

**TOWN OF HERTFORD,
NORTH CAROLINA**

FINANCIAL STATEMENTS

As of and for the Fiscal Year Ended June 30, 2024

And Reports of Independent Auditor

TOWN OF HERTFORD, NORTH CAROLINA

TOWN COUNCIL MEMBERS

R. Ashley Hodges, Mayor

Sandra Anderson, Mayor Pro Tempore

Connie Brothers

Keith Rouse

Rhonda Waters

TOWN MANAGER

Janice McKenzie Cole

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FINANCIAL SECTION

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Hertford, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hertford, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hertford, North Carolina, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Town of Hertford ABC Board, which represents 100%, 100% and 100%, respectively, of the assets, net position, and revenues of the discretely presented component units as of June 30, 2024. Those 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 Town of Hertford ABC Board, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hertford's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit 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 October 24, 2024, on our consideration of the Town of Hertford'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 of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Hertford's 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 the Town of Hertford's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 24, 2024

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TOWN OF HERTFORD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

As management of the Town of Hertford, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

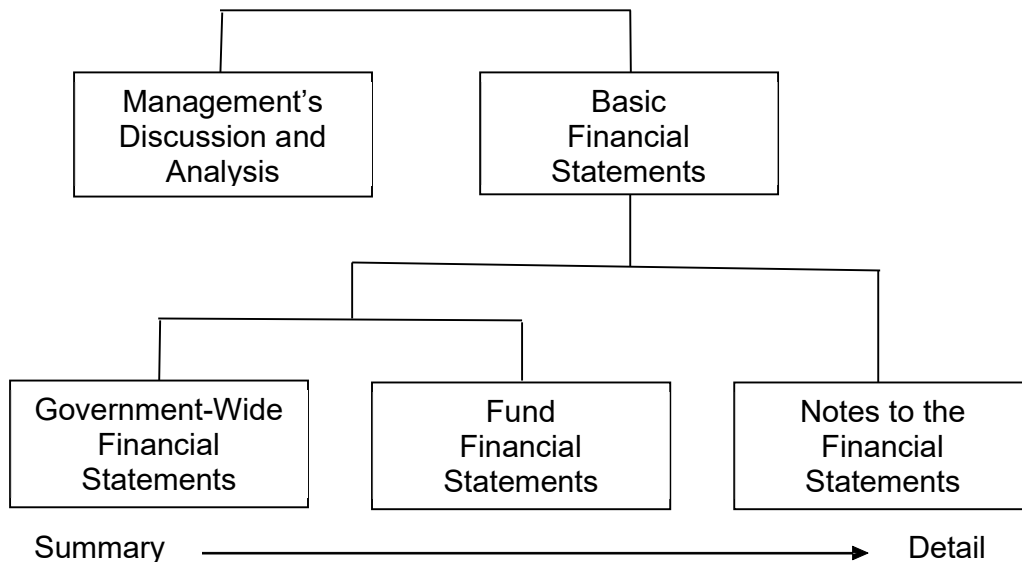
Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,427,167 (net position).
- The Town's total net position increased by \$1,901,864, with the increase in governmental activities and business-type activities being \$950,434 and \$951,430, respectively.
- At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,252,633, with a net change of \$189,094 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,112,620 or 37.4% of total general fund expenditures for the fiscal year.
- The Town's total debt decreased by \$356,702 during the current fiscal year, with the key factor in this decrease being principal payments on long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The 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 Town 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 the Town.

Required Components of Annual Financial Report
Figure 1



TOWN OF HERTFORD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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 Town's financial status.

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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 Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town'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 Town's financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, transportation, and general government. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services and the electric services offered by the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town'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. The Town of Hertford, 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 Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

TOWN OF HERTFORD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town'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 which provides a short-term spending 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 Town's programs. The relationship between government 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.

The Town 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 Town, the management of the Town, and the decisions of the Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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 council; 2) the final budget as amended by the council; 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

The Town 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. The Town uses enterprise funds to account for its water and sewer operations and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

TOWN OF HERTFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Government-Wide Financial Analysis

The Town of Hertford's Net Position
Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Assets: | | | | | | |
| Current and other assets | \$ 2,401,783 | \$ 2,887,193 | \$ 2,766,538 | \$ 2,542,951 | \$ 5,168,321 | \$ 5,430,144 |
| Noncurrent assets | - | - | 150,000 | 165,000 | 150,000 | 165,000 |
| Capital assets, net | 2,381,661 | 1,685,967 | 11,667,955 | 11,260,146 | 14,049,616 | 12,946,113 |
| Total assets | 4,783,444 | 4,573,160 | 14,584,493 | 13,968,097 | 19,367,937 | 18,541,257 |
| Deferred Outflows | 169,172 | 166,223 | 242,841 | 236,819 | 412,013 | 403,042 |
| Liabilities: | | | | | | |
| Current liabilities | 103,713 | 823,310 | 867,918 | 808,346 | 971,631 | 1,631,656 |
| Long-term liabilities | 731,646 | 729,019 | 5,565,558 | 5,925,689 | 6,297,204 | 6,654,708 |
| Total liabilities | 835,359 | 1,552,329 | 6,433,476 | 6,734,035 | 7,268,835 | 8,286,364 |
| Deferred Inflows | 34,469 | 54,700 | 49,479 | 77,932 | 83,948 | 132,632 |
| Net Position: | | | | | | |
| Net investments in capital assets | 1,867,578 | 1,113,616 | 6,055,745 | 5,206,659 | 7,923,323 | 6,320,275 |
| Restricted | 755,764 | 780,169 | - | - | 755,764 | 780,169 |
| Unrestricted | 1,459,446 | 1,238,569 | 2,288,634 | 2,186,290 | 3,748,080 | 3,424,859 |
| Total net position | \$ 4,082,788 | \$ 3,132,354 | \$ 8,344,379 | \$ 7,392,949 | \$ 12,427,167 | \$ 10,525,303 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$12,427,167 as of June 30, 2024. The Town's net position increased by \$1,901,864 for the fiscal year ended June 30, 2024. However, the largest portion, \$7,923,323 (63.8%), reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in 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 the Town's net position, \$755,764, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,748,080 is unrestricted.

TOWN OF HERTFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Town of Hertford's Changes in Net Position
Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------------------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 247,868 | \$ 225,600 | \$ 5,171,387 | \$ 5,029,119 | \$ 5,419,255 | \$ 5,254,719 |
| Grants and Contributions: | | | | | | |
| Operating | 277,223 | 217,315 | 235,575 | - | 512,798 | 217,315 |
| Capital | 673,408 | 125,355 | 897,748 | 431,194 | 1,571,156 | 556,549 |
| General Revenues: | | | | | | |
| Ad valorem taxes | 950,833 | 959,423 | - | - | 950,833 | 959,423 |
| Other taxes, contributions not restricted to specific programs | 962,764 | 937,199 | - | - | 962,764 | 937,199 |
| Miscellaneous | 89,655 | 8,908 | 23,082 | 41,906 | 112,737 | 50,814 |
| Investment earnings, unrestricted | 93,135 | 58,954 | 72,072 | 40,827 | 165,207 | 99,781 |
| Total Revenues | <u>3,294,886</u> | <u>2,532,754</u> | <u>6,399,864</u> | <u>5,543,046</u> | <u>9,694,750</u> | <u>8,075,800</u> |
| Expenses: | | | | | | |
| General government | 833,146 | 816,281 | - | - | 833,146 | 816,281 |
| Public safety | 550,606 | 598,772 | - | - | 550,606 | 598,772 |
| Transportation | 372,861 | 417,870 | - | - | 372,861 | 417,870 |
| Economic and physical development | 318,805 | 202,482 | - | - | 318,805 | 202,482 |
| Environmental protection | 222,777 | 234,904 | - | - | 222,777 | 234,904 |
| Interest on long-term debt | 32,443 | 18,968 | - | - | 32,443 | 18,968 |
| Water and sewer | - | - | 2,606,324 | 2,264,437 | 2,606,324 | 2,264,437 |
| Electric | - | - | 2,855,924 | 3,180,874 | 2,855,924 | 3,180,874 |
| Total Expenses | <u>2,330,638</u> | <u>2,289,277</u> | <u>5,462,248</u> | <u>5,445,311</u> | <u>7,792,886</u> | <u>7,734,588</u> |
| Change in net position before transfers | 964,248 | 243,477 | 937,616 | 97,735 | 1,901,864 | 341,212 |
| Transfers | (13,814) | - | 13,814 | - | - | - |
| Change in Net Position | <u>950,434</u> | <u>243,477</u> | <u>951,430</u> | <u>97,735</u> | <u>1,901,864</u> | <u>341,212</u> |
| Net position, beginning | 3,132,354 | 2,888,877 | 7,392,949 | 7,295,214 | 10,525,303 | 10,184,091 |
| Net position, June 30 | <u>\$ 4,082,788</u> | <u>\$ 3,132,354</u> | <u>\$ 8,344,379</u> | <u>\$ 7,392,949</u> | <u>\$ 12,427,167</u> | <u>\$ 10,525,303</u> |

TOWN OF HERTFORD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town'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 the Town. At the end of the current fiscal year, the Town's unassigned fund balance in the general fund was \$1,112,620, while total fund balance reached \$2,216,693. The Governing Body of the Town of Hertford has determined that the Town should maintain an unassigned fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an unassigned fund balance of 37.4% of general fund expenditures, while total fund balance represents 74.6% of the same amount.

General Fund Budgetary Highlights

During the fiscal year, the Town 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. Several amendments to the General Fund increased revenues by \$1,311,610.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund and the Electric Fund at the end of the fiscal year amounted to \$985,254 and \$1,303,380, respectively. The total change in net position for each fund was \$832,769 and \$118,661, respectively.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2024 totals \$14,049,616 (net of accumulated depreciation/amortization). These assets include land, buildings and systems, machinery and equipment, improvements, vehicles, right-to-use leased equipment and software, and construction in progress.

**TOWN OF HERTFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2024

**Town of Hertford's Capital Assets
Figure 4
(net of depreciation)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 396,305 | \$ 407,205 | \$ 379,893 | \$ 379,893 | \$ 776,198 | \$ 787,098 |
| Buildings and systems | 208,090 | 221,516 | - | - | 208,090 | 221,516 |
| Machinery and equipment | 231,140 | 251,782 | 369,637 | 405,010 | 600,777 | 656,792 |
| Improvements | 453,064 | 483,304 | 9,258,542 | 9,888,707 | 9,711,606 | 10,372,011 |
| Vehicles | 14,348 | 49,419 | 167,104 | 162,742 | 181,452 | 212,161 |
| Right-to-use leased equipment | 18,163 | 23,011 | - | - | 18,163 | 23,011 |
| Right-to-use software | 23,186 | 33,602 | - | - | 23,186 | 33,602 |
| Construction in progress | 1,037,365 | 216,128 | 1,492,779 | 423,794 | 2,530,144 | 639,922 |
| Total | \$ 2,381,661 | \$ 1,685,967 | \$ 11,667,955 | \$ 11,260,146 | \$ 14,049,616 | \$ 12,946,113 |

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long-term Debt

As of June 30, 2024, the Town had total debt outstanding of \$6,821,054.

**Town of Hertford's Outstanding Debt
Figure 5**

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|----------------------------|-------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Net pension liability (LGERs) | \$ 264,003 | \$ 213,354 | \$ 378,966 | \$ 303,965 | \$ 642,969 | \$ 517,319 |
| Compensated absences | 20,680 | 8,302 | 31,112 | 26,297 | 51,792 | 34,599 |
| General obligation bonds | - | - | 3,783,000 | 3,877,000 | 3,783,000 | 3,877,000 |
| Installment purchases | 471,994 | 515,703 | 345,543 | 395,542 | 817,537 | 911,245 |
| Revolving loans | - | - | 1,483,667 | 1,780,945 | 1,483,667 | 1,780,945 |
| Lease liabilities | 18,546 | 23,107 | - | - | 18,546 | 23,107 |
| Subscription liabilities | 23,543 | 33,541 | - | - | 23,543 | 33,541 |
| Total | \$ 798,766 | \$ 794,007 | \$ 6,022,288 | \$ 6,383,749 | \$ 6,821,054 | \$ 7,177,756 |

The Town's total debt decreased by \$356,702 during the past fiscal year due to repayment of principal of debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town is \$10,916,368.

Additional information regarding the Town's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town:

- Investments continued to be made in the rehabilitation of commercial property. The former State Theatre, a historic building in the downtown area, has been purchased for the purpose of renovating it and creating

TOWN OF HERTFORD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

a new multipurpose venue.

- The population continues to be stable. However, work to repair and rehabilitate the Town's infrastructure has been funded to accommodate 2nd floor living spaces above the downtown businesses.
- Several new businesses have opened in the downtown district.
- The Marine Commerce Center, which is located within the Town limits, has recently been funded to complete the boat basin, which is an important draw for commercial businesses. The work is ongoing and has a potential business or two expressing interest. Also, new businesses are moving into the Industrial Commerce Center.
- Water and sewer rates are reviewed each budget period to be aligned with the 5-year rate study. Additionally, electric rates are being reviewed and the basic fee charged to all customers has been increased to cover operating expenses.

Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities

The County's revaluation scheduled resulted in a thirty-six percent (36%) increase in the Town's property values. The revenue neutral tax rate was \$.48 per \$100 of assessed value. The revenue neutral tax rate was increased by \$.04, bringing the adopted FY2025 tax rate to \$.52 per \$100 of assessed value.

Business-Type Activities

Based on an updated study by the NC Rural Water Association, water and sewer rates increased by 7.60%. The residential electric base charge increased from \$15 to \$18, and the energy charges for small general service increased from \$.1137 per kWh to \$.1251 per kWh for the first 3,000 kWhs.

Grant Activities: The Town has been very successful in obtaining grants to study, replace and rehabilitate its infrastructure.

Requests for Information

This report is designed to provide an overview of the Town of Hertford's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Hertford, Post Office Box 32, Hertford, NC 27944. Additional information may also be obtained via email to the Town Manager at hertfordmanager@gmail.com, by calling 252-426-1969, or by visiting the Town website at townofhertfordnc.com.

BASIC FINANCIAL STATEMENTS

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TOWN OF HERTFORD, NORTH CAROLINA
STATEMENT OF NET POSITION

Exhibit 1

JUNE 30, 2024

| | Primary Government | | | Town of Hertford ABC Board |
|---------------------------------------------------------------|----------------------------|-----------------------------|---------------|-------------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 1,521,583 | \$ 1,721,042 | \$ 3,242,625 | \$ 527,052 |
| Property taxes receivable, net | 124,436 | - | 124,436 | - |
| Accounts receivable, net | 24,942 | 837,827 | 862,769 | - |
| Due from other governments | 182,257 | 55,363 | 237,620 | - |
| Due from component unit | 241,516 | - | 241,516 | - |
| Note receivable - Winfall settlement-current | - | 15,000 | 15,000 | - |
| Prepaid items | - | - | - | 3,950 |
| Inventories | - | 856 | 856 | 193,303 |
| Cash, restricted | 307,049 | 136,450 | 443,499 | - |
| Total current assets | 2,401,783 | 2,766,538 | 5,168,321 | 724,305 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Land and construction in progress | 1,433,670 | 1,872,672 | 3,306,342 | 20,472 |
| Other capital assets, net | 947,991 | 9,795,283 | 10,743,274 | 76,235 |
| Capital assets, net | 2,381,661 | 11,667,955 | 14,049,616 | 96,707 |
| Notes receivable - Winfall settlement | - | 150,000 | 150,000 | - |
| Total assets | 4,783,444 | 14,584,493 | 19,367,937 | 821,012 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension deferrals | 169,172 | 242,841 | 412,013 | 60,697 |
| Total deferred outflows of resources | 169,172 | 242,841 | 412,013 | 60,697 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 36,593 | 274,738 | 311,331 | 154,955 |
| Liabilities to be paid from restricted assets: | | | | |
| Customer deposits | - | 136,450 | 136,450 | - |
| Due to primary government | - | - | - | 241,516 |
| Compensated absences, current | 6,824 | 10,267 | 17,091 | - |
| Notes payable, lease and IT subscription liabilities, current | 60,296 | 446,463 | 506,759 | 17,379 |
| Total current liabilities | 103,713 | 867,918 | 971,631 | 413,850 |
| Long-term liabilities: | | | | |
| Net pension liability - LGERS | 264,003 | 378,966 | 642,969 | 80,603 |
| Due in more than one year | 467,643 | 5,186,592 | 5,654,235 | 32,818 |
| Total long-term liabilities | 731,646 | 5,565,558 | 6,297,204 | 113,421 |
| Total liabilities | 835,359 | 6,433,476 | 7,268,835 | 527,271 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension deferrals | 34,469 | 49,479 | 83,948 | 307 |
| Total deferred inflows of resources | 34,469 | 49,479 | 83,948 | 307 |
| NET POSITION | | | | |
| Net investment in capital assets | 1,867,578 | 6,055,745 | 7,923,323 | 46,510 |
| Restricted for: | | | | |
| Stabilization by state statute | 448,715 | - | 448,715 | - |
| USDA reserve | 88,738 | - | 88,738 | - |
| Streets | 218,311 | - | 218,311 | - |
| Working capital | - | - | - | 61,730 |
| Unrestricted | 1,459,446 | 2,288,634 | 3,748,080 | 245,891 |
| Total Net Position | \$ 4,082,788 | \$ 8,344,379 | \$ 12,427,167 | \$ 354,131 |

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

TOWN OF HERTFORD, NORTH CAROLINA
STATEMENT OF ACTIVITIES

Exhibit 2

YEAR ENDED JUNE 30, 2024

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Town of Hertford ABC Board |
|-----------------------------------------------------------------|------------------|-------------------------|------------------------------------------|----------------------------------------|---------------------------------------------------|-----------------------------|---------------|-------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-Type Activities | | |
| Governmental Activities: | | | | | | | | |
| General government | \$ 833,146 | \$ 99,894 | \$ - | \$ - | \$ (733,252) | \$ - | \$ (733,252) | |
| Public safety | 550,606 | - | 128,767 | 673,408 | 251,569 | - | 251,569 | |
| Transportation | 372,861 | - | 64,823 | - | (308,038) | - | (308,038) | |
| Economic and physical development | 318,805 | - | 83,633 | - | (235,172) | - | (235,172) | |
| Environmental protection | 222,777 | 147,974 | - | - | (74,803) | - | (74,803) | |
| Interest on long-term debt | 32,443 | - | - | - | (32,443) | - | (32,443) | |
| Total governmental activities | 2,330,638 | 247,868 | 277,223 | 673,408 | (1,132,139) | - | (1,132,139) | |
| Business-Type Activities: | | | | | | | | |
| Water and sewer | 2,606,324 | 2,263,361 | 230,575 | 897,748 | - | 785,360 | 785,360 | |
| Electric | 2,855,924 | 2,908,026 | 5,000 | - | - | 57,102 | 57,102 | |
| Total business-type activities | 5,462,248 | 5,171,387 | 235,575 | 897,748 | - | 842,462 | 842,462 | |
| Total primary government | \$ 7,792,886 | \$ 5,419,255 | \$ 512,798 | \$ 1,571,156 | (1,132,139) | 842,462 | (289,677) | |
| Component Unit: | | | | | | | | |
| ABC Board | \$ 1,910,067 | \$ 2,075,608 | \$ - | \$ - | | | | \$ 165,541 |
| General revenues: | | | | | | | | |
| Ad valorem taxes | | | | | 950,833 | - | 950,833 | - |
| Other taxes | | | | | 32,510 | - | 32,510 | - |
| Grants and contributions not restricted to specific programs | | | | | 930,254 | - | 930,254 | - |
| Miscellaneous | | | | | 89,655 | 23,082 | 112,737 | - |
| Investment earnings, unrestricted | | | | | 93,135 | 72,072 | 165,207 | 2,386 |
| Total general revenues not including transfers | | | | | 2,096,387 | 95,154 | 2,191,541 | 2,386 |
| Transfers | | | | | (13,814) | 13,814 | - | - |
| Total general revenues and transfers | | | | | 2,082,573 | 108,968 | 2,191,541 | 2,386 |
| Change in net position | | | | | 950,434 | 951,430 | 1,901,864 | 167,927 |
| Net position, beginning | | | | | 3,132,354 | 7,392,949 | 10,525,303 | 186,204 |
| Net position, ending | | | | | \$ 4,082,788 | \$ 8,344,379 | \$ 12,427,167 | \$ 354,131 |

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

TOWN OF HERTFORD, NORTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS

Exhibit 3

JUNE 30, 2024

| | Major Funds | | Non-major | Total |
|-----------------------------------------------------------------------|---------------------|------------------|--------------------------|---------------------|
| | General Fund | ARP Fund | Other Governmental Funds | |
| ASSETS | | | | |
| Cash and investments | \$ 1,485,643 | \$ 33,710 | \$ 2,230 | \$ 1,521,583 |
| Receivables, net: | | | | |
| Taxes | 124,436 | - | - | 124,436 |
| Accounts | 24,942 | - | - | 24,942 |
| Due from other governments | 182,257 | - | - | 182,257 |
| Due from component unit | 241,516 | - | - | 241,516 |
| Restricted cash and cash equivalents | 307,049 | - | - | 307,049 |
| Total assets | <u>\$ 2,365,843</u> | <u>\$ 33,710</u> | <u>\$ 2,230</u> | <u>\$ 2,401,783</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 24,714 | \$ - | \$ - | \$ 24,714 |
| Total liabilities | <u>24,714</u> | <u>-</u> | <u>-</u> | <u>24,714</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property taxes receivable, net | 124,436 | - | - | 124,436 |
| Total deferred inflows of resources | <u>124,436</u> | <u>-</u> | <u>-</u> | <u>124,436</u> |
| FUND BALANCE | | | | |
| Restricted: | | | | |
| Stabilization by state statute | 448,715 | - | - | 448,715 |
| USDA Reserve | 88,738 | - | - | 88,738 |
| Streets - Powell bill | 218,311 | - | - | 218,311 |
| Committed: | | | | |
| Coronavirus relief | - | 33,710 | - | 33,710 |
| Assigned: | | | | |
| Economic and physical development | - | - | 2,230 | 2,230 |
| Subsequent year's expenditures | 348,309 | - | - | 348,309 |
| Unassigned | 1,112,620 | - | - | 1,112,620 |
| Total fund balance | <u>2,216,693</u> | <u>33,710</u> | <u>2,230</u> | <u>2,252,633</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 2,365,843</u> | <u>\$ 33,710</u> | <u>\$ 2,230</u> | <u>\$ 2,401,783</u> |

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Total fund balance | \$ 2,252,633 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 2,381,661 |
| Deferred outflows of resources related to pensions are not reported in the funds. | 169,172 |
| Earned revenues considered deferred inflows of resources in fund statements fund statements. | 124,436 |
| Deferred inflows of resources related to pensions are not reported in the funds. | (34,469) |
| The following long-term liabilities are not due and payable in the current period and, therefore, are no reported in the funds: | |
| Net pension liability - LGERS | (264,003) |
| Accrued interest | (11,879) |
| Gross long-term debt | (514,083) |
| Compensated absences | (20,680) |
| Net position of governmental activities | <u>\$ 4,082,788</u> |

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

TOWN OF HERTFORD, NORTH CAROLINA

Exhibit 4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2024

| | Major Funds | | Non-major | Total |
|----------------------------------------------|--------------|-----------|--------------------------|--------------|
| | General Fund | ARP Fund | Other Governmental Funds | |
| REVENUES | | | | |
| Ad valorem taxes | \$ 904,816 | \$ - | \$ - | \$ 904,816 |
| Other taxes and licenses | 32,510 | - | - | 32,510 |
| Unrestricted intergovernmental revenues | 930,254 | - | - | 930,254 |
| Restricted intergovernmental revenues | 193,590 | 673,408 | 83,633 | 950,631 |
| Sales and services | 247,868 | - | - | 247,868 |
| Investment earnings | 64,433 | 28,702 | - | 93,135 |
| Miscellaneous | 56,800 | - | - | 56,800 |
| Total revenues | 2,430,271 | 702,110 | 83,633 | 3,216,014 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 790,471 | - | - | 790,471 |
| Public safety | 1,216,014 | - | - | 1,216,014 |
| Transportation | 435,508 | - | - | 435,508 |
| Economic and physical development | 231,098 | - | 83,633 | 314,731 |
| Environmental protection | 222,777 | - | - | 222,777 |
| Debt service: | | | | |
| Principal | 58,268 | - | - | 58,268 |
| Interest and other charges | 19,092 | - | - | 19,092 |
| Total expenditures | 2,973,228 | - | 83,633 | 3,056,861 |
| Excess of revenues over (under) expenditures | (542,957) | 702,110 | - | 159,153 |
| OTHER FINANCIAL SOURCES (USES) | | | | |
| Transfers from other funds | 659,594 | - | - | 659,594 |
| Transfers to other funds | - | (673,408) | - | (673,408) |
| Sale of capital assets | 43,755 | - | - | 43,755 |
| Total other financing sources (uses) | 703,349 | (673,408) | - | 29,941 |
| Net change in fund balance | 160,392 | 28,702 | - | 189,094 |
| Fund balance, beginning | 2,056,301 | 5,008 | 2,230 | 2,063,539 |
| Fund balance, ending | \$ 2,216,693 | \$ 33,710 | \$ 2,230 | \$ 2,252,633 |

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

TOWN OF HERTFORD, NORTH CAROLINA

Exhibit 4 (cont.)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 189,094

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in unavailable revenue for tax revenues 46,017

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense as follows:

| | |
|----------------------------------------------------|-----------|
| Capital outlay expenditures which were capitalized | 843,395 |
| Disposal of capital assets | (10,900) |
| Depreciation expense for governmental assets | (121,537) |
| Amortization expense for governmental assets | (15,264) |

The issuance of long-term 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 has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt 58,268

Contributions to the pension plan in the current fiscal year not included in the statement of activities 46,090

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

| | |
|----------------------------------------------------------|-------------------|
| Accrued interest | 1,208 |
| Pension expense - LGERS | (73,559) |
| Compensated absences | (12,378) |
| Total changes in net position of governmental activities | <u>\$ 950,434</u> |

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

TOWN OF HERTFORD, NORTH CAROLINA

Exhibit 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
ANNUAL BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2024

| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget - Over (Under)</u> |
|------------------------------------|------------------|------------------|---------------------------|----------------------------------------------------------|
| REVENUES | | | | |
| Ad valorem taxes | \$ 799,730 | \$ 799,730 | \$ 904,816 | \$ 105,086 |
| Other taxes and licenses | 27,500 | 27,500 | 32,510 | 5,010 |
| Unrestricted intergovernmental | 768,900 | 768,900 | 930,254 | 161,354 |
| Restricted intergovernmental | 169,000 | 232,636 | 193,590 | (39,046) |
| Sales and services | 230,800 | 230,800 | 247,868 | 17,068 |
| Investment earnings | 42,480 | 42,480 | 64,433 | 21,953 |
| Miscellaneous | 50,000 | 50,000 | 56,800 | 6,800 |
| Total revenues | <u>2,088,410</u> | <u>2,152,046</u> | <u>2,430,271</u> | <u>278,225</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 787,856 | 810,507 | 790,471 | 20,036 |
| Public safety | 514,521 | 1,224,115 | 1,216,014 | 8,101 |
| Transportation | 384,695 | 699,559 | 435,508 | 264,051 |
| Economic and physical development | 111,792 | 359,875 | 231,098 | 128,777 |
| Environmental protection | 195,500 | 228,100 | 222,777 | 5,323 |
| Debt service: | | | | |
| Principal retirement | 73,889 | 58,768 | 58,268 | 500 |
| Interest and other charges | 20,157 | 19,096 | 19,092 | 4 |
| Total expenditures | <u>2,088,410</u> | <u>3,400,020</u> | <u>2,973,228</u> | <u>426,792</u> |
| Revenues over (under) expenditures | - | (1,247,974) | (542,957) | 705,017 |
| OTHER FINANCING SOURCES | | | | |
| Transfers from other funds | - | 659,594 | 659,594 | - |
| Sales of capital assets | - | - | 43,755 | 43,755 |
| Total other financing sources | <u>-</u> | <u>659,594</u> | <u>703,349</u> | <u>43,755</u> |
| Fund balance appropriated | - | 588,380 | - | (588,380) |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 160,392 | <u>\$ 160,392</u> |
| Fund balance, beginning | | | <u>2,056,301</u> | |
| Fund balance, ending | | | <u>\$ 2,216,693</u> | |

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

TOWN OF HERTFORD, NORTH CAROLINA
STATEMENT OF FUND NET POSITION –
PROPRIETARY FUNDS

Exhibit 6

JUNE 30, 2024

| | Major Enterprise Funds | | |
|------------------------------------------------|---------------------------------|----------------------|---------------------|
| | Water and Sewer Fund | Electric Fund | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 691,045 | \$ 1,029,997 | \$ 1,721,042 |
| Accounts receivable, net | 324,454 | 513,373 | 837,827 |
| Due from other governments | 3,124 | 52,239 | 55,363 |
| Note Receivable - Winfall settlement - current | 15,000 | - | 15,000 |
| Inventories | 856 | - | 856 |
| Restricted cash and cash equivalents | - | 136,450 | 136,450 |
| Total current assets | <u>1,034,479</u> | <u>1,732,059</u> | <u>2,766,538</u> |
| Noncurrent assets: | | | |
| Note Receivable - Winfall settlement | 150,000 | - | 150,000 |
| Capital assets: | | | |
| Land and construction in progress | 1,710,663 | 162,009 | 1,872,672 |
| Other capital assets, net of depreciation | 9,426,276 | 369,007 | 9,795,283 |
| Capital assets | <u>11,136,939</u> | <u>531,016</u> | <u>11,667,955</u> |
| Total noncurrent assets | <u>11,286,939</u> | <u>531,016</u> | <u>11,817,955</u> |
| Total assets | <u>12,321,418</u> | <u>2,263,075</u> | <u>14,584,493</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension deferrals | <u>179,267</u> | <u>63,574</u> | <u>242,841</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 39,239 | 235,499 | 274,738 |
| Compensated absences, current | 7,580 | 2,687 | 10,267 |
| Current portion of long-term debt | 434,015 | 12,448 | 446,463 |
| Liabilities payable from restricted assets: | | | |
| Customer deposits | - | 136,450 | 136,450 |
| Total current liabilities | <u>480,834</u> | <u>387,084</u> | <u>867,918</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 15,391 | 5,454 | 20,845 |
| Revolving loans | 1,186,389 | - | 1,186,389 |
| Installment loan payable | 154,105 | 139,253 | 293,358 |
| Bonds payable | 3,686,000 | - | 3,686,000 |
| Net pension liability | 279,756 | 99,210 | 378,966 |
| Total noncurrent liabilities | <u>5,321,641</u> | <u>243,917</u> | <u>5,565,558</u> |
| Total liabilities | <u>5,802,475</u> | <u>631,001</u> | <u>6,433,476</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferrals | <u>36,526</u> | <u>12,953</u> | <u>49,479</u> |
| NET POSITION | | | |
| Net investment in capital assets | 5,676,430 | 379,315 | 6,055,745 |
| Unrestricted | 985,254 | 1,303,380 | 2,288,634 |
| Total net position | <u>\$ 6,661,684</u> | <u>\$ 1,682,695</u> | <u>\$ 8,344,379</u> |

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

TOWN OF HERTFORD, NORTH CAROLINA

Exhibit 7

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2024

| | Major Enterprise Funds | | |
|----------------------------------------------|---------------------------------|----------------------|---------------------|
| | Water and Sewer Fund | Electric Fund | Total |
| OPERATING REVENUES | | | |
| Charges for services | \$ 2,255,812 | \$ 2,648,195 | \$ 4,904,007 |
| Restricted intergovernmental revenues | 230,575 | 5,000 | 235,575 |
| Miscellaneous revenue | 7,549 | 259,831 | 267,380 |
| Total operating revenues | <u>2,493,936</u> | <u>2,913,026</u> | <u>5,406,962</u> |
| OPERATING EXPENSES | | | |
| Water and sewer operations | 1,597,188 | - | 1,597,188 |
| Electric operations | - | 2,755,513 | 2,755,513 |
| Depreciation and amortization | 814,773 | 93,851 | 908,624 |
| Total operating expenses | <u>2,411,961</u> | <u>2,849,364</u> | <u>5,261,325</u> |
| Operating income (loss) | <u>81,975</u> | <u>63,662</u> | <u>145,637</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | 28,915 | 43,157 | 72,072 |
| Restricted intergovernmental revenues | 897,748 | - | 897,748 |
| Insurance recoveries | - | 3,360 | 3,360 |
| Sale of capital assets | 4,680 | 15,042 | 19,722 |
| Interest and other charges | (194,363) | (6,560) | (200,923) |
| Total nonoperating revenue (expenses) | <u>736,980</u> | <u>54,999</u> | <u>791,979</u> |
| Income (loss) before transfers | <u>818,955</u> | <u>118,661</u> | <u>937,616</u> |
| Transfers from other funds | <u>13,814</u> | <u>-</u> | <u>13,814</u> |
| Change in net position | <u>832,769</u> | <u>118,661</u> | <u>951,430</u> |
| Total net position, beginning | <u>5,828,915</u> | <u>1,564,034</u> | <u>7,392,949</u> |
| Total net position, ending | <u>\$ 6,661,684</u> | <u>\$ 1,682,695</u> | <u>\$ 8,344,379</u> |

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

TOWN OF HERTFORD, NORTH CAROLINA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Exhibit 8

YEAR ENDED JUNE 30, 2024

| | Major Enterprise Funds | | |
|-----------------------------------------------------------------------------------------|---------------------------------|----------------------|---------------------|
| | Water and Sewer Fund | Electric Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 2,214,124 | \$ 2,886,117 | \$ 5,100,241 |
| Cash paid for goods and services | (977,264) | (2,454,782) | (3,432,046) |
| Cash paid to employees | (544,128) | (280,998) | (825,126) |
| Cash received from operating grants | 230,575 | 5,000 | 235,575 |
| Cash received from Winfall settlement | 15,000 | - | 15,000 |
| Net cash provided by operating activities | <u>938,307</u> | <u>155,337</u> | <u>1,093,644</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers to/from other funds | (25,845) | 115,636 | 89,791 |
| Net cash provided by noncapital financing activities | <u>(25,845)</u> | <u>115,636</u> | <u>89,791</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal paid on long-term debt | (429,336) | (11,941) | (441,277) |
| Proceeds from capital grants | 1,318,892 | - | 1,318,892 |
| Acquisition of capital assets | (1,159,182) | (169,209) | (1,328,391) |
| Proceeds from sale of capital assets | 4,680 | 27,000 | 31,680 |
| Insurance recoveries | - | 3,360 | 3,360 |
| Interest and other charges | (195,529) | (6,941) | (202,470) |
| Net cash used by capital and related financing activities | <u>(460,475)</u> | <u>(157,731)</u> | <u>(618,206)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends | 28,915 | 43,157 | 72,072 |
| Net cash provided by investing activities | <u>28,915</u> | <u>43,157</u> | <u>72,072</u> |
| Net increase in cash and cash equivalents | 480,902 | 156,399 | 637,301 |
| Cash and cash equivalents, July 1 | 210,143 | 1,010,048 | 1,220,191 |
| Cash and cash equivalents, June 30 | <u>\$ 691,045</u> | <u>\$ 1,166,447</u> | <u>\$ 1,857,492</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating income | \$ 81,975 | \$ 63,662 | \$ 145,637 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 814,773 | 93,851 | 908,624 |
| Changes in assets, deferred outflows of resources, and liabilities: | | | |
| (Increase) decrease in accounts receivable, net | (76,621) | (17,060) | (93,681) |
| (Increase) decrease in due from other governments | 27,469 | (17,195) | 10,274 |
| (Increase) decrease in note receivable - Winfall settlement | 15,000 | - | 15,000 |
| (Increase) decrease in deferred outflows of resources for pensions | (58,421) | 52,399 | (6,022) |
| Increase (decrease) in accounts payable and accrued liabilities | 2,540 | 47,648 | 50,188 |
| Increase (decrease) in customer deposits | (85) | 12,346 | 12,261 |
| Increase (decrease) in compensated absences | 10,273 | (5,458) | 4,815 |
| Increase in net pension liability | 124,646 | (49,645) | 75,001 |
| Increase (decrease) in deferred inflows of resources for pensions | (3,242) | (25,211) | (28,453) |
| Total adjustments | <u>856,332</u> | <u>91,675</u> | <u>948,007</u> |
| Net cash provided by operating activities | <u>\$ 938,307</u> | <u>\$ 155,337</u> | <u>\$ 1,093,644</u> |

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

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TOWN OF HERTFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Hertford (the "Town") 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 Town of Hertford is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Hertford ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Hertford ABC Board, US 17 South, Hertford, NC 27944.

B. BASIS OF PRESENTATION

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. 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 Town and for each function of the Town'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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

TOWN OF HERTFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

The Town reports the following major governmental funds:

General Fund

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

ARP Fund. This fund accounts for transactions related to the American Rescue Plan Funds.

The Town reports the following non-major governmental funds:

Waterfront Project Fund. This fund accounts for a study to generate visitation and jobs to improve the economy for the community.

Miscellaneous Grants Project Fund. This fund accounts for transactions for miscellaneous grant-funded economic and physical development projects.

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The water and sewer capital project funds have been consolidated into the water and sewer fund for financial reporting purposes.

Electric Fund. This fund is used to account for the Town's electric operations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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 Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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 and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town 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,

TOWN OF HERTFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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 leases and IT subscriptions are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and 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 Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Perquimans County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. BUDGETARY DATA

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the ARP Fund, Waterfront Project Fund, Miscellaneous Grants Project Fund, and the Water and Sewer Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF HERTFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town 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 Town's and the ABC Board's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The Town is required by the USDA to set aside ten percent (10%) of the current year's note payment as restricted cash in a separate account for ten years or until one payment has accrued or the note is paid out. For the fiscal year ended June 30, 2024, the Town has accumulated \$88,738 in this account and it is shown as restricted assets for 'USDA Reserve'. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

| <u>Town of Hertford Restricted Cash</u> | |
|------------------------------------------------|------------|
| Governmental activities: | |
| General Fund: | |
| USDA reserve | 88,738 |
| Streets - Powell Bill | 218,311 |
| Total governmental activities | 307,049 |
| Business-type activities: | |
| Electric Fund: | |
| Customer deposits | 136,450 |
| Total business-type activities | 136,450 |
| Total restricted cash | \$ 443,499 |

TOWN OF HERTFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

4. **Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2023. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. **Allowance for Doubtful Accounts**

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

6. **Inventory and Prepaid Items**

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain ABC Board payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements and expensed as the items are used.

7. **Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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 Town's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs

TOWN OF HERTFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Intrastructure | 50 |
| Buildings | 30 |
| Other improvements | 25 |
| Equipment and furniture | 10 |
| Vehicles | 6 |
| Computers | 3 |

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Buildings | 20 |
| Equipment and furniture | 10 |
| Vehicles | 3-5 |
| Computers | 3 |

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2024 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial element, Deferred Inflows of Resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – property taxes receivable and pension 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 in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are

TOWN OF HERTFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policies of the Town and the ABC Board provide for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the Town's and the ABC Board's sick leave policies provides 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 the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non Spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town had no amounts that met this criteria.

Restricted Fund Balance – This classification includes amounts 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

TOWN OF HERTFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

(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, prepaids and lease receivables in excess of deferred inflows of resources for leases, as they are classified as nonspendable. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for USDA Reserve – portion of fund balance that is restricted by revenue source for certain debt related expenditures.

Restricted for Streets – Powell Bill - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Hertford's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town had no amounts that met this criteria.

Committed for Environmental Protection – portion of fund balance representing unspent interest earnings that is committed to fund ARP projects.

Assigned fund balance – portion of fund balance that the Town intends to use for specific purposes.

Assigned for Economic and Physical Development – portion of fund balance that the Town intends to use for specific economic and physical development purposes.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed.

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Any portion of the general fund balance in excess 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

TOWN OF HERTFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

12. Defined Benefit Cost-Share Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System ("LGERS") and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their 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 Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization. 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 Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2024, the Town's deposits had a carrying amount of \$814,039 and a bank balance of \$890,225. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2024, the ABC Board's deposits had a carrying amount of \$525,702 and a bank balance of \$526,441. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2024, the Town's petty cash fund totaled \$375 and the ABC Board's petty cash fund totaled \$1,350.

2. Investments

At June 30, 2024, the Town had \$2,871,710 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's (S&P)

TOWN OF HERTFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

and AAAMf by Moody's Investor Services. The Town has no formal policy regarding interest rate credit risk of its investments.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2024, are net of the following allowances for doubtful accounts:

| <u>Fund</u> | |
|-------------------------------------|-------------------|
| General Fund: | |
| Accounts receivable | \$ 7,664 |
| Taxes receivable | 53,943 |
| Enterprise Funds: | |
| Water and sewer accounts receivable | 110,965 |
| Electric fund accounts receivable | <u>123,838</u> |
| Total | <u>\$ 296,410</u> |

TOWN OF HERTFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2024 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|---------------------------------------------------|------------------------------|------------------|--------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 407,205 | \$ - | \$ 10,900 | \$ 396,305 |
| Construction in progress | 216,128 | 843,395 | 22,158 | 1,037,365 |
| Total capital assets not being depreciated | <u>623,333</u> | <u>843,395</u> | <u>33,058</u> | <u>1,433,670</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | 1,067,044 | - | - | 1,067,044 |
| Equipment and furniture | 637,747 | - | 22,661 | 615,086 |
| Other improvements | 1,296,926 | 22,158 | - | 1,319,084 |
| Vehicles and motorized equipment | 1,543,070 | - | 65,853 | 1,477,217 |
| Right-to-use leased equipment | 24,223 | - | - | 24,223 |
| Right-to-use software | 44,018 | - | - | 44,018 |
| Total capital assets being depreciated/amortized | <u>4,613,028</u> | <u>22,158</u> | <u>88,514</u> | <u>4,546,672</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 845,528 | 13,426 | - | 858,954 |
| Equipment and furniture | 385,965 | 20,642 | 22,661 | 383,946 |
| Other improvements | 813,622 | 52,398 | - | 866,020 |
| Vehicles and motorized equipment | 1,493,651 | 35,071 | 65,853 | 1,462,869 |
| Right-to-use leased equipment | 1,212 | 4,848 | - | 6,060 |
| Right-to-use software | 10,416 | 10,416 | - | 20,832 |
| Total accumulated depreciation/amortization | <u>3,550,394</u> | <u>136,801</u> | <u>88,514</u> | <u>3,598,681</u> |
| Total governmental activities capital assets, net | <u>\$ 1,685,967</u> | | | <u>\$ 2,381,661</u> |

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

| | |
|--------------------|-------------------|
| General government | \$ 34,977 |
| Public safety | 44,073 |
| Transportation | <u>57,751</u> |
| Total | <u>\$ 136,801</u> |

TOWN OF HERTFORD, NORTH CAROLINA
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| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|----------------------------------------------------|------------------------------|------------------|--------------------|---------------------------|
| Business-type activities: | | | | |
| Water and Sewer Fund: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 379,893 | \$ - | \$ - | \$ 379,893 |
| Construction in progress | 423,794 | 906,976 | - | 1,330,770 |
| Total capital assets not being depreciated | <u>803,687</u> | <u>906,976</u> | <u>-</u> | <u>1,710,663</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 1,700 | - | - | 1,700 |
| Equipment | 674,385 | - | 11,500 | 662,885 |
| Vehicles | 178,881 | 61,800 | - | 240,681 |
| Improvements | 23,268,610 | 190,406 | - | 23,459,016 |
| Total capital assets being depreciated | <u>24,123,576</u> | <u>252,206</u> | <u>11,500</u> | <u>24,364,282</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,700 | - | - | 1,700 |
| Equipment | 471,074 | 16,415 | 11,500 | 475,989 |
| Vehicles | 123,333 | 34,878 | - | 158,211 |
| Improvements | 13,538,626 | 763,480 | - | 14,302,106 |
| Total accumulated depreciation | <u>14,134,733</u> | <u>814,773</u> | <u>11,500</u> | <u>14,938,006</u> |
| Total capital assets being depreciated, net | <u>9,988,843</u> | | | <u>9,426,276</u> |
| Water and Sewer Fund capital assets, net | <u>10,792,530</u> | | | <u>11,136,939</u> |
| Electric Fund: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | - | 162,009 | - | 162,009 |
| Total capital assets not being depreciated | <u>-</u> | <u>162,009</u> | <u>-</u> | <u>162,009</u> |
| Capital assets being depreciated: | | | | |
| Equipment | 452,509 | 7,200 | 35,000 | 424,709 |
| Vehicles | 351,382 | - | - | 351,382 |
| Improvements | 2,406,470 | - | - | 2,406,470 |
| Total capital assets being depreciated | <u>3,210,361</u> | <u>7,200</u> | <u>35,000</u> | <u>3,182,561</u> |
| Less accumulated depreciation for: | | | | |
| Equipment | 250,810 | 14,200 | 23,042 | 241,968 |
| Vehicles | 244,188 | 22,560 | - | 266,748 |
| Improvements | 2,247,747 | 57,091 | - | 2,304,838 |
| Total accumulated depreciation | <u>2,742,745</u> | <u>93,851</u> | <u>23,042</u> | <u>2,813,554</u> |
| Total capital assets being depreciated, net | <u>467,616</u> | | | <u>369,007</u> |
| Electric Fund capital assets, net | <u>467,616</u> | | | <u>531,016</u> |
| Total business-type activities capital assets, net | <u>\$ 11,260,146</u> | | | <u>\$ 11,667,955</u> |

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Construction commitments.

The Town has active construction projects as of June 30, 2024. All of the projects are water and sewer projects. At June 30, 2024, the Town's commitments are as follows:

| <u>Project</u> | <u>Spent-to-date</u> | <u>Remaining Commitment</u> |
|-----------------------------|----------------------|---------------------------------|
| Sewer system rehabilitation | \$ 288,582 | \$ 3,459,374 |
| Water treatment system | 192,610 | 1,961,340 |
| Waterline replacement | 840,350 | 8,255,500 |
| Total | <u>\$ 1,321,542</u> | <u>\$ 13,676,214</u> |

Discretely presented component units.

Capital asset activity for the ABC Board for the year ended June 30, 2024, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|---------------------------------------------|------------------------------|------------------|--------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,472 | \$ - | \$ - | \$ 5,472 |
| Construction in progress | - | 15,000 | - | 15,000 |
| Total capital assets not being depreciated | <u>5,472</u> | <u>15,000</u> | <u>-</u> | <u>20,472</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 36,310 | - | - | 36,310 |
| Furniture and equipment | 261,182 | 4,888 | - | 266,070 |
| Improvements | 11,871 | - | - | 11,871 |
| Total capital assets being depreciated | <u>309,363</u> | <u>4,888</u> | <u>-</u> | <u>314,251</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 36,310 | - | - | 36,310 |
| Furniture and equipment | 167,708 | 22,127 | - | 189,835 |
| Improvements | 11,871 | - | - | 11,871 |
| Total accumulated depreciation | <u>215,889</u> | <u>22,127</u> | <u>-</u> | <u>238,016</u> |
| Total capital assets being depreciated, net | | | | |
| Total capital assets being depreciated, net | <u>93,474</u> | | | <u>76,235</u> |
| ABC Board capital assets, net | <u>\$ 98,946</u> | | | <u>\$ 96,707</u> |

TOWN OF HERTFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

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B. LIABILITIES

1. Payables

Payables at the government-wide level at June 30,2024, were as follows:

Payables:

| | <u>Vendors</u> | <u>Other</u> | <u>Total</u> |
|--------------------------------|----------------|--------------|--------------|
| Governmental activities | \$ 18,878 | \$ 17,715 | \$ 36,593 |
| Business-type activities: | | | |
| Water and sewer | \$ 14,439 | \$ 24,800 | \$ 39,239 |
| Electric | 227,321 | 8,178 | 235,499 |
| Total business-type activities | \$ 241,760 | \$ 32,978 | \$ 274,738 |

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town and the ABC Board are 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 ("ACFR") for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at 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 post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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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 services 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. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2024 was 12.92% of compensation 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 Town were \$112,250 for the year ended June 30, 2024.

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

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

At June 30, 2024, the Town reported a liability of \$642,969 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town'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, 2023 (measurement date), the Town's proportion was 0.00971% which was an increase of 0.00054% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$180,245. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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| | Deferred Outflows of Resources | Deferred Outflows of Resources |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Differences between expected and actual experience | \$ 71,646 | \$ 1,542 |
| Changes in assumptions | 27,322 | - |
| Net difference between projected and actual earnings on pension plan investments | 172,087 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 28,708 | 82,406 |
| Town contributions subsequent to the measurement date | 112,250 | - |
| Total | <u>\$ 412,013</u> | <u>\$ 83,948</u> |

The \$112,250 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ending June 30:</u> | |
|-----------------------------|-------------------|
| 2025 | \$ 75,361 |
| 2026 | 13,288 |
| 2027 | 119,889 |
| 2028 | <u>7,277</u> |
| Total | <u>\$ 215,815</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--------------------------------------------------------------------|
| Inflation | 2.50% |
| Salary increases | 3.25% to 8.25%, including inflation and productivity factor |
| Investment rate of return | 6.50%, 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 mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

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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, 2023 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|--------------------------|-----------------------------------------------|
| Fixed income | 33.0% | 0.9% |
| Global equity | 38.0% | 6.5% |
| Real estate | 8.0% | 5.9% |
| Alternatives | 8.0% | 8.2% |
| Opportunistic fixed income | 7.0% | 5.0% |
| Inflation sensitive | 6.0% | 2.7% |
| | 100.0% | |

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

| | 1% Decrease (5.50%) | Discount Rate (6.50%) | 1% Increase (7.50%) |
|-----------------------------------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 1,113,919 | \$ 642,969 | \$ 255,239 |

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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 (ACFR) for the State of North Carolina.

b. Supplemental Retirement Income Plan for General Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. The Town has elected to contribute each month an amount equal to 3.75% of each employee's salary, and all amounts contributed are vested immediately. The employees may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2024 were \$41,301, which consisted of \$30,316 from the Town and \$10,985 from the employees.

3. Other Employment Benefit

The Town 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 Town, the Town does not determine the number of eligible participants. The Town 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 set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

| <u>Source</u> | <u>Statement of Net Position</u> |
|---------------------------|--------------------------------------|
| Governmental activities: | |
| Pension - LGERS | \$ 169,172 |
| Business-type activities: | |
| Pension - LGERS | 242,841 |
| Total | <u>\$ 412,013</u> |

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Deferred inflows of resources at year-end is comprised of the following:

| <u>Source</u> | <u>Statement of Net Position</u> | <u>General Fund Balance Sheet</u> |
|-------------------------------|--------------------------------------|---------------------------------------|
| Governmental activities: | | |
| Taxes receivable | \$ - | \$ 124,436 |
| Pension - LGERS | 34,469 | - |
| Total governmental activities | 34,469 | 124,436 |
| Business-type activities: | | |
| Pension - LGERS | 49,479 | - |
| Total | \$ 83,948 | \$ 124,436 |

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and worker's compensation coverage up to statutory limits. Employee health coverage up to a \$2 million lifetime limit is provided by MedCost. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for worker's compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. The Town carries flood insurance through the North Carolina League of Municipalities Interlocal Risk Financing Fund. This flood insurance covers all of the Town's buildings except one. The Town is seeking flood insurance coverage for this one building through the National Flood Insurance Plan.

In accordance with G.S.159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town clerk is bonded for \$100,000 and the finance officer is bonded for \$1,000,000 in order to comply with S.L. 2022-53, Section 9(a). The remaining employees that have access to funds are bonded under a blanket bond for \$30,000 per occurrence.

Town of Hertford ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has commercial property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage.

Claims have not exceeded coverage in any of the past three fiscal years and there have been no significant reduction in insurance coverage in the prior year.

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6. Claims, Judgements and Contingent Liabilities

The Town is involved in legal and regulatory matters arising in the ordinary course of operations. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management and the Town attorney that the resolution of outstanding matters will not have a material adverse effect on the financial position or results of operations of the Town.

7. Long-Term obligations

a. Leases

The Town has entered into an arrangement to lease certain office equipment. The lease agreement qualifies as an other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The agreement began on April 15, 2023, for two copiers and requires sixty monthly payments of \$439. There are no variable payment components of the agreement. A right-to-use leased equipment capital asset was recorded in the amount of \$24,223. Accumulated amortization at June 30, 2024 was \$6,060. The lease liability is measured at a discount rate of 3.39%. The liability balance at June 30, 2024 was \$18,546.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

| <u>Year ending June 30:</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|------------------|-----------------|
| 2025 | \$ 4,718 | \$ 556 |
| 2026 | 4,880 | 393 |
| 2027 | 5,048 | 225 |
| 2028 | 3,900 | 56 |
| Total | <u>\$ 18,546</u> | <u>\$ 1,230</u> |

b. Subscriptions

The Town has entered into two software agreements that qualify as subscription-based information technology arrangements (subscriptions) under GASB 96 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

One agreement was in place at June 30, 2022. The subscription is for Office 365 software. The subscription has a term of 60 months and requires monthly payments of \$423. There are no variable payment components of the agreement. The subscription does not have a stated interest rate. Accordingly, the Town's estimated incremental borrowing rate of 3.39% was used to discount the subscription payments. A right-to-use software capital asset was recorded in the amount of \$21,192. Accumulated amortization at June 30, 2024 was \$9,419. The liability balance at June 30, 2024 was \$12,136.

The second agreement began on January 1, 2023 for website management software. The subscription has a term of four years and requires annual payments of \$5,995. There are no variable payment components of the agreement. The subscription does not have a stated interest rate. Accordingly, the Town's estimated incremental borrowing rate of 3.39% was used to discount the subscription payments. A right-to-use software capital asset was recorded in the amount of \$22,826. Accumulated amortization at June 30, 2024 was \$11,413. The liability

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balance at June 30, 2024 was \$11,407.

The future minimum subscription obligations and the net present value of these minimum lease payments as of June 30, 2024, are as follows:

| <u>Year ending June 30:</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|------------------|-----------------|
| 2025 | \$ 10,340 | \$ 725 |
| 2026 | 10,693 | 372 |
| 2027 | 2,510 | 25 |
| Total | <u>\$ 23,543</u> | <u>\$ 1,122</u> |

c. Installment Purchase

Serviced by the General Fund, Electric Fund, and Water and Sewer Fund

In October 2003, the Town entered into a direct borrowing installment note for \$950,000 to finance the renovations of an ice plant. The finance contract requires annual payments of \$56,645, plus 4.25% interest rate and matures in 2033. The Town's outstanding note from direct placement for the renovations related to governmental and enterprise activities contains a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by the ice plant. The debt will be repaid equally from the General Fund, the Electric Fund, and the Water and Sewer Fund. The balance at June 30, 2024 is \$455,103 (\$151,701 each fund).

In March 2008, the Town entered into a direct borrowing installment note for \$142,900 to finance the purchase of a 2008 Freightliner Fire Truck. The finance contract requires 20 annual payments of \$10,632, plus 4.125% interest and matures in 2028. The Town's outstanding note from direct placement for the fire truck related to governmental activities contains a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by the fire truck. The balance at June 30, 2024 is \$39,392.

In September 2016, the Town entered into a \$388,000 direct borrowing installment note for \$388,000 to finance the purchase of an E-One Typhoon fire truck. The finance contract requires 20 annual payments of \$25,481, plus 2.75% interest and matures in 2036. The Town's outstanding note from direct placement for the fire truck related to governmental activities contains a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by the fire truck. The balance at June 30, 2024 is \$275,064.

In December 2017, the Town entered into a \$37,200 direct borrowing installment note for \$37,200 to finance the purchase of three Public Works vehicles. The finance contract requires 7 annual payments of \$6,028, plus 3.25% interest and matures in 2024. The Town's outstanding note from direct placement for the public works vehicles related to governmental activities contains a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by the public works vehicles. The balance at June 30, 2024 is \$5,837.

In August 2020, the Town entered into a \$128,000 direct borrowing installment note for \$128,000 to finance the purchase of Vac-Con Model 11 equipment. The finance contract requires 10 semi-annual payments of \$14,413, plus 4.435% interest and matures in 2026. The Town's outstanding note from direct placement of the equipment related to water and sewer activities contains a

TOWN OF HERTFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

provision that in an event of default, the outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by the equipment. The balance at June 30, 2024 is \$42,141.

The future minimum payments of the installment purchases as of June 30, 2024, including \$174,565 of interest, are as follows:

| Years Ending June 30, | Direct Borrowings | | | | | |
|-----------------------|-------------------------|-----------|--------------------------|-----------|------------|------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2025 | \$ 45,238 | \$ 15,783 | \$ 52,185 | \$ 14,402 | \$ 97,423 | \$ 30,185 |
| 2026 | 40,796 | 14,198 | 40,809 | 12,121 | 81,605 | 26,319 |
| 2027 | 42,242 | 12,752 | 27,060 | 10,704 | 69,302 | 23,456 |
| 2028 | 44,657 | 11,251 | 28,212 | 9,552 | 72,869 | 20,803 |
| 2029 | 34,667 | 9,696 | 29,412 | 8,352 | 64,079 | 18,048 |
| 2030-2034 | 192,278 | 30,003 | 167,865 | 21,785 | 360,143 | 51,788 |
| 2035-2037 | 72,116 | 3,966 | - | - | 72,116 | 3,966 |
| Total | \$ 471,994 | \$ 97,649 | \$ 345,543 | \$ 76,916 | \$ 817,537 | \$ 174,565 |

d. General Obligation Indebtedness

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the Water and Sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due. In the event of a default, the Town agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the Town under this agreement.

Bonds payable at June 30, 2024 are comprised of the following individual issues:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| \$2,961,000 2008 USDA-Water and Sewer serial bonds due in annual installments of \$104,500 to \$165,420 through June 2048, interest at 4.50%. Principal payments began in 2011. | \$2,352,000 |
| \$1,063,000 2008 USDA-Water and Sewer serial bonds due in annual installments of \$32,318 to \$57,615 through June 2048, interest at 4.25%. Principal payments began in 2011. | 838,000 |
| \$772,000 2008 USDA-Water and Sewer serial bonds due in annual installments of \$22,005 to \$38,300 through June 2048, interest at 3.625%. Principal payments began in 2011. | 593,000 |
| Total | <u>\$3,783,000</u> |

TOWN OF HERTFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

The future minimum payments of the general obligation indebtedness as of June 30, 2024, including \$2,300,147 of interest, are as follows:

| <u>Years Ending June 30,</u> | General Obligation Indebtedness | |
|------------------------------|--------------------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 97,000 | \$ 162,951 |
| 2026 | 101,000 | 158,781 |
| 2027 | 106,000 | 154,440 |
| 2028 | 110,000 | 149,885 |
| 2029 | 115,000 | 145,153 |
| 2030-2034 | 652,000 | 647,267 |
| 2035-2039 | 806,000 | 494,153 |
| 2040-2044 | 991,000 | 304,649 |
| 2044-2048 | 805,000 | 82,868 |
| Total | <u>\$ 3,783,000</u> | <u>\$ 2,300,147</u> |

e. Revolving Loans

The Town's revolving loans issued to finance the construction of facilities utilized in the operations of the Water and Sewer system are reported as long-term debt in the Water and Sewer Fund. All revolving loans are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due. Revolving loans payable at June 30, 2024 are comprised of the following individual issues:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| \$3,000,000 - 2008 Sewer revolving loan due in annual installments of \$150,000 through May 2028, interest at 0.0%. Payments began in 2009. | \$600,000 |
| \$375,908 - 2009 Sewer revolving loan due in annual installments of \$18,796 through May 2030, interest at 0.0%. Principal payments began in 2011. | 112,772 |
| \$2,441,165 - 2008 Drinking Water revolving loan due in annual installments of \$124,622 to \$241,933 through May 2030, interest at 2.10%. Principal payments began in 2011. | 732,350 |
| \$128,482 - 2008 Drinking Water revolving loan due in annual installments of \$6,559 to \$12,733 through May 2030, interest at 2.10%. Principal payments began in 2011. | <u>38,545</u> |
| Total | <u>\$1,483,667</u> |

TOWN OF HERTFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

The future minimum payments of the revolving loans as of June 30, 2024, including \$56,661 interest are as follows:

| <u>Years Ending June 30,</u> | <u>Revolving Loans</u> | |
|------------------------------|------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 297,278 | \$ 16,189 |
| 2026 | 297,278 | 13,491 |
| 2027 | 297,278 | 10,793 |
| 2028 | 297,278 | 8,094 |
| 2029 | 147,278 | 5,396 |
| 2030 | 147,277 | 2,698 |
| Total | <u>\$ 1,483,667</u> | <u>\$ 56,661</u> |

At June 30, 2024, the Town had a legal debt margin of \$10,916,368.

f. Changes in Long-Term Liabilities

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> | <u>Current Portion of Balance</u> |
|------------------------------------------------|--------------------------|-------------------|--------------------|-----------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Installment purchases- | | | | | |
| direct borrowings | \$ 515,703 | \$ - | \$ 43,709 | \$ 471,994 | \$ 45,238 |
| Lease liabilities | 23,107 | - | 4,561 | 18,546 | 4,718 |
| Subscription liabilities | 33,541 | - | 9,998 | 23,543 | 10,340 |
| Net pension liability (LGERS) | 213,354 | 50,649 | - | 264,003 | - |
| Compensated absences | 8,302 | 19,098 | 6,720 | 20,680 | 6,824 |
| Governmental activities long-term liabilities | <u>\$ 794,007</u> | <u>\$ 69,747</u> | <u>\$ 64,988</u> | <u>\$ 798,766</u> | <u>\$ 67,120</u> |
| Business-type activities: | | | | | |
| Water and Sewer Fund: | | | | | |
| Installment purchases- | | | | | |
| direct borrowings | \$ 231,900 | \$ - | \$ 38,058 | \$ 193,842 | 39,737 |
| General obligations bonds | 3,877,000 | - | 94,000 | 3,783,000 | 97,000 |
| Revolving loans | 1,780,945 | - | 297,278 | 1,483,667 | 297,278 |
| Net pension liability (LGERS) | 155,110 | 124,646 | - | 279,756 | - |
| Compensated absences | 12,698 | 18,263 | 7,990 | 22,971 | 7,580 |
| Water and Sewer Fund long-term liabilities | <u>6,057,653</u> | <u>142,909</u> | <u>437,326</u> | <u>5,763,236</u> | <u>441,595</u> |
| Electric Fund: | | | | | |
| Installment purchases- | | | | | |
| direct borrowings | 163,642 | - | 11,941 | 151,701 | 12,448 |
| Net pension liability (LGERS) | 148,855 | - | 49,645 | 99,210 | - |
| Compensated absences | 13,599 | 3,343 | 8,801 | 8,141 | 2,687 |
| Electric Fund long-term liabilities | <u>326,096</u> | <u>3,343</u> | <u>70,387</u> | <u>259,052</u> | <u>15,135</u> |
| Business-type activities long-term liabilities | <u>\$ 6,383,749</u> | <u>\$ 146,252</u> | <u>\$ 507,713</u> | <u>\$ 6,022,288</u> | <u>\$ 456,730</u> |

TOWN OF HERTFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Compensated absences for governmental activities have typically been liquidated in the General Fund.

g. Restrictive Covenants

The Town is required by the USDA to set aside ten percent (10%) of the current year's note payment as restricted cash in a separate account for ten years or until one payment has accrued or the note is paid out. For the fiscal year ended June 30, 2024, the Town has accumulated \$88,738 in this account and it is shown as restricted assets for "USDA Reserve."

B. INTERFUND BALANCES AND ACTIVITY

Transfers to / from other funds during the year ended June 30, 2024, consist of the following:

| | |
|---------------------------------------|-------------------|
| From ARP Fund to General Fund | \$ 659,594 |
| From ARP Fund to Water and Sewer Fund | <u>13,814</u> |
| Total | <u>\$ 673,408</u> |

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

C. NET INVESTMENT IN CAPITAL ASSETS

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|----------------------------------|------------------------------------|-------------------------------------|
| Capital assets | \$ 2,381,661 | \$ 11,667,955 |
| Long-term debt | <u>(514,083)</u> | <u>(5,612,210)</u> |
| Net investment in capital assets | <u>\$ 1,867,578</u> | <u>\$ 6,055,745</u> |

D. FUND BALANCE

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

| | |
|-----------------------------------|---------------------|
| Total fund balance - General Fund | \$ 2,216,693 |
| Less: | |
| Stabilization by state statute | 448,715 |
| USDA reserve | 88,738 |
| Streets - Powell bill | 218,311 |
| Subsequent year's expenditures | <u>348,309</u> |
| Remaining fund balance | <u>\$ 1,112,620</u> |

The Town has adopted a minimum fund balance policy for the General Fund which instructs management to maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town.

TOWN OF HERTFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

III. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with twenty other local governments, is a member of the North Carolina Town Electric Agency (Electric Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2024, were \$2,197,435.

IV. RELATED ORGANIZATION

The five-member board of the Town of Hertford Housing Authority is appointed by the Mayor of the Town of Hertford. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of Hertford is also disclosed as a related organization in the notes to the financial statements for the Town of Hertford Housing Authority. Complete financial statements for the Town of Hertford Housing Authority can be obtained from the Authority's offices at 104 White Street, Hertford, North Carolina 27944.

V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town 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.

VI. WINDFALL SETTLEMENT

On July 20, 2015, the Town of Winfall began making payments to the Town as a result of a legal settlement. This settlement was in response to disputes arising from a Wastewater Treatment Contract, dated March 1, 2001, which involved the construction of a wastewater treatment plant and the provision of wastewater treatment services by the Town. According to the settlement, the Town of Winfall shall pay to the Town of Hertford the sum of \$300,000 to be paid in equal monthly installments of \$1,250 over twenty years. The regular monthly payments shall be submitted along with the regular monthly sewer treatment payments made monthly by the Town of Winfall to the Town of Hertford. The balance as of June 30, 2024 is \$165,000.

VII. AMERICAN RESCUE PLAN ACT

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$673,408 of fiscal recovery funds to be paid in two equal installments. The first installment of \$336,704 was received in July 2021. The second installment of \$336,704 was received in July 2022. During the current fiscal year, \$659,594 of ARPA funds were expended for the purchase a Fire Truck, and the remaining \$13,814 was expended towards the construction of the Public Works building.

TOWN OF HERTFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

VIII. RELATED PARTY TRANSACTIONS

| | |
|----------------------------------------------|------------------|
| Transactions with the ABC Board: | |
| Payment to the Town for profit distributions | \$ 60,559 |
| Payment to the Town for law enforcement | 4,009 |
| Payment to the Town for alcohol education | 5,612 |
| Total | <u>\$ 70,180</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF HERTFORD, NORTH CAROLINA

Schedule 1

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) –
LOCAL GOVERNMENTAL EMPLOYEES’ RETIREMENT SYSTEM**

*LAST TEN FISCAL YEARS**

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|-------------|
| Hertford's proportion of the net pension liability (asset) (%) | 0.00971% | 0.00917% | 0.01642% | 0.01403% | 0.00814% |
| Hertford's proportion of the net pension liability (asset) (\$) | \$ 642,969 | \$ 517,319 | \$ 251,814 | \$ 501,352 | \$ 222,297 |
| Hertford's covered payroll | \$ 853,122 | \$ 720,428 | \$ 1,144,356 | \$ 1,162,522 | \$ 890,142 |
| Hertford's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 75.37% | 71.81% | 22.00% | 43.13% | 24.97% |
| Plan fiduciary net position as a percentage of the total pension liability ** | 82.49% | 84.14% | 95.51% | 88.61% | 90.86% |
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Hertford's proportion of the net pension liability (asset) (%) | 0.01457% | 0.01598% | 0.01412% | 0.00177% | 0.01637% |
| Hertford's proportion of the net pension liability (asset) (\$) | \$ 345,650 | \$ 244,130 | \$ 299,674 | \$ 79,391 | \$ (96,423) |
| Hertford's covered payroll | \$ 1,012,509 | \$ 1,005,643 | \$ 918,096 | \$ 927,393 | \$ 883,934 |
| Hertford's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 34.14% | 24.28% | 32.64% | 8.56% | (10.91%) |
| Plan fiduciary net position as a percentage of the total pension liability ** | 91.63% | 94.18% | 91.47% | 98.09% | 102.64% |

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

** This will be the same percentage for all participant employees in the LGERS plan.

TOWN OF HERTFORD, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS –
LOCAL GOVERNMENTAL EMPLOYEES’ RETIREMENT SYSTEM

Schedule 2

LAST TEN FISCAL YEARS

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|----------------------------------------------------------------------|-------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 112,250 | \$ 103,739 | \$ 82,753 | \$ 119,660 | \$ 107,406 |
| Contributions in relation to the contractually required contribution | 112,250 | 103,739 | 82,753 | 119,660 | 107,406 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town of Hertford's covered payroll | \$ 868,808 | \$ 853,122 | \$ 720,428 | \$ 1,144,356 | \$ 1,162,522 |
| Contributions as a percentage of covered payroll | 12.92% | 12.16% | 11.49% | 10.46% | 9.24% |
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution | \$ 71,303 | \$ 79,077 | \$ 76,416 | \$ 63,220 | \$ 66,561 |
| Contributions in relation to the contractually required contribution | 71,303 | 79,077 | 76,416 | 63,220 | 66,561 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town of Hertford's covered payroll | \$ 890,142 | \$ 1,012,509 | \$ 1,005,643 | \$ 918,096 | \$ 927,393 |
| Contributions as a percentage of covered payroll | 8.01% | 7.81% | 7.60% | 6.89% | 7.18% |

INDIVIDUAL FUND SCHEDULES

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TOWN OF HERTFORD, NORTH CAROLINA

Schedule 3

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE–
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2024**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------------------|-------------------|------------------|---------------------------------------------|
| REVENUES | | | |
| Ad valorem taxes: | | | |
| Taxes | | \$ 890,887 | |
| Penalties and interest | | 13,929 | |
| Total | <u>\$ 799,730</u> | <u>904,816</u> | <u>\$ 105,086</u> |
| Other taxes and licenses: | | | |
| Privilege licenses | | 2,450 | |
| Vehicle tags | | 30,060 | |
| Total | <u>27,500</u> | <u>32,510</u> | <u>5,010</u> |
| Unrestricted intergovernmental: | | | |
| Local option sales taxes | | 817,025 | |
| Utility franchise tax | | 26,105 | |
| Solid waste disposal tax | | 1,520 | |
| Payments in lieu of taxes | | 2,038 | |
| Beer and wine tax | | 9,492 | |
| ABC profit distribution | | 74,074 | |
| Total | <u>768,900</u> | <u>930,254</u> | <u>161,354</u> |
| Restricted intergovernmental: | | | |
| County fire department contribution | | 100,000 | |
| Powell Bill allocation | | 64,823 | |
| Other local grants and matching contributions | | 28,767 | |
| Total | <u>232,636</u> | <u>193,590</u> | <u>(39,046)</u> |
| Sales and services: | | | |
| DMV commissions | | 66,859 | |
| DMV services | | 20,863 | |
| Cemetery services | | 16,500 | |
| Refuse services | | 131,474 | |
| Miscellaneous fees and services | | 12,172 | |
| Total | <u>230,800</u> | <u>247,868</u> | <u>17,068</u> |
| Investment earnings | <u>42,480</u> | <u>64,433</u> | <u>21,953</u> |
| Miscellaneous: | | | |
| Miscellaneous | <u>50,000</u> | <u>56,800</u> | <u>6,800</u> |
| Total revenues | <u>2,152,046</u> | <u>2,430,271</u> | <u>278,225</u> |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 3

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE–
BUDGET AND ACTUAL – GENERAL FUND (continued)
YEAR ENDED JUNE 30, 2024**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|---------------|---------------|---------------------------------------------|
| EXPENDITURES | | | |
| General Government: | | | |
| Governing body: | | | |
| Salaries and employee benefits | | 33,363 | |
| Operating expenditures | | 12,737 | |
| Total | 44,955 | 46,100 | (1,145) |
| Administration: | | | |
| Salaries and employee benefits | | 375,735 | |
| Operating expenditures | | 306,897 | |
| Total | 698,884 | 682,632 | 16,252 |
| DMV license plate agency: | | | |
| Salaries and employee benefits | | 59,122 | |
| Operating expenditures | | 2,617 | |
| Total | 66,668 | 61,739 | 4,929 |
| Total general government | 810,507 | 790,471 | 20,036 |
| Public Safety: | | | |
| Police: | | | |
| Contractual services | 350,000 | 350,000 | - |
| Fire: | | | |
| Salaries and employee benefits | | 23,742 | |
| Operating expenditures | | 132,678 | |
| Capital outlay | | 709,594 | |
| Total | 874,115 | 866,014 | 8,101 |
| Total public safety | 1,224,115 | 1,216,014 | 8,101 |
| Transportation: | | | |
| Streets: | | | |
| Salaries and employee benefits | | 168,388 | |
| Operating expenditures | | 108,759 | |
| Capital outlay | | 133,801 | |
| Total | 670,923 | 410,948 | 259,975 |
| Powell bill: | | | |
| Maintenance and repairs | 28,636 | 24,560 | 4,076 |
| Total transportation | 699,559 | 435,508 | 264,051 |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 3

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—
BUDGET AND ACTUAL – GENERAL FUND (continued)
YEAR ENDED JUNE 30, 2024**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------------------------------|--------------------|---------------------|---------------------------------------------|
| Economic and physical development: | | | |
| Planning and development: | | | |
| Salaries and employee benefits | | 82,140 | |
| Operating expenditures | | 121,746 | |
| Total | <u>315,493</u> | <u>203,886</u> | <u>111,607</u> |
| Main street planning and development: | | | |
| Salaries and employee benefits | | 26,791 | |
| Operating expenditures | | 421 | |
| Total | <u>44,382</u> | <u>27,212</u> | <u>17,170</u> |
| Total economic and physical development | <u>359,875</u> | <u>231,098</u> | <u>128,777</u> |
| Environmental protection: | | | |
| Cemetery: | | | |
| Contractual services | | 45,465 | |
| Operating expenditures | | 193 | |
| Total | <u>52,500</u> | <u>45,658</u> | <u>6,842</u> |
| Solid Waste: | | | |
| Contractual services | 175,600 | 177,119 | (1,519) |
| Total environmental protection | <u>228,100</u> | <u>222,777</u> | <u>5,323</u> |
| Debt Service: | | | |
| Principal | | 58,268 | |
| Interest | | 19,092 | |
| Total debt service | <u>77,864</u> | <u>77,360</u> | <u>504</u> |
| Total expenditures | <u>3,400,020</u> | <u>2,973,228</u> | <u>426,792</u> |
| Revenues under expenditures | <u>(1,247,974)</u> | <u>(542,957)</u> | <u>705,017</u> |
| OTHER FINANCING SOURCES: | | | |
| Transfers from other funds: | | | |
| Special revenue fund | 659,594 | 659,594 | - |
| Sale of capital assets | - | 43,755 | 43,755 |
| Total | <u>659,594</u> | <u>703,349</u> | <u>43,755</u> |
| Appropriated fund balance | 588,380 | - | (588,380) |
| Revenues and other financing sources over expenditures | <u>\$ -</u> | 160,392 | <u>\$ 160,392</u> |
| Fund balance, beginning | | 2,056,301 | |
| Fund balance, ending | | <u>\$ 2,216,693</u> | |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 4

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—
BUDGET AND ACTUAL – ARP Fund
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

| | Project | | | | Variance |
|--------------------------------------------------------|----------------------|--------------------|------------------|----------------------|--------------------------------|
| | Authorization | Prior Years | Actual | Total to Date | Positive (Negative) |
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| ARP funds | \$ 673,408 | \$ - | \$ 673,408 | \$ 673,408 | \$ - |
| Investment earnings | 17,500 | 19,258 | 28,702 | 47,960 | 30,460 |
| Total revenues | <u>690,908</u> | <u>19,258</u> | <u>702,110</u> | <u>721,368</u> | <u>30,460</u> |
| EXPENDITURES | | | | | |
| Environmental protection: | | | | | |
| Public works building | 8,500 | 5,250 | - | 5,250 | 3,250 |
| Total expenditures | <u>8,500</u> | <u>5,250</u> | <u>-</u> | <u>5,250</u> | <u>3,250</u> |
| Revenues over expenditures | <u>682,408</u> | <u>14,008</u> | <u>702,110</u> | <u>716,118</u> | <u>33,710</u> |
| OTHER FINANCING USES | | | | | |
| Transfer to other fund: | | | | | |
| General fund | (668,594) | (9,000) | (659,594) | (668,594) | - |
| Water and sewer fund | (13,814) | - | (13,814) | (13,814) | - |
| Total other financing uses | <u>(682,408)</u> | <u>(9,000)</u> | <u>(673,408)</u> | <u>(682,408)</u> | <u>-</u> |
| Revenues over expenditures and other financing uses | <u>\$ -</u> | <u>\$ 5,008</u> | <u>28,702</u> | <u>\$ 33,710</u> | <u>\$ 33,710</u> |
| Fund balance, beginning | | | 5,008 | | |
| Fund balance, ending | | | <u>\$ 33,710</u> | | |

TOWN OF HERTFORD, NORTH CAROLINA
COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024

Schedule 5

| | <u>Capital Project Funds</u> | | |
|---------------------------|------------------------------|----------------------|------------------------|
| | <u>Waterfront</u> | <u>Miscellaneous</u> | <u>Total Non-major</u> |
| | <u>Project Fund</u> | <u>Grants</u> | <u>Governmental</u> |
| | <u>Project Fund</u> | <u>Project Fund</u> | <u>Funds</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,230 | \$ - | \$ 2,230 |
| Total assets | <u>\$ 2,230</u> | <u>\$ -</u> | <u>\$ 2,230</u> |
| FUND BALANCES: | | | |
| Assigned | \$ 2,230 | \$ - | \$ 2,230 |
| Total fund balances | <u>\$ 2,230</u> | <u>\$ -</u> | <u>\$ 2,230</u> |

TOWN OF HERTFORD, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

Schedule 6

| | Capital Project Funds | | Total Non-major Governmental Funds |
|-----------------------------------|------------------------------------|--------------------------------------------------|---------------------------------------------------|
| | Waterfront Project Fund | Miscellaneous Grants Project Fund | |
| REVENUES | | | |
| Restricted intergovernmental | \$ - | \$ 83,633 | \$ 83,633 |
| Total revenues | - | 83,633 | 83,633 |
| EXPENDITURES | | | |
| Economic and physical development | - | 83,633 | 83,633 |
| Total expenditures | - | 83,633 | 83,633 |
| Revenues over expenditures | - | - | - |
| Fund balances, beginning of year | 2,230 | - | 2,230 |
| Fund balances, end of year | \$ 2,230 | \$ - | \$ 2,230 |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 7

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – WATERFRONT CAPITAL PROJECT FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------------------------------|----------------------------------|--------------------|---------------------|----------------------|---------------------------------------------|
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| Rural Development waterfront grant | \$ 145,200 | \$ 145,200 | \$ - | \$ 145,200 | \$ - |
| Total revenues | <u>145,200</u> | <u>145,200</u> | <u>-</u> | <u>145,200</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Economic and physical development: | | | | | |
| Waterfront project | 196,200 | 193,970 | - | 193,970 | 2,230 |
| Total expenditures | <u>196,200</u> | <u>193,970</u> | <u>-</u> | <u>193,970</u> | <u>2,230</u> |
| Revenues under expenditures | <u>(51,000)</u> | <u>(48,770)</u> | <u>-</u> | <u>(48,770)</u> | <u>2,230</u> |
| OTHER FINANCING SOURCES | | | | | |
| Transfer from other fund: | | | | | |
| General fund | 51,000 | 51,000 | - | 51,000 | - |
| Total other financing sources | <u>51,000</u> | <u>51,000</u> | <u>-</u> | <u>51,000</u> | <u>-</u> |
| Revenues and other financing sources over expenditures | <u>\$ -</u> | <u>\$ 2,230</u> | <u>-</u> | <u>\$ 2,230</u> | <u>\$ 2,230</u> |
| Fund balance, beginning | | | 2,230 | | |
| Fund balance, ending | | | <u>\$ 2,230</u> | | |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 8

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – MISCELLANEOUS GRANTS CAPITAL PROJECT FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Positive (Negative) |
|-----------------------------------------------|----------------------------------|--------------------|---------------------|----------------------|---------------------------------------------|
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| Downtown connectivity plan grant | \$ 725,000 | \$ - | \$ 24,300 | \$ 24,300 | \$ (700,700) |
| Golden Leaf stormwater master plan grant | 90,000 | 40,375 | 49,625 | 90,000 | - |
| ElectriCities downtown revitalization grant | 10,000 | - | 9,708 | 9,708 | (292) |
| Total revenues | <u>825,000</u> | <u>40,375</u> | <u>83,633</u> | <u>124,008</u> | <u>(700,992)</u> |
| EXPENDITURES | | | | | |
| Economic and physical development: | | | | | |
| Downtown connectivity plan project | 725,000 | - | 24,300 | 24,300 | 700,700 |
| Golden Leaf stormwater master plan project | 90,000 | 40,375 | 49,625 | 90,000 | - |
| ElectriCities downtown revitalization project | 10,000 | - | 9,708 | 9,708 | 292 |
| Total expenditures | <u>825,000</u> | <u>40,375</u> | <u>83,633</u> | <u>124,008</u> | <u>700,992</u> |
| Revenues over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | <u>\$ -</u> | | |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 9

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –
(NON-GAAP) – WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2024**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------------------------------------------------|---------------------|------------------|---------------------------------------------|
| REVENUES | | | |
| Operating revenues: | | | |
| Charges for services | | 2,255,812 | |
| Miscellaneous revenue | | 7,549 | |
| Total operating revenues | <u>\$ 2,195,679</u> | <u>2,263,361</u> | <u>\$ 67,682</u> |
| Nonoperating revenues: | | | |
| Sale of capital assets | | 4,680 | |
| Interest earnings | | 28,915 | |
| Total nonoperating revenues | <u>73,168</u> | <u>33,595</u> | <u>(39,573)</u> |
| Total revenues | <u>2,268,847</u> | <u>2,296,956</u> | <u>28,109</u> |
| EXPENDITURES | | | |
| Water and sewer operations: | | | |
| Salaries and employee benefits | | 615,966 | |
| Contract and professional services | | 156,106 | |
| Maintenance and repairs | | 108,573 | |
| Other operating expenses | | 216,057 | |
| Utility and communication fees | | 168,349 | |
| Insurance | | 28,306 | |
| Capital outlay | | 261,434 | |
| Debt service: | | | |
| Principal retirement | | 429,336 | |
| Interest and other charges | | 195,529 | |
| Total expenditures | <u>2,365,275</u> | <u>2,179,656</u> | <u>185,619</u> |
| Revenues over (under) expenditures | (96,428) | 117,300 | 213,728 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds: | | | |
| Special revenue fund | 13,814 | 13,814 | - |
| Transfers to other funds: | | | |
| Capital projects fund | (13,814) | - | (13,814) |
| Appropriated fund balance | 96,428 | - | 96,428 |
| Total other financing sources (uses) | <u>96,428</u> | <u>13,814</u> | <u>82,614</u> |
| Revenues and other financing sources over expenditures and other financing uses | <u>\$ -</u> | <u>131,114</u> | <u>\$ 131,114</u> |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 9

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –
(NON-GAAP) – WATER AND SEWER FUND (continued)
YEAR ENDED JUNE 30, 2024**

Reconciling items:

| | |
|-------------------------------------------------------|------------------|
| Principal retirement | 429,336 |
| Capital outlay | 261,434 |
| Capital outlay - capital projects funds | 897,748 |
| Decrease in accrued interest | 1,166 |
| Increase in compensated absences | (10,273) |
| Increase in deferred outflows of resources - pensions | 58,421 |
| Increase in net pension liability | (124,646) |
| Decrease in deferred inflows of resources - pensions | 3,242 |
| Depreciation | <u>(814,773)</u> |
| Total | <u>701,655</u> |

| | |
|------------------------|-------------------|
| Change in net position | <u>\$ 832,769</u> |
|------------------------|-------------------|

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 10

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP) –
SEWER SYSTEM REHABILITATION CAPITAL PROJECT FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Positive (Negative) |
|--------------------------------------------------------|----------------------------------|--------------------|---------------------|----------------------|---------------------------------------------|
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| ARP funds | \$ 3,673,200 | \$ 155,417 | \$ 133,165 | \$ 288,582 | \$ (3,384,618) |
| Total revenues | <u>3,673,200</u> | <u>155,417</u> | <u>133,165</u> | <u>288,582</u> | <u>(3,384,618)</u> |
| EXPENDITURES | | | | | |
| Sewer system rehabilitation project: | | | | | |
| Engineering, administration and construction | 3,747,956 | 155,417 | 133,165 | 288,582 | 3,459,374 |
| Total expenditures | <u>3,747,956</u> | <u>155,417</u> | <u>133,165</u> | <u>288,582</u> | <u>3,459,374</u> |
| Revenues under expenditures | (74,756) | - | - | - | 74,756 |
| OTHER FINANCING SOURCES | | | | | |
| State Revolving Fund loan proceeds | 74,756 | - | - | - | (74,756) |
| Total other financing sources | <u>74,756</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(74,756)</u> |
| Revenues and other financing sources over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 11

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP) –
WATER TREATMENT SYSTEM CAPITAL PROJECT FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Positive (Negative) |
|----------------------------------------------|----------------------------------|--------------------|---------------------|----------------------|---------------------------------------------|
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| ARP funds | \$ 2,153,950 | \$ 57,737 | \$ 134,873 | \$ 192,610 | \$ (1,961,340) |
| Total revenues | <u>2,153,950</u> | <u>57,737</u> | <u>134,873</u> | <u>192,610</u> | <u>(1,961,340)</u> |
| EXPENDITURES | | | | | |
| Water treatment system project: | | | | | |
| Engineering, administration and construction | 2,153,950 | 57,737 | 134,873 | 192,610 | 1,961,340 |
| Total expenditures | <u>2,153,950</u> | <u>57,737</u> | <u>134,873</u> | <u>192,610</u> | <u>1,961,340</u> |
| Revenues over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 12

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP) –
 WATERLINE REPLACEMENT CAPITAL PROJECT FUND
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Positive (Negative) |
|----------------------------------------------|----------------------------------|--------------------|---------------------|----------------------|---------------------------------------------|
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| ARP funds | \$ 9,095,850 | \$ 210,640 | \$ 629,710 | \$ 840,350 | \$ (8,255,500) |
| Total revenues | <u>9,095,850</u> | <u>210,640</u> | <u>629,710</u> | <u>840,350</u> | <u>(8,255,500)</u> |
| EXPENDITURES | | | | | |
| Waterline replacement project: | | | | | |
| Engineering, administration and construction | 9,095,850 | 210,640 | 629,710 | 840,350 | 8,255,500 |
| Total expenditures | <u>9,095,850</u> | <u>210,640</u> | <u>629,710</u> | <u>840,350</u> | <u>8,255,500</u> |
| Revenues over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 13

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP) –
MISCELLANEOUS GRANTS CAPITAL PROJECTS FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------------------------------|----------------------------------|--------------------|---------------------|----------------------|---------------------------------------------|
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| Wastewater feasibility study VUR grant | \$ 75,000 | \$ 7,400 | \$ 11,050 | 18,450 | \$ (56,550) |
| Water system AIA grant | 150,000 | - | 104,075 | 104,075 | (45,925) |
| Wastewater/sewer system AIA grant | 150,000 | - | 115,450 | 115,450 | (34,550) |
| Total revenues | <u>375,000</u> | <u>7,400</u> | <u>230,575</u> | <u>237,975</u> | <u>(137,025)</u> |
| EXPENDITURES | | | | | |
| Engineering and design: | | | | | |
| Wastewater feasibility study project | 76,125 | 8,525 | 11,050 | 19,575 | 56,550 |
| Water system AIA project | 152,250 | 2,250 | 104,075 | 106,325 | 45,925 |
| Wastewater/sewer system AIA project | 152,250 | 2,250 | 115,450 | 117,700 | 34,550 |
| Total expenditures | <u>380,625</u> | <u>13,025</u> | <u>230,575</u> | <u>243,600</u> | <u>137,025</u> |
| Revenues under expenditures | (5,625) | (5,625) | - | (5,625) | - |
| OTHER FINANCING SOURCES | | | | | |
| Transfer from water and sewer fund: | | | | | |
| Wastewater feasibility study project | 1,125 | 1,125 | - | 1,125 | - |
| Water system AIA project | 2,250 | 2,250 | - | 2,250 | - |
| Wastewater/sewer system AIA project | 2,250 | 2,250 | - | 2,250 | - |
| Total other financing sources | <u>5,625</u> | <u>5,625</u> | <u>-</u> | <u>5,625</u> | <u>-</u> |
| Revenues and other financing sources over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 14

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –
(NON-GAAP) – ELECTRIC FUND
YEAR ENDED JUNE 30, 2024**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|---------------------|------------------|---------------------------------------------|
| REVENUES: | | | |
| Operating revenues: | | | |
| Charges for services | | \$ 2,648,195 | |
| Restricted intergovernmental revenues | | 5,000 | |
| Miscellaneous revenue | | 259,831 | |
| Total operating revenues | <u>\$ 3,061,348</u> | <u>2,913,026</u> | <u>\$ (148,322)</u> |
| Nonoperating revenues: | | | |
| Sale of capital asset | | 27,000 | |
| Insurance recoveries | | 3,360 | |
| Interest earnings | | 43,157 | |
| Total nonoperating revenues | <u>30,000</u> | <u>73,517</u> | <u>43,517</u> |
| Total revenues | <u>3,091,348</u> | <u>2,986,543</u> | <u>(104,805)</u> |
| Expenditures: | | | |
| Electric operations: | | | |
| Salaries and employee benefits | | 254,363 | |
| Professional services | | 87,365 | |
| Maintenance and repairs | | 69,462 | |
| Other operating expenses | | 132,165 | |
| Electric power purchases | | 2,197,435 | |
| Insurance | | 42,638 | |
| Capital outlay | | 169,209 | |
| Debt service: | | | |
| Principal retirement | | 11,941 | |
| Interest and other charges | | 6,941 | |
| Total expenditures | <u>3,091,348</u> | <u>2,971,519</u> | <u>119,829</u> |
| Revenues over expenditures | <u>\$ -</u> | <u>15,024</u> | <u>\$ 15,024</u> |

TOWN OF HERTFORD, NORTH CAROLINA

Schedule 14

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –
(NON-GAAP) – ELECTRIC FUND (continued)
YEAR ENDED JUNE 30, 2024**

Reconciling items:

| | |
|-------------------------------------------------------|----------------|
| Principal retirement | 11,941 |
| Capital outlay | 169,209 |
| Decrease in in accrued interest | 381 |
| Decrease in compensated absences | 5,458 |
| Decrease in deferred outflows of resources - pensions | (52,399) |
| Decrease in net pension liability | 49,645 |
| Decrease in deferred inflows of resources - pensions | 25,211 |
| Loss on disposal of capital asset | (11,958) |
| Depreciation | (93,851) |
| Total reconciling items | <u>103,637</u> |

Change in net position \$ 118,661

OTHER SCHEDULES

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TOWN OF HERTFORD, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE

Schedule 15

JUNE 30, 2024

| Fiscal Year | Uncollected Balance June 30, 2023 | Additions | Collections And Credits | Uncollected Balance June 30, 2024 |
|---------------------------------------------|-----------------------------------------|------------|----------------------------|-----------------------------------------|
| 2023-2024 | \$ - | \$ 928,724 | \$ 840,932 | \$ 87,792 |
| 2022-2023 | 41,514 | - | 14,976 | 26,538 |
| 2021-2022 | 20,519 | - | 4,941 | 15,578 |
| 2020-2021 | 15,851 | - | 2,322 | 13,529 |
| 2019-2020 | 12,186 | - | 2,756 | 9,430 |
| 2018-2019 | 7,480 | - | 1,774 | 5,706 |
| 2017-2018 | 6,809 | - | 1,641 | 5,168 |
| 2016-2017 | 6,020 | - | 1,418 | 4,602 |
| 2015-2016 | 6,110 | - | 964 | 5,146 |
| 2014-2015 | 5,669 | - | 779 | 4,890 |
| 2013-2014 | 5,133 | - | 5,133 | - |
| Total | \$ 127,291 | \$ 928,724 | \$ 877,636 | 178,379 |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | 53,943 |
| Ad valorem taxes receivable - net | | | | \$ 124,436 |
| <u>Reconciliation to revenues:</u> | | | | |
| Ad valorem taxes - General Fund | | | | \$ 904,816 |
| Reconciling items: | | | | |
| Penalties and interest collected | | | | (13,929) |
| Taxes written off | | | | (13,251) |
| Subtotal | | | | (27,180) |
| Total collections and credits | | | | \$ 877,636 |

TOWN OF HERTFORD, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY – TOWN-WIDE LEVY

Schedule 16

YEAR ENDED JUNE 30, 2024

| | Town-Wide | | Total Levy | | |
|------------------------------------|-----------------------|------|-------------------|----------------------------------------------|---------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current rate | \$ 135,966,922 | 0.65 | \$ 883,785 | \$ 784,555 | \$ 99,230 |
| Discoveries: | | | | | |
| Current year taxes | 7,011,898 | 0.65 | 45,577 | 45,577 | - |
| | 7,011,898 | | 45,577 | 45,577 | - |
| Abatements, releases, and credits: | | | | | |
| Current year taxes | (23,817) | 0.65 | (155) | (155) | - |
| Credits | (74,365) | 0.65 | (483) | (483) | - |
| | (98,182) | | (638) | (638) | - |
| Total property valuation | <u>\$ 142,880,638</u> | | | | |
| Net levy | | | 928,724 | 829,494 | 99,230 |
| Uncollected taxes at June 30, 2024 | | | (87,792) | (87,792) | - |
| Current year's taxes collected | | | <u>\$ 840,932</u> | <u>\$ 741,702</u> | <u>\$ 99,230</u> |
| Current levy collection percentage | | | <u>90.55%</u> | <u>89.42%</u> | <u>100.00%</u> |

COMPLIANCE SECTION

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Hertford, 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 (*Government Auditing Standards*), the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Hertford, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 24, 2024. Our report includes a reference to other auditors who audited the financial statements of the Town of Hertford ABC Board, as described in our report on the Town of Hertford's financial statements. The financial statements of the Town of Hertford ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Town of Hertford ABC Board or that are reported on separately by those auditors who audited the financial statements of the Town of Hertford ABC Board.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Hertford'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 the Town of Hertford's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hertford's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hertford's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 24, 2024

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Hertford, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Hertford, North Carolina's, compliance with the types of compliance requirements identified as subject to audit 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 Town of Hertford's major federal programs for the year ended June 30, 2024. The Town of Hertford's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the Town of Hertford complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Hertford and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Hertford's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

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

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

Report on Internal Control Over Compliance

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, non-compliance 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 non-compliance 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 24, 2024

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TOWN OF HERTFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2024

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

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)? No

Identification of major federal programs:

| <u>Program Name</u> | <u>AL#</u> |
|------------------------------------------------------------|------------|
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 |

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

Auditee qualified as low-risk auditee? No

TOWN OF HERTFORD, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

2. Findings Related to the Audit of the Basic Financial Statements

None reported.

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None reported.

TOWN OF HERTFORD, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding: 2023-001

Status: Corrected.

TOWN OF HERTFORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2024

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal AL Number</u> | <u>State/ Pass-through Grantor's Number</u> | <u>Fed.(Direct & Pass-through) Expenditures</u> | <u>State Expenditures</u> | <u>Passed-through to Subrecipients</u> |
|----------------------------------------------------------------------|--------------------------|---------------------------------------------|-----------------------------------------------------|---------------------------|----------------------------------------|
| Federal Grants: | | | | | |
| U.S. Department of Agriculture | | | | | |
| Food and Nutrition Service: | | | | | |
| Community Facilities Loans and Grants - | | | | | |
| Direct Program | 10.766 | | \$ 773,312 | \$ - | \$ - |
| Total Community Facilities Loans and Grants | | | 773,312 | - | - |
| U.S. Department of Treasury | | | | | |
| COVID 19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | 673,408 | | |
| Passed-through N.C. Department of Environmental Quality: | | | | | |
| COVID 19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | VUR-W-ARP-0068 | 133,165 | - | - |
| COVID 19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | VUR-D-ARP-0061 | 134,873 | - | - |
| COVID 19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | VUR-D-ARP-0051 | 629,710 | - | - |
| Passed-through N.C. Department of Commerce: | | | | | |
| COVID 19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | SA-0260 | 24,300 | | |
| Total Coronavirus State and Local Fiscal Recovery Funds | | | 1,595,456 | - | - |
| Total Assistance - Federal Awards | | | 2,368,768 | - | - |
| State Grants: | | | | | |
| NC Department of Insurance - Office of the State Fire Marshal: | | | | | |
| Fire/Rescue Grants and Relief Fund Program | | | - | 28,767 | - |
| NC Dept of Environmental Quality - Division of Water Infrastructure: | | | | | |
| Merger/Regionalization Feasibility Grant Program | | MRF-W-VUR-0005 | - | 11,050 | - |
| NC Dept of Environmental Quality - Division of Water Infrastructure: | | | | | |
| Water System Asset Inventory and Assessment | | AIA-D-0259 | - | 104,075 | - |
| NC Dept of Environmental Quality - Division of Water Infrastructure: | | | | | |
| Sewer System Asset Inventory and Assessment | | AIA-W-0260 | | 115,450 | |
| Total NC Department of Environmental Quality | | | - | 230,575 | - |
| N.C. Department of Transportation: | | | | | |
| Powell Bill | | 38570 | | 24,560 | |
| Total Assistance - State Programs | | | - | 283,902 | - |
| Total Federal and State Assistance | | | \$ 2,368,768 | \$ 283,902 | \$ - |

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 the Town of Hertford, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Hertford, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Hertford.

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

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

Note 4 - Loans Outstanding

The Town of Hertford had the following loan balances outstanding at June 30, 2024 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2024 consist of:

| <u>Program Title</u> | <u>Federal AL Number</u> | <u>Pass-through Grantor's Number</u> | <u>Amount Outstanding</u> |
|-----------------------------------------------|--------------------------|--------------------------------------|---------------------------|
| Community Facilities Loans and Grants Cluster | 10.766 | N/A | \$ 773,312 |