\$ -	90,553	\$ 90,553
Fund balance, beginning			9,207,773	
Fund balance, ending			\$ 9,298,326	
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			(345,732)	
Transfers from General Fund			1,289,184	
Fund balance, Beginning			2,971,528	
Fund Balance, Ending (Exhibit 4)			\$ 13,213,306	

**Hertford County, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	MAJOR		NON-MAJOR		
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	Totals
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,049,253	\$ 1,700,011	\$ 120,269	\$ 191,234	\$ 4,060,767
Restricted cash and cash equivalents	39,606	76,030	-	-	115,636
Receivables (net)	54,750	121,541	34,393	225,315	435,999
Due from other funds	-	1,359,000	-	-	1,359,000
Due from other governments	10,785	23,087	334	18,483	52,689
Inventory	6,928	17,816	-	-	24,744
Total current assets	<u>2,161,322</u>	<u>3,297,485</u>	<u>154,996</u>	<u>435,032</u>	<u>6,048,835</u>
Non-current assets:					
Capital assets:					
Land, improvements and construction in progress	-	-	11,271	23,046	34,317
Other capital assets, net of depreciation	3,979,041	6,187,387	1,749,009	234,002	12,149,439
Total capital assets	<u>3,979,041</u>	<u>6,187,387</u>	<u>1,760,280</u>	<u>257,048</u>	<u>12,183,756</u>
Total non-current assets	<u>3,979,041</u>	<u>6,187,387</u>	<u>1,760,280</u>	<u>257,048</u>	<u>12,183,756</u>
Total assets	<u>6,140,363</u>	<u>9,484,872</u>	<u>1,915,276</u>	<u>692,080</u>	<u>18,232,591</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>95,841</u>	<u>119,998</u>	<u>-</u>	<u>67,038</u>	<u>282,877</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	40,811	5,959	97	74,447	121,314
Customer deposits	35,900	76,030	-	-	111,930
Accrued interest payable	12,737	14,453	1,104	-	28,294
Compensated absences	4,239	2,079	-	4,997	11,315
Accrued payroll	3,173	8,146	-	14,128	25,447
Due to other funds	1,359,000	-	-	-	1,359,000
Revenue bonds payable	16,000	-	-	-	16,000
General obligation bonds payable	125,785	265,811	6,000	-	397,596
Total current liabilities	<u>1,597,645</u>	<u>372,478</u>	<u>7,201</u>	<u>93,572</u>	<u>2,070,896</u>
Noncurrent liabilities:					
Net pension liability	31,918	82,450	-	41,206	155,574
Compensated absences	12,717	6,238	-	14,989	33,944
Revenue bonds payable	904,000	-	-	-	904,000
General obligation bonds payable	1,452,504	3,069,469	273,000	-	4,794,973
Net OPEB obligation	304,940	303,800	-	165,114	773,854
Landfill closure payable	-	-	-	107,201	107,201
Total noncurrent liabilities	<u>2,706,079</u>	<u>3,461,957</u>	<u>273,000</u>	<u>328,510</u>	<u>6,769,546</u>
Total liabilities	<u>4,303,724</u>	<u>3,834,435</u>	<u>280,201</u>	<u>422,082</u>	<u>8,840,442</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>27,613</u>	<u>28,706</u>	<u>-</u>	<u>15,517</u>	<u>71,836</u>
<b>NET POSITION</b>					
Net investment in capital assets	2,400,752	2,852,107	1,481,280	257,048	6,991,187
Restricted	3,706	-	-	-	3,706
Unrestricted	(499,591)	2,889,622	153,795	64,471	2,608,297
Total net position	<u>\$ 1,904,867</u>	<u>\$ 5,741,729</u>	<u>\$ 1,635,075</u>	<u>\$ 321,519</u>	<u>\$ 9,603,190</u>

**Hertford County, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Net Position - Proprietary Funds**  
**For the Year Ended June 30, 2021**

	MAJOR		NON-MAJOR		Total
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	
OPERATING REVENUE					
Charges for Services	\$ 488,207	\$ 952,243	\$ 30,057	\$ 1,236,492	\$ 2,706,999
Tap on fees	21,883	41,033	1,557	-	64,473
Miscellaneous	1,600	3,978	-	55,114	60,692
Total Operating Revenues	<u>511,690</u>	<u>997,254</u>	<u>31,614</u>	<u>1,291,606</u>	<u>2,832,164</u>
OPERATING EXPENDITURES					
Administration and Operations	264,300	555,873	12,127	1,388,536	2,220,836
Depreciation	129,539	235,502	38,867	16,212	420,120
Capital Outlay	16,090	41,373	-	1,000	58,463
Total Operating Expenses	<u>409,929</u>	<u>832,748</u>	<u>50,994</u>	<u>1,405,748</u>	<u>2,699,419</u>
OPERATING INCOME (LOSS)	<u>101,761</u>	<u>164,506</u>	<u>(19,380)</u>	<u>(114,142)</u>	<u>132,745</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment earnings	1,435	5,344	226	561	7,566
Interest paid and bond issuance cost	(64,649)	(92,330)	(6,745)	-	(163,724)
Total Nonoperating Revenues (Expenses)	<u>(63,214)</u>	<u>(86,986)</u>	<u>(6,519)</u>	<u>561</u>	<u>(156,158)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>38,547</u>	<u>77,520</u>	<u>(25,899)</u>	<u>(113,581)</u>	<u>(23,413)</u>
Capital contributions	-	-	-	-	-
Transfers from (to) other funds	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>38,547</u>	<u>77,520</u>	<u>(25,899)</u>	<u>(113,581)</u>	<u>(23,413)</u>
NET POSITION, BEGINNING	<u>1,866,320</u>	<u>5,664,210</u>	<u>1,660,974</u>	<u>435,100</u>	<u>9,626,604</u>
NET POSITION, ENDING	<u>\$ 1,904,867</u>	<u>\$ 5,741,730</u>	<u>\$ 1,635,075</u>	<u>\$ 321,519</u>	<u>\$ 9,603,191</u>

**Hertford County, North Carolina**  
**Statement of Cash Flows - Proprietary Funds**  
**For The Year Ended June 30, 2021**

	MAJOR		NON-MAJOR		Total
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 536,960	\$ 1,004,008	\$ 29,133	\$ 1,282,832	\$ 2,852,933
Cash paid for goods and services	(155,813)	(314,682)	(12,079)	(1,093,687)	(1,576,261)
Cash paid to employees for services	(81,376)	(259,019)	-	(364,492)	(704,887)
Other operating revenue	1,600	3,978	-	55,114	60,692
Net cash provided (used) by operating activities	301,371	434,285	17,054	(120,233)	632,477
Cash flows from noncapital financing activities					
Due to other funds	-	-	-	-	-
Receipt of nonoperating grants	-	-	-	-	-
Transfers (to) from other funds	-	-	-	-	-
Net cash provided (used) by noncapital financial activities	-	-	-	-	-
Cash flows from capital and related financing activities:					
Purchase of capital assets	(53,164)	(136,707)	-	(19,483)	(209,354)
Principal paid on bond maturities	(138,597)	(259,075)	(6,000)	-	(403,672)
Interest paid on bond maturities	(65,283)	(93,453)	(6,769)	-	(165,505)
Capital contributions	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	(257,044)	(489,235)	(12,769)	(19,483)	(778,531)
Cash flows from investing activities:					
Interest on investments	1,435	5,344	226	561	7,566
Net cash provided by investing activities	1,435	5,344	226	561	7,566
Net increase (decrease) in cash and cash equivalents	45,762	(49,606)	4,511	(139,155)	(138,488)
Cash and cash equivalents, beginning	2,043,097	1,825,647	115,758	330,389	4,314,891
Cash and cash equivalents, ending	\$ 2,088,859	\$ 1,776,041	\$ 120,269	\$ 191,234	\$ 4,176,403

**Hertford County, North Carolina**  
**Statement of Cash Flows - Proprietary Funds**  
**For The Year Ended June 30, 2021**

	MAJOR		NON-MAJOR		Total
	Northern Water District	Southern Water District	Tunis Sewer District	Sanitation Fund	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 101,761	\$ 164,506	\$ (19,380)	\$ (114,142)	\$ 132,745
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	129,539	235,502	38,867	16,212	420,120
Changes in assets and liabilities:					-
(Increase) decrease in accounts receivable	25,795	9,227	(2,481)	46,340	78,881
(Increase) decrease in inventory	-	-	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	21,779	1,334	48	(76,692)	(53,531)
Increase (decrease) in customer deposits	1,075	1,505	-	-	2,580
Increase (decrease) in compensated absences	3,064	(1,427)	-	2,677	4,314
Increase (decrease) in accrued payroll	568	1,221	-	1,476	3,265
Increase (decrease) in OPEB Liability	79,153	78,857	-	42,859	200,869
(Increase) decrease in deferred outflows of resources - pensions	(3,575)	(81,726)	-	(3,333)	(88,634)
(Increase) decrease in deferred outflows of resources - OPEB	(58,063)	12,080	-	(32,770)	(78,753)
Increase (decrease) in net pension liability	7,930	21,185	-	8,183	37,298
Increase (decrease) in deferred inflows of resources - pensions	(239)	26,167	-	(395)	25,533
Increase (decrease) in deferred inflows of resources - OPEB	(7,416)	(34,146)	-	(4,015)	(45,577)
Increase (decrease) in landfill closure and postclosure costs	-	-	-	(6,633)	(6,633)
Total adjustments	<u>199,610</u>	<u>269,779</u>	<u>36,434</u>	<u>(6,091)</u>	<u>499,732</u>
Net cash provided (used) by operating activities	<u>\$ 301,371</u>	<u>\$ 434,285</u>	<u>\$ 17,054</u>	<u>\$ (120,233)</u>	<u>\$ 632,477</u>

**Hertford County, North Carolina**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2021**

	Custodial Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 17,474
Taxes receivable, net of allowance	184,694
Total assets	202,168
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	-
Due to other governments	-
Total liabilities	-
<b>NET POSITION</b>	
Restricted for:	
Individuals, organizations, and other governments	202,168
Total fiduciary net position	\$ 202,168



**Hertford County, North Carolina**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2021**

	Custodial Funds
<u>ADDITIONS</u>	
Ad Valorem taxes for other governments	\$ 3,462,156
Collections for Inmates	169,335
Total additions	<u>3,631,491</u>
<u>DEDUCTIONS</u>	
Tax distributions to other governments	3,465,943
Payment on behalf of inmates	168,932
Total deductions	<u>3,634,875</u>
Net Increase (decrease) in fiduciary net position	(3,384)
Net Position, beginning as previously reported	-
Prior period restatement - change in accounting principle	<u>205,552</u>
Net position, beginning, as restated	<u>205,552</u>
Net Position, ending	<u><u>\$ 202,168</u></u>

**NOTES TO THE  
FINANCIAL STATEMENTS**

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

**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 Fiscal Year Ended June 30, 2021**

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*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.

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.

*Tunis Sewer District Fund* . This fund is used to account for the operations of the Tunis Sewer 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 funds. The Emergency Telephone System Fund, Fire District Fund, Cooperative Extension Trust, and Representative Payee Fund are reported as non-major special revenue funds. The Ahoskie Elementary School Project Fund is reported as a non-major capital projects fund. The School Capital Reserve Fund and Revaluation Fund are consolidated in the General Fund in accordance with GASB Statement No. 54. The Sanitation Fund is reported as a non-major proprietary fund.

**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 Fiscal Year Ended June 30, 2021**

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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.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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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.

**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.

<b>Governmental Activities</b>		
General Fund	Tax Revaluation	\$ 94,300
General Fund	Capital Reserve	3,989,767
General Fund	Register of Deeds	25,837
General Fund	Deposit - Sale of Home Health	25,000
Ahoskie School Project	Capital Project	3,689,446
Total Governmental Activities		<u>\$ 7,824,350</u>
<b>Business-Type Activities</b>		
Northern Water District	Customer Deposits	\$ 35,900
Northern Water District	USDA Reserve for Debt Service	3,706
Southern Water District	Customer Deposits	76,030
Tunis Sewer District	Customer Deposits	-
Total Business-Type Activities		<u>\$ 115,636</u>
Total Restricted Cash		<u><u>\$ 7,939,986</u></u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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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.

5. Allowance for Doubtful Accounts

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

6. Inventory

The inventories of the 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.

7. 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 Fiscal Year Ended June 30, 2021**

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8. 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.

9. 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.

10. 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.

11. 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.



**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization 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.

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.

12. 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.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**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 \$7,395,445 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 (total capital assets on government-wide statement in governmental activities column)	\$ 45,699,699
Less Accumulated Depreciation	(11,050,726)
Net capital assets	<u>34,648,973</u>
Net pension asset	34,767
Contributions to the pension plan in the current fiscal year	703,532
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	294,286
Deferred outflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	1,415,173
Deferred outflows of resources reported in the government-wide statements but not the fund statements - OPEB related deferrals	3,302,381
Benefit payments and pension administration costs for LEOSSA	31,672
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	186,548
Deferred inflows of resources for taxes receivable	1,178,671
Deferred inflows of resources reported in the government-wide statements but not the fund statements - pension related deferrals	(94,446)
Deferred inflows of resources reported in the government-wide statements but not the fund statements - OPEB related deferrals	(1,226,395)
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	(14,334,571)
Compensated absences	(605,638)
Total OPEB Liability	(13,924,058)
Net pension liability-LGERS	(3,144,128)
Net pension liability-LEOSSA	(973,625)
Accrued interest payable	<u>(97,697)</u>
Total adjustment	<u><u>\$ 7,395,445</u></u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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 \$10,671,554 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	\$ 11,059,457
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	(1,111,085)
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.	1,427,676
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 position	(232,040)
Principal payments on a loan for written off by the bank as a result of the bank retaining vehicles that were totaled.	26,078
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	703,532
Benefit payments and administration costs for LEOSA are deferred outflows of resources on the Statement of Net Position	31,672
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position	294,286
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)	28,320
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(60,803)
OPEB Expense	(824,841)
County's portion of collective pension expense	(1,183,030)
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	406,853
Change in accrued taxes receivable for year	80,687
Amortization of bond premium	24,792
Total adjustment	<u>\$ 10,671,554</u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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II: Stewardship, Compliance and Accountability

A. Noncompliance with North Carolina General Statutes

The County should have established budgets for the two new special revenue funds (Cooperative Extension Trust and Representative Payee Fund) created as a result of the implementation of GASB 84. As a result of not adopting a budget, expenditures were made that were not properly authorized. This was a new standard, so it was simply an oversight by the County. They are now aware of the requirement, and will adopt budgets accordingly.

B. Deficit Fund Balance or Net Position of Individual Funds

None to Report.

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, 2021 the County's deposits had a carrying amount of \$14,113,730 and a bank balance of \$15,585,599. Of the bank balance, \$250,076 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2021, Hertford County had \$1,280 cash on hand.

At June 30, 2021, the carrying amount of deposits for the ABC Board was \$540,911 and a bank balance of \$676,381. Of the bank balance, \$250,076 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 \$1,280.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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2. Investments

At June 30, 2021, 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	\$ 7,950,259	\$ 7,950,259
Total		<u>\$ 7,950,259</u>	<u>\$ 7,950,259</u>

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.

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.

<u>Year Levied</u>	<u>Total Taxes</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,114,993	\$ 306,624	\$ 1,421,617
2019	1,443,378	267,025	1,710,403
2020	1,422,407	135,812	1,558,219
2021	1,414,597	81,267	1,495,864
Total	<u>\$ 5,395,375</u>	<u>\$ 790,728</u>	<u>\$ 6,186,103</u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

4. Receivables

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Total
<b>Governmental Activities:</b>				
General	\$ 1,895,994	\$ 1,877,322	\$ 2,584,989	\$ 6,358,305
Ahoskie Elementary School Project	-	-	162,814	162,814
Other Governmental	11,214	7,897	7,758	26,869
Total	1,907,208	1,885,219	2,755,561	6,547,988
Allowance for Doubtful Accts.	(1,526,837)	(520,000)	-	(2,046,837)
Total-governmental activities	<u>\$ 380,371</u>	<u>\$ 1,365,219</u>	<u>\$ 2,755,561</u>	<u>\$ 4,501,151</u>
<b>Business-type Activities:</b>				
Northern Water District	\$ 63,319	\$ -	\$ 10,785	\$ 74,104
Southern Water District	132,987	-	23,087	156,074
Tunis Sewer District	34,393	-	334	34,727
Sanitation	388,847	-	18,483	407,330
Total	\$ 619,546	\$ -	\$ 52,689	\$ 672,235
Allowance for Doubtful Accts.	(183,547)	-	-	(183,547)
Total-business-type activities	<u>\$ 435,999</u>	<u>\$ -</u>	<u>\$ 52,689</u>	<u>\$ 488,688</u>

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

Local option sales tax	\$ 1,554,086
Franchise tax	7,396
Sales tax refund	464,922
Other grants, ABC Distributions	585,736
Scrap tire tax	9,533
White goods tax	-
Solid waste disposal tax	3,431
NCVTS	183,146
Total	<u>\$ 2,808,250</u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

5. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 482,083	\$ -	\$ -	\$ 482,083
Construction in Progress	2,538,174	10,281,326	-	12,819,500
Total capital assets not being depreciated	3,020,257	10,281,326	-	13,301,583
Capital assets being depreciated:				
Buildings and Improvements	25,048,373	190,462		25,238,835
Equipment	4,242,336	132,637		4,374,973
Vehicles and motor equipment	2,329,276	455,032		2,784,308
Total capital assets being depreciated	31,619,985	778,131	-	32,398,116
Less accumulated depreciation for:				
Buildings and Improvements	5,119,551	547,815		5,667,366
Equipment	2,801,149	356,472		3,157,621
Vehicles and motor equipment	2,018,941	206,798		2,225,739
Total accumulated depreciation	9,939,641	\$ 1,111,085	\$ -	11,050,726
Total capital assets being depreciated, net	21,680,344			21,347,390
Governmental activities capital assets, net	\$ 24,700,601			\$ 34,648,973

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

General government	\$ 463,118
Public Safety	614,576
Human Services	25,953
Cultural and Recreational	926
Economic and Physical Development	6,512
Total depreciation expense	<u>\$ 1,111,085</u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

<b>Business-type activities:</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Northern Water District</b>				
Capital assets not being depreciated:				
Construction in process	\$ 1,280,190	\$ -	\$ (1,280,190)	\$ -
Total capital assets not being depreciated	1,280,190	-	(1,280,190)	-
Capital assets being depreciated:				
Plant and distribution systems	\$ 4,579,543	1,280,190	-	\$ 5,859,733
Buildings	91,454	-	-	91,454
Vehicles and equipment	123,337	53,164	-	176,501
Total capital assets being depreciated	4,794,334	1,333,354	-	6,127,688
Less accumulated depreciation for:				
Plant and distribution systems	1,915,026	117,195	-	2,032,221
Buildings	12,426	3,658	-	16,084
Vehicles and motor equipment	91,656	8,686	-	100,342
Total accumulated depreciation	2,019,108	\$ 129,539	\$ -	2,148,647
Total capital assets being depreciated, net	2,775,226			3,979,041
Northern Water District Capital assets, net	<u>\$ 4,055,416</u>			<u>\$ 3,979,041</u>
<b>Southern Water District</b>				
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	132,969	96,429	-	229,398
Vehicles and motor equipment	140,852	40,278	-	181,130
Total capital assets being depreciated	10,607,368	136,707	-	10,744,075
Less accumulated depreciation for:				
Plant and distribution systems	4,146,611	208,648	-	4,355,259
Buildings	12,615	4,792	-	17,407
Machinery and equipment	52,628	10,286	-	62,914
Vehicles and motor equipment	119,332	11,776	-	131,108
Total accumulated depreciation	4,331,186	\$ 235,502	\$ -	4,566,688
Total capital assets being depreciated, net	6,276,182			6,177,387
Southern Water District capital assets, net	<u>\$ 6,286,182</u>			<u>\$ 6,187,387</u>



**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

**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	155,468	38,867	-	194,335
Total accumulated depreciation	155,468	\$ 38,867	\$ -	194,335

Total capital assets being depreciated, net

Tunis Sewer District capital assets, net	1,787,876			1,749,009
	<u>\$ 1,799,147</u>			<u>\$ 1,760,280</u>

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	195,283	19,483	-	214,766
Machinery and equipment	280,753	-	-	280,753
Total capital assets being depreciated	476,036	19,483	-	495,519

Less accumulated depreciation for:

Buildings	83,597	6,769	-	90,366
Machinery and equipment	161,709	9,442	-	171,151
Total accumulated depreciation	245,306	\$ 16,211	\$ -	261,517

Total capital assets being depreciated, net

Other business-type capital assets, net	230,730			234,002
	<u>\$ 253,776</u>			<u>\$ 257,048</u>

Business-type activities capital assets, net

	<u>\$ 12,394,521</u>			<u>\$ 12,183,756</u>
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**Construction Commitments**

The government has active construction projects as of June 30, 2021. The projects include the Ahoskie Elementary School and Ahoskie Elementary Auditorium projects. At June 30, 2021, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Ahoskie Elementary School	\$ 10,039,041	\$ 5,482,334
Ahoskie Elementary Auditorium	596,599	2,409,501
Total	<u>\$ 10,635,640</u>	<u>\$ 7,891,835</u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**Discretely presented component units**

Capital assets at June 30, 2021 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	492,653
Furniture and equipment	81,074
Vehicles	29,801
Total capital assets being depreciated	<u>603,528</u>
Less accumulated depreciation for:	
Buildings, improvements	303,113
Furniture and equipment	64,246
Vehicles	29,801
Total accumulated depreciation	<u>397,160</u>
Total capital assets being depreciated, net	206,368
ABC Board capital assets, net	<u><u>\$ 320,076</u></u>

b. **Liabilities**

1. **Pavables**

Payables at the government-wide level at June 30, 2021, were as follows :

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 995,249	\$ 97,697	-	\$ 1,092,946
Ahoskie Elementary School	5,619	-	-	5,619
Other governmental	12,785	-	-	12,785
Total-governmental activities	<u>\$ 1,013,653</u>	<u>\$ 97,697</u>	<u>\$ -</u>	<u>\$ 1,111,350</u>
Business-Type Activities				
Northern Water District	\$ 43,984	\$ 12,737	-	\$ 56,721
Southern Water District	14,105	14,453	-	28,558
Tunis Sewer District	97	1,104	-	1,201
Sanitation	88,575	-	-	88,575
Total Business-Type Activities	<u>\$ 146,761</u>	<u>\$ 28,294</u>	<u>\$ -</u>	<u>\$ 175,055</u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**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 (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS 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 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 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 LGERS. 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](http://www.osc.nc.gov).

*Benefits Provided.* LGERS 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.

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, 2021, was 10.84% of compensation for law enforcement officers and 10.23% 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 \$736,650 for the year ended June 30, 2021.

*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.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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

At June 30, 2021, the County reported a liability of \$3,299,702 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the County's proportion was 0.0923% (measured as of June 30, 2020), which was a decrease of 0.0005% from its proportion measured as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the County recognized pension expense of \$1,150,075. At June 30, 2021, 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	\$ 416,694	\$ -
Changes of assumptions	245,563	-
Net difference between projected and actual earnings on pension plan investments	464,345	-
Changes in proportion and differences between County Contributions and proportionate share of contributions	55,546	77,980
County contributions subsequent to the measurement date	736,650	-
Total	<u>\$ 1,918,798</u>	<u>\$ 77,980</u>

\$736,650 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2022	\$ 320,431
2023	412,709
2024	233,606
2025	137,422
2026	-
Thereafter	-
Total	<u>\$ 1,104,168</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary Increases	3.50 percent
Investment Rate of Return	7.00 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, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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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, 2021 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 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 6,694,735	\$ 3,299,702	\$ 478,190

*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.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**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, 2019 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.

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2019 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	1.93 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, 2019 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.

**Hertford County, North Carolina**  
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**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 \$58,820 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, 2021, the County reported a total pension liability of \$973,625. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the County recognized pension expense of \$86,521.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,249	\$ -
Changes of assumptions	235,476	16,460
County benefit payments and plan administrative expenses made subsequent to the measurement date	31,672	-
Total	<u>\$ 318,397</u>	<u>\$ 16,460</u>

The County paid \$31,672 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 60,096
2023	61,043
2024	51,839
2025	48,427
2026	41,839
Thereafter	7,021

*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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$ 1,064,120</u>	<u>\$ 973,625</u>	<u>\$ 891,507</u>

**Hertford County, North Carolina  
Notes To The Financial Statements  
For The Fiscal Year Ended June 30, 2021**

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

	<b>2021</b>
Beginning balance	\$ 721,867
Service Cost	33,261
Interest paid on the total pension liability	22,574
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	7,041
Changes of assumptions or other inputs	247,702
Other changes	-
Benefit payments	(58,820)
Ending balance of the total pension liability	<u>\$ 973,625</u>

*Changes of Assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.26 percent at June 30, 2019 (measurement date) to 1.93 percent at June 30, 2020 (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, 2019 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.

**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, 2021 were \$71,775 which consisted of \$54,028 from the County and \$17,747 from the law enforcement officers.



**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**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](http://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 \$1,614 for the year ended June 30, 2021.

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

At June 30, 2021, the County reported an asset of \$34,767 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, the County's proportion was 0.1517%, which was a decrease of 0.0019% from its proportion measured as of June 30, 2019.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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For the year ended June 30, 2021, the County recognized pension expense of \$658. At June 30, 2021, 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	\$ -	\$ 708
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,975
Changes in proportion and differences between County Contributions and proportionate share of contributions	2,036	-
County contributions subsequent to the measurement date	1,614	-
Total	<u>\$ 3,650</u>	<u>\$ 3,683</u>

\$1,614 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2022	\$ 501
2023	(56)
2024	(1,343)
2025	(749)
2026	-
Thereafter	-
Total	<u>\$ (1,647)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary Increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment Rate of Return	3.75 percent, 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**  
**For The Fiscal Year Ended June 30, 2021**

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The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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, 2021 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 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 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 3.75%. 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 3.75 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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset) \$	(29,530)	\$ (34,767)	\$ (39,198)

*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.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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***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, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019. The total pension liability for LEOSSA was measured as of June 30, 2020, with an actuarial valuation date as of December 31, 2019.

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:

	<u><b>LGERS</b></u>	<u><b>ROD</b></u>	<u><b>LEOSSA</b></u>	<u><b>Total</b></u>
Proportionate Share of Net Pension Liability (Asset)	\$ 3,299,702	\$ (34,767)	\$ -	\$ 3,264,935
Proportion of the Net Pension Liability (Asset)	0.0923%	0.1517%	n/a	
Total Pension Liability	\$ -	\$ -	\$ 973,625	\$ 973,625
Pension Expense	\$ 1,150,075	\$ 658	\$ 86,521	\$ 1,237,254

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u><b>LGERS</b></u>	<u><b>ROD</b></u>	<u><b>LEOSSA</b></u>	<u><b>Total</b></u>
<b><u>Deferred Outflows of Resources</u></b>				
Differences between expected and actual experience	\$ 416,694	\$ -	\$ 51,249	\$ 467,943
Changes of assumptions	245,563	-	235,476	481,039
Net difference between projected and actual earnings on pension plan investments	464,345	-	-	464,345
Changes in proportion and differences between County contributions and proportionate share of contributions	55,546	2,036	-	57,582
County contributions (LGERS, ROD)/benefit payments and administrations costs (LEOSSA) subsequent to the measurement date	736,650	1,614	31,672	769,936

**Deferred Inflows of Resources**

Differences between expected and actual experience	\$ -	\$ 708	\$ -	\$ 708
Changes of assumptions	-	-	16,460	16,460
Net difference between projected and actual earnings on pension plan investments	-	2,975	-	2,975
Changes in proportion and difference between County contributions and proportionate share of contributions	77,980	-	-	77,980

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**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.

*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 \$14,697,911 was measured as of June 30, 2020 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, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General Employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal Bond Index Rate	
Prior Measurement Date	3.50%
Measurement Date	2.21%

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
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Health Care Cost Trends	7.00% for 2020 decreasing to an ultimate rate of
Pre-Medicare	4.50% by 2030
	5.25% for 2020 decreasing to an ultimate rate of
Medicare	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.

**Changes in the Total OPEB Liability**

	Total OPEB
Balances at June 30, 2019	\$ 10,882,807
Changes	
Service Cost	249,986
Interest	383,471
Change in benefit terms	-
Differences between Expected and Actual	217,455
Changes of assumptions	3,320,199
Benefit Payments	(356,007)
Net Changes	3,815,104
Balances at June 30, 2020	<u>\$ 14,697,911</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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, 2010 - December 31, 2014, 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, 2021, 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 (1.21 percent) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 17,749,598	\$ 14,697,911	\$ 12,347,741

**Hertford County, North Carolina**  
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*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, 2020, 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	\$ 12,272,943	\$ 14,697,911	\$ 17,872,367

**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 \$864,958. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 191,110	\$ 385,982
Changes of assumptions	3,294,806	908,572
County contributions subsequent to the measurement date	303,159	-
Total	<u>\$ 3,789,075</u>	<u>\$ 1,294,554</u>

\$303,159 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2022	\$ 278,717
2023	278,717
2024	278,717
2025	413,903
2026	595,522
Thereafter	345,786

**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.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**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 \$107,201 reported as landfill closure payable liability at June 30, 2021, 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.

**4. Deferred Outflows and Inflows of Resources**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions, OPEB - difference between expected and actual experience		
LGERS	\$ 416,694	\$ -
LEOSSA	51,249	-
Register of Deeds	-	708
OPEB	191,110	385,982
Pensions, OPEB- changes in assumptions		
LGERS	245,563	-
LEOSSA	235,476	16,460
OPEB	3,294,806	908,572
Pensions - difference between projected and actual investment		
LGERS	464,345	-
Register of Deeds	-	2,975
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	55,546	77,980
Register of Deeds	2,036	-
Contributions to pension plan in current fiscal year		
LGERS	736,650	-
Register of Deeds	1,614	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	31,672	-
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	303,159	-
Prepaid taxes not yet earned (General)	-	62,006
Taxes receivable, net (General)	-	1,170,774
Taxes receivable, net (Special Revenue)	-	7,897
	<u>\$ 6,029,920</u>	<u>\$ 2,633,354</u>



**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**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.

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. For the ABC Board, settled claims have not exceeded coverage in any of the past three fiscal years.

**6. Contingent Liabilities**

At June 30, 2021, 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. Operating Lease Commitments**

The County leases certain equipment under operating leases that expire over the next three years. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2021:

<u>For Year Ending June 30</u>	<u>Amount</u>
2022	\$ 41,988
2023	35,080
2024	21,175
2025	4,255
2026	-
Total minimum payments required	<u>\$ 102,498</u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**8. Long-Term Obligations**

**a. 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.

\$ 1,665,774

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.

69,052

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.

4,500,000

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.

232,040

Total

\$ 6,466,866

The future minimum payments of the installment purchases as of June 30, 2021, including \$685,612 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 777,129	\$ 145,649
2023	778,417	127,834
2024	779,752	109,973
2025	772,639	92,097
2026	760,889	74,859
2027-2031	2,598,040	135,200
2032-2036	-	-
Total	<u>\$ 6,466,866</u>	<u>\$ 685,612</u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

**b. General Obligation Indebtedness**

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Hertford County, 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, 2021 are comprised of the following individual issues:

Serviced by the County's General Fund:

<b>\$11,945,000</b> 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 5.0 percent.	\$ 7,595,000
Total	<u>\$ 7,595,000</u>

Serviced by the County's Southern Water District:

<b>\$4,332,850</b> Refunding, Series 2016 Bonds due in annual installments of \$352,528, through December 15, 2031, including interest at 2.60 percent.	\$ 3,335,280
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Serviced by the County's Northern Water District:

<b>\$2,050,350</b> Refunding, Series 2016 Bonds due in annual installments of \$166,820 through December 15, 2031, including interest at 2.60 percent.	1,578,289
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Serviced by the County's Tunis Sewer District:

<b>\$307,000</b> 2014 USDA Sanitary Sewer Bonds due in monthly installments of \$5,500 to \$12,000 through June 1, 2054; interest at 2.375 percent.	279,000
Total	<u>\$ 5,192,569</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
2022	\$ 625,000	\$ 264,718	\$ 397,596	\$ 134,379
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
2027-2031	3,170,000	518,960	2,378,907	279,840
2032-2036	1,260,000	63,788	544,188	36,961
2037-2041	-	-	42,500	19,072
2042-2046	-	-	48,000	13,763
2047-2051	-	-	53,500	7,790
2052-2056	-	-	33,000	1,497
Total	<u>\$ 7,595,000</u>	<u>\$ 1,645,764</u>	<u>\$ 5,192,569</u>	<u>\$ 924,895</u>

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**c. 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%.

\$ 797,000

\$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%.

123,000

Total Serviced by the Northern Water District

\$ 920,000

Year Ending June 30	Principal	Interest
2022	\$ 16,000	\$ 20,700
2023	16,000	20,340
2024	16,000	19,980
2025	16,000	19,620
2026	17,000	19,260
2027-2031	90,000	90,495
2032-2036	103,000	79,695
2037-2041	114,000	67,658
2042-2046	126,000	54,293
2047-2051	144,000	39,308
2052-2056	160,000	22,500
2057-2061	102,000	4,568
Total	<u>\$ 920,000</u>	<u>\$ 458,417</u>

**d. 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 Fiscal Year Ended June 30, 2021**

**e. 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, 2021:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
<b>Governmental Activities:</b>					
General obligation debt	\$ 8,220,000	\$ -	\$ 625,000	\$ 7,595,000	\$ 625,000
Premium	297,497	-	24,792	272,705	-
Net general obligation debt	8,517,497	-	649,792	7,867,705	625,000
Direct Placement Installment purchases	7,063,580	232,040	828,754	6,466,866	777,129
Compensated Absences	544,835	60,803	-	605,638	151,410
Net pension liability (LGERS)	2,390,349	753,779	-	3,144,128	-
Total pension liability (LEOSSA)	721,867	251,758	-	973,625	-
Total OPEB liability	10,309,821	3,614,237	-	13,924,058	-
Total	<u>\$ 29,547,949</u>	<u>\$ 4,912,617</u>	<u>\$ 2,128,338</u>	<u>\$ 32,982,020</u>	<u>\$ 2,178,539</u>
<b>Business-type Activities:</b>					
General Obligation Debt	\$ 5,580,241	\$ -	\$ 387,672	\$ 5,192,569	\$ 397,596
Revenue Bonds	936,000	-	16,000	920,000	16,000
Compensated absences	40,944	4,314	-	45,258	11,315
Net pension liability (LGERS)	118,276	37,298	-	155,574	-
Landfill closure	113,834	-	6,633	107,201	-
Total OPEB Liability	572,985	200,869	-	773,854	-
Total	<u>\$ 7,362,280</u>	<u>\$ 242,481</u>	<u>\$ 410,305</u>	<u>\$ 7,194,456</u>	<u>\$ 11,315</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, 2021, Hertford County had a legal debt margin of \$128,107,991.

**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	\$ 1,289,184	To transfer restricted sales tax
Total Transfers		<u>\$ 1,289,184</u>	

Due to / from Balances:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
Southern Water District	Northern Water District Project	\$ 1,359,000	Provide resources for project

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

**f. Net Investment in Capital Assets**

	Governmental Activities	Business-type Activities
Capital assets	\$ 34,648,973	\$ 12,183,756
Capital debt calculation:		
Total debt, gross	14,334,571	5,192,569
Less:		
Unspent Loan Proceeds	(1,145,909)	-
Total capital debt	13,188,662	5,192,569
Net investment in capital assets	<u>\$ 21,460,311</u>	<u>\$ 6,991,187</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	\$ 13,213,306
Less:	
Stabilization by State Statute	2,954,146
Register of Deeds	25,837
Revaluation	94,300
Capital Reserve	3,820,680
Appropriated Fund Balance in 2022 budget	1,558,819
Remaining Fund Balance	<u>\$ 4,759,524</u>

The County had no outstanding encumbrances at June 30, 2021.

**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, 2021. 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.

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 \$29,500 to the community college for operating purposes and capital outlay, respectively during the fiscal year ended June 30, 2021. 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, 2021. Complete financial statements for the community college may be obtained from the community college's administrative offices.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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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, 2021. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$88,307 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, 2021. 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, 2021. 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, 2021.

**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, 2021 and November 30, 2021, 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.

**Hertford County, North Carolina**  
**Notes To The Financial Statements**  
**For The Fiscal Year Ended June 30, 2021**

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**VIII. Restatement**

Change in Accounting Principle

The County implement Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.



## REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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- 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 Eight Fiscal Years**

<b>Local Government Employees' Retirement System</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
County's proportion of the net pension liability (asset)	0.092%	0.092%	0.107%	0.106%
County's proportionate share of the net pension liability (asset)	\$ 3,299,702	\$ 2,508,625	\$ 2,541,253	\$ 1,619,845
County's covered payroll	\$ 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	48.52%	38.23%	36.08%	23.84%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	90.86%	92.00%	94.18%
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
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.

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

<b>Local Government Employees' Retirement System</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 736,650	\$ 620,881	\$ 515,832	\$ 535,485
Contributions in relation to the contractually required contribution	736,650	620,881	515,832	535,485
Contribution deficiency (excess)	-	-	-	-
County's covered payroll	\$ 7,138,023	\$ 6,800,162	\$ 6,562,211	\$ 7,042,654
Contributions as a percentage of covered	10.32%	9.13%	7.86%	7.60%
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
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	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.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
County's proportionate share of the net pension liability (asset)	0.152%	0.154%	0.172%	0.179%
County's proportionate share of the net pension liability (asset)	\$ (34,767)	\$ (30,318)	\$ (28,513)	\$ (30,470)
Plan fiduciary net position as a percentage of the total pension liability	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.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 1,614	\$ 1,453	\$ 3,824	\$ 3,577
Contributions in relation to contractually required contribution	1,614	1,453	3,824	3,577
Contribution deficiency (excess)	<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.

**Hertford County, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**For The Year Ended June 30, 2021**

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	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 721,867	\$ 680,289	\$ 663,501	\$ 586,384	\$ 568,161
Service Cost	33,261	30,012	30,580	25,102	33,656
Interest on the total pension liability	22,574	23,770	20,259	21,770	19,899
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	7,041	19,800	36,670	38,402	-
Changes of assumptions or other inputs	247,702	22,536	(25,958)	36,606	(13,802)
Benefit payments	(58,820)	(54,540)	(44,763)	(44,763)	(21,530)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 973,625</u>	<u>\$ 721,867</u>	<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.

**Hertford County, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**For The Year Ended June 30, 2021**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 973,625	\$ 721,867	\$ 680,289	\$ 663,501	\$ 586,384
Covered payroll	1,006,012	1,032,243	978,915	934,554	1,118,710
Total pension liability as a percentage of covered payroll	96.78%	69.93%	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.

**Hertford County, North Carolina**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Healthcare Benefits Plan**  
**For the Year Ended June 30, 2021**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 249,986	\$ 220,044	\$ 297,802	\$ 344,875
Interest	383,471	380,243	352,074	316,356
Changes of benefit terms	-	-	968,059	-
Differences between expected and actual experience	217,455	9,113	(706,582)	(188)
Changes of assumptions	3,320,199	679,475	(726,371)	(1,074,367)
Benefit payments	(356,007)	(358,482)	(242,456)	(172,657)
Net change in total OPEB liability	<u>3,815,104</u>	<u>930,393</u>	<u>(57,474)</u>	<u>(585,981)</u>
Total OPEB liability - beginning	<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>\$ 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>



## MAJOR GOVERNMENTAL FUNDS

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- **General Fund:** This fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.
- **School Capital Reserve Fund:** This fund was established in accordance with North Carolina law to account for the accumulation of resources to be used for construction projects of the Board of Education. Funds are periodically transferred to the General Fund and disbursed to the Board of Education for this purpose.
- **Revaluation Fund:** This fund accounts for the accumulation of resources to be used for the octennial revaluation of real property.
- **Capital Reserve Fund:** This fund accounts for the accumulation of resources to be set aside for capital purposes in the future.
- **ARP Fund:** This fund accounts for the ARP Funds received to assist in combatting COVID 19.
- **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, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
Ad valorem Taxes			
Taxes		\$ 14,338,464	
Penalties and interest		130,491	
Total	\$ 14,101,556	14,468,955	\$ 367,399
Local Option Sales Taxes			
Article 39 and 44		2,990,511	
Article 40 one-half of one percent		1,704,307	
Article 42 one-half of one percent		1,142,922	
Total	4,788,588	5,837,740	1,049,152
Other Taxes and Licenses			
CATV franchise		30,444	
Occupancy tax		55,004	
Total	71,479	85,448	13,969
Unrestricted Intergovernmental Revenues			
ABC profit distribution		42,911	
Beer and wine tax		61,078	
Total	80,000	103,989	23,989
Restricted Intergovernmental Revenues			
Social services grants and fees		3,163,412	
Federal and State grants		1,695,283	
Court facility fees		21,310	
ABC bottle taxes		11,114	
Miscellaneous		269,571	
Total	5,353,338	5,160,690	(192,648)
Permits and Fees			
Building and inspection fees		129,570	
Planning and zoning		650	
Register of deeds		125,891	
Total	213,000	256,111	43,111

**Hertford County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
Sales and Services			
Rents, concessions, and fees		131,475	
Jail Fees		259,999	
Ambulance and rescue squad fees		862,927	
EMS cost share		11,628	
Vehicle tax collection fees		145,685	
Health Authority		876	
Cost Allocation (from Proprietary Funds)		110,000	
Total	1,750,520	1,522,590	(227,930)
Investment Earnings	110,000	17,181	(92,819)
Miscellaneous Revenues			
Sale of materials		22,602	
Other		100,816	
Total	126,033	123,418	(2,615)
Total Revenues	26,594,514	27,576,122	981,608
<u>Expenditures</u>			
<u>General Government</u>			
Governing Body:			
Salaries and employee benefits		107,114	
Other operating expenditures		13,170	
Total	138,933	120,284	18,649
Administration:			
Salaries and employee benefits		311,459	
Other operating expenditures		106,273	
Total	520,680	417,732	102,948
Human Resources:			
Salaries and employee benefits		398,013	
Other operating expenditures		31,089	
Total	446,582	429,102	17,480
Elections:			
Salaries and employee benefits		128,070	
Other operating expenditures		178,541	
Total	312,463	306,611	5,852

**Hertford County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
Finance:			
Salaries and employee benefits		255,065	
Other operating expenditures		92,945	
Total	369,642	348,010	21,632
Taxes:			
Salaries and employee benefits		421,981	
Other operating expenditures		186,624	
Total	630,925	608,605	22,320
Legal:			
Contract services	78,000	75,000	3,000
Register of Deeds:			
Salaries and employee benefits		160,385	
Other operating expenditures		53,634	
Total	215,143	214,019	1,124
Public Buildings:			
Salaries and employee benefits		518,539	
Other operating expenditures		332,643	
Capital outlay		302,595	
Total	1,198,372	1,153,777	44,595
Land Records:			
Salaries and employee benefits		165,616	
Other operating expenditures		30,089	
Total	208,764	195,705	13,059
Court Facilities:			
Operating expenditures		73,552	
Total	74,101	73,552	549
Central Services:			
Salaries and employee benefits		85,385	
Operating expenditures		631,884	
Capital outlay		9,675	
Total	823,131	726,944	96,187
Total General Government	5,016,736	4,669,341	347,395

**Hertford County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
<u>Public Safety</u>			
Sheriff:			
Salaries and employee benefits		1,912,102	
Other operating expenditures		346,484	
Capital outlay		27,313	
Total	2,438,441	2,285,899	152,542
Jail:			
Salaries and employee benefits		1,200,313	
Other operating expenses		622,631	
Total	2,011,205	1,822,944	188,261
Emergency Communications:			
Salaries and employee benefits		647,316	
Other operating expenditures		41,692	
Total	693,346	689,008	4,338
Emergency Management:			
Salaries and employee benefits		192,530	
Other operating expenditures		62,869	
Total	368,746	255,399	113,347
Fire:			
Contribution to forest service		73,969	
Assistance to local fire departments		357,525	
Total	445,009	431,494	13,515
Inspections:			
Salaries and employee benefits		107,265	
Other operating expenditures		16,316	
Total	133,535	123,581	9,954
Rescue Units:			
Salaries and employee benefits		1,059,347	
Other operating expenditures		228,484	
Capital outlay		510,086	
Total	1,463,765	1,797,917	(334,152)

**Hertford County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
Animal Control:			
Salaries and employee benefits		78,792	
Other operating expenditures		17,210	
Total	105,490	96,002	9,488
Medical Examiner:			
Contracted services		17,400	
Total	17,500	17,400	100
COVID Relief			
Other operating expenditures		782,920	
Total	1,242,442	782,920	459,522
Total Public Safety	8,919,479	8,302,564	616,915
<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		42,937	
Other operating expenditures		5,328	
Total	153,582	48,265	105,317
Agricultural Extension:			
Salaries and employee benefits		121,040	
Other operating expenditures		12,121	
Total	149,854	133,161	16,693
Solid and Water Conservation:			
Salaries and employee benefits		115,103	
Other operating expenditures		8,088	
Total	138,223	123,191	15,032
Total Economic and Physical Development	441,659	304,617	137,042

**Hertford County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<u>Human Services</u>			
Health:			
Administration:			
Salaries and Benefits		69,715	
Contribution to health department		393,714	
Other operating expenditures		32,496	
Total	508,750	495,925	12,825
Aid to Aging:			
Salaries and employee benefits		272,069	
Other operating expenditures		57,209	
Capital outlay		4,500	
Total	365,786	333,778	32,008
Respite:			
Other operating expenditures		405,611	
Total	496,373	405,611	90,762
Mental Health:			
Administration:			
Other operating expenditures		88,307	
Total	86,390	88,307	(1,917)
Social Services:			
Administration:			
Salaries and employee benefits		2,371,658	
Other operating expenditures		556,017	
Total	2,986,541	2,927,675	58,866
Public Assistance			
Work first:			
Operating expenditures		1,196,477	
Foster care:			
Operating expenditures		25,643	
Total	1,263,035	1,222,120	40,915
Elderly Handicapped:			
Operating expenditures	53,466	48,319	5,147
Community Based Alternatives:			
Other operating expenditures		138,809	
Total	138,810	138,809	1

**Hertford County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
Veterans Service Office:			
Salaries and employee benefits		63,166	
Other operating expenditures		6,636	
Total	70,826	69,802	1,024
Other Programs:			
Other appropriations/contributions		111,453	
Total	116,255	111,453	4,802
Total Human Services	6,086,232	5,841,799	244,433
<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		29,500	
Total Education	5,365,292	5,269,792	95,500
<u>Debt Service</u>			
Principal retirement		1,427,676	
Interest and other charges		477,320	
Total debt services	1,908,418	1,904,996	3,422
Contingency	6,648	-	6,648
Total Expenditures	27,879,780	26,428,425	1,451,355



**Hertford County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues Over (Under) Expenditures	(1,285,266)	1,147,697	(2,432,963)
<u>Other Financing Sources (Uses)</u>			
Transfers to other funds:			
School Capital Reserve Fund		(1,289,184)	
Total	(1,223,000)	(1,289,184)	66,184
Transfers from other funds:			
Hertford County Public Health Authority		-	
Total	25,000	-	-
Loan Proceeds	-	232,040	(232,040)
Appropriated fund balance	2,483,266	-	2,483,266
Total other financing sources (uses)	1,285,266	(1,057,144)	2,317,410
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	90,553	\$ 90,553
Fund Balance , beginning		9,207,773	
Fund Balance, ending		\$ 9,298,326	

**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, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<u>Revenues</u>			
Restricted intergovernmental	\$ -	\$ -	\$ -
<u>Expenditures</u>			
Education			
Other operating expenses			
Capital Outlay	1,223,000	345,732	877,268
Revenues Over (Under) Expenditures	(1,223,000)	(345,732)	(877,268)
<u>Other Financing Sources (Uses)</u>			
Operating transfer in			
General fund	1,150,539	1,289,184	138,645
Appropriated Fund Balance	72,461	-	(72,461)
Total	1,223,000	1,289,184	66,184
Revenues Over Expenditures and Other Uses	\$ -	943,452	\$ (943,452)
Fund Balance, beginning		2,877,228	
Fund Balance, ending		\$ 3,820,680	

**Hertford County, North Carolina**  
**Revaluation Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Budget	Actual	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	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance, beginning		94,300	
Fund Balance, ending		<u>\$ 94,300</u>	

**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, 2021**

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

**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, 2021**

		Actual			Variance
	Project				Positive
	Authorization	Prior Years	Current Year	Total to Date	(Negative)
<u>Revenues</u>					
Lottery Proceeds	\$ -	\$ -	\$ 11,089,457	\$ 11,089,457	\$ 22,178,914
Investment earnings	-	10,285	501	10,786	(10,786)
Total	-	10,285	11,089,958	11,100,243	22,168,128
<u>Expenditures</u>					
Capital outlay					
Contingency	1,100,000	-	-	-	1,100,000
Administrative Cost	255,000	101,492	153,508	255,000	-
Architectural Fees	922,000	776,634	89,861	866,495	55,505
Testing and Geographical Survey	276,000	24,525	251,475	276,000	-
Fixtures, Furniture, and Equipment	1,120,000	-	-	-	1,120,000
Construction Cost	15,521,375	1,635,523	8,986,482	10,622,005	4,899,370
Site Development	800,000	-	800,000	800,000	-
Miscellaneous Expenses	5,625	-	-	-	5,625
Total	20,000,000	2,538,174	10,281,326	12,819,500	7,180,500
Revenues Over (Under) Expenditures	(20,000,000)	(2,527,889)	808,632	(1,719,257)	14,987,628
<u>Other Financing Sources (Uses)</u>					
Transfer from School Capital Reserve	3,500,000	565,898	-	565,898	(2,934,102)
Proceeds from Debt	16,500,000	5,000,000	-	5,000,000	(11,500,000)
Total	20,000,000	5,565,898	-	5,565,898	(14,434,102)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 3,038,009	808,632	\$ 3,846,641	\$ 29,421,730
Fund Balance - July 1			3,038,009		
Fund Balance - June 30			\$ 3,846,641		

## NON-MAJOR GOVERNMENTAL FUNDS

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### **Special Revenue Funds**

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

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

**Hertford County, North Carolina**  
**Combining Balance Sheets**  
**Non-Major Governmental Funds**  
**June 30, 2021**

	Special Revenue Funds				Total Non-Major Governmental
	Emergency Telephone System Fund	Fire District Fund	Representative Payee Fund	Cooperative Extension Trust	
<u>ASSETS</u>					
Current Assets:					
Cash and cash equivalents	\$ 514,050	\$ 545	\$ 7,394	\$ 19,052	\$ 541,041
Restricted cash and cash equivalents	-	-	-	-	-
Accounts receivable, net	-	11,214	-	-	11,214
Taxes receivable, net	-	7,897	-	-	7,897
Due from other governments	7,716	-	-	42	7,758
Total assets	<u>\$ 521,766</u>	<u>\$ 19,656</u>	<u>\$ 7,394</u>	<u>\$ 19,094</u>	<u>\$ 567,910</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,040	\$ 11,745	\$ -	\$ -	\$ 12,785
Total liabilities	<u>1,040</u>	<u>11,745</u>	<u>-</u>	<u>-</u>	<u>12,785</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>	<u>7,897</u>	<u>-</u>	<u>-</u>	<u>7,897</u>
Fund balances:					
Restricted:					
Stabalization by State Statue	7,716	11,214	-	42	18,972
Public Safety	513,010	-	-	-	513,010
Human Services	-	-	7,394	-	7,394
Economic and Physical Development	-	-	-	19,052	19,052
Education	-	-	-	-	-
Unassigned	-	(11,200)	-	-	(11,200)
Total fund balances	<u>520,726</u>	<u>14</u>	<u>7,394</u>	<u>19,094</u>	<u>547,228</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 521,766</u>	<u>\$ 19,656</u>	<u>\$ 7,394</u>	<u>\$ 19,094</u>	<u>\$ 560,013</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, 2021**

	Special Revenue Funds				Total
	Emergency Telephone System Fund	Fire District Fund	Representative Payee Fund	Cooperative Extension Trust	
<b>Revenues</b>					
Ad valorem taxes	\$ -	\$ 103,306	\$ -	\$ -	\$ 103,306
Local option sales tax	-	37,176	-	-	37,176
Restricted intergovernmental	99,877	-	48,928	-	148,805
Investment earnings	969	-	-	-	969
Miscellaneous	-	-	-	175	175
Total revenues	100,846	140,482	48,928	175	290,431
<b>Expenditures</b>					
Current:					
Public safety	156,677	140,482	-	-	297,159
Human Services	-	-	45,497	-	45,497
Economic and Physical Development	-	-	-	236	236
Capital outlay	-	-	-	-	-
Total expenditures	156,677	140,482	45,497	236	342,892
Revenues over (under) expenditures	(55,831)	-	3,431	(61)	(52,461)
<b>Other financing sources (uses)</b>					
Proceeds from Debt	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(55,831)	-	3,431	(61)	(52,461)
Fund balances, beginning	576,557	14	-	-	576,571
Prior period restatement - change in accounting principle	-	-	3,963	19,155	23,118
Fund balances, beginning, as restated	576,557	14	3,963	19,155	599,689
Fund balances, ending	\$ 520,726	\$ 14	\$ 7,394	\$ 19,094	\$ 547,228



**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, 2021**

	2021		Variance
	Final Budget	Actual	Positive (Negative)
<u>Revenues</u>			
Restricted intergovernmental revenue			
Wireless 911 funds		\$ 99,877	
Contributions		-	
Investment earnings		969	
Total	\$ 95,350	100,846	\$ 5,496
<u>Expenditures</u>			
Public safety	193,150	156,677	36,473
Revenues Over (Under) Expenditures	(97,800)	(55,831)	41,969
<u>Other financing sources (uses)</u>			
Operating transfer in			
General Fund	-	-	-
Operating transfer (out)			
General Fund	-	-	-
Appropriated fund balance	97,800	-	(97,800)
Total Other Financing Sources (Uses)	97,800	-	(97,800)
Revenues and Other Financing Sources			
Over (Under) Expenditures and			
Other Financing Sources	\$ -	(55,831)	\$ (55,831)
Fund Balance July 1		576,557	
Fund Balance - June 30		\$ 520,726	
<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		\$ (55,831)	
Plus: Additional expenses on report not on General Ledger (accrual entries)		(2,795)	
Net Change per PSAP Revenue-Expenditure Report		(58,626)	
Beginning Balance, PSAP Revenue-Expenditure Report		584,403	
Ending Balance, PSAP Revenue-Expenditure Report		\$ 525,777	

**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**

	2021		Variance
	Budget	Actual	Positive (Negative)
<u>Revenues</u>			
Ad Valorem taxes:			
Taxes	\$ 102,216	\$ 103,306	\$ 1,090
Other taxes and licenses	26,989	37,176	10,187
Total revenues	129,205	140,482	11,277
<u>Expenditures</u>			
Public Safety			
Woodland Fire District		4,719	
Union Fire District		11,031	
Ahoskie Fire District		124,732	
Total expenditures	129,205	140,482	(11,277)
Revenues over (under) expenditures	-	-	-
<u>Other financing sources:</u>			
Appropriated fund balance		-	
Transfer from general fund		-	
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, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<u>Revenues</u>			
DSS Trust Revenue	\$ -	\$ 48,928	\$ 48,928
Total revenues	-	48,928	48,928
<u>Expenditures</u>			
Special Assistance for Adults	-	45,497	45,497
Total expenditures		45,497	(45,497)
Revenues over (under) expenditures	-	3,431	3,431
Revenues and Other Financing Sources			
Over (Under) Expenditures	<u>\$ -</u>	<u>3,431</u>	<u>\$ 3,431</u>
Fund Balance - July 1		-	
Prior period restatement - change in accounting principle		<u>3,963</u>	
Fund Balance, restated as of July 1		<u>3,963</u>	
Fund Balance - June 30		<u>\$ 7,394</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, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
<u>Revenues</u>			
Other Income	\$ -	\$ 175	\$ 175
Total revenues	-	175	175
<u>Expenditures</u>			
Economic and Physical Development	-	236	236
Total expenditures		236	(236)
Revenues over (under) expenditures	-	(61)	(61)
Revenues and Other Financing Sources			
Over (Under) Expenditures	<u>\$ -</u>	<u>(61)</u>	<u>\$ (61)</u>
Fund Balance - July 1		-	
Prior period restatement - change in accounting principle		19,155	
Fund Balance, restated as of July 1		19,155	
Fund Balance - June 30		<u>\$ 19,094</u>	

## ENTERPRISE FUNDS

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

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### **Major Enterprise Funds**

- **Northern Water District Fund:** This fund accounts for the activities of the County's Northern Water District, 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, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
<b><u>Revenues</u></b>			
Operating Revenues			
Charges for services	\$ 528,550	\$ 488,207	\$ (40,343)
Tap-on fees	28,984	21,883	(7,101)
Other	2,360	1,600	(760)
Total operating revenues	559,894	511,690	(48,204)
Nonoperating revenues:			
Interest Earned on Investments	10,000	1,435	(8,565)
Total Nonoperating Revenues	10,000	1,435	(8,565)
Total Revenues	569,894	513,125	(56,769)
<b><u>Expenditures</u></b>			
Administration and operations		242,878	
Capital Outlay		69,254	
Debt Service:			
Interest and fees		65,283	
Debt principal		138,597	
Total Expenditures	571,888	516,012	55,876
Revenues Over (Under) Expenditures	(1,994)	(2,887)	(893)
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers from (to) Other Funds			
General Fund	940	-	(940)
COVID Recovery	1,054	-	(1,054)
Total Other Financing Sources (Uses)	1,994	-	(1,994)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (2,887)	\$ (2,887)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual</b>			
Excess of revenues over (under) expenditures		\$ (2,887)	
Debt principal		138,597	
Depreciation		(129,539)	
Capital Outlay		53,164	
(Increase) decrease in bond interest accrued		634	
(Increase) decrease in vacation payable		(3,064)	
(Increase) decrease in accrued payroll		(568)	
(Increase) decrease in net OPEB liability		(79,153)	
Increase (decrease) in deferred outflows of resources - pension		3,575	
Increase (decrease) in deferred outflows of resources - OPEB		58,063	
(Increase) decrease in net pension liability		(7,930)	
(Increase) decrease in deferred inflows of resources - pensions		239	
(Increase) decrease in deferred inflows of resources - OPEB		7,416	
Total reconciling items		41,434	
Change in net position		\$ 38,547	

**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, 2021**

		Actual				Variance
	Project		Current	Closed		Positive
	Authorization	Prior Year	Year	Project	Total to Date	(Negative)
<u>Revenues</u>						
Restricted intergovernmental revenue						
USDA Rural Development grant	\$ 248,527	\$ 174,473	\$ -	\$ (174,473)	\$ -	\$ (248,527)
Tap on fees	7,600	4,600	-	(4,600)	-	(7,600)
Total Revenues	256,127	179,073	-	(179,073)	-	(256,127)
<u>Expenditures</u>						
Capital Outlay						
Contingency	5,133	-	-	-	-	5,133
Administrative Cost	3,750	21,250	-	(21,250)	-	3,750
Contract services - construction	1,126	245,530	-	(245,530)	-	1,126
Contract services - engineering	138,963	1,013,409	-	(1,013,409)	-	138,963
Interest Expense	18,000	-	-	-	-	18,000
Total Expenditures	166,972	1,280,189	-	(1,280,189)	-	166,972
Revenues Over (Under) Expenditures	89,155	(1,101,116)	-	1,101,116	-	(89,155)
<u>Other Financing Sources (Uses)</u>						
USDA Loan Proceeds	-	936,000	-	(936,000)	-	-
Loan from Southern Water District	-	1,359,000	-	(89,156)	1,269,844	1,269,844
Repay loan from Southern Water District	(89,155)	-	-	-	-	89,155
Transfer from Northern Water District	-	75,960	-	(75,960)	-	-
Total Other Financing Sources (Uses)	(89,155)	2,370,960	-	(1,101,116)	1,269,844	1,358,999
Excess of Revenues and Other Sources						
Over (Under) Expenditures and Other Uses	\$ -	\$ 1,269,844	\$ -	\$ -	\$ 1,269,844	\$ 1,269,844

**Hertford County, North Carolina**  
**Southern Water District Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For The Year Ended June 30, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues</b>			
Operating Revenues			
Charges for services	\$ 1,088,076	\$ 952,243	\$ (135,833)
Tap-on fees	53,700	41,033	(12,667)
Other	3,700	3,978	278
Total operating revenues	1,145,476	997,254	(148,222)
Nonoperating revenues:			
Interest Earned on Investments	35,280	5,344	(29,936)
Total Nonoperating Revenues	35,280	5,344	(29,936)
Total Revenues	1,180,756	1,002,598	(178,158)
<b>Expenditures</b>			
Administration and operations		533,662	
Capital Outlay		178,080	
Debt Service:			
Interest and fees		93,453	
Debt principal		259,075	
Total Expenditures	1,190,666	1,064,270	126,396
Revenues Over (Under) Expenditures	(9,910)	(61,672)	(51,762)
<b>Other Financing Sources (Uses)</b>			
Transfers from (to) Other Funds			
General Fund	1,200	-	(1,200)
COVID Recovery	8,710	-	(8,710)
Total Other Financing Sources (Uses)	9,910	-	(9,910)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (61,672)	\$ (61,672)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual</b>			
Excess of revenues over (under) expenditures		\$ (61,672)	
Debt principal		259,075	
Depreciation		(235,502)	
Capital Outlay		136,707	
(Increase) decrease in bond interest accrued		1,123	
(Increase) decrease in accrued payroll		(1,221)	
(Increase) decrease in vacation payable		1,427	
(Increase) decrease in net OPEB obligation		(78,857)	
Increase in deferred outflows of resources - pension		81,726	
Increase in deferred outflows of resources - OPEB		(12,080)	
Increase (decrease) in net pension liability		(21,185)	
(Increase) Decrease in deferred inflows of resources - pensions		(26,167)	
(Increase) Decrease in deferred inflows of resources - OPEB		34,146	
Total reconciling items		139,192	
Change in net position		\$ 77,520	



**Hertford County, North Carolina**  
**Tunis Sewer District Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For The Year Ended June 30, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<b><u>Revenues</u></b>			
Operating Revenues			
Charges for services	\$ 27,856	\$ 30,057	\$ 2,201
Tap on fees	-	1,557	1,557
Total operating revenues	27,856	31,614	3,758
Nonoperating revenues:			
Interest Earned on Investments	1,800	226	(1,574)
Total Nonoperating Revenues	1,800	226	(1,574)
Total Revenues	29,656	31,840	2,184
<b><u>Expenditures</u></b>			
Administration and operations		12,127	
Debt Service:			
Debt Principal		6,000	
Interest and fees		6,721	
Total Expenditures	36,499	24,848	11,651
Revenues Over (Under) Expenditures	(6,843)	6,992	13,835
<b><u>Other Financing Sources (Uses)</u></b>			
Fund Balance Appropriated	6,843	-	(6,843)
Total Other Financing Sources (Uses)	6,843	-	(6,843)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ 6,992	\$ 6,992
<b>Reconciliation from budgetary basis (modified accrual) to full accrual</b>			
Excess of revenues over (under) expenditures		6,992	
Debt Principal		6,000	
Depreciation Expense		(38,867)	
(Increase) decrease in bond interest accrued		(24)	
Total reconciling items		(32,891)	
Change in net position		\$ (25,899)	

**Hertford County, North Carolina**  
**Sanitation Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For The Year Ended June 30, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<u>Revenues</u>			
Operating Revenues			
Charges for services	\$ 1,214,072	\$ 1,236,492	\$ 22,420
Other	43,596	55,114	11,518
Total Operating Revenues	1,257,668	1,291,606	33,938
Nonoperating revenues:			
Interest Earnings	3,760	561	(3,199)
Total Nonoperating Revenues	3,760	561	(3,199)
Total Revenues	1,261,428	1,292,167	30,739
<u>Expenditures</u>			
Landfill:			
Administration and operations		529,783	
Contract services		850,704	
Capital Outlay		20,483	
Total Expenditures	1,381,835	1,400,970	(19,135)
Revenues Over (Under) Expenditures	(120,407)	(108,803)	11,604
<u>Other Financing Sources (Uses)</u>			
COVID Recovery	22,033	-	(22,033)
Fund Balance Appropriated	98,374	-	(98,374)
Total Other Financing Sources (Uses)	120,407	-	(120,407)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (108,803)	\$ (108,803)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual</b>			
Excess of revenues over (under) expenditures		\$ (108,803)	
Depreciation		(16,212)	
Capital outlay		19,483	
(Increase) decrease in vacation payable		(2,677)	
(Increase) decrease in accrued payroll		(1,476)	
(Increase) decrease in net OPEB liability		(42,859)	
(Increase) decrease in landfill closure		6,633	
Increase in deferred outflows of resources - pension		3,333	
Increase in deferred outflows of resources - OPEB		32,770	
Increase in net pension liability		(8,183)	
Decrease in deferred outflows of resources - pensions		395	
Decrease in deferred outflows of resources - OPEB		4,015	
Total reconciling items		(4,778)	
Change in net position		\$ (113,581)	

## CUSTODIAL FUNDS

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

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- **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, 2021**

	Inmate Trust Fund	Municipal Tax Fund	Total Custodial Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 17,474	\$ -	\$ 17,474
Tax receivable, net of allowance	-	184,694	184,694
Total assets	<u>17,474</u>	<u>184,694</u>	<u>202,168</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	-	-	-
Due to other governments	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION</u></b>			
Restricted for:			
Individuals, organizations, and other	<u>17,474</u>	<u>184,694</u>	<u>202,168</u>
Net Position, ending	<u><u>\$ 17,474</u></u>	<u><u>\$ 184,694</u></u>	<u><u>\$ 202,168</u></u>

**Hertford County, North Carolina**  
**Custodial Funds**  
**Combining Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2021**

	Inmate Trust Fund	Municipal Tax Fund	Total Custodial Funds
<b><u>ADDITIONS</u></b>			
Ad Valorem taxes for other governments	\$ -	\$ 3,462,156	\$ 3,462,156
Collections for Inmates	169,335	-	169,335
Total additions	<u>169,335</u>	<u>3,462,156</u>	<u>3,631,491</u>
<b><u>DEDUCTIONS</u></b>			
Tax distributions to other governments	-	3,465,943	3,465,943
Payment on behalf of inmates	168,932	-	168,932
Total deductions	<u>168,932</u>	<u>3,465,943</u>	<u>3,634,875</u>
Net Increase (decrease) in fiduciary net position	403	(3,787)	(3,384)
Net Position, beginning as previously reported	-	-	-
Prior period restatement - change in accounting principle	<u>17,071</u>	<u>188,481</u>	<u>205,552</u>
Net position, beginning, as restated	<u>17,071</u>	<u>188,481</u>	<u>205,552</u>
Net Position, ending	<u><u>\$ 17,474</u></u>	<u><u>\$ 184,694</u></u>	<u><u>\$ 202,168</u></u>

## **OTHER SCHEDULES**

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This section includes additional information required on property taxes.

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

**Hertford County, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Year Ended June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 15,017,398	\$ 14,474,996	\$ 542,402
2019-2020	469,365	-	149,369	319,996
2018-2019	240,577	-	31,923	208,654
2017-2018	146,603	-	2,133	144,470
2016-2017	98,091	13,472	213	111,350
2015-2016	70,768	19,567	271	90,064
2014-2015	54,061	16,053	33	70,081
2013-2014	62,478	16,085	1,885	76,678
2012-2013	64,047	12,885	2,439	74,493
2011-2012	53,859	8,257	1,633	60,483
2010-2011	51,971	-	51,971	-
Totals	<u>\$ 1,311,820</u>	<u>\$ 15,103,717</u>	<u>\$ 14,716,866</u>	<u>\$ 1,698,671</u>
Less: allowance for uncollectible accounts				<u>(520,000)</u>
Taxes Receivable (Net)				<u>\$ 1,178,671</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund		\$ 14,468,955		
Interest and penalties		<u>(130,491)</u>		
				14,338,464
Reconciling items:				
Other adjustments				326,431
Amounts written off for 2010-2011 levy				<u>51,971</u>
Total Reconciling Items				<u>378,402</u>
Total Collections and Credits				<u>\$ 14,716,866</u>

**Hertford County, North Carolina**  
**Analysis of Current Tax Levy**  
**County - wide Levy**  
**For the Year Ended June 30, 2021**

	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	\$ 1,777,123,214	0.840	\$ 15,012,833	\$ 12,841,329	\$ 2,171,504
Dog tax			4,565	4,565	-
Total Original Levy	<u>1,777,123,214</u>		<u>15,017,398</u>	<u>12,845,894</u>	<u>2,171,504</u>
Total Property Valuation	<u>\$ 1,777,123,214</u>				
Net levy			15,017,398	12,845,894	2,171,504
Uncollected taxes at June 30, 2021			<u>542,402</u>	<u>542,402</u>	<u>-</u>
Current year's taxes collected			<u>\$ 14,474,996</u>	<u>\$ 12,303,492</u>	<u>\$ 2,171,504</u>
Current levy collection percentage			<u>96.39%</u>	<u>95.78%</u>	<u>100.00%</u>



**Hertford County, North Carolina**  
**Analysis of Current Tax Levy**  
**County - wide Levy**  
**For the Year Ended June 30, 2021**

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Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 1,194,606,431
Personal Property	456,650,108
Public Service Companies	<u>125,866,675</u>
Total Assessed Valuation	1,777,123,214
Tax Rate per \$100	0.84
Levy (includes discoveries, releases and abatements)	<u>\$ 14,927,835</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>\$ 84,998</u>
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**Hertford County, North Carolina  
Ten Largest Taxpayers  
For the Year Ended June 30, 2021**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Dominion North Carolina Power	Energy	\$ 68,921,477	3.88%
Nucor Corporation	Manufacturing	59,163,242	3.33%
Wackenhut Corrections Corp	Correctional Facility	52,219,088	2.94%
Enviva Pellets Ahoskie, LLC	Manufacturing	33,840,418	1.90%
Roanoke Electric Membership Corp	Energy	26,350,315	1.48%
Commercial Ready Mix Products Inc	Construction	21,895,238	1.23%
Kerr Group LLC	Manufacturing	18,352,967	1.03%
Aulander Holloman Solar, LLC	Solar	13,098,874	0.74%
Harsco Metals	Manufacturing	12,027,985	0.68%
Carrolls Foods of Virginia Inc	Livestock	11,938,035	0.67%
		<u>\$ 317,807,639</u>	<u>17.88%</u>

## **COMPLIANCE SECTION**



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

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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  
Winton, 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, 2021, and the related notes to the financial statements, which collectively comprise the Hertford County basic financial statements, and have issued our report thereon dated November 29, 2021. 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 the Hertford ABC Board were not audited in accordance with *Government Auditing Standards*.

**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.

**Members**

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

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 [2021-002] to be material weakness.

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 as items [2021-001, 2021-003] to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hertford County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items [2021-001, 2021-003].

#### Hertford County's Response to Findings

The Hertford County's response to the findings identified in our audit are described in the schedule of findings and questioned costs. 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  
November 29, 2021



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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  
Winton, North Carolina

Report on Compliance for 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, 2021. Hertford County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hertford County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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*. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hertford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hertford County's compliance.

Members

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### Opinion on Each Major Federal Program

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, 2021.

### Report on Internal Control Over Compliance

Management of Hertford County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hertford County internal control over compliance with the types of requirements that could have direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items [2021-004, 2021-005, 2021-006 and 2021-007] that we consider to be significant deficiencies.

Hertford County's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. 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.

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 OMB 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  
November 29, 2021



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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  
Winton, North Carolina

Report on Compliance for Each Major State Program

We have audited Hertford County, North Carolina's, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of Hertford County's major state programs for the year ended June 30, 2021. Hertford County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hertford County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and applicable sections of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the Audit Manual for Governmental Auditors in North Carolina, and the *State Single Audit Implementation Act*. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Hertford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Hertford County's compliance.

Members

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### Opinion on Each Major State Program

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, 2021.

### Report on Internal Control Over Compliance

Management of Hertford County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hertford County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items [[2021-004, 2021-005, 2021-006 and 2021-007] that we consider to be significant deficiencies.

Hertford County's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. 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.

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 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  
November 29, 2021

Hertford County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

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Section I. Summary of Auditors' Results

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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?        yes   X   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:

<u>CFDA #</u>	<u>Program Name</u>
21.019	Coronavirus Relief Fund
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs        \$   750,000  

Auditee qualified as low-risk auditee?   X   yes        no

Hertford County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

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Section I. Summary of Auditors' Results (continued)

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State Awards

Internal control over major State programs:

- Material Weakness(es) identified?     yes   X  no
- 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

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Section II. Financial Statement Findings

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**Finding: 2021-001      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:	County did not establish budgets for the two special revenue funds (Representative Payee Fund and Cooperative Extension Trust) created as a result of the implementation of GASB 84.
Effect:	Moneys were spent that had not been obligated and appropriated.
Cause:	County oversight on the new accounting standard.
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.

Hertford County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

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Section II. Financial Statement Findings (continued)

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

**Finding: 2021-002                      Reconciliation of Records**  
**MATERIAL WEAKNESS**

Criteria:                      AU-C 260 requires communication of certain matters related to internal control over financial reporting.

Condition:                      In reviewing records and testing certain account balances, we noted that some balance sheet accounts were not adequately adjusted. Bank reconciliations were not prepared for some accounts. Adjustments were proposed to correct those balances in preparing the financial statements.

Effect:                          Management may not receive accurate information to base decisions appropriately for planning and budgeting purposes.

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.

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: 2021-003                      Budget Violation**

**NONCOMPLIANCE / SIGNIFICANT DEFICIENCY**

Criteria:                      G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance. G.S. 159-8(a) states that each local government shall operate under an annual balanced budget. A budget ordinance is balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations.

Condition:                      The County did not establish budgets for a loan and grant received from USDA for equipment purchases.

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

Hertford County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

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Section II. Financial Statement Findings (continued)

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Cause: The County did not properly adopt and record budget and budget amendments for the revenues and expenditures for these funds.

Recommendation: A budget should be prepared for each fund.

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

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Section III. Federal Award Findings and Questioned Costs

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**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: 2021-004 IV-D Cooperation with Child Support**

**SIGNIFICANT DEFICIENCY**

Eligibility

Criteria: The Child Support Enforcement Agency (IV-D) can assist the family in obtaining financial and/or medical support or medical support payments from the child's non-custodial parent. Cooperation requirement with Social Services and Child Support Agencies must be met or good cause for not cooperating must be established when determine Medicaid eligibility.

Condition: There were 2 errors discovered during our procedures that referrals between DSS and Child Support Agencies were not properly made.

Questioned Costs: There was no known affect to eligibility and there were no known questioned costs.

Context: We examined 60 Medicaid applicants 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 and applicants 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, 2020-001.

Cause: Error in reading the ACTS report, and ineffective case review process.

Hertford County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

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

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Recommendation: Files should be reviewed internally to ensure proper information is in place and necessary procedures are taken when determine eligibility. 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.

**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: 2021-005                      Inaccurate Information Entry**

**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. 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 Medicaid recipients 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 the 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 income. Therefore, a participant could have been approved for benefits that they were not eligible for.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2020-002.

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, 2021

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

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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.

**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: 2021-006                      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 Medicaid applicants 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 the 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, 2020-003.

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, 2021

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

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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.

**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: 2021-007                      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 1 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 Medicaid applicants 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 the 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.

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.



Hertford County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

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Section IV. State Award Findings and Questioned Costs

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

CFDA # 93.778

SIGNIFICANT DEFICENCY: Finding 2021-004, 2021-005, 2021-006 and 2021-007 also apply to State requirements and State Awards.



**BOARD OF COMMISSIONERS**

Mr. Ronald J. Gatling, Chairman  
Mr. John D. Horton, Vice-Chairman  
Mr. Leroy Douglas

Corrective Action Plan  
For the Year Ended June 30, 2021

Mr. André Lassiter  
Mr. William F. Mitchell, Jr.

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Section II - Financial Statement Findings

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**Finding 2021-001**

Name of contact person: David B. Cotton, County Manager

Corrective Action: Hertford County Finance Office will create 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 within each special revenue fund by way of a Board of Commissioners' approved budget amendment. The Finance Office staff will receive training and review the 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: December 10th, 2021

**Finding 2021-002**

Name of contact person: David B. Cotton, County Manager

Corrective Action: Hertford County Administration will coordinate and conduct training with Hertford County Finance Office staff and all other County Departments/Offices/Agencies personnel responsible for financial transactions. The training will include budget amendments, balance sheets, purchase orders, requisitions, reconciling accounts and governing NCGS as well as GASB Statements. In addition, specific internal controls will be implemented to ensure that data entry and accounts are reconciled correctly. The Staff Accountant will be tasked with reconciling all accounts monthly. The Finance Director will be tasked with reviewing and auditing budget amendments as well as analyzing the year to date transactions and data entry on a monthly basis. The Finance Director will also review and approve all account reconciliations monthly. The County Manager will review and analyze the year to date budget details monthly. The County Manager and Finance Director will review relevant GASB Statements as published to ensure that the County makes the necessary adjustments to remain in compliance with revised guidance. The Finance Director will review the governing NCGS with the Finance Office staff and other relevant County personnel on a monthly basis.

Proposed completion date: December 17th, 2021

**BUILD YOUR FUTURE ON OUR FOUNDATION**

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**BOARD OF COMMISSIONERS**

Mr. Ronald J. Gatling, Chairman  
Mr. John D. Horton, Vice-Chairman  
Mr. Leroy Douglas

Corrective Action Plan  
For the Year Ended June 30, 2021

Mr. André Lassiter  
Mr. William F. Mitchell, Jr.

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**Section II - Financial Statement Findings (continued)**

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**Finding 2021-003**

Name of contact person: David B. Cotton, County Manager

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. The Purchasing Agent will be tasked with tracking all loans and grants as each is received by the County. The Staff Accountant will prepare the necessary budget amendments to accurately and correctly reflect the new appropriation. The Finance Director will review and approve the budget amendments to be presented to the Board of Commissioners for their consideration. The County Manager will review all budget amendments related specifically to loans and grants for accuracy and assignment to the appropriate fund as grants and loans are received by the County.

Proposed completion date: December 17th, 2021

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**Section III - Federal Award Findings and Question Costs**

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**Finding 2021-004**

Name of contact person: Brenda Brown, Director -Angela Brown, Supervisor and Betty Williams, Supervisor

Corrective Action:

- Workers are retrained on how to read ACTS information and to determine a client's cooperation status. Keying of IV-D referrals is reiterated to workers that if a parent is receiving benefits a referral must be keyed on case that child(ren) is/are receiving benefits on.
- Supervisors' have completed trainings with staff on audit findings monthly or as needed during unit meetings.
- Staff are encouraged to utilize checklist to double check their work.
- Policy has been reviewed as it relates to the audit findings and the importance of program compliance has been reiterated.
- Supervisors will incorporate policy review monthly or more often as it relates to errors from audit and from second party reviews.
- Plans put in place from last audit has resulted in a decrease in errors (6 errors in 2020 and 2 errors in 2021)

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

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**BOARD OF COMMISSIONERS**

Mr. Ronald J. Gatling, Chairman  
Mr. John D. Horton, Vice-Chairman  
Mr. Leroy Douglas

Corrective Action Plan  
For the Year Ended June 30, 2021

Mr. André Lassiter  
Mr. William F. Mitchell, Jr.

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

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**Finding 2021-005**

Name of contact person: Brenda Brown, Director-Angela Brown, Supervisor and Betty Williams, Supervisor

Corrective Action:

- Workers are advised to toggle into determination history prior to case authorization to ensure that household composition and income are correct. Workers are to continue completing manual budget and such is to be compared to NCFAS budget for budgeting accuracy as well as correct program eligibility. In addition, workers are also counseled on being more aware when entering income and income calculations.
- Staff utilize checklist to double check their work.
- Staff are completing manual budgets and comparing them to NCFAS budget for budgeting accuracy.
- Staff have been trained on entering income and income calculation
- Knowledge checks to be included in trainings
- Workers are to 2nd party their own recertifications
- Plans put in place from last audit has resulted in a decrease in errors ( 17 errors in 2020 and 9 errors in 2021)

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

**Finding 2021-006**

Name of contact person: Brenda Brown, Director -Angela Brown, Supervisor and Betty Williams, Supervisor

Corrective Action:

- Workers are reminded that all properties, resources and vehicles must be looked at and entered into NCFAS at time of application and recertification's.
- Met with staff immediately individually for one on one coaching sessions and collaboratively to discuss this finding. Supervisors continually reiterate the importance of accuracy on cases.
- Facilitated trainings on properties, resources and vehicles.
- Knowledge checks to be included in trainings
- Workers are to 2nd party their own recertifications
- Plans put in place from last audit has resulted in a decrease in errors (7 errors in 2020 and 4 errors in 2021)

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

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Corrective Action Plan  
For the Year Ended June 30, 2021

Mr. André Lassiter  
Mr. William F. Mitchell, Jr.

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

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**Finding 2021-007**

Name of contact person:	Brenda Brown, Director -Angela Brown, Supervisor and Betty Williams, Supervisor
Corrective Action:	<ul style="list-style-type: none"><li>• Workers are advised to toggle into all OVS results as well as ensure that all OVS runs return with a hit for all household members.</li><li>• Ensure that "no insufficient data" are appearing</li><li>• Ensure social security numbers are added for all household members unless the member is born within the last 3 months</li></ul>
Proposed completion date:	Management will continue to monitor the progress of this issue and modify the controls as needed.

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Section IV - State Award Findings and Question Costs

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Corrective Action Plan for Finding 2021-004, 2021-005, 2021-006 and 2021-007 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, 2021

Finding:	2020-001
Status:	This finding is not corrected. Repeated as Finding 2021-001.
Finding:	2020-002
Status:	This finding is not corrected. Repeated as Finding 2021-002.
Finding:	2020-003
Status:	This finding is not corrected. Repeated as Finding 2021-003.

Hertford County, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For The Fiscal Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal AL# CFDA Number	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
<b>Federal Awards:</b>						
<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		\$ 309,574	\$ -	\$ -	\$ 309,574
Direct Assistance						
Rural Development Cooperative Agreement Program	10.890		243,760	-	-	-
Total U.S. Dept. of Agriculture			553,334	-	-	309,574
<u>U.S. Dept. of Justice</u>						
Passed-through N.C. Department of Public Safety						
Edward Byrne Memorial Justice Assistance Grant Program	16.738		23,309	-	-	-
Coronavirus Emergency Supplemental Funding Program	16.034		8,138			
Total U.S. Dept. of Justice			31,447	-	-	-
<u>U.S. Dept. of Treasury</u>						
Passed-through the Office of State Budget and Management: NC Pandemic Recovery Office						
Coronavirus Relief Fund	21.019		993,888	-	273,689	-
Total U.S. Dept of Treasury			993,888	-	273,689	-
<u>U.S. Election Assistance Commission</u>						
Passed-through N.C. State Board of Elections						
HAVA Election Security Grants	90.404		51,800	-	-	-
COVID-19 HAVA Election Security Grants	90.404		17,000	-	-	-
Total U.S. Election Assistance Commission			68,800	-	-	-
<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		17,351	1,021	-	-
COVID-19 - Special Programs for the Aging Title IIIB	93.044		15,788	-	-	-
Special Programs for the Aging Title IIIC Nutrition Services	93.045		136,700	6,354	-	-
COVID-19 - Special Programs for the Aging Title IIIC	93.045		52,809	-	-	-
Nutrition Services Incentive Program	93.053		15,826	-	-	-
Total Aging Cluster			238,474	7,375	-	-
Division of Social Services:						
Temporary Assistance Needy Family Cluster						
TANF-Work First	93.558		234,396	-	-	125,843
Total TANF Cluster			234,396	-	-	125,843
<u>Foster Care and Adoption Cluster</u>						
Foster Care - Title IV-E	93.658		(23,401)	1,945	-	(17,082)
Adoption Assistance	93.659		1,900	-	-	1,900
Foster Care	N/A		15,345	-	-	8,123
IV-E Adoption	N/A		-	-	-	-
Total Foster Care and Adoption Cluster			(6,156)	1,945	-	(7,059)
Child Support Enforcement	93.563		307,660	307	-	158,184

Hertford County, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For The Fiscal Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal AL# CFDA Number	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
Low-Income Home Energy Assistance:						
Administration	93.568		29,037	-	-	-
Energy Assistance - Direct Benefit Payments	93.568		263,368	-	-	-
Crisis Intervention Program	93.568		191,812	-	-	-
COVID-19 LIEAP	93.568		157,218	-	-	-
COVID-19 LIEAP Admin	93.568		9,922	-	-	-
Total Low-Income Energy Assistance			651,357	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program:						
Permanency Planning - Families for Kids	93.645		141	-	-	47
Total Stephanie Tubbs Jones Child Welfare Services Program:			141	-	-	47
SSBG - Other Service and Training	93.667		198,182	-	-	66,060
Division of Aging and Adult Services						
Division of Social Services						
SSBG - State In Home Service Fund	93.667		10,845	-	-	1,549
SSBG - State Adult Day Care	93.667		21,195	6,067	-	6,664
Total Social Service Block Grant			230,222	6,067	-	74,273
Administration for Children and Families						
Passed-through the N.C. Dept. of Health and Human Services						
Subsidized Child Care:						
Child Care Development Fund Cluster:						
Division of Social Services:						
Child Care Development Fund-Administration	93.596		80,770	-	-	-
Total Subsidized Child Care Cluster			80,770	-	-	-
Passed-through the N.C. Department of Health and Human						
Division of Medical Assistance:						
Division of Social Services						
Medical Assistance Program - Administration	93.778		1,094,848	10,109	-	441,938
State Children's Insurance Program - N.C. Health Choice	93.767		16,928	(1,099)	-	4,209
LINKS	93.674		250	63	-	-
Total U. S. Department of Health and Human Services			2,848,890	24,767	-	797,435
U.S. Dept. of Homeland Security						
Passed through the NC Dept. of Public Safety						
Division of Emergency Management						
Emergency Management Performance Grant	97.042	EMPG-2018	39,378	-	-	-
Homeland Security Grant Program	97.067		1,714	-	-	-
Total U.S. Dept. of Homeland Security			41,092	-	-	-
Total Federal Awards			\$ 4,537,451	\$ 24,767	\$ 273,689	\$ 1,107,009
State Awards:						
N.C. Dept. of Health and Human Services						
Division of Aging and Adult Services						
State Funds - In-Home Services			\$ -	\$ 64,880	\$ -	\$ -
State Funds - Home Delivered Meals			-	3,330	-	-
State Appropriation			-	16,626	-	-
Total Division of Aging and Adult Services			-	84,836	-	-
Division of Social Services:						
AFDC Incent/Program Integrity		N/A	-	8	-	-
DCD Smart Start		N/A	-	6,800	-	-
State Child Welfare/CPS/CS LD		N/A	-	12,628	-	-
COVID 19 - APS/CPS CARE		N/A	-	14,367	-	-
County Funded Programs		N/A	-	-	-	280,383
Work First Non Reimbursable		N/A	-	-	-	35,334
Non-Allocating County Cost		N/A	-	-	-	109,419



Hertford County, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For The Fiscal Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal AL# CFDA Number	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
SFHF MAXIMIZATION		N/A	-	11,045	-	11,045
STATE FOSTER HOME		N/A	-	15,979	-	15,979
COVID-19 FC Stipend		N/A	-	1,200	-	-
Total for Division of Social Services			-	62,027	-	452,160
Total N.C. Dept. Health and Human Services			-	146,863	-	452,160
<u>N. C. Dept. of Environmental Quality</u>						
Division of Waste Management						
Electronics Management			-	902	-	-
Scrap Tire Program		N/A	-	8,073	-	-
Total N.C. Dept. of Environmental Quality			-	8,975	-	-
<u>N.C. Dept. of Administration</u>						
Veterans Service		N/A	-	2,084	-	-
Total N.C. Dept. of Administration			-	2,084	-	-
<u>N.C. Dept. of Transportation</u>						
Rural Operating Assistance Program (ROAP) Cluster						
ROAP Elderly and Disabled Transportation Assistance Program	36220.10.9.1		-	23,887	-	-
ROAP Rural General Public Program	36228.22.9.1		-	24,433	-	-
Total ROAP Cluster			-	48,320	-	-
<u>N.C. Dept. of Insurance</u>						
SHIIP Grant			-	5,029	-	-
Total N.C. Dept. of Insurance			-	5,029	-	-
<u>N.C. Dept. of Public Safety</u>						
JCPC Programs						
JCPC Administration		N/A	-	5,999	-	-
Second Chance Courts			-	32,772	32,772	3,277
Power of U			-	28,539	28,539	2,854
H.C. Teen Court				16,000		1,600
Vocational Job and Education			-	43,425	43,425	4,343
Total JCPC Programs			-	126,735	104,736	12,074
Tier II Universal Grant		N/A	-	992	-	-
Surry Fund			-	700	-	-
Total N.C. Dept. of Public Safety			-	128,427	104,736	12,074
<u>N.C. Department of Agriculture and Consumer Services</u>						
Soil & Water Conservation			-	30,480	-	-
Total N.C. Department of Agriculture and Consumer Services			-	30,480	-	-
<u>N.C. State Board of Elections</u>						
NC BOE COVID-19			-	21,288	-	-
Total N.C. State Board of Elections			-	21,288	-	-
<u>N.C. Department of Public Instruction</u>						
Public School Building Capital Fund - Needs Based Lottery Fund			-	11,089,457	-	-
			-	11,089,457	-	-
Total State Awards			\$ -	\$ 11,480,923	\$ 104,736	\$ 464,234
Total Federal and State Awards			\$ 4,537,451	\$ 11,505,690	\$ 378,425	\$ 1,571,243

Hertford County, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For The Fiscal Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal AL# CFDA Number	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
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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, 2021. 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 nets 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.

Program Title	CFDA No.	Federal	State
Food and Nutrition Services	10.551	\$ 14,608,685	\$ -
Special Supplemental Nutrition Program for Women Infant and Children	10.557	598,630	-
Medical Assistance Program	93.778	39,176,454	15,624,698
Children's Health Insurance Program	93.767	278,268	55,529
TANF Payments & Penalties	93.558	122,553	-
IV-E Adopt & Vendor	93.659	38,962	-
CWS Adopt, Vendor, Guard	N/A	-	52,453
SC/SA Domiciliary Care	N/A	-	341,006