

Chowan County, North Carolina
Audited Financial Statements
June 30, 2007

Chowan County, North Carolina
Table of Contents
June 30, 2007

| <u>Exhibit</u> | | <u>Page</u> |
|----------------|---|-------------|
| | Financial Section | |
| | Independent Auditor's Report | 1 |
| | Management's Discussion and Analysis | 3 |
| | Basic Financial Statements: | |
| | Government-wide Financial Statements: | |
| 1 | Statement of Net Assets | 13 |
| 2 | Statement of Activities | 14 |
| | Fund Financial Statements: | |
| 3 | Balance Sheet - Governmental Funds | 16 |
| 3 | Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 16 |
| 4 | Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 17 |
| 4 | Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 18 |
| 5 | Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Fund | 19 |
| 6 | Statement of Fund Net Assets - Proprietary Funds | 21 |
| 7 | Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds | 22 |
| 8 | Statement of Cash Flows - Proprietary Funds | 23 |
| 9 | Statement of Fiduciary Net Assets - Fiduciary Funds | 25 |

Chowan County, North Carolina
Table of Contents
June 30, 2007

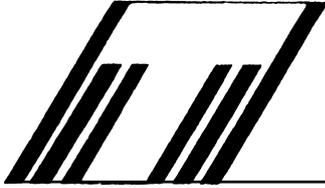
| <u>Exhibit</u> | <u>Page</u> |
|--|-------------|
| Notes to the Financial Statements | 26 |
| Combining and Individual Fund Statements and Schedules: | |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budget and Actual | 62 |
| Combining Balance Sheet - Nonmajor Governmental Funds | 69 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds | 73 |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual: | |
| School Capital Reserve Fund | 77 |
| Emergency Telephone System Fund | 78 |
| Fire District Fund | 79 |
| Revaluation Fund | 80 |
| Occupancy Tax Assessment Fund | 81 |
| Isabel Recovery Fund | 82 |
| NC Housing Finance Agency Project Fund | 83 |
| CDBG Fund | 84 |
| CWMTF - Country Club Fund | 85 |
| School Capital Project Fund | 86 |
| D.F. Walker Gym Renovation Fund | 87 |
| Albemarle MM/DD/SAS Capital Project Fund | 88 |

Chowan County, North Carolina
Table of Contents
June 30, 2007

| <u>Exhibit</u> | <u>Page</u> |
|--|-------------|
| Agriculture Building Addition Capital Project Fund | 89 |
| Red Banks Farm Park Capital Project Fund | 90 |
| Library Renovation Fund | 91 |
| John A. Holmes High School Renovation Fund | 92 |
| Capital Project Fund | 93 |
| Water Fund | 94 |
| Emergency Management Fund | 96 |
| Water Capital Reserve Fund | 98 |
| Water Capital Project Fund | 99 |
| Wharf Landing Capital Project Fund | 100 |
| Water Development Capital Reserve Fund | 101 |
| Airport Industrial Park Capital Project Fund | 102 |
| Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds | 103 |
| Other Schedules | |
| Schedule of Ad Valorem Taxes Receivable | 105 |
| Analysis of Current Tax Levy - County-wide Levy | 106 |

Chowan County, North Carolina
Table of Contents
June 30, 2007

| <u>Exhibit</u> | <u>Page</u> |
|---|-------------|
| Secondary Market Disclosures | 107 |
| Ten Largest Taxpayers | 108 |
| Compliance Section | |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 109 |
| Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act | 111 |
| Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act | 114 |
| Schedule of Findings and Questioned Costs | 116 |
| Schedule of Expenditures of Federal and State Awards | 120 |



J. P. TIMBERLAKE III CPA, P.A.

Certified Public Accountant

P. O. Box 626 • 102 West Eden Street

Edenton, North Carolina 27932

(252) 482-8461 FAX (252) 482-4921

Independent Auditor's Report

To the Board of County Commissioners
Chowan County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chowan County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Chowan County ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us; and our opinion on the financial statements, insofar as it relates to the amounts included for the Chowan County ABC Board, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Chowan County ABC Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina as of June 30, 2007, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Sanitation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2008 on our consideration of Chowan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Chowan County, North Carolina. The combining and individual nonmajor fund schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

As discussed in Note XII to the financial statements, "Cash and Cash Equivalents" were overstated and "Restricted Cash and Cash Equivalents" were understated by \$10,297,749 as of June 30, 2007. These classification errors were discovered during the year ended June 30, 2008. This reclassification has been made. "Total Net Assets" was not changed, but the classifications of net assets were changed.



Certified Public Accountant

March 7, 2008

March 7, 2008 except for Note XII as to which the date is June 17, 2008

Management's Discussion and Analysis

As management of Chowan County, we offer readers of Chowan County's financial statements this narrative overview and analysis of the financial activities of Chowan County for the fiscal year ended June 30, 2007. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

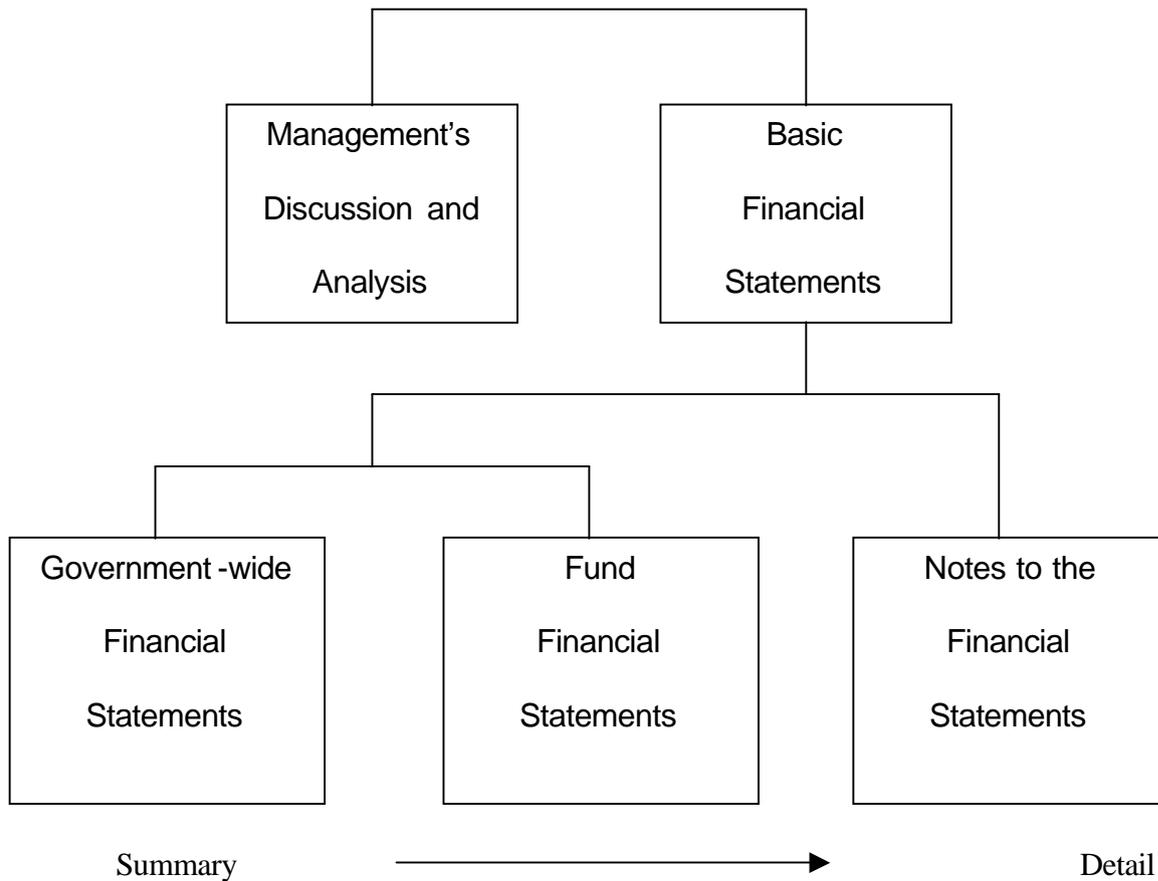
- The assets of Chowan County exceeded its liabilities at the close of the fiscal year by \$22,218,824 (*net assets*).
- The government's total net assets decreased by \$3,451,660, primarily due to decreased net assets in the General Fund. This compares to a decrease of \$3,081,297 in 2006.
- As of the close of the current fiscal year, Chowan County's governmental funds reported combined ending fund balances of \$ 16,429,056, an increase of \$4,846,759 in comparison with the prior year. None of this total amount is available for spending at the government's discretion, unreserved fund balance was a deficit of \$1,574,251. In 2006, the unreserved fund balance was \$3,114,196.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,131,503. In 2006, the unreserved fund balance for the General Fund was \$6,275,060.
- Chowan County's total debt increased by \$11,423,010 during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government -wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and emergency management services offered by Chowan County. The final category is the component unit. Although legally separate from the County, the ABC Board is important to the County because the County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County.

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

Fund Financial Statements

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

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

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Chowan County has four fiduciary funds, all of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 26 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Chowan County exceeded liabilities by \$22,218,824 as of June 30, 2007. As of June 30, 2006, the net assets of Chowan County stood at \$25,670,494. The County's net assets decreased by \$3,451,660 for the fiscal year ended June 30, 2007, compared to a decrease of \$3,081,297 in 2006.

The largest portion \$24,566,927 (110.57%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Chowan County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chowan County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The remaining balance of \$(2,348,103) is unrestricted.

In 2006, the amount of net assets invested in capital assets net of related debt was \$25,297,984. The remaining \$372,510 was unrestricted net assets for that year.

Chowan County's Net Assets

Figure 2

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Current and other assets | \$ 19,634,350 | \$ 15,332,673 | \$ 928,430 | \$ 639,992 | \$ 20,562,780 | \$ 15,972,665 |
| Capital assets | 28,055,051 | 24,459,124 | 6,376,826 | 6,329,394 | 34,431,877 | 30,788,518 |
| Total assets | <u>\$ 47,689,401</u> | <u>\$ 39,791,797</u> | <u>\$ 7,305,256</u> | <u>\$ 6,969,386</u> | <u>\$ 54,994,657</u> | <u>\$ 46,761,183</u> |
| Long-term liabilities outstanding | \$ 29,000,507 | \$ 17,326,843 | \$ 685,684 | \$ 901,036 | \$ 29,686,191 | \$ 18,227,879 |
| Other liabilities | 1,021,431 | 746,481 | 2,068,211 | 2,116,329 | 3,089,642 | 2,862,810 |
| Total liabilities | <u>30,021,938</u> | <u>18,073,324</u> | <u>2,753,895</u> | <u>3,017,365</u> | <u>32,775,833</u> | <u>21,090,689</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 18,818,441 | 19,824,192 | 5,748,486 | 5,473,792 | 24,566,927 | 25,297,984 |
| Unrestricted | (1,150,978) | 1,894,281 | (1,197,125) | (1,521,771) | (2,348,103) | 372,510 |
| Total net assets | <u>\$ 17,667,463</u> | <u>\$ 21,718,473</u> | <u>\$ 4,551,361</u> | <u>\$ 3,952,021</u> | <u>\$ 22,218,824</u> | <u>\$ 25,670,494</u> |

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

- Chowan County continued to enjoy growth in its tax base totaling \$60 million in fiscal year 2007. The County continues to anticipate strong growth in its tax base, as there are 4,000 lots under plat to be developed. Sandy Point Subdivision is now fully entitled. This subdivision contains over 1600 units. The Beechwood Subdivision that will contain 500 units is now under construction. Finally, Edenton Commons Shopping Center has obtained all permits. This shopping center will contain two anchor stores and 50 outparcels.
- The tax collection rate remained above average for a county of its population size at 97.10%. The collection rate for property excluding motor vehicles totaled 97.42%.
- The County also realized a net increase in debt of \$13,845,150. This includes \$10,956,600 for construction of a Public Safety Center and \$2,597,000 for the renovation/addition of the Shepard-Pruden Memorial Library.
- The County continued to strengthen operating incomes for the Water Fund. Water rates were last increased by an average of 12% effective July 1, 2005. Revenue for fiscal year 2007 exceeded expenses by more than \$112,000. The County continued to collect the impact/development fee on new connections, which now totals \$300,000. Impact fee monies will only be utilized for expansion of the water plant and not for routine operations and maintenance. EMS services continue to experience increased utilization. EMS calls increased from 4,177 in calendar year 2006 to 5,011 in calendar year 2007. EMS collections for fiscal year 2007 are at budgeted levels. EMS collections through 12/31/07 totaled \$582,126. This is an increase of \$206,989 over calendar year 2006. Solid waste fees were increased effective July 1, 2005 and again July 1, 2006. The

County, in cooperation with the Town of Edenton, has launched a more aggressive recycling program. So far, Chowan County has recycled 156 tons of trash which is a 100% increase over fiscal year 2007.

- The County assessed an ad valorem tax rate for 2007 of .56 for every \$100 valuation. Revenues for fiscal year 2008 are at budgeted levels.

Chowan County Changes in Net Assets
Figure 3

| | Governmental Activities | | Business-type Activities | | Total | Total |
|---|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,556,609 | \$ 1,564,141 | \$ 2,484,975 | \$ 2,287,471 | \$ 4,041,584 | \$ 3,851,612 |
| Operating grants and contributions | 3,017,914 | 3,463,579 | - | - | 3,017,914 | 3,463,579 |
| Capital grants and contributions | 83,357 | 183,657 | 102,716 | 99,519 | 186,073 | 283,176 |
| General revenues: | | | | | | |
| Property taxes | 7,518,820 | 6,989,625 | - | - | 7,518,820 | 6,989,625 |
| Other taxes | 4,185,106 | 4,099,583 | - | - | 4,185,106 | 4,099,583 |
| Grants and contributions not restricted to specific programs | 226,139 | 183,035 | - | - | 226,139 | 183,035 |
| Other | 1,146,908 | 750,678 | 45,250 | 3,914 | 1,192,158 | 754,592 |
| Total revenues | 17,734,853 | 17,234,298 | 2,632,941 | 2,390,904 | 20,367,794 | 19,625,202 |
| Expenses: | | | | | | |
| General government | 4,037,721 | 4,095,456 | - | - | 4,037,721 | 4,095,456 |
| Public safety | 3,998,578 | 3,845,768 | - | - | 3,998,578 | 3,845,768 |
| Transportation | 25,000 | 20,000 | - | - | 25,000 | 20,000 |
| Economic and physical development | 633,366 | 733,848 | - | - | 633,366 | 733,848 |
| Environmental protection | 1,109,680 | 1,199,384 | - | - | 1,109,680 | 1,199,384 |
| Human services | 4,593,588 | 4,315,740 | - | - | 4,593,588 | 4,315,740 |
| Cultural and recreation | 1,071,705 | 999,413 | - | - | 1,071,705 | 999,413 |
| Education | 4,895,834 | 4,346,622 | - | - | 4,895,834 | 4,346,622 |
| Interest on long-term debt | 1,038,838 | 798,748 | - | - | 1,038,838 | 798,748 |
| Water fund | - | - | 1,074,155 | 1,201,156 | 1,074,155 | 1,201,156 |
| Emergency management | - | - | 1,340,989 | 1,150,364 | 1,340,989 | 1,150,364 |
| Total expenses | 21,404,310 | 20,354,979 | 2,415,144 | 2,351,520 | 23,819,454 | 22,706,499 |
| Increase (decrease) in net assets before transfers | (3,669,457) | (3,120,681) | 217,797 | 39,384 | (3,451,660) | (3,081,297) |
| Transfers | (381,542) | 50,000 | 381,542 | (50,000) | - | - |
| Increase in net assets | (4,050,999) | (3,070,681) | 599,339 | (10,616) | (3,451,660) | (3,081,297) |
| Net assets, July 1 | 21,718,462 | 24,789,143 | 3,952,022 | 3,962,638 | 25,670,484 | 28,751,781 |
| Net assets, June 30 | \$ 17,667,463 | \$ 21,718,462 | \$ 4,551,361 | \$ 3,952,022 | \$ 22,218,824 | \$ 25,670,484 |

Changes in Chowan County's Net Assets

Governmental activities. Governmental activities decreased the County's net assets by \$4,050,999. Key elements of this decrease are as follows:

- This decrease was a result of cash flow demands for the design costs of a new law enforcement center and library expansion. These monies will be reimbursed with loan proceeds. Also, the County experienced a reduction in interest income due to lowered portfolio valuations. The amount of budgeted interest was reduced for fiscal year 2008.

Business-type activities: Business-type activities increased Chowan County's net assets by \$599,339. Key elements of this increase are as follows:

- The key element of this increase is the improved performance of the Water and EMS Funds.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Chowan County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Chowan County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Chowan County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,131,503, while total fund balance reached \$10,475,606. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17.04 percent of total General Fund expenditures, while total fund balance represents 57.02 percent of that same amount.

At June 30, 2007, the governmental funds of Chowan County reported a combined fund balance of \$16,429,056, a 41.85 percent increase over last year. The primary reason for this increase is the increase in fund balance in the Public Safety Building Capital Project Fund and the Library Renovation Fund.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Chowan County maintains budgeting compliance at a line item basis on a monthly basis. The major shortfalls occurred in investment earnings and sales tax collections. Anticipated revenue for investment earnings was reduced in the fiscal year 2008 budget and sales tax collection revenues were marginally increased in the fiscal year 2008 budget.

Proprietary Funds. Chowan County’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$(317,869), and those for the Emergency Management Fund equaled \$(879,254). The total change in net assets for both funds was an increase of \$430,455 and an increase of \$168,884 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of Chowan County’s business-type activities.

Capital Asset and Debt Administration

Capital assets. Chowan County’s capital assets for its governmental and business – type activities as of June 30, 2007, totals \$34,431,877 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, and water system.

Major capital asset transactions during the year include:

- Purchased lighting for Fisher Ball Field
- Purchased new vehicles and equipment for the Sheriff’s Department
- Construction of Public Safety Center
- Renovation of Library
- Purchased new ambulance
- Sale of old elementary school properties
- Completed water well generators

**Chowan County’s Capital Assets
(net of depreciation)**

Figure 4

| | Governmental Activities | | Business-type Activities | | Total | Total |
|-------------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Land | \$ 3,276,721 | \$ 3,239,489 | \$ 98,347 | \$ 98,347 | \$ 3,375,068 | \$ 3,337,836 |
| Buildings and improvements | 22,822,367 | 19,147,719 | - | - | 22,822,367 | 19,147,719 |
| Machinery and equipment | 1,955,963 | 2,071,916 | 272,121 | 200,029 | 2,228,084 | 2,271,945 |
| Water system | - | - | 6,006,358 | 6,031,018 | 6,006,358 | 6,031,018 |
| Total | \$ 28,055,051 | \$ 24,459,124 | \$ 6,376,826 | \$ 6,329,394 | \$ 34,431,877 | \$ 30,788,518 |

Additional information on the County's capital assets can be found in note III. 5. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2007, Chowan County had total debt outstanding of \$29,204,145, of which \$295,000 is debt backed by the full faith and credit of the County.

**Chowan County's Outstanding Debt
Figure 5**

| | Governmental Activities | | Business-type Activities | | Total | Total |
|---------------------------------|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| General obligation bonds | \$ 263,744 | \$ 491,727 | \$ 31,256 | \$ 58,273 | \$ 295,000 | \$ 550,000 |
| Hospital revenue bonds and note | 2,106,501 | 2,595,826 | - | - | 2,106,501 | 2,595,826 |
| Installment purchases | 26,209,390 | 13,843,204 | 165,110 | 149,675 | 26,374,500 | 13,992,879 |
| Water system expansion note | - | - | 428,144 | 642,430 | 428,144 | 642,430 |
| | <u>\$ 28,579,635</u> | <u>\$ 16,930,757</u> | <u>\$ 624,510</u> | <u>\$ 850,378</u> | <u>\$ 29,204,145</u> | <u>\$ 17,781,135</u> |

Chowan County's total debt increased by \$11,423,010 (64.24 percent) during the past fiscal year. The increase is due to the issuance of additional installment purchases of \$13,845,250, which was offset by regularly scheduled principal payments.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Chowan County is \$77,812,934. The County has no bonds authorized but un-issued at June 30, 2007.

Additional information regarding Chowan County's long-term debt can be found in note III.B.7. beginning on page 45 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- The unemployment rate for fiscal year 2007 averaged 6.26% as compared with a statewide average of 4.75%. For fiscal year 2006, this rate averaged 4.69%. The unemployment rate increase is due to the closing of two textile businesses, United Piece and Dye Works and George C. Moore.
- The County's other businesses, Albemarle Boats, Carolina Classic Boats and Regulator Marine (boat manufacturers), Seabrook, and Jimbo Jumbo continue to operate at capacity. Higher commodity prices have benefitted the agri-business community and as referenced earlier, the County continues to enjoy strong second home growth.
- Tourism and retail continue to expand. Groundbreaking is anticipated for a new retail shopping center, Edenton Commons, in close proximity to US 17.

Budget Highlights for the Fiscal Year Ending June 30, 2008

Governmental Activities: The Fiscal Year 2008 budget reflects limited expansion in General Fund services. The Board of Education received a 5% increase in Current Expense funding to provide teacher supplements and to supplant losses in federal and state funding. The County experienced a \$76,000 increase in Worker's Compensation and Property and Liability premiums and allocated \$500,000 for the construction of a new athletic complex. Additional funding, most notably \$540,000, was included to complete the Library addition and purchase furniture and equipment at that new facility. Funding was also included to add two new positions, a Sheriff Deputy to serve as an SRO at the elementary schools and an adult Medicaid caseworker with the Department of Social Services. Employees received a 2% cost of living increase and a 5% increase in medical insurance.

Business – type Activities: The County will continue to strive aggressively to reduce deficits in the EMS and Solid Waste Funds by increasing revenues and/or reducing expenses. As mentioned earlier, revenues for the water system continue to exceed expenses. The emphasis now is to establish a \$1 million fund balance in the Water Fund in addition to the monies collected from the impact fee.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Chowan County, PO Box 1030, Edenton, NC 27932.

Chowan County, North Carolina
Statement of Net Assets
June 30, 2007

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|----------------------|-------------------------------|
| | Governmental Activities | Business-type Activities | Total | Chowan County ABC Board |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,202,455 | \$ 248,705 | \$ 3,451,160 | \$ 128,666 |
| Receivables (net) | 3,856,408 | 663,186 | 4,519,594 | - |
| Due from fiduciary funds | 315,058 | 2,500 | 317,558 | - |
| Internal balances | 1,962,680 | (1,962,680) | - | - |
| Inventories | - | 14,039 | 14,039 | 130,283 |
| Prepaid items | - | - | - | 2,734 |
| Restricted cash and cash equivalents | 10,297,749 | - | 10,297,749 | - |
| Capital assets: | | | | |
| Land | 3,276,721 | 98,347 | 3,375,068 | 26,135 |
| Other capital assets, net of depreciation | 24,778,330 | 6,278,479 | 31,056,809 | 491,285 |
| Total capital assets | <u>28,055,051</u> | <u>6,376,826</u> | <u>34,431,877</u> | <u>517,420</u> |
| Total assets | <u>47,689,401</u> | <u>5,342,576</u> | <u>53,031,977</u> | <u>779,103</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | 549,983 | 28,467 | 578,450 | 83,353 |
| Unearned revenue | 105,313 | - | 105,313 | - |
| Accrued interest payable | 366,135 | 8,143 | 374,278 | - |
| Customer deposits | - | 68,921 | 68,921 | - |
| Long-term liabilities: | | | | |
| Due within one year | 2,068,576 | 317,655 | 2,386,231 | 15,467 |
| Due in more than one year | 26,931,931 | 368,029 | 27,299,960 | 289,352 |
| Total liabilities | <u>30,021,938</u> | <u>791,215</u> | <u>30,813,153</u> | <u>388,172</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 18,818,441 | 5,748,486 | 24,566,927 | 212,601 |
| Restricted for: | | | | |
| Other purposes | - | - | - | 31,916 |
| Unrestricted (deficit) | (1,150,978) | (1,197,125) | (2,348,103) | 146,414 |
| Total net assets | <u>\$ 17,667,463</u> | <u>\$ 4,551,361</u> | <u>\$ 22,218,824</u> | <u>\$ 390,931</u> |

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

**Chowan County, North Carolina
Statement of Activities
For the Year Ended June 30, 2007**

| Functions/Programs | Program Revenues | | | |
|-----------------------------------|-------------------------|--|--|------------|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 4,037,721 | \$ 240,679 | \$ - | \$ 15,448 |
| Public safety | 3,998,578 | 426,606 | 210,350 | 8,109 |
| Transportation | 25,000 | - | 104,420 | - |
| Economic and physical development | 633,366 | - | 37,047 | - |
| Environmental Protection | 1,109,680 | 808,925 | 130,659 | - |
| Human services | 4,593,588 | - | 2,157,200 | - |
| Cultural and recreation | 1,071,705 | 80,399 | 125,235 | 59,800 |
| Education | 4,895,834 | - | 253,003 | - |
| Interest on long-term debt | 1,038,838 | - | - | - |
| Total governmental activities | 21,404,310 | 1,556,609 | 3,017,914 | 83,357 |
| Business-type activities: | | | | |
| Water Fund | 1,074,155 | 1,479,081 | - | 82,132 |
| Emergency Management | 1,340,989 | 1,005,894 | - | 20,584 |
| Total business-type activities | 2,415,144 | 2,484,975 | - | 102,716 |
| | \$ 23,819,454 | \$ 4,041,584 | \$ 3,017,914 | \$ 186,073 |
| Component units: | | | | |
| Chowan County ABC Board | \$ 815,689 | \$ 831,430 | \$ - | \$ - |
| Total component units | \$ 815,689 | \$ 831,430 | \$ - | \$ - |

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Grants and contributions not restricted to specific programs

Investment earnings, unrestricted

Miscellaneous, unrestricted

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets-beginning

Net assets-ending

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

Exhibit 2

| Net (Expense) Revenue and Changes in Net Assets | | | | |
|---|--------------------------|----------------|-------------------------|--------|
| Primary Government | | | Component Unit | |
| Governmental Activities | Business-type Activities | Total | Chowan County ABC Board | |
| (3,781,594) | \$ - | \$ (3,781,594) | | |
| (3,353,513) | - | (3,353,513) | | |
| 79,420 | - | 79,420 | | |
| (596,319) | - | (596,319) | | |
| (170,096) | - | (170,096) | | |
| (2,436,388) | - | (2,436,388) | | |
| (806,271) | - | (806,271) | | |
| (4,642,831) | - | (4,642,831) | | |
| (1,038,838) | - | (1,038,838) | | |
| (16,746,430) | - | (16,746,430) | | |
| - | 487,058 | 487,058 | | |
| - | (314,511) | (314,511) | | |
| - | 172,547 | 172,547 | | |
| (16,746,430) | 172,547 | (16,573,883) | | |
| | | | \$ | 15,741 |
| | | | | 15,741 |
| 7,518,820 | - | 7,518,820 | - | |
| 3,419,131 | - | 3,419,131 | - | |
| 765,975 | - | 765,975 | - | |
| 226,139 | - | 226,139 | - | |
| 699,253 | 45,250 | 744,503 | 5,649 | |
| 447,655 | - | 447,655 | 2,748 | |
| (381,542) | 381,542 | - | - | |
| 12,695,431 | 426,792 | 13,122,223 | 8,397 | |
| (4,050,999) | 599,339 | (3,451,660) | 24,138 | |
| 21,718,462 | 3,952,022 | 25,670,484 | 366,793 | |
| \$ 17,667,463 | \$ 4,551,361 | \$ 22,218,824 | \$ 390,931 | |

**Chowan County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2007**

| | Major | | | Non-Major | | Total Governmental Funds |
|--|----------------------|--------------------|---|---|--------------------------------|--------------------------------|
| | General | Sanitation Fund | Consolidated Capital Project Fund | Public Safety Building Capital Project Fund | Other Governmental Funds | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 3,097,434 | \$ - | \$ - | \$ - | \$ 105,021 | \$ 3,202,455 |
| Receivables, net | 3,484,484 | - | - | 100,731 | 271,193 | 3,856,408 |
| Due from other funds | 6,957,600 | - | - | - | - | 6,957,600 |
| Restricted cash and cash equivalents | - | - | - | 7,536,324 | 2,761,425 | 10,297,749 |
| Total assets | \$ 13,539,518 | \$ - | \$ - | \$ 7,637,055 | \$ 3,137,639 | \$ 24,314,212 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued liabilities | \$ 420,934 | \$ 87,477 | \$ - | \$ - | \$ 41,572 | \$ 549,983 |
| Due to other funds | - | 1,398,024 | 2,235,444 | 381,258 | 665,135 | 4,679,861 |
| Deferred revenue | 2,642,978 | - | - | - | 12,334 | 2,655,312 |
| Total liabilities | 3,063,912 | 1,485,501 | 2,235,444 | 381,258 | 719,041 | 7,885,156 |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | |
| State statute | 7,344,103 | - | - | 100,731 | 260,724 | 7,705,558 |
| Capital projects | - | - | - | 7,536,324 | 2,761,425 | 10,297,749 |
| Unreserved: | | | | | | |
| Designated for health care | 3,131,503 | - | - | - | - | 3,131,503 |
| Unreserved | - | (1,485,501) | (2,235,444) | (381,258) | - | (4,102,203) |
| Unreserved, reported in nonmajor: | | | | | | |
| Special revenue funds | - | - | - | - | (299,080) | (299,080) |
| Capital projects funds | - | - | - | - | (304,471) | (304,471) |
| Total fund balances | 10,475,606 | (1,485,501) | (2,235,444) | 7,255,797 | 2,418,598 | 16,429,056 |
| Total liabilities and fund balances | \$ 13,539,518 | \$ - | \$ - | \$ 7,637,055 | \$ 3,137,639 | |

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

| | |
|---|-----------------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 28,055,051 |
| Liabilities for earned but deferred revenues in fund statements. | 2,549,998 |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | <u>(29,366,642)</u> |
| Net assets of governmental activities | <u>\$ 17,667,463</u> |

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

Chowan County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2007

| | Major | | | Non-Major | | Total Governmental Funds |
|---|---------------|--------------------|---|--|--------------------------------|--------------------------------|
| | General Fund | Sanitation Fund | Consolidated Capital Project Fund | Public Safety Building Capital Project Fund | Other Governmental Funds | |
| REVENUES | | | | | | |
| Ad valorem taxes | \$ 7,285,053 | \$ - | \$ - | \$ - | \$ 432,519 | \$ 7,717,572 |
| Local option sales taxes | 2,469,773 | - | - | - | 949,358 | 3,419,131 |
| Other taxes and licenses | 647,562 | - | - | 100,731 | 75,163 | 823,456 |
| Unrestricted intergovernmental | 107,876 | - | - | - | - | 107,876 |
| Restricted intergovernmental | 2,808,660 | - | - | - | 419,381 | 3,228,041 |
| Permits and fees | 322,376 | - | - | - | - | 322,376 |
| Sales and services | 384,831 | 808,925 | - | - | 118,264 | 1,312,020 |
| Investment earnings | 467,094 | - | - | 134,793 | 97,366 | 699,253 |
| Miscellaneous | 548,330 | 179,954 | - | - | 10,817 | 739,101 |
| Total revenues | 15,041,555 | 988,879 | - | 235,524 | 2,102,868 | 18,368,826 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 3,581,431 | - | - | - | - | 3,581,431 |
| Public safety | 3,302,488 | - | - | - | 490,864 | 3,793,352 |
| Transportation | 25,000 | - | - | - | - | 25,000 |
| Environmental protection | 75,251 | 973,451 | - | - | - | 1,048,702 |
| Economic and physical development | 501,171 | - | - | - | 146,576 | 647,747 |
| Human services | 4,602,081 | - | - | - | - | 4,602,081 |
| Cultural and recreational | 1,185,448 | - | - | - | - | 1,185,448 |
| Intergovernmental: | | | | | | |
| Education | 3,885,589 | - | - | - | 375,000 | 4,260,589 |
| Capital outlay | - | - | - | 3,317,168 | 1,835,217 | 5,152,385 |
| Debt service: | | | | | | |
| Principal | 933,697 | 236,158 | - | - | 926,295 | 2,096,150 |
| Interest | 280,101 | 33,773 | - | 240,992 | 496,224 | 1,051,090 |
| Total expenditures | 18,372,257 | 1,243,382 | - | 3,558,160 | 4,270,176 | 27,443,975 |
| Revenues over (under) expenditures | (3,330,702) | (254,503) | - | (3,322,636) | (2,167,308) | (9,075,149) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers from other funds | 111,000 | 187,674 | 84,784 | - | 1,697,181 | 2,080,639 |
| Transfers to other funds | (1,373,768) | - | - | - | (1,088,413) | (2,462,181) |
| Installment purchases issued | 189,465 | - | - | 10,956,600 | 2,598,000 | 13,744,065 |
| Sale of fixed assets | 70,060 | - | - | - | - | 70,060 |
| Lease payments | 489,325 | - | - | - | - | 489,325 |
| Total other financing sources and uses | (513,918) | 187,674 | 84,784 | 10,956,600 | 3,206,768 | 13,921,908 |
| Net change in fund balance | (3,844,620) | (66,829) | 84,784 | 7,633,964 | 1,039,460 | 4,846,759 |
| Fund balances-beginning | 14,320,226 | (1,418,672) | (2,320,228) | (378,167) | 1,379,138 | 11,582,297 |
| Fund balances-ending | \$ 10,475,606 | \$ (1,485,501) | \$ (2,235,444) | \$ 7,255,797 | \$ 2,418,598 | \$ 16,429,056 |

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

Chowan County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2007

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

| | |
|--|------------------------------|
| Net changes in fund balances - total governmental funds | \$ 4,846,759 |
| 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. This is the amount by which capital outlays exceeded depreciation in the current period | 3,973,664 |
| Loss on disposal of capital assets, not recognized on modified accrual basis | (377,740) |
| Revenues in the governmental funds that provide current financial resources are not reported as revenues in the statement of activities | (833,236) |
| 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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (11,647,915) |
| 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. | <u>(12,531)</u> |
| Total changes in net assets of governmental activities | <u><u>\$ (4,050,999)</u></u> |

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

Chowan County, North Carolina
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | General Fund | | | Variance With Final Positive (Negative) |
|---|---------------------|-------------------|----------------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 7,212,895 | \$ 7,609,360 | \$ 7,285,053 | \$ (324,307) |
| Local option sales tax | 2,853,932 | 2,853,932 | 2,469,773 | (384,159) |
| Other taxes and licenses | 1,973,391 | 1,923,556 | 647,562 | (1,275,994) |
| Unrestricted intergovernmental | 105,000 | 141,000 | 107,876 | (33,124) |
| Restricted intergovernmental | 2,774,710 | 3,419,793 | 2,808,660 | (611,133) |
| Permits and fees | 350,000 | 481,570 | 322,376 | (159,194) |
| Sales and services | 275,000 | 491,391 | 384,831 | (106,560) |
| Investment earnings | 1,526,039 | 1,721,979 | 467,094 | (1,254,885) |
| Miscellaneous | 1,031,650 | 674,094 | 548,330 | (125,764) |
| Total revenues | <u>18,102,617</u> | <u>19,316,675</u> | <u>15,041,555</u> | <u>(4,275,120)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,773,681 | 3,966,481 | 3,581,431 | 385,050 |
| Public safety | 3,178,418 | 3,333,560 | 3,302,488 | 31,072 |
| Transportation | 30,586 | 30,586 | 25,000 | 5,586 |
| Environmental protection | 29,440 | 79,605 | 75,251 | 4,354 |
| Economic and physical development | 451,929 | 594,535 | 501,171 | 93,364 |
| Human services | 4,549,931 | 4,706,432 | 4,602,081 | 104,351 |
| Cultural and recreational | 1,197,591 | 1,208,980 | 1,185,448 | 23,532 |
| Intergovernmental: | | | | |
| Education | 3,574,350 | 3,885,598 | 3,885,589 | 9 |
| Debt service: | | | | |
| Principal retirement | - | 934,436 | 933,697 | 739 |
| Interest and other charges | - | 280,101 | 280,101 | - |
| Total expenditures | <u>16,785,926</u> | <u>19,020,314</u> | <u>18,372,257</u> | <u>648,057</u> |
| Revenues over (under) expenditures | <u>1,316,691</u> | <u>296,361</u> | <u>(3,330,702)</u> | <u>(3,627,063)</u> |
| Other financing sources (uses): | | | | |
| Transfers to other funds | (2,480,664) | (2,393,809) | (2,366,741) | 27,068 |
| Transfers from other funds | 1,163,973 | 1,103,973 | 1,103,973 | - |
| Proceeds from installment purchases | - | 204,150 | 189,465 | (14,685) |
| Lease payments | - | 489,325 | 489,325 | - |
| Appropriated fund balance | - | - | - | - |
| Sale of fixed assets | - | 300,000 | 70,060 | (229,940) |
| Total other financing sources (uses) | <u>(1,316,691)</u> | <u>(296,361)</u> | <u>(513,918)</u> | <u>(217,557)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ -</u> | <u>(3,844,620)</u> | <u>\$ (3,844,620)</u> |
| Fund balances: | | | | |
| Beginning of year, July 1 | | | <u>14,320,226</u> | |
| End of year, June 30 | | | <u>\$ 10,475,606</u> | |

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

Exhibit 5

| Sanitation Fund | | | |
|------------------------|------------------|-----------------------|--|
| Original Budget | Final Budget | Actual | Variance With Final Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 875,644 | 875,644 | 808,925 | (66,719) |
| - | - | - | - |
| - | - | 179,954 | 179,954 |
| <u>875,644</u> | <u>875,644</u> | <u>988,879</u> | <u>113,235</u> |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 992,661 | 1,063,318 | 973,451 | 89,867 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | 236,158 | (236,158) |
| - | - | 33,773 | (33,773) |
| <u>992,661</u> | <u>1,063,318</u> | <u>1,243,382</u> | <u>(180,064)</u> |
| <u>(117,017)</u> | <u>(187,674)</u> | <u>(254,503)</u> | <u>(66,829)</u> |
| - | - | - | - |
| 117,017 | 187,674 | 187,674 | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>117,017</u> | <u>187,674</u> | <u>187,674</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>(66,829)</u> | <u>\$ (66,829)</u> |
| | | <u>(1,418,672)</u> | |
| | | <u>\$ (1,485,501)</u> | |

Chowan County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2007

| | <u>Major</u> | <u>Non-Major</u> | |
|---|---------------------|---------------------|---------------------|
| | | <u>Emergency</u> | |
| | <u>Water Fund</u> | <u>Management</u> | <u>Total</u> |
| | | <u>Fund</u> | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 248,705 | \$ - | \$ 248,705 |
| Receivables, net | 370,968 | 292,218 | 663,186 |
| Due from other funds | 2,500 | - | 2,500 |
| Inventories | 14,039 | - | 14,039 |
| Total current assets | <u>636,212</u> | <u>292,218</u> | <u>928,430</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land | 98,347 | - | 98,347 |
| Debt acquisition costs - unamortized | 3,829 | - | 3,829 |
| Other capital assets, net of depreciation | 6,049,611 | 225,039 | 6,274,650 |
| Total noncurrent assets | <u>6,151,787</u> | <u>225,039</u> | <u>6,376,826</u> |
| Total assets | <u>6,787,999</u> | <u>517,257</u> | <u>7,305,256</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accrued expenses | 28,079 | 8,531 | 36,610 |
| Customer deposits | 68,921 | - | 68,921 |
| Due to other funds | 838,358 | 1,124,322 | 1,962,680 |
| Current portion of long-term debt | 230,898 | 86,757 | 317,655 |
| Total current liabilities | <u>1,166,256</u> | <u>1,219,610</u> | <u>2,385,866</u> |
| Noncurrent liabilities: | | | |
| Accrued vacation pay | 22,554 | 38,619 | 61,173 |
| Noncurrent portion of long-term debt | 242,366 | 64,490 | 306,856 |
| Total noncurrent liabilities | <u>264,920</u> | <u>103,109</u> | <u>368,029</u> |
| Total liabilities | <u>1,431,176</u> | <u>1,322,719</u> | <u>2,753,895</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 5,674,694 | 73,792 | 5,748,486 |
| Unrestricted | (317,869) | (879,254) | (1,197,123) |
| Total net assets | <u>\$ 5,356,823</u> | <u>\$ (805,462)</u> | <u>\$ 4,551,361</u> |

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

Chowan County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

| | <u>Major</u> | <u>Non-Major</u> | |
|--|---------------------|---------------------|---------------------|
| | | <u>Emergency</u> | |
| | <u>Water Fund</u> | <u>Management</u> | <u>Fund</u> |
| | | | <u>Total</u> |
| OPERATING REVENUES | | | |
| Charges for services | \$ 1,271,372 | \$ 997,750 | \$ 2,269,122 |
| Other operating revenues | 207,709 | 8,144 | 215,853 |
| Total operating revenues | <u>1,479,081</u> | <u>1,005,894</u> | <u>2,484,975</u> |
| OPERATING EXPENSES | | | |
| Salaries and employee benefits | 288,505 | 1,000,889 | 1,289,394 |
| Other operating expenses | 481,971 | 260,080 | 742,051 |
| Depreciation | 266,303 | 74,711 | 341,014 |
| Total operating expenses | <u>1,036,779</u> | <u>1,335,680</u> | <u>2,372,459</u> |
| Operating income (loss) | <u>442,302</u> | <u>(329,786)</u> | <u>112,516</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest earned on investments | 44,397 | 853 | 45,250 |
| Interest expense and fees | (37,376) | (5,309) | (42,685) |
| Net nonoperating revenues (expenses) | <u>7,021</u> | <u>(4,456)</u> | <u>2,565</u> |
| Income (loss) before contributions and transfers | <u>449,323</u> | <u>(334,242)</u> | <u>115,081</u> |
| Capital contributions | 82,132 | 20,584 | 102,716 |
| Transfers (to) from other funds | <u>(101,000)</u> | <u>482,542</u> | <u>381,542</u> |
| Change in net assets | <u>430,455</u> | <u>168,884</u> | <u>599,339</u> |
| Total net assets - beginning | 4,926,368 | (974,346) | 3,952,022 |
| Total net assets - ending | <u>\$ 5,356,823</u> | <u>\$ (805,462)</u> | <u>\$ 4,551,361</u> |

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

Chowan County, North Carolina
Statement of Cash Flows
Proprietary Funds
For The Fiscal Year Ended June 30, 2007

| | <u>Major</u> | <u>Non-Major</u> | |
|---|-------------------|-------------------|-------------------|
| | <u>Water</u> | <u>Emergency</u> | |
| | <u>Fund</u> | <u>Management</u> | <u>Total</u> |
| | <u>Fund</u> | <u>Fund</u> | |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 1,257,278 | \$ 889,053 | \$ 2,146,331 |
| Cash paid for goods and services | (458,552) | (247,525) | (706,077) |
| Cash paid to employees for services | (287,996) | (990,880) | (1,278,876) |
| Customer deposits - net | 5,763 | - | 5,763 |
| Other operating revenue | 207,709 | 8,144 | 215,853 |
| Net cash provided by operating activities | <u>724,202</u> | <u>(341,208)</u> | <u>382,994</u> |
| Cash flows from noncapital financing activities | | | |
| Transfers in (out) | <u>(101,000)</u> | <u>482,542</u> | <u>381,542</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition and construction of capital assets | (256,645) | (133,197) | (389,842) |
| Principal paid on bond maturities and equipment contracts | (247,883) | (79,170) | (327,053) |
| Interest paid on bond maturities and equipment contracts | (37,424) | (5,309) | (42,733) |
| Proceeds from issuance of long-term debt | 16,092 | 85,094 | 101,186 |
| Capital contributions - grants | 82,132 | 20,584 | 102,716 |
| Loans from other funds | (50,779) | (30,189) | (80,968) |
| Net cash used by capital and related financing activities | <u>(494,507)</u> | <u>(142,187)</u> | <u>(636,694)</u> |
| Cash flows from investing activities: | | | |
| Interest on investments | <u>44,397</u> | <u>853</u> | <u>45,250</u> |
| Net increase (decrease) in cash and cash equivalents | 173,092 | - | 173,092 |
| Cash and cash equivalents, July 1 | <u>75,613</u> | <u>-</u> | <u>75,613</u> |
| Cash and cash equivalents, June 30 | <u>\$ 248,705</u> | <u>\$ -</u> | <u>\$ 248,705</u> |

(continued)

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

Chowan County, North Carolina
Statement of Cash Flows
Proprietary Funds
For The Fiscal Year Ended June 30, 2007

| Reconciliation of operating income to net cash provided by operating activities: | <u>Major</u> | <u>Non-Major</u> | |
|---|-------------------|---------------------|-------------------|
| | <u>Water</u> | <u>Emergency</u> | <u>Total</u> |
| | <u>Fund</u> | <u>Management</u> | |
| | <u>Fund</u> | <u>Fund</u> | <u>Total</u> |
| Operating income | \$ 442,302 | \$ (329,786) | \$ 112,516 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 266,303 | 74,711 | 341,014 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (14,095) | (108,697) | (122,792) |
| (Increase) decrease in inventory | 30 | - | 30 |
| Increase (decrease) in accounts payable and accrued liabilities | 23,390 | 12,555 | 35,945 |
| Increase (decrease) in customer deposits | 5,763 | - | 5,763 |
| Increase (decrease) in accrued vacation pay | 509 | 10,009 | 10,518 |
| Total adjustments | <u>281,900</u> | <u>(11,422)</u> | <u>270,478</u> |
| Net cash provided by operating activities | <u>\$ 724,202</u> | <u>\$ (341,208)</u> | <u>\$ 382,994</u> |

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

Exhibit 9

Chowan County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

| | <u>Agency Funds</u> |
|-----------------------------------|-------------------------|
| Assets | |
| Cash and cash equivalents | \$ 231,547 |
| Accounts receivable | <u>312,165</u> |
| | <u>\$ 543,712</u> |
| Liabilities and Net Assets | |
| Liabilities: | |
| Accounts payable | \$ 226,154 |
| Due to other funds | <u>317,558</u> |
| Total liabilities | <u>\$ 543,712</u> |

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

Chowan County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The County appoints the members of the ABC Board's governing board. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it is a separate proprietary fund of the County (discrete presentation).

Complete financial statements for the individual component unit may be obtained at the administrative office of that entity:

Chowan County ABC Board
PO Box 88
Edenton, NC 27932

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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 County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental funds:

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

Sanitation Fund. This is a special revenue fund that accounts for the collection and disposal of solid waste.

Consolidated Capital Project Fund. This is a capital project fund that accounts for various capital projects.

Public Safety Building Capital Project Fund. This fund accounts for the construction of a new Public Safety Center/Emergency Operations Center.

The County reports the following major enterprise funds:

Chowan County Water Fund. This fund is used to account for the operations of the water system within the County.

Emergency Management Fund. This fund is used to account for the operations of the emergency management services within the County.

The County reports the following fund type:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Protective Payees Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Consolidated Health Fund is used to account for a regional self-insurance program; the County is fiscal agent for the Edenton-Chowan Development Corporation, a not-for-profit corporation; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Chowan County Board of Education and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Fireman's Relief Fund, which provides relief to firemen and/or

their families who may be injured, killed, or rendered sick in the actual discharge of duty as firemen; the Old Courthouse Gala Fund is used to account for the Edenton Historical Commission's fundraiser for the old courthouse; the County is fiscal agent for the Albemarle Learning Center, a not-for-profit corporation; the EHC Cannon Fund, which is used to account for the Edenton Historical Commission's restoring of the original Edenton Bell Battery Cannon; and the Peace for Families Fund, which is used to account for donations for domestic violence victims' assistance.

Measurement Focus, Basis of Accounting

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Chowan County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2007 registration renewals will vary from 7 to 18 months after December 31, 2006. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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

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

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the School Capital Reserve, the Emergency Telephone, Fire District, Revaluation, Occupancy Tax Assessment, School Capital Project, Isabel Recovery, and Sanitation Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the NC Housing Finance Agency Project Fund, CDBG, and CWMTF – Country Club Special Revenue Funds and the Capital Projects 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 the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were

necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the County, and Chowan County ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The County and the ABC Board's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Restricted Assets

The unexpended debt proceeds for the construction of the Public Safety Center and construction/renovation of the Shepard-Pruden Library and John A. Holmes High School are classified as restricted assets within the corresponding capital project fund because their use is restricted for construction/renovation.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2006. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances 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. Inventories

The inventories of the County and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory of the County's enterprise funds as well as those of the ABC Board consists of materials and supplies held for consumption. The cost of the inventory carried in the County's enterprise funds and that of the ABC Board is recorded as an expense as it is consumed or sold.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

| | <u>Years</u> |
|------------------------|--------------|
| Buildings and Wells | 40 |
| Lighting | 15 |
| Furniture and Firearms | 7 |
| Vehicles | 5 |
| Office equipment | 5 |

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

| | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 10 – 40 |
| Building improvements | 6 – 10 |
| Store equipment | 6 – 10 |
| Office equipment | 5 |

8. Long-term Obligations

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

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

9. Compensated Absences

The vacation policies of the County and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. For the ABC Board, the amount of accumulated vacation pay is not considered material, and therefore no accrual has been made as of June 30, 2007.

The sick leave policies of the County and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Reserved

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

Reserved for capital projects – portion of fund balance which is not available for appropriation. This amount represents unexpended debt proceeds for the construction of the Public Safety Center, Library renovation, and John A. Holmes High School renovation.

Unreserved

Designated - portion of total fund balance available for appropriation, which has been designated for health care.

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

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$1,238,407 consists of several elements as follows:

| Description | Amount |
|--|---------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column) | \$ 36,627,191 |
| Less accumulated depreciation | (8,572,140) |
| Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide | 2,549,998 |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements: | |
| Bonds, leases, and installment financing | (28,579,635) |
| Compensated absences | (420,872) |
| Accrued interest payable | (366,135) |
| Total adjustment | <u>\$ 1,238,407</u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(8,897,758) as follows:

| Description | Amount |
|--|-----------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities | \$ 5,089,554 |
| Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements. | (1,115,890) |
| Loss on disposal of capital assets, not recognized on modified accrual basis | (377,740) |
| New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets | (13,744,065) |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again only affect the statement of net assets in the government-wide statements | 2,096,150 |
| Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements: | |
| Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual) | 12,252 |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources | (24,783) |
| Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements: | |
| Reversal of deferred lease payments recorded at 7/1/06 | (2,958,150) |
| Recording of deferred lease payments in the fund statements as of 6/30/07 | 2,343,542 |
| Reversal of deferred tax revenue recorded at 7/1/06 | (371,682) |
| Recording of tax receipts deferred in the fund statements as of 6/30/07 | 172,930 |
| Reversal of deferred grant revenue recorded at of 7/1/06 | (18,332) |
| Current year collections of special assessments recorded as revenue in the fund statements this year but in the government-wide statements in the year they were assessed. | (1,544) |
| | <u>\$ (8,897,758)</u> |

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Net Assets of Individual Funds

The following funds have deficit fund balances as of June 30, 2007:

| | |
|------------------------------------|-------------|
| Occupancy Tax Fund | \$ 133 |
| Fire District Fund | \$ 112,190 |
| Sanitation Fund | \$1,485,501 |
| Emergency Management Fund | \$ 805,462 |
| CDBG Fund | \$ 2,682 |
| D. F. Walker Gym Renovation Fund | \$ 79,368 |
| Isabel Recovery Fund | \$ 36,686 |
| Agriculture Building Addition Fund | \$ 39,700 |
| Consolidated Capital Project Fund | \$2,235,444 |

The Occupancy Tax Fund’s minor deficit is due to a delinquency by one of the main lodging establishment’s collections . Efforts are now underway to bring them current on delinquent occupancy taxes owed. The Fire District Fund continues to show improvement. It is anticipated that this fund balance will be positive as of 6/30/08. The Sanitation Fund continues to show improvement due to an aggressive recycling program. It is anticipated that an improvement of \$200,000 will be realized this fiscal year. The Emergency Management Fund that shows the operations of EMS services will also show a significant improvement on 6/30/08. As of 12/31/07, this fund was cash flow positive. D.F. Walker Gym Renovation Fund showed a deficit due to the failure to transfer the General Fund appropriation which will be included this fiscal year. An appropriation will be made this fiscal year to cover the deficit in the Isabel Recovery Fund. Agriculture Building Addition and the Consolidated Capital Project Funds are “being paid back” with \$200,000 appropriations from the General Fund.

B. Excess of Expenditures over Appropriations

The following funds had expenditures in excess of appropriations:

| | |
|---------------------------|------------|
| Sanitation Fund | \$ 180,064 |
| Emergency Management Fund | \$ 13,219 |

The budget has now been appropriately amended to reflect the increase of expenditures over appropriations.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's 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 County and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County and the ABC Board do not have policies regarding custodial credit risk for deposits.

At June 30, 2007, the County's deposits had a carrying amount of \$9,101,563 and a bank balance of \$9,725,007. Of the bank balance, \$429,096 was covered by federal depository insurance and \$9,295,911 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2007, Chowan County had \$2,050 cash on hand.

At June 30, 2007, the carrying amount of deposits for Chowan County ABC Board was \$127,966 and the bank balance was \$151,861. \$100,000 of the bank balance was covered by federal depository insurance and \$51,861 was covered by collateral held under the Pooling Method.

2. Investments

As of June 30, 2007, the County had the following investments and maturities:

| Investment Type | Fair Value | Less than | | | | | Over 20 years |
|---|---------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| | | 1 year | 1-5 years | 6-10 years | 11-15 years | 16-20 years | |
| US Government Treasuries | \$ 1,781,695 | \$ 239,828 | \$ 700,819 | \$ 841,048 | \$ - | \$ - | \$ - |
| US Government Agencies | 2,961,639 | 403,028 | 1,263,935 | 373,105 | 153,552 | 184,280 | 583,739 |
| NC Capital Management Trust - Cash Portfolio | 4,170 | N/A | N/A | N/A | N/A | N/A | N/A |
| NC Capital Management Trust - Term Portfolio | 134,419 | 134,419 | - | - | - | - | - |
| Total Investments | <u>\$ 4,881,923</u> | <u>\$ 777,275</u> | <u>\$ 1,964,754</u> | <u>\$ 1,214,153</u> | <u>\$ 153,552</u> | <u>\$ 184,280</u> | <u>\$ 583,739</u> |

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The County has no policy regarding credit risk. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2007. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in U.S.

Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Small Business Administration) are rated AAA.

Concentration of Credit Risk. The County places no limit on the amount the County may invest in any one issuer. More than 5% of the County’s investments are in Federal National Mortgage Association securities, Federal Home Loan Bank securities, Federal Home Loan Mortgage Corporation securities, and Small Business Administration securities. These investments are 26%, 9%, 9%, and 8%, respectively, of the County’s total investments.

At June 30, 2007, the ABC Board had no investments.

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

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

| Year Levied | Tax | Interest | Total |
|----------------|---------------------|-------------------|---------------------|
| 2004 | \$ 324,414 | \$ 108,679 | \$ 433,093 |
| 2005 | 350,312 | 85,826 | 436,138 |
| 2006 | 362,796 | 56,233 | 419,029 |
| 2007 | 470,406 | - | 470,406 |
| Total | <u>\$ 1,507,928</u> | <u>\$ 250,738</u> | <u>\$ 1,758,666</u> |

4. Receivables

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

| | Accounts | Taxes and Related Accrued Interest | Special Assessments | Due from Other Governments | Other | Total |
|----------------------------------|-------------------|---|--------------------------------|---|---------------------|---------------------|
| Governmental Activities: | | | | | | |
| General | \$ 461,137 | \$ 404,231 | \$ 33,527 | \$ 483,818 | \$ 2,343,542 | \$ 3,726,255 |
| Other Governmental | 83,503 | 21,318 | - | 277,952 | - | 382,773 |
| Total receivables | 544,640 | 425,549 | 33,527 | 761,770 | 2,343,542 | 4,109,028 |
| Allowance for doubtful accounts | - | (252,620) | - | - | - | (252,620) |
| Total-governmental activities | <u>\$ 544,640</u> | <u>\$ 172,929</u> | <u>\$ 33,527</u> | <u>\$ 761,770</u> | <u>\$ 2,343,542</u> | <u>\$ 3,856,408</u> |
| Business-type Activities | | | | | | |
| Water Fund | \$ 360,355 | \$ - | \$ - | \$ 10,614 | \$ - | \$ 370,969 |
| Emergency Management | 1,069,044 | - | - | 4,600 | - | 1,073,644 |
| Total receivables | 1,429,399 | - | - | 15,214 | - | 1,444,613 |
| Allowance for doubtful accounts | (781,427) | - | - | - | - | (781,427) |
| Total - business-type activities | <u>\$ 647,972</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,214</u> | <u>\$ -</u> | <u>\$ 663,186</u> |

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

| | |
|------------------------|-------------------|
| Local option sales tax | \$ 594,008 |
| Sales tax | 181,563 |
| Gas tax | 542 |
| Federal excise tax | <u>871</u> |
| Total | <u>\$ 776,984</u> |

5. Capital Assets

Primary Government

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|------------------|----------------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,239,489 | \$ 39,700 | \$ 2,468 | \$ 3,276,721 |
| Capital assets being depreciated: | | | | |
| Buildings | 24,169,605 | 4,609,460 | 414,940 | 28,364,125 |
| Equipment | 4,927,437 | 440,398 | 381,490 | 4,986,345 |
| Total capital assets being depreciated | <u>29,097,042</u> | <u>5,049,858</u> | <u>796,430</u> | <u>33,350,470</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 5,021,886 | 573,819 | 53,947 | 5,541,758 |
| Equipment | 2,855,521 | 542,071 | 367,210 | 3,030,382 |
| Total accumulated depreciation | <u>7,877,407</u> | <u>1,115,890</u> | <u>421,157</u> | <u>8,572,140</u> |
| Total capital assets being depreciated, net | <u>21,219,635</u> | | | <u>24,778,330</u> |
| Governmental activity capital assets, net | <u>\$ 24,459,124</u> | | | <u>\$ 28,055,051</u> |

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

| | |
|-----------------------------------|---------------------|
| General government | \$ 691,859 |
| Public safety | 300,555 |
| Environmental protection | 60,978 |
| Economic and physical development | 6,816 |
| Human services | 17,628 |
| Cultural and recreational | 38,054 |
| | <u>\$ 1,115,890</u> |

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|------------|------------|--------------------|
| Business-type activities: | | | | |
| Water Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 98,347 | \$ - | \$ - | \$ 98,347 |
| Capital assets being depreciated: | | | | |
| Plant and systems | 9,975,362 | 226,247 | - | 10,201,609 |
| Building and improvements | 27,456 | - | - | 27,456 |
| Equipment | 462,339 | 30,395 | - | 492,734 |
| Total capital assets being depreciated | 10,465,157 | 256,642 | - | 10,721,799 |
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 3,944,344 | 250,907 | - | 4,195,251 |
| Building and improvements | 27,456 | - | - | 27,456 |
| Equipment | 428,863 | 16,789 | - | 445,652 |
| Total accumulated depreciation | 4,400,663 | \$ 267,696 | \$ - | 4,668,359 |
| Total capital assets being depreciated, net | 6,064,494 | | | 6,053,440 |
| Water Fund capital assets, net | 6,162,841 | | | 6,151,787 |
| Emergency Management Fund | | | | |
| Capital assets being depreciated: | | | | |
| Building | 13,898 | - | - | 13,898 |
| Equipment | 921,140 | 133,197 | 109,912 | 944,425 |
| Total capital assets being depreciated | 935,038 | 133,197 | 109,912 | 958,323 |
| Less accumulated depreciation for: | | | | |
| Building | 13,898 | - | - | 13,898 |
| Equipment | 754,587 | 74,711 | 109,912 | 719,386 |
| Total accumulated depreciation | 768,485 | \$ 74,711 | \$ 109,912 | 733,284 |
| Total capital assets being depreciated, net | 166,553 | | | 225,039 |
| Emergency Management Fund capital assets, net | 166,553 | | | 225,039 |
| Business-type activities capital assets, net | \$ 6,329,394 | | | \$ 6,376,826 |

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2007, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|------------|-----------|--------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 26,135 | \$ - | \$ - | \$ 26,135 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 422,040 | \$ 162,239 | \$ - | \$ 584,279 |
| Furniture and equipment | 45,915 | 45,922 | - | 91,837 |
| Total capital assets being depreciated | 467,955 | 208,161 | - | 676,116 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 131,742 | 8,939 | - | 140,681 |
| Furniture and equipment | 35,588 | 8,562 | - | 44,150 |
| Total accumulated depreciation | 167,330 | 17,501 | - | 184,831 |
| Total capital assets being depreciated, net | 300,625 | | | 491,285 |
| ABC capital assets, net | <u>\$ 326,760</u> | | | <u>\$ 517,420</u> |

B. Liabilities

1. Payables

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

| | Vendors | Accrued Interest | Total |
|----------------------------------|-------------------|-------------------|-------------------|
| Governmental Activities: | | | |
| General | \$ 420,934 | \$ 29,994 | \$ 450,928 |
| Other Governmental | 129,049 | 336,141 | 465,190 |
| Total-governmental activities | <u>\$ 549,983</u> | <u>\$ 366,135</u> | <u>\$ 916,118</u> |
| Business-type Activities | | | |
| Water fund | \$ 20,043 | \$ 8,036 | \$ 28,079 |
| Emergency Management | 8,424 | 107 | 8,531 |
| Total - business-type activities | <u>\$ 28,467</u> | <u>\$ 8,143</u> | <u>\$ 36,610</u> |

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.11% of annual covered payroll. The contribution requirements of members and of Chowan County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$267,576, \$242,683 and \$227,279, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$3,680, \$3,130, and \$3,027, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Chowan County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

2. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions on a pay as you go basis. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The County has not obtained an actuarial valuation for the plan because its required contributions are considered immaterial. The County funds the plan on a pay as you go basis and records these payments as General Fund expenditures.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2007 were \$129,141, which consisted of \$39,236 from the County and \$89,905 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2007, the County's required and actual contributions were \$7,251.

e. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2007, the County made

contributions to the State for death benefits of \$6,396. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

f. Fireman’s and Rescue Squad Workers’ Pension Fund

Plan Description . The State of North Carolina contributes, on behalf of Chowan County, to the Fireman’s and Rescue Squad Worker’s Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fireman’s and Rescue Squad Workers’ Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

3. Closure and Postclosure Costs

State and federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. As indicated in Note V, the County participates in two joint ventures in connection with handling solid waste disposal – Perquimans -Chowan-Gates Waste Management and Albemarle Regional Solid Waste Authority.

The landfill under the Albemarle Regional Solid Waste Authority in which the County participates is under contract with a private contractor to maintain the landfill to meet environmental regulations. The private contractor has established a reserve fund to provide for closure and postclosure costs. The County believes this reserve to be adequate at this time.

4. Deferred / Unearned Revenues

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

| | Unearned or Deferred Revenue | Full Accrual Unearned Revenue |
|--|------------------------------------|-------------------------------------|
| Prepaid taxes not yet earned (General) | \$ 103,448 | \$ 103,448 |
| Prepaid taxes not yet earned (Special Revenue) | 1,865 | 1,865 |
| Taxes receivable, net (General) | 162,461 | - |
| Taxes receivable, net (Special Revenue) | 10,469 | - |
| Special assessments receivable, net (General) | 33,527 | - |
| Lease payments (General) | 2,343,542 | - |
| Total | \$ 2,655,312 | \$ 105,313 |

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in a self-funded risk-financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$32.1 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

The County carries flood insurance on only one of its buildings, the Shepard-Pruden Memorial Library. It is the only County building that is in a flood zone.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector are each individually bonded for \$250,000 each. The County Manager is individually covered for \$50,000, the Sheriff for \$25,000, and the Register of Deeds for \$15,000. The remaining employees that have access to funds are bonded under a blanket policy for \$250,000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

coverage. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

6. Contingent Liabilities

At June 30, 2007, the County and the ABC Board were not involved in any material litigation, claims, or assessments as confirmed with the entities’ attorneys.

7. Long-Term Obligations

a. Installment Purchases

D.F. Walker School

As authorized by State law [G.S.160A-20 and 153A-158.1], the County financed the construction of the D.F. Walker Elementary School for use by Edenton-Chowan County Board of Education during the fiscal year ended June 30, 2001 by installment purchase. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Edenton-Chowan County Board of Education that transfers the rights and responsibilities for maintenance of the property to the Board of Education. The lease contains an option to purchase at the termination of the financing agreement. The lease term is the same as that of the installment purchase obligation.

The installment purchase was executed on September 1, 2000 for the construction of D.F. Walker Elementary School. The transaction requires fifteen annual payments by the County. The principal amount was \$9,950,000. The payments over fifteen years total \$14,939,305, which includes interest at 5.51%.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|---------------------|
| | Principal | Interest |
| 2008 | \$ 650,000 | \$ 399,475 |
| 2009 | 775,000 | 363,660 |
| 2010 | 775,000 | 320,958 |
| 2011 | 775,000 | 278,255 |
| 2012 | 850,000 | 235,553 |
| 2013-2016 | 3,425,000 | 473,860 |
| Principal payments | <u>\$ 7,250,000</u> | |
| Total interest payments | | <u>\$ 2,071,761</u> |

Adult Day Health Center and Community Center

As authorized by state law [G.S. 160A-20], the County financed the construction of the Adult Day Health Center and the Chowan Community Center during the fiscal year ended June 30, 2001 by installment purchase. The installment purchase was issued pursuant to a deed of trust, which requires that legal title remain with the County as long as the debt is outstanding.

The installment purchase was executed on May 31, 2001 for the construction of the Adult Day Health Center and the Chowan Community Center. The transaction requires fifteen annual principal payments by the County of \$300,000 plus interest at 4.89%. The total principal amount was \$4,500,000. The payments over fifteen years total \$6,260,400.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2008 | \$ 300,000 | \$ 132,030 |
| 2009 | 300,000 | 117,360 |
| 2010 | 300,000 | 102,690 |
| 2011 | 300,000 | 88,020 |
| 2012 | 300,000 | 73,350 |
| 2013-2016 | 1,200,000 | 146,700 |
| Principal payments | <u>\$ 2,700,000</u> | |
| Total interest payments | | <u>\$ 660,150</u> |

Fire Trucks

In January 2003, the County entered into an installment purchase contract to finance the purchase of two fire trucks. The financing contract requires 60 monthly payments of \$6,799, including interest at 2.74%.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|---------------|
| | Principal | Interest |
| 2008 | \$ 32,010 | \$ 200 |
| Principal payments | <u>\$ 32,010</u> | |
| Total interest payments | | <u>\$ 200</u> |

911 Radio System

In December 2004, the County entered into an installment purchase contract to finance the purchase of a 911 radio system and dispatch servers. The financing contract requires 36 monthly payments of \$3,780, including interest at 2.91%.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|---------------|
| | Principal | Interest |
| 2008 | \$ 22,146 | \$ 190 |
| Principal payments | <u>\$ 22,146</u> | |
| Total interest payments | | <u>\$ 190</u> |

Sheriff's Vehicles and Old Courthouse Sound System

In January 2005, the County entered into an installment purchase contract to finance the purchase of 3 vehicles for the sheriff's department and a sound system for the old courthouse. The financing contract requires 36 monthly payments of \$2,708, including interest at 3.09%.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|---------------|
| | Principal | Interest |
| 2008 | \$ 18,848 | \$ 195 |
| Principal payments | <u>\$ 18,848</u> | |
| Total interest payments | | <u>\$ 195</u> |

Ambulance

In November 2004, the County entered into an installment purchase contract to finance the purchase of an ambulance. The financing contract requires 36 monthly payments of \$2,254, including interest at 2.91%.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Business-type Activities | |
|-------------------------|--------------------------|--------------|
| | Principal | Interest |
| 2008 | \$ 13,462 | \$ 82 |
| Principal payments | <u>\$ 13,462</u> | |
| Total interest payments | | <u>\$ 82</u> |

John A. Holmes High School

As authorized by State law [G.S.160A-20], the County financed the renovation of John A. Holmes High School for use by Edenton-Chowan County Board of Education during the fiscal year ended June 30, 2007 by installment purchase designated as a Qualified Zone Academy Bond. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Edenton-Chowan County Board of Education that transfers the rights and responsibilities for maintenance of the property to the Board of Education. The lease contains an option to purchase at the termination of the financing agreement. The lease term is the same as that of the installment purchase obligation.

The installment purchase was executed on July 20, 2005 for the renovation of John A. Holmes High School. The transaction requires nineteen annual payments by the County. The principal amount was \$2,000,000 with zero interest.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|-------------|
| | Principal | Interest |
| 2008 | \$ 103,573 | \$ - |
| 2009 | 103,573 | - |
| 2010 | 103,573 | - |
| 2011 | 103,573 | - |
| 2012 | 103,573 | - |
| 2013-2017 | 517,865 | - |
| 2018-2022 | 517,865 | - |
| 2023-2025 | 342,832 | - |
| Principal payments | <u>\$ 1,896,427</u> | |
| Total interest payments | | <u>\$ -</u> |

Landfill Convenience Centers Equipment

In July 2005, the County entered into an installment purchase contract to finance the purchase of equipment for the landfill convenience centers located in Chowan County and two surrounding counties. The convenience centers are managed by Albemarle Regional Health Services, which receives appropriations from Chowan County and the other two counties. The debt payments are being made by Albemarle Regional Health Services. Each county will contribute 1/3 of the amount of the annual payment each year. The financing contract requires four annual payments of \$134,965.54 and one final payment of \$131,656.89, including interest at 3.13%.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|------------------|
| | Principal | Interest |
| 2008 | 123,141 | 11,825 |
| 2009 | 126,995 | 7,971 |
| 2010 | 127,707 | 3,996 |
| Principal payments | <u>\$ 377,843</u> | |
| Total interest payments | | <u>\$ 23,792</u> |

Vehicles

In March 2006, the County entered into an installment purchase contract to finance the purchase of vehicles for various departments with in the County. The financing contract requires 36 monthly payments of \$6,100, including interest at 3.70%. Part of these payments are paid by the General Fund and part by the EMS Fund.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|---------------------|-------------------------|-----------------|--------------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2008 | \$ 39,644 | \$ 2,083 | \$ 30,369 | \$ 1,109 |
| 2009 | 34,837 | 563 | 13,427 | 107 |
| Total | <u>\$ 74,481</u> | <u>\$ 2,646</u> | <u>\$ 43,796</u> | <u>\$ 1,216</u> |

911 Software

In April 2006, the County entered into an installment purchase contract to finance the purchase of 911 software. The financing contract requires 36 monthly payments of \$4,966, including interest at 3.75%.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|-----------------|
| | Principal | Interest |
| 2008 | \$ 56,606 | \$ 2,987 |
| 2009 | 48,818 | 843 |
| Principal payments | <u>\$ 105,424</u> | |
| Total interest payments | | <u>\$ 3,830</u> |

EMS Boat

In October 2005, the County entered into an installment purchase contract to finance the purchase of an EMS boat. The financing contract requires 36 monthly payments of \$1,296, including interest at 3.71%.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Business-type Activities | |
|-------------------------|--------------------------|---------------|
| | Principal | Interest |
| 2008 | \$ 15,061 | \$ 495 |
| 2009 | 5,145 | 40 |
| Principal payments | <u>\$ 20,206</u> | |
| Total interest payments | | <u>\$ 535</u> |

Public Safety Center

As authorized by state law [G.S. 160A-20], the County financed the construction of the Public Safety Center during the fiscal year ended June 30, 2007 by the issuance of two installment purchases. The installment purchases were issued pursuant to a deed of trust, which requires that legal title remain with the County as long as the debt is outstanding.

The first installment purchase was executed on October 10, 2006 for the construction of the Public Safety Center. The transaction requires twenty-four monthly interest only payments at 3.76% and one final payment of all unpaid interest and principal due October 10, 2008. The total principal amount was \$6,956,600. The payments total \$7,501,534.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2008 | \$ - | \$ 261,560 |
| 2009 | 6,956,600 | 108,987 |
| Principal payments | <u>\$ 6,956,600</u> | |
| Total interest payments | | <u>\$ 370,547</u> |

The second installment purchase was executed on January 4, 2007 for the construction of the Public Safety Center. The transaction requires twenty-one monthly interest only payments at 3.78% and one final payment of all unpaid interest and principal due October 10, 2008. The total principal amount was \$4,000,000. The payments total \$4,277,200.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2008 | \$ - | \$ 151,200 |
| 2009 | 4,000,000 | 63,000 |
| Principal payments | <u>\$ 4,000,000</u> | |
| Total interest payments | | <u>\$ 214,200</u> |

Library Renovation

As authorized by state law [G.S. 160A-20], the County financed the renovation of the Shepard-Pruden Library during the fiscal year ended June 30, 2007 by the issuance of two installment purchases. The installment purchases were issued pursuant to a deed of trust, which requires that legal title remain with the County as long as the debt is outstanding.

The installment purchases were executed on October 25, 2006 for the renovation of the Shepard-Pruden Library. One contract requires fifteen annual principal payments of \$53,200 plus interest at 4.18%. The total principal amount was \$798,000. The payments over fifteen years total \$1,064,851.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2008 | \$ 53,200 | \$ 33,356 |
| 2009 | 53,200 | 31,133 |
| 2010 | 53,200 | 28,909 |
| 2011 | 53,200 | 26,685 |
| 2012 | 53,200 | 24,461 |
| 2013-2017 | 266,000 | 88,951 |
| 2018-2022 | 266,000 | 33,356 |
| Principal payments | <u>\$ 798,000</u> | |
| Total interest payments | | <u>\$ 266,851</u> |

The other contract requires eighteen monthly interest only payments at 3.76% and one final payment of all unpaid interest and principal due on April 25, 2007. The total principal amount was \$1,800,000 . The payments total \$1,901,520.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|-----------|
| | Principal | Interest |
| 2008 | \$ 1,800,000 | \$ 56,400 |
| Principal payments | \$ 1,800,000 | |
| Total interest payments | | \$ 56,400 |

Vehicles

In January 2007, the County entered into an installment purchase contract to finance the purchase of vehicles for various departments with in the County. The financing contract requires 36 monthly payments of \$4,924, including interest at 3.71%. Part of these payments are paid by the General Fund, the Water Fund, and the EMS Fund.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|------------------------|-------------------------|----------|--------------------------|----------|
| | Principal | Interest | Principal | Interest |
| 2008 | \$ 21,262 | \$ 1,781 | \$ 33,351 | \$ 2,689 |
| 2009 | 22,064 | 979 | 34,612 | 1,430 |
| 2010 | 14,352 | 188 | 19,684 | 233 |
| Total | \$ 57,678 | \$ 2,948 | \$ 87,647 | \$ 4,352 |

Fisher Field Lighting

In May 2007, the County entered into an installment purchase contract to finance the purchase of lighting at Fisher Ball Field. The financing contract requires 36 monthly payments of \$3,630, including interest at 3.88%.

For Chowan County, the future minimum payments as of June 30, 2007 are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|-----------------|
| | Principal | Interest |
| 2008 | \$ 39,602 | \$ 3,954 |
| 2009 | 41,167 | 2,390 |
| 2010 | 39,163 | 764 |
| Principal payments | <u>\$ 119,932</u> | |
| Total interest payments | | <u>\$ 7,108</u> |

b. Water System Expansion Note

In 1993, the County borrowed \$3,000,000 to expand the water system. Principal payments of \$214,286 are paid annually. Interest at 4.929% is paid semi-annually. The note is collateralized by the water system. Payments are made from the Enterprise Fund.

The future minimum payments as of June 30, 2007, including interest are:

| Year Ending June 30 | Business-type Activities | |
|-------------------------|--------------------------|------------------|
| | Principal | Interest |
| 2008 | \$ 214,286 | \$ 17,126 |
| 2009 | 213,858 | 8,554 |
| Principal payments | <u>\$ 428,144</u> | |
| Total interest payments | | <u>\$ 25,680</u> |

c. General Obligation Indebtedness

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

The County's general obligation bonds payable at June 30, 2007 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$4,100,000 General Obligation Bonds, Series 1998, payments due in annual installments of \$90,000 to \$525,000 through March 1, 2010. Interest at 4.2785%, payable semi-annually. \$ 263,745

Serviced by the Enterprise Fund:

\$4,100,000 General Obligation Bonds, Series 1998, payments due in annual installments of \$90,000 to \$525,000 through March 1, 2010. Interest at 4.2785%, payable semi-annually. 31,255

Total \$ 295,000

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

| Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|------------------------|-------------------------|------------------|--------------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2008 | \$ 93,875 | \$ 11,077 | \$ 11,125 | \$ 1,313 |
| 2009 | 89,405 | 7,135 | 10,595 | 845 |
| 2010 | 80,465 | 3,380 | 9,535 | 400 |
| Total | <u>\$ 263,745</u> | <u>\$ 21,592</u> | <u>\$ 31,255</u> | <u>\$ 2,558</u> |

At June 30, 2007, Chowan County had no bonds authorized but unissued and a legal debt margin of \$77,812,934.

d. Hospital Revenue Bonds and Note

As indicated in Note X, the County entered an agreement to lease the Chowan Hospital facilities to Pitt County Memorial Hospital, Inc. (Pitt), a not-for-profit corporation, for thirty years. Pitt agreed to make the payments on the Hospital Revenue Bonds and the note payable to BB&T relating to Hospital construction. The bonds and note are in the County's name, and the Hospital property is title to Chowan County. All payments had been timely made as of June 30, 2007.

\$4,295,000 1997 Hospital Revenue Bonds, due April 1, 1997 through October 1, 2010. Payable in 28 semi-annual installments of \$235,144, which includes interest at 5.07%. \$ 1,491,026

\$1,500,000 Note Payable to BB&T, collateralized by Hospital machinery, chattels, and other tangible personal property. Payable in 180 monthly installments of \$12,027, which includes interest at 5.21% 615,475
\$ 2,106,501

Debt service requirements to maturity are as follows:

| | Year Ending | |
|-------|---------------------|-------------------|
| | June 30 | |
| | Principal | Interest |
| 2008 | \$ 514,668 | \$ 99,939 |
| 2009 | 541,325 | 73,283 |
| 2010 | 569,363 | 45,245 |
| 2011 | 363,701 | 15,752 |
| 2012 | 117,444 | 2,822 |
| Total | <u>\$ 2,106,501</u> | <u>\$ 237,041</u> |

e. Long-Term Obligation Activity

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

| | Balance | | | Balance June 30, 2007 | Current Portion of Balance |
|---------------------------------|----------------------|----------------------|---------------------|--------------------------|----------------------------------|
| | July 1, 2006 | Increases | Decreases | | |
| Governmental activities: | | | | | |
| General obligation debt | \$ 491,727 | \$ - | \$ 227,983 | \$ 263,744 | \$ 93,875 |
| Hospital revenue bonds and note | 2,595,826 | - | 489,325 | 2,106,501 | 514,668 |
| Installment purchase | 13,843,204 | 13,744,065 | 1,377,879 | 26,209,390 | 1,460,033 |
| Compensated absences | 396,089 | 24,783 | - | 420,872 | - |
| Total governmental activities | <u>\$ 17,326,846</u> | <u>\$ 13,768,848</u> | <u>\$ 2,095,187</u> | <u>\$ 29,000,507</u> | <u>\$ 2,068,576</u> |
| Business-type activities: | | | | | |
| General obligation debt | \$ 58,273 | \$ - | \$ 27,017 | \$ 31,256 | \$ 11,125 |
| Water system expansion note | 642,430 | - | 214,286 | 428,144 | 214,286 |
| Installment purchase | 149,675 | 101,185 | 85,750 | 165,110 | 92,244 |
| Compensated absences | 50,656 | 10,518 | - | 61,174 | - |
| Total business-type activities | <u>\$ 901,034</u> | <u>\$ 111,703</u> | <u>\$ 327,053</u> | <u>\$ 685,684</u> | <u>\$ 317,655</u> |

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

C. Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2007, consists of the following:

| | |
|---|---------------------|
| From the General Fund to the Sanitation Fund to supplement other funding sources | \$ 187,674 |
| From the General Fund to the Revaluation Fund to supplement other funding sources | 25,000 |
| From the General Fund to the Emergency Management Fund to supplement other funding sources | 482,542 |
| From the General Fund to the School Capital Project Fund to supplement other funding sources | 523,066 |
| From the General Fund to the Consolidated Capital Project Fund to supplement other funding sources | 84,784 |
| From the General Fund to the Red Banks Farm Park Project Fund to supplement other funding sources | 25,903 |
| From the General Fund to the Capital Project Fund to supplement other funding sources | 44,799 |
| From the Water Fund to the General Fund to supplement other funding sources | 101,000 |
| From the School Capital Reserve Fund to the School Capital Project Fund to supplement other funding sources | 1,078,413 |
| From the Fire District Fund to the General Fund to supplement other funding sources | 10,000 |
| | <u>\$ 2,563,181</u> |

Balance Due to/from Other Funds

Balances due to/from other funds at June 30, 2007 consist of the following:

| | |
|--|------------|
| Due to the General Fund from the Fire District Fund | \$ 180,000 |
| Due to the General Fund from the School Capital Reserve Fund | 123,308 |
| Due to the General Fund from the Sanitation Fund | 1,398,024 |
| Due to the General Fund from the Occupancy Tax Fund | 11,943 |
| Due to the General Fund from the CWMTF – Country Club Fund | 36,992 |

| | |
|---|--------------------|
| Due to the General Fund from the CDBG Fund | 2,682 |
| Due to the General Fund from the Isabel Recovery Fund | 101 |
| Due to the General Fund from the NC Housing Finance Agency Project Fund | 5,640 |
| Due to the General Fund from the Albemarle MM/DD/SAS Capital Project Fund | 5,262 |
| Due to the General Fund from the Agriculture Building Addition Capital Project Fund | 39,700 |
| Due to the General Fund from the D.F. Walker Gym Renovation Fund | 82,315 |
| Due to the General Fund from the Consolidated Capital Project Fund | 2,235,444 |
| Due to the General Fund from the Water Fund | 429,935 |
| Due to the General Fund from the Water Capital Project Fund | 283,881 |
| Due to the General Fund from the Wharf Landing Capital Project Fund | 94,648 |
| Due to the General Fund from the Airport Industrial Park Fund | 29,893 |
| Due to the General Fund from the Emergency Management Fund | 1,124,322 |
| Due to the General Fund from the Edenton/Chowan Development Corp | 242,279 |
| Due to the General Fund from the Albemarle Learning Center | 69,779 |
| Due to the General Fund from the Consolidated Health Services Fund | 3,000 |
| Due to the Water Fund from the Consolidated Health Services Fund | <u>2,500</u> |
| | <u>\$6,401,648</u> |

These interfund balances are to temporarily cover negative cash balances in the various funds.

IV. Related Organization

The chairman of the County's governing board is also responsible for appointing the members of the board of the Chowan County Economic Development Commission, but the County's accountability for this organization does not extend beyond making these appointments. The Commission exists to issue and service revenue bond debt for private business for economic development purposes. Its primary revenues are the payments to service the issued debt that are received from the businesses involved. The County is not responsible for the debt issued by the Commission and the Commission's debt is not included in determining the County's legal debt limit.

V. Joint Ventures

The County, in conjunction with the Town of Edenton, participates in the Chowan County-Edenton Airport Commission. The County appoints one member to the seven-member board. The Airport is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The County has an ongoing financial responsibility for the Airport because it and the Town are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The County contributed \$25,000 to the Airport during the fiscal year ended June 30, 2007. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2007. Complete financial statements for the Airport can be obtained from the administrative offices at Town of Edenton, Edenton, NC 27932.

The County also participates in a joint venture to operate Pettigrew Regional Library with four other local governments. Each participating government appoints three board members to the twelve-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2007. The participating governments provide the library facilities. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$144,899 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at Pettigrew Regional Library, PO Box 906 Plymouth, NC 27962.

The County, in conjunction with six other counties participates in Albemarle Regional Health Services. The County appoints two members to the ten-member board. The County contributed \$31,546 to the organization during the fiscal year ended June 30, 2007. Complete financial statements for District Health can be obtained from the District Health offices at Albemarle Regional Health Services, PO Box 189, Elizabeth City, NC 27909.

The County participates in two joint ventures in connection with handling solid waste disposal. The County is one of three counties involved in the Perquimans -Chowan-Gates Landfill Commission. The Commission maintains a landfill for waste products other than household waste. It also contracts with a private contractor to maintain dumpster sites and haul the trash in the three participating counties. The County is also one of eight counties participating in the Albemarle Regional Solid Waste Authority. This Authority contracts with a private contractor to maintain a landfill to meet environmental regulations for household solid waste and other regulated wastes. The Authority has a 20-year contract with the private contractor. The County spent approximately \$971,823 for solid waste disposal during the current year. Complete financial statements for the Landfill Commission and the Solid Waste Authority can be obtained from their offices at Route 1, Box 152C, Belvidere, NC 27919.

The County, in conjunction with College of the Albemarle, Elizabeth City, NC participates in a joint venture to operate the Chowan County Satellite Campus of the College of the Albemarle. The County has the responsibility to provide funding for the satellite facilities in Chowan County. During the fiscal year ending June 30, 2007, total facilities cost totaled \$253,870. The County does not have any equity in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2007. Complete financial statements for the College of the Albemarle may be obtained from the community college's administrative offices at US Highway 17, Elizabeth City, NC 27909.

VI. Jointly Governed Organization

The County, in conjunction with ten other counties and fourteen other municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints three members to the Commission's governing board. The County paid membership fees of \$9,406 to the Commission during the fiscal year ended June 30, 2007.

The County, in conjunction with fifteen other counties, established the North East Economic Development Committee (NEED), a tourism advisory committee to the Northeastern North Carolina Regional Economic Development Partnership, Inc. Each participating government appoints two members to the Committee.

The County, in conjunction with five other counties, participates in Albemarle Mental Health. Albemarle Mental Health provides mental health services to the residents of the participating counties through satellite offices. Chowan County appoints one member to the fifteen-member board of Albemarle Mental Health. During the fiscal year ended June 30, 1998, Chowan County, the Town of Edenton, and the Edenton Chamber of Commerce organized the Edenton-Chowan Development Corporation, a non-profit corporation that will provide assistance to the County and Town with promotion and advancement of economic development. Chowan County appoints two of the six voting members and the County Manager serves as one of the three non-voting members.

VII. Related Party Transactions

There were no significant related party transactions during the fiscal year ended June 30, 2007.

VIII. Benefit Payments Issued by the State

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

| | <u>Federal</u> | <u>State</u> |
|--|----------------------|---------------------|
| Temporary assistance to needy families | \$ 225,917 | \$ - |
| Medicaid | 15,343,299 | 7,483,569 |
| Food stamp program | 2,363,631 | - |
| Energy assistance | 68,210 | - |
| State foster care | - | 7,878 |
| AFDC | (52) | (14) |
| Title IV-E, foster care | 6,327 | 1,751 |
| F/C at risk maximization | - | 4,790 |
| WS, adoption subsidy | - | 1,463 |
| SC/SA domiciliary care | - | 168,646 |
| Total | <u>\$ 18,007,332</u> | <u>\$ 7,668,083</u> |

IX. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

X. Lease of Chowan Hospital

In November 1998, the County entered an agreement with Pitt County Memorial Hospital, Inc. (Pitt) to lease the Chowan Hospital property to Pitt for thirty years. At the end of the lease the property will belong to Pitt. Pitt paid the County \$20,000,000 and agreed to make the payments on the outstanding debt, which is in the County's name, on the Hospital properties. A lease receivable is reported in the General Fund for the amount of the payments due to maturity on the outstanding bonds and notes. The indebtedness and the proceeds from the lease are also reported in the General Fund.

XI. Fund Balance Reclassifications

The Adult Day Health Care Capital Project Fund was transferred to the Consolidated Capital Project Fund. The following is a reconciliation of beginning fund balance for the Consolidated Capital Project Fund.

| | |
|---|------------------------------|
| Fund balance – Adult Day Health Care Capital Project Fund | \$ (437,455) |
| Fund balance – Consolidated Capital Project Fund | <u>(1,882,773)</u> |
| Fund balance – July 1, 2006 | <u><u>\$ (2,320,228)</u></u> |

XII. Cash and Cash Equivalents Reclassification

Cash and cash equivalents totaling \$10,297,749 should have been reported as "Restricted Cash and Cash Equivalents" on the report issued March 7, 2008. These restricted assets were unexpended loan proceeds on capital projects.

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Favorable (Unfavorable) |
|---------------------------------------|-------------------|-------------------|--|
| | Budget | Actual | |
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Taxes | \$ 7,534,360 | \$ 7,224,529 | \$ (309,831) |
| Penalties and interest | 75,000 | 60,524 | (14,476) |
| Total | <u>7,609,360</u> | <u>7,285,053</u> | <u>(324,307)</u> |
| Other Taxes and Licenses: | | | |
| Local option sales tax | 2,853,932 | 2,469,773 | (384,159) |
| Deed stamp excise tax | 150,000 | 73,827 | (76,173) |
| Real estate transfer tax | 1,683,391 | 498,323 | (1,185,068) |
| Scrap tire & white goods disposal tax | 70,165 | 57,481 | (12,684) |
| Cable TV | 20,000 | 17,931 | (2,069) |
| Total | <u>4,777,488</u> | <u>3,117,335</u> | <u>(1,660,153)</u> |
| Unrestricted intergovernmental: | | | |
| Payments in lieu of taxes | 1,000 | 1,460 | 460 |
| Beer and wine tax | 40,000 | 42,566 | 2,566 |
| ABC profit distribution | 50,000 | - | (50,000) |
| Tax refunds | 50,000 | 63,850 | 13,850 |
| Total | <u>141,000</u> | <u>107,876</u> | <u>(33,124)</u> |
| Restricted intergovernmental: | | | |
| State grants | 445,194 | 307,224 | (137,970) |
| Federal grants | 2,889,599 | 2,427,627 | (461,972) |
| Local grants | 15,000 | 15,000 | - |
| Court facility fees | 65,000 | 58,809 | (6,191) |
| ABC profits for law enforcement | 3,000 | - | (3,000) |
| ABC profits for alcoholic education | 2,000 | - | (2,000) |
| Total | <u>3,419,793</u> | <u>2,808,660</u> | <u>(611,133)</u> |
| Permits and fees: | | | |
| Building permits and inspection fees | 357,070 | 206,738 | (150,332) |
| Register of deeds | 124,500 | 115,638 | (8,862) |
| Total | <u>481,570</u> | <u>322,376</u> | <u>(159,194)</u> |
| Sales and services: | | | |
| Rents, concessions, and fees | 141,391 | 143,373 | 1,982 |
| Jail fees | 275,000 | 161,059 | (113,941) |
| Recreation Fees | 75,000 | 80,399 | 5,399 |
| Total | <u>491,391</u> | <u>384,831</u> | <u>(106,560)</u> |
| Investment earnings | <u>1,721,979</u> | <u>467,094</u> | <u>(1,254,885)</u> |
| Miscellaneous | <u>674,094</u> | <u>548,330</u> | <u>(125,764)</u> |
| Total revenues | <u>19,316,675</u> | <u>15,041,555</u> | <u>(4,275,120)</u> |

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Favorable (Unfavorable) |
|--------------------------------|----------------|----------------|--|
| | Budget | Actual | |
| Expenditures: | | | |
| General government: | | | |
| Governing body: | | | |
| Salaries and employee benefits | 45,213 | 45,213 | - |
| Other operating expenditures | 10,064 | 10,061 | 3 |
| Total | <u>55,277</u> | <u>55,274</u> | <u>3</u> |
| Administration: | | | |
| Salaries and employee benefits | 404,522 | 404,519 | 3 |
| Other operating expenditures | 567,817 | 575,233 | (7,416) |
| Total | <u>972,339</u> | <u>979,752</u> | <u>(7,413)</u> |
| Elections: | | | |
| Salaries and employee benefits | 53,680 | 53,677 | 3 |
| Other operating expenditures | 29,383 | 29,342 | 41 |
| Capital outlay | 21,344 | 23,373 | (2,029) |
| Total | <u>104,407</u> | <u>106,392</u> | <u>(1,985)</u> |
| Data processing: | | | |
| Salaries and employee benefits | 141,659 | 141,657 | 2 |
| Other operating expenditures | 109,087 | 109,084 | 3 |
| Capital outlay | 42,252 | 42,251 | 1 |
| Total | <u>292,998</u> | <u>292,992</u> | <u>6</u> |
| NC information highway: | | | |
| Other operating expenditures | 360 | 317 | 43 |
| Total | <u>360</u> | <u>317</u> | <u>43</u> |
| Taxes: | | | |
| Salaries and employee benefits | 201,629 | 201,590 | 39 |
| Other operating expenditures | 60,188 | 60,092 | 96 |
| Total | <u>261,817</u> | <u>261,682</u> | <u>135</u> |
| Legal: | | | |
| Salaries and employee benefits | 105,072 | 105,068 | 4 |
| Other operating expenditures | 8,177 | 8,160 | 17 |
| Capital outlay | 790 | 789 | 1 |
| Total | <u>114,039</u> | <u>114,017</u> | <u>22</u> |
| Register of deeds: | | | |
| Salaries and employee benefits | 135,824 | 135,821 | 3 |
| Other operating expenditures | 23,875 | 23,757 | 118 |
| Capital outlay | 5,494 | 5,494 | - |
| Total | <u>165,193</u> | <u>165,072</u> | <u>121</u> |

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Favorable (Unfavorable) |
|--------------------------------|------------------|------------------|--|
| | Budget | Actual | |
| Land records: | | | |
| Salaries and employee benefits | 107,985 | 107,982 | 3 |
| Other operating expenditures | 10,149 | 10,045 | 104 |
| Total | <u>118,134</u> | <u>118,027</u> | <u>107</u> |
| Inspection: | | | |
| Salaries and employee benefits | 319,305 | 318,962 | 343 |
| Other operating expenditures | 490,991 | 98,348 | 392,643 |
| Capital outlay | 5,765 | 5,765 | - |
| Total | <u>816,061</u> | <u>423,075</u> | <u>392,986</u> |
| Public buildings: | | | |
| Other operating expenditures | 497,862 | 497,564 | 298 |
| Capital outlay | 204,448 | 204,415 | 33 |
| Total | <u>702,310</u> | <u>701,979</u> | <u>331</u> |
| Court facilities: | | | |
| Other operating expenditures | 29,401 | 28,813 | 588 |
| Total | <u>29,401</u> | <u>28,813</u> | <u>588</u> |
| Central maintenance: | | | |
| Salaries and employee benefits | 287,223 | 287,210 | 13 |
| Other operating expenditures | 44,802 | 44,710 | 92 |
| Capital outlay | 2,120 | 2,119 | 1 |
| Total | <u>334,145</u> | <u>334,039</u> | <u>106</u> |
| Total general government | <u>3,966,481</u> | <u>3,581,431</u> | <u>385,050</u> |
| Public safety: | | | |
| Sheriff: | | | |
| Salaries and employee benefits | 952,313 | 952,310 | 3 |
| Other operating expenditures | 264,823 | 262,628 | 2,195 |
| Capital outlay | 95,244 | 95,208 | 36 |
| Total | <u>1,312,380</u> | <u>1,310,146</u> | <u>2,234</u> |
| School resource officer: | | | |
| Salaries and employee benefits | 112,932 | 112,931 | 1 |
| Total | <u>112,932</u> | <u>112,931</u> | <u>1</u> |
| CORPS grant: | | | |
| Salaries and employee benefits | 43,843 | 43,841 | 2 |
| Other operating expenditures | 1,381 | 1,381 | - |
| Total | <u>45,224</u> | <u>45,222</u> | <u>2</u> |
| Albemarle Hopeline | <u>3,000</u> | <u>3,000</u> | <u>-</u> |

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Favorable (Unfavorable) |
|--------------------------------|------------------|------------------|--|
| | Budget | Actual | |
| Animal control: | | | |
| Salaries and employee benefits | 211,607 | 211,344 | 263 |
| Other operating expenditures | 104,468 | 104,449 | 19 |
| Capital outlay | 4,690 | 4,690 | - |
| Total | <u>320,765</u> | <u>320,483</u> | <u>282</u> |
| Jail: | | | |
| Salaries and employee benefits | 350,502 | 350,500 | 2 |
| Other operating expenditures | 385,831 | 385,826 | 5 |
| Total | <u>736,333</u> | <u>736,326</u> | <u>7</u> |
| Civil defense: | | | |
| Salaries and employee benefits | 134,276 | 134,252 | 24 |
| Other operating expenditures | 38,533 | 33,683 | 4,850 |
| Capital outlay | 3,813 | 3,812 | 1 |
| Total | <u>176,622</u> | <u>171,747</u> | <u>4,875</u> |
| Central communications: | | | |
| Salaries and employee benefits | 462,484 | 462,481 | 3 |
| Other operating expenditures | 33,142 | 33,098 | 44 |
| Capital outlay | 6,130 | 6,129 | 1 |
| Total | <u>501,756</u> | <u>501,708</u> | <u>48</u> |
| Medical examiner: | | | |
| Other operating expenditures | 5,446 | 5,400 | 46 |
| Total | <u>5,446</u> | <u>5,400</u> | <u>46</u> |
| Juvenile Justice: | | | |
| Salaries and employee benefits | 20,324 | 20,323 | 1 |
| Other operating expenditures | 9,828 | 9,827 | 1 |
| Total | <u>30,152</u> | <u>30,150</u> | <u>2</u> |
| Victim's Assistance: | | | |
| Salaries and employee benefits | 53,788 | 51,969 | 1,819 |
| Other operating expenditures | 24,962 | 10,760 | 14,202 |
| Capital outlay | 10,200 | 2,646 | 7,554 |
| Total | <u>88,950</u> | <u>65,375</u> | <u>23,575</u> |
| Total public safety | <u>3,333,560</u> | <u>3,302,488</u> | <u>31,072</u> |
| Transportation: | | | |
| Paving roads | 5,586 | - | 5,586 |
| Airport | 25,000 | 25,000 | - |
| Total transportation | <u>30,586</u> | <u>25,000</u> | <u>5,586</u> |

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Favorable (Unfavorable) |
|---|------------------|------------------|--|
| | Budget | Actual | |
| Environmental Protection: | | | |
| Sanitation: | | | |
| Other operating expenditures | 79,605 | 75,251 | 4,354 |
| Total environmental protection | <u>79,605</u> | <u>75,251</u> | <u>4,354</u> |
| Economic development: | | | |
| Agricultural extension: | | | |
| Salaries and employee benefits | 169,550 | 168,943 | 607 |
| Other operating expenditures | 37,850 | 37,578 | 272 |
| Capital outlay | 684 | 684 | - |
| Total | <u>208,084</u> | <u>207,205</u> | <u>879</u> |
| Soil conservation: | | | |
| Salaries and employee benefits | 88,336 | 88,206 | 130 |
| Other operating expenditures | 150,143 | 57,790 | 92,353 |
| Capital outlay | 22,571 | 22,569 | 2 |
| Total | <u>261,050</u> | <u>168,565</u> | <u>92,485</u> |
| Planning: | | | |
| Operating expenditures | 5,401 | 5,401 | - |
| Total | <u>5,401</u> | <u>5,401</u> | <u>-</u> |
| Economic development: | | | |
| Operating expenditures | 120,000 | 120,000 | - |
| Total | <u>120,000</u> | <u>120,000</u> | <u>-</u> |
| Total economic and physical development | <u>594,535</u> | <u>501,171</u> | <u>93,364</u> |
| Human services: | | | |
| Social services: | | | |
| Administration: | | | |
| Salaries and benefits | 492,240 | 489,809 | 2,431 |
| Other operating expenditures | 143,970 | 136,606 | 7,364 |
| Capital outlay | 28,120 | 27,199 | 921 |
| Total | <u>664,330</u> | <u>653,614</u> | <u>10,716</u> |
| Income maintenance programs: | | | |
| Salaries and employee benefits | 658,260 | 654,004 | 4,256 |
| County participation | 59,705 | 49,453 | 10,252 |
| Total | <u>717,965</u> | <u>703,457</u> | <u>14,508</u> |
| Medicaid program: | | | |
| County participation | 1,364,678 | 1,349,124 | 15,554 |
| Total | <u>1,364,678</u> | <u>1,349,124</u> | <u>15,554</u> |

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Favorable (Unfavorable) |
|--------------------------------|------------------|------------------|--|
| | Budget | Actual | |
| Title XX program: | | | |
| Salaries and employee benefits | 431,476 | 430,376 | 1,100 |
| Other operating expenditures | 94,522 | 89,527 | 4,995 |
| Total | <u>525,998</u> | <u>519,903</u> | <u>6,095</u> |
| Foster care: | | | |
| Other operating expenditures | 46,539 | 27,550 | 18,989 |
| Total | <u>46,539</u> | <u>27,550</u> | <u>18,989</u> |
| Title III program: | | | |
| Other operating expenditures | 6,060 | 5,574 | 486 |
| Total | <u>6,060</u> | <u>5,574</u> | <u>486</u> |
| Other assistance: | | | |
| Other operating expenditures | 1,262,329 | 1,225,736 | 36,593 |
| Total | <u>1,262,329</u> | <u>1,225,736</u> | <u>36,593</u> |
| Total social services | <u>4,587,899</u> | <u>4,484,958</u> | <u>102,941</u> |
| Veterans service officer: | | | |
| Salaries and employee benefits | 13,338 | 13,338 | - |
| Other operating expenditures | 1,650 | 1,285 | 365 |
| Total | <u>14,988</u> | <u>14,623</u> | <u>365</u> |
| Health | <u>69,499</u> | <u>68,454</u> | <u>1,045</u> |
| Mental health: | | | |
| Other operating expenditures | 34,046 | 34,046 | - |
| Total | <u>34,046</u> | <u>34,046</u> | <u>-</u> |
| Total human services | <u>4,706,432</u> | <u>4,602,081</u> | <u>104,351</u> |
| Cultural and recreational: | | | |
| Community activities: | | | |
| Other operating expenditures | 62,925 | 62,925 | - |
| Total | <u>62,925</u> | <u>62,925</u> | <u>-</u> |
| Recreation: | | | |
| Salaries and employee benefits | 424,237 | 424,235 | 2 |
| Other operating expenditures | 273,818 | 250,296 | 23,522 |
| Capital outlay | 142,181 | 142,180 | 1 |
| Total | <u>840,236</u> | <u>816,711</u> | <u>23,525</u> |

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Favorable (Unfavorable) |
|---|-------------------|----------------------|--|
| | Budget | Actual | |
| Senior center: | | | |
| Salaries and employee benefits | 103,616 | 103,614 | 2 |
| Other operating expenditures | 54,358 | 54,354 | 4 |
| Capital outlay | 2,946 | 2,945 | 1 |
| Total | <u>160,920</u> | <u>160,913</u> | <u>7</u> |
| Libraries: | | | |
| Contribution to regional library | 144,899 | 144,899 | - |
| Total | <u>144,899</u> | <u>144,899</u> | <u>-</u> |
| Total cultural and recreation | <u>1,208,980</u> | <u>1,185,448</u> | <u>23,532</u> |
| Education: | | | |
| Public schools: | | | |
| Current expense: | 3,574,350 | 3,574,350 | - |
| Total | <u>3,574,350</u> | <u>3,574,350</u> | <u>-</u> |
| Community colleges: | | | |
| Salaries and employee benefits | 57,372 | 57,369 | 3 |
| Other operating expenditures | 253,876 | 253,870 | 6 |
| Total | <u>311,248</u> | <u>311,239</u> | <u>9</u> |
| Total education | <u>3,885,598</u> | <u>3,885,589</u> | <u>9</u> |
| Debt service: | | | |
| Principal retirement | 934,436 | 933,697 | 739 |
| Interest and fees | 280,101 | 280,101 | - |
| Total debt service | <u>1,214,537</u> | <u>1,213,798</u> | <u>739</u> |
| Total expenditures | <u>19,020,314</u> | <u>18,372,257</u> | <u>648,057</u> |
| Revenues over (under) expenditures | <u>296,361</u> | <u>(3,330,702)</u> | <u>(3,627,063)</u> |
| Other financing sources (uses): | | | |
| Operating transfers from other funds | 111,000 | 111,000 | - |
| Operating transfers to other funds | (1,400,836) | (1,373,768) | 27,068 |
| Proceeds of installment purchase | 204,150 | 189,465 | (14,685) |
| Lease payments | 489,325 | 489,325 | - |
| Sale of fixed assets | 300,000 | 70,060 | (229,940) |
| Total other financing sources (uses) | <u>(296,361)</u> | <u>(513,918)</u> | <u>(217,557)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>(3,844,620)</u> | <u>\$ (3,844,620)</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | 14,320,226 | |
| End of year, June 30 | | <u>\$ 10,475,606</u> | |

**Chowan County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

Special Revenue Funds

| | School Capital Reserve Fund | Emergency Telephone System Fund | Fire District Fund | Revaluation Fund | Occupancy Tax Fund |
|--|--|--|-----------------------------------|-----------------------------|-------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ 10,182 | \$ 53,867 | \$ 25,714 | \$ - |
| Accounts receivable, net | 142,112 | 23,061 | 22,820 | - | 11,235 |
| Taxes receivable, net | - | - | 10,469 | - | - |
| Restricted cash and cash equivalents | - | - | - | - | - |
| Total assets | \$ 142,112 | \$ 33,243 | \$ 87,156 | \$ 25,714 | \$ 11,235 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ (1,450) | \$ 7,012 | \$ - | \$ (575) |
| Due to other funds | 123,306 | - | 180,000 | - | 11,943 |
| Deferred revenue | - | - | 12,334 | - | - |
| Total liabilities | 123,306 | (1,450) | 199,346 | - | 11,368 |
| Fund balances: | | | | | |
| Reserved by state statute | 142,112 | 23,061 | 22,820 | - | 11,235 |
| Reserved for capital projects | - | - | - | - | - |
| Unreserved (deficit) | (123,306) | 11,632 | (135,010) | 25,714 | (11,368) |
| Total fund balances | 18,806 | 34,693 | (112,190) | 25,714 | (133) |
| Total liabilities and fund balances | \$ 142,112 | \$ 33,243 | \$ 87,156 | \$ 25,714 | \$ 11,235 |

| Isabel Recovery Fund | NC Housing Finance Agency Project Fund | CWMTF-Country Club | CDBG | School Capital Project Fund | Total Nonmajor Special Revenue Funds |
|----------------------|--|--------------------|-------------|-----------------------------|--------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 15,258 | \$ 105,021 |
| - | 5,640 | 36,992 | - | - | 241,860 |
| - | - | - | - | - | 10,469 |
| - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 5,640</u> | <u>\$ 36,992</u> | <u>\$ -</u> | <u>\$ 15,258</u> | <u>\$ 357,350</u> |

| | | | | | |
|---------------|--------------|---------------|--------------|----------|----------------|
| \$ 36,585 | \$ - | \$ - | \$ - | \$ - | \$ 41,572 |
| 101 | 5,640 | 36,992 | 2,682 | - | 360,664 |
| - | - | - | - | - | 12,334 |
| <u>36,686</u> | <u>5,640</u> | <u>36,992</u> | <u>2,682</u> | <u>-</u> | <u>414,570</u> |

| | | | | | |
|-----------------|-----------------|------------------|----------------|------------------|-------------------|
| - | 5,640 | 36,992 | - | - | 241,860 |
| - | - | - | - | - | - |
| <u>(36,686)</u> | <u>(5,640)</u> | <u>(36,992)</u> | <u>(2,682)</u> | <u>15,258</u> | <u>(299,080)</u> |
| <u>(36,686)</u> | <u>-</u> | <u>-</u> | <u>(2,682)</u> | <u>15,258</u> | <u>(57,220)</u> |
| <u>\$ -</u> | <u>\$ 5,640</u> | <u>\$ 36,992</u> | <u>\$ -</u> | <u>\$ 15,258</u> | <u>\$ 357,350</u> |

(Continued)

**Chowan County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

Capital Project Funds

| | D.F. Walker Gym Renovation Fund | Albemarle MM/DD/SAS Capital Project Fund | Agriculture Building Addition Fund | Library Renovation Fund | John A. Holmes High School Renovation Fund |
|--|--|---|---|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable, net | 2,947 | 5,262 | - | 7,416 | 3,239 |
| Taxes receivable, net | - | - | - | - | - |
| Restricted cash and cash equivalents | - | - | - | 1,657,599 | 1,103,826 |
| Total assets | \$ 2,947 | \$ 5,262 | \$ - | \$ 1,665,015 | \$ 1,107,065 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | 82,315 | 5,262 | 39,700 | 177,194 | - |
| Deferred revenue | - | - | - | - | - |
| Total liabilities | 82,315 | 5,262 | 39,700 | 177,194 | - |
| Fund balances: | | | | | |
| Reserved by state statute | 2,947 | 5,262 | - | 7,416 | 3,239 |
| Reserved for capital projects | - | - | - | 1,657,599 | 1,103,826 |
| Unreserved (deficit) | (82,315) | (5,262) | (39,700) | (177,194) | - |
| Total fund balances | (79,368) | - | (39,700) | 1,487,821 | 1,107,065 |
| Total liabilities and fund balances | \$ 2,947 | \$ 5,262 | \$ - | \$ 1,665,015 | \$ 1,107,065 |

| Total Nonmajor Capital Projects Funds | | Total Nonmajor Governmental Funds | |
|--|------------------|--|------------------|
| \$ | - | \$ | 105,021 |
| | 18,864 | | 260,724 |
| | - | | 10,469 |
| | 2,761,425 | | 2,761,425 |
| \$ | 2,780,289 | \$ | 3,137,639 |

| | | | |
|----|---------|----|---------|
| \$ | - | \$ | 41,572 |
| | 304,471 | | 665,135 |
| | - | | 12,334 |
| | 304,471 | | 719,041 |

| | | | |
|-----------|------------------|-----------|------------------|
| | 18,864 | | 260,724 |
| | 2,761,425 | | 2,761,425 |
| | (304,471) | | (603,551) |
| | 2,475,818 | | 2,418,598 |
| \$ | 2,780,289 | \$ | 3,137,639 |

Chowan County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

| | Special Revenue Funds | | | | |
|---|------------------------------------|--|---------------------------|-------------------------|---------------------------|
| | School Capital Reserve Fund | Emergency Telephone System Fund | Fire District Fund | Revaluation Fund | Occupancy Tax Fund |
| REVENUES | | | | | |
| Ad valorem taxes | \$ - | \$ - | \$ 432,519 | \$ - | \$ - |
| Local option sales taxes | 845,766 | - | 103,592 | - | - |
| Other taxes and licenses | - | 59,193 | 2,022 | - | 424 |
| Restricted intergovernmental | 253,003 | 94,287 | - | - | - |
| Sales and service | - | - | - | - | 118,264 |
| Miscellaneous | - | - | 2,575 | - | 8,212 |
| Investment earnings | 6,157 | 377 | 3,485 | 17 | - |
| Total revenues | <u>1,104,926</u> | <u>153,857</u> | <u>544,193</u> | <u>17</u> | <u>126,900</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | 102,900 | 387,964 | - | - |
| Economic development | - | - | - | - | 131,603 |
| Environmental protection | - | - | - | - | - |
| Education | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | 65,208 | 79,532 | - | - |
| Interest | - | 3,585 | 2,053 | - | - |
| Total expenditures | <u>-</u> | <u>171,693</u> | <u>469,549</u> | <u>-</u> | <u>131,603</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,104,926</u> | <u>(17,836)</u> | <u>74,644</u> | <u>17</u> | <u>(4,703)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from installment purchase | - | - | - | - | - |
| Transfers from (to) other funds | (1,078,413) | - | (10,000) | 25,000 | - |
| Total other financing sources and uses | <u>(1,078,413)</u> | <u>-</u> | <u>(10,000)</u> | <u>25,000</u> | <u>-</u> |
| Net change in fund balances | 26,513 | (17,836) | 64,644 | 25,017 | (4,703) |
| Fund balances - beginning | (7,707) | 52,529 | (176,834) | 697 | 4,570 |
| Fund balances - ending | <u>\$ 18,806</u> | <u>\$ 34,693</u> | <u>\$ (112,190)</u> | <u>\$ 25,714</u> | <u>\$ (133)</u> |

| | | | | | | | Capital Project Funds | |
|-------------------------|--|------------|--------------------------------|--|---------------------------------------|--|--------------------------|--|
| Isabel Recovery Fund | NC Housing Finance Agency Project Fund | CDBG | School Capital Project Fund | Total Nonmajor Special Revenue Funds | D.F. Walker Gym Renovation Fund | | | |
| \$ - | \$ - | \$ - | \$ - | \$ 432,519 | \$ - | | | |
| - | - | - | - | 949,358 | - | | | |
| - | - | - | - | 61,639 | 2,947 | | | |
| - | 9,384 | 2,907 | - | 359,581 | 59,800 | | | |
| - | - | - | - | 118,264 | - | | | |
| - | - | - | - | 10,787 | - | | | |
| - | - | - | - | 10,036 | - | | | |
| - | 9,384 | 2,907 | - | 1,942,184 | 62,747 | | | |
| - | - | - | - | - | - | | | |
| - | - | - | - | 490,864 | - | | | |
| - | 9,384 | 5,589 | - | 146,576 | - | | | |
| - | - | - | - | - | - | | | |
| - | - | - | 375,000 | 375,000 | - | | | |
| - | - | - | - | - | 143,044 | | | |
| - | - | - | 781,555 | 926,295 | - | | | |
| - | - | - | 444,923 | 450,561 | - | | | |
| - | 9,384 | 5,589 | 1,601,478 | 2,389,296 | 143,044 | | | |
| - | - | (2,682) | (1,601,478) | (447,112) | (80,297) | | | |
| - | - | - | - | - | - | | | |
| - | - | - | 1,601,479 | 538,066 | - | | | |
| - | - | - | 1,601,479 | 538,066 | - | | | |
| - | - | (2,682) | 1 | 90,954 | (80,297) | | | |
| (36,686) | - | - | 15,257 | (148,174) | 929 | | | |
| \$ (36,686) | \$ - | \$ (2,682) | \$ 15,258 | \$ (57,220) | \$ (79,368) | | | |

(Continued)

Chowan County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

Capital Project Funds

| | Agriculture Building Addition Fund | Red Banks Farm Park Fund | Library Renovation Fund | John A. Holmes High School Renovation Fund | Capital Project Fund |
|--|--|-----------------------------|-------------------------------|---|-------------------------|
| REVENUES | | | | | |
| Ad valorem taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Local option sales taxes | - | - | - | - | - |
| Other taxes and licenses | - | - | 7,416 | 3,161 | - |
| Restricted intergovernmental | - | - | - | - | - |
| Sales and service | - | - | - | - | - |
| Miscellaneous | - | - | 30 | - | - |
| Investment earnings | - | - | 42,687 | 44,643 | - |
| Total revenues | - | - | 50,133 | 47,804 | - |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Economic development | - | - | - | - | - |
| Environmental protection | - | - | - | - | - |
| Education | - | - | - | - | - |
| Capital outlay | 39,700 | 25,903 | 946,009 | 635,762 | 44,799 |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | 45,663 | - | - |
| Total expenditures | 39,700 | 25,903 | 991,672 | 635,762 | 44,799 |
| Excess (deficiency) of revenues over expenditures | (39,700) | (25,903) | (941,539) | (587,958) | (44,799) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from installment purchase | - | - | 2,598,000 | - | - |
| Transfers from (to) other funds | - | 25,903 | - | - | 44,799 |
| Total other financing sources and uses | - | 25,903 | 2,598,000 | - | 44,799 |
| Net change in fund balances | (39,700) | - | 1,656,461 | (587,958) | - |
| Fund balances - beginning | - | - | (168,640) | 1,695,023 | - |
| Fund balances - ending | \$ (39,700) | \$ - | \$ 1,487,821 | \$ 1,107,065 | \$ - |

| Total Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|--|
| \$ - | \$ 432,519 |
| - | 949,358 |
| 13,524 | 75,163 |
| 59,800 | 419,381 |
| - | 118,264 |
| 30 | 10,817 |
| 87,330 | 97,366 |
| <u>160,684</u> | <u>2,102,868</u> |

| | |
|--------------------|--------------------|
| - | - |
| - | 490,864 |
| - | 146,576 |
| - | - |
| - | 375,000 |
| 1,835,217 | 1,835,217 |
| - | 926,295 |
| 45,663 | 496,224 |
| <u>1,880,880</u> | <u>4,270,176</u> |
| <u>(1,720,196)</u> | <u>(2,167,308)</u> |

| | |
|---------------------|---------------------|
| 2,598,000 | 2,598,000 |
| 70,702 | 608,768 |
| <u>2,668,702</u> | <u>3,206,768</u> |
| 948,506 | 1,039,460 |
| 1,527,312 | 1,379,138 |
| <u>\$ 2,475,818</u> | <u>\$ 2,418,598</u> |

Chowan County, North Carolina
School Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|--------------------|--------------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Restricted intergovernmental: | | | |
| Public School Building Capital Fund | \$ 223,840 | \$ 149,430 | \$ (74,410) |
| Public School Capital Fund - Lottery | 103,573 | 103,573 | - |
| Local option sales tax | 750,000 | 845,766 | 95,766 |
| Investment earnings | 1,000 | 6,157 | 5,157 |
| Total revenues | <u>1,078,413</u> | <u>1,104,926</u> | <u>26,513</u> |
| Other financing sources (uses): | | | |
| Transfers in (out) | <u>(1,078,413)</u> | <u>(1,078,413)</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | 26,513 | <u>\$ 26,513</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | (7,707) | |
| End of year, June 30 | | <u>\$ 18,806</u> | |

Chowan County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|----------------|------------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Other taxes and licenses: | | | |
| 911 system subscriber fees | \$ 80,000 | \$ 58,653 | \$ (21,347) |
| Sales tax refund | 12,500 | 540 | (11,960) |
| Restricted intergovernmental: | | | |
| Wireless 911 funds | 73,588 | 94,287 | 20,699 |
| Investment earnings | 500 | 377 | (123) |
| | <u>166,588</u> | <u>153,857</u> | <u>(12,731)</u> |
| Expenditures | | | |
| Public safety: | | | |
| 911 system subscriber fees: | | | |
| Operating expenses | 65,567 | 66,108 | (541) |
| Total subscriber fees | <u>65,567</u> | <u>66,108</u> | <u>(541)</u> |
| Wireless 911: | | | |
| Operating expenses | 36,793 | 36,792 | 1 |
| Total public safety | <u>102,360</u> | <u>102,900</u> | <u>(540)</u> |
| Debt service: | | | |
| Principal | 64,809 | 65,208 | (399) |
| Interest | 3,585 | 3,585 | - |
| Total debt service | <u>68,394</u> | <u>68,793</u> | <u>(399)</u> |
| Total expenditures | <u>170,754</u> | <u>171,693</u> | <u>(939)</u> |
| Revenues over (under) expenditures | <u>(4,166)</u> | <u>(17,836)</u> | <u>13,670</u> |
| Other financing sources (uses): | | | |
| Appropriated fund balance | 4,166 | - | 4,166 |
| Total other sources (uses) | <u>4,166</u> | <u>-</u> | <u>4,166</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>(17,836)</u> | <u>\$ (17,836)</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | 52,529 | |
| End of year, June 30 | | <u>\$ 34,693</u> | |

Chowan County, North Carolina
Fire District Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|-----------------|---------------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Ad valorem taxes | \$ 432,378 | \$ 432,519 | \$ 141 |
| Local option sales tax | 105,000 | 103,592 | (1,408) |
| Other taxes and licenses | 1,500 | 2,022 | 522 |
| Miscellaneous revenue | 100 | 2,575 | 2,475 |
| Investment earnings | 500 | 3,485 | 2,985 |
| Total revenues | <u>539,478</u> | <u>544,193</u> | <u>4,715</u> |
| Expenditures: | | | |
| Public safety: | | | |
| Town of Edenton | 231,592 | 231,592 | 0 |
| Salaries and benefits | 54,232 | 38,503 | 15,729 |
| Telephone and postage | 3,000 | 2,457 | 543 |
| Utilities | 12,000 | 10,436 | 1,564 |
| Maintenance and repair | 19,062 | 14,669 | 4,393 |
| Insurance and bonds | 28,937 | 28,935 | 2 |
| Capital outlay | 33,511 | 29,252 | 4,259 |
| Other operating expenses | 35,558 | 32,119 | 3,439 |
| Total public safety | <u>417,892</u> | <u>387,963</u> | <u>29,929</u> |
| Debt service: | | | |
| Principal | 79,533 | 79,532 | 1 |
| Interest | 2,053 | 2,053 | - |
| Total debt service | <u>81,586</u> | <u>81,585</u> | <u>1</u> |
| Total expenditures | <u>499,478</u> | <u>469,548</u> | <u>29,930</u> |
| Revenues over (under) expenditures | <u>40,000</u> | <u>74,645</u> | <u>(34,645)</u> |
| Other financing sources (uses): | | | |
| Transfers in (out) | <u>(40,000)</u> | <u>(10,000)</u> | <u>30,000</u> |
| Total other sources (uses) | <u>(40,000)</u> | <u>(10,000)</u> | <u>30,000</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>64,645</u> | <u>\$ 64,645</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | <u>(176,834)</u> | |
| End of year, June 30 | | <u>\$ (112,189)</u> | |

Chowan County, North Carolina
Revaluation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|-----------------|------------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Investment earnings | \$ - | \$ 17 | \$ 17 |
| Total revenues | <u>-</u> | <u>17</u> | <u>17</u> |
| Expenditures: | | | |
| General government: | | | |
| Contracted services | <u>25,000</u> | <u>-</u> | <u>25,000</u> |
| Revenues over (under) expenditures | <u>(25,000)</u> | <u>17</u> | <u>(25,017)</u> |
| Other financing sources (uses): | | | |
| Transfers in (out) | <u>25,000</u> | <u>25,000</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>25,017</u> | <u>\$ 25,017</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | <u>697</u> | |
| End of year, June 30 | | <u>\$ 25,714</u> | |

Chowan County, North Carolina
Occupancy Tax Assessment Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|----------------|-----------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Sales and service | \$ 121,100 | \$ 118,264 | \$ (2,836) |
| Other taxes and licenses | 265 | 424 | 159 |
| Miscellaneous revenues | 8,212 | 8,212 | (1,500) |
| Investment earnings | 2,000 | - | (2,000) |
| | <u>131,577</u> | <u>126,900</u> | <u>(4,677)</u> |
| Expenditures: | | | |
| Economic development: | | | |
| Contracted services | 79,466 | 79,471 | (5) |
| Reimbursements | 18,527 | 18,526 | 1 |
| Miscellaneous expenses | 37,521 | 33,606 | 3,915 |
| Total expenditures | <u>135,514</u> | <u>131,603</u> | <u>3,911</u> |
| Revenues over (under) expenditures | <u>(3,937)</u> | <u>(4,703)</u> | <u>766</u> |
| Other financing sources (uses): | | | |
| Appropriated fund balance | <u>3,937</u> | <u>-</u> | <u>(3,937)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>(4,703)</u> | <u>\$ (4,703)</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | <u>4,570</u> | |
| End of year, June 30 | | <u>\$ (133)</u> | |

Chowan County, North Carolina
Isabel Recovery Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|--------|----------|------------------------------------|
| | Budget | Actual | |
| Revenues: | \$ - | \$ - | \$ - |
| Expenditures: | | | |
| Public safety: | | | |
| Administration | - | - | - |
| Total expenditures | - | - | - |
| Revenues over (under) expenditures | - | - | - |
| Other financing sources (uses): | | | |
| Fund balance appropriated | - | - | - |
| Transfers in (out) | - | - | - |
| Total other sources (uses) | - | - | - |
| Revenues and other sources over (under) expenditures and other uses | \$ - | - | \$ - |
| Fund balances: | | | |
| Beginning of year, July 1 | | (36,686) | |
| End of year, June 30 | | (36,686) | |

Chowan County, North Carolina
NC Housing Finance Agency Project Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Actual | | Total to Date | Variance Positive (Negative) |
|------------------------------------|-------------------------------|----------------|-----------------|------------------|------------------------------------|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 200,000 | \$ - | \$ 9,384 | \$ 9,384 | \$ (190,616) |
| Total revenue | <u>200,000</u> | <u>-</u> | <u>9,384</u> | <u>9,384</u> | <u>(190,616)</u> |
| Expenditures: | | | | | |
| Economic development: | | | | | |
| Rehabilitation | 158,400 | - | - | - | 158,400 |
| Temporary relocation | 2,000 | - | 9,384 | 9,384 | (7,384) |
| Program soft costs | 23,800 | - | - | - | 23,800 |
| Administrative | 15,800 | - | - | - | 15,800 |
| Total expenditures | <u>200,000</u> | <u>-</u> | <u>9,384</u> | <u>9,384</u> | <u>190,616</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | - | | |
| End of year, June 30 | | | <u>\$ -</u> | | |

Chowan County, North Carolina
CDBG Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Actual | | Total to Date | Variance Positive (Negative) |
|------------------------------------|-------------------------------|----------------|-----------------|------------------|------------------------------------|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 400,000 | \$ 397,882 | \$ 2,907 | \$ 400,789 | \$ 789 |
| Expenditures: | | | | | |
| Economic development: | | | | | |
| Administration | 40,350 | 32,244 | 1,270 | 33,514 | 6,836 |
| Clearance | 39,000 | 42,048 | 736 | 42,784 | (3,784) |
| Relocation assistance | 320,650 | 323,590 | 83 | 323,673 | (3,023) |
| Total expenditures | <u>400,000</u> | <u>397,882</u> | <u>2,089</u> | <u>399,971</u> | <u>(3,023)</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | 818 | <u>\$ 818</u> | <u>\$ (818)</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | - | | |
| End of year, June 30 | | | <u>\$ 818</u> | | |

Note: This schedule was revised after the completion of the financial statements.

Chowan County, North Carolina
CWMTF - Country Club Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Actual | | Total to Date | Variance Positive (Negative) |
|------------------------------------|-------------------------------|----------------|-----------------|------------------|------------------------------------|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 534,000 | \$ 312,092 | \$ - | \$ 312,092 | \$ (221,908) |
| Other taxes and license | - | 521 | - | 521 | 521 |
| Miscellaneous revenue | 50,000 | - | - | - | (50,000) |
| Total revenues | <u>584,000</u> | <u>312,613</u> | <u>-</u> | <u>312,613</u> | <u>(271,387)</u> |
| Expenditures: | | | | | |
| Environmental protection: | | | | | |
| Administration | 15,000 | 5,510 | - | 5,510 | 9,490 |
| Contracted services | 564,000 | 307,103 | - | 307,103 | 256,897 |
| Capital outlay | 5,000 | - | - | - | 5,000 |
| Total expenditures | <u>584,000</u> | <u>312,613</u> | <u>-</u> | <u>312,613</u> | <u>271,387</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | - | | |
| End of year, June 30 | | | <u>\$ -</u> | | |

Chowan County, North Carolina
School Capital Project Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|-------------|-------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | \$ - | \$ - | \$ - |
| Expenditures: | | | |
| Education: | | | |
| Capital outlay | 375,000 | 375,000 | - |
| Debt service: | | | |
| Principal | 781,556 | 781,555 | 1 |
| Interest | 444,923 | 444,923 | - |
| Total debt service | 1,226,479 | 1,226,478 | 1 |
| Total expenditures | 1,601,479 | 1,601,478 | 1 |
| Revenues over (under) expenditures | (1,601,479) | (1,601,478) | (1) |
| Other financing sources (uses): | | | |
| Transfers in (out) | 1,601,479 | 1,601,479 | - |
| Revenues and other sources over (under) expenditures and other uses | \$ - | 1 | \$ 1 |
| Fund balances: | | | |
| Beginning of year, July 1 | | 15,257 | |
| End of year, June 30 | | \$ 15,258 | |

Chowan County, North Carolina
D.F. Walker Gym Renovation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Actual | | | Variance Positive (Negative) |
|--|-------------------------------|----------------|--------------------|--------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 59,800 | \$ - | \$ 59,800 | \$ 59,800 | \$ - |
| Other taxes and licenses | - | - | 2,947 | 2,947 | 2,947 |
| Total revenues | <u>59,800</u> | <u>-</u> | <u>62,747</u> | <u>62,747</u> | <u>2,947</u> |
| Expenditures: | | | | | |
| Cultural and recreational: | | | | | |
| Capital outlay: | | | | | |
| D.F. Walker Gym | <u>158,035</u> | <u>-</u> | <u>143,044</u> | <u>143,044</u> | <u>14,991</u> |
| Revenues over (under) expenditures | <u>(98,235)</u> | <u>-</u> | <u>(80,297)</u> | <u>(80,297)</u> | <u>17,938</u> |
| Other financing sources: | | | | | |
| Transfers in (out) | <u>98,235</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(98,235)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>(80,297)</u> | <u>\$ (80,297)</u> | <u>\$ (80,297)</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | <u>929</u> | | |
| End of year, June 30 | | | <u>\$ (79,368)</u> | | |

Chowan County, North Carolina
Albemarle MM/DD/SAS Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Actual | | Total to Date | Variance Positive (Negative) |
|------------------------------------|-------------------------------|----------------|-----------------|------------------|------------------------------------|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 2,239,989 | \$ 5,262 | \$ - | \$ 5,262 | \$ (2,234,727) |
| Total revenues | <u>2,239,989</u> | <u>5,262</u> | <u>-</u> | <u>5,262</u> | <u>(2,234,727)</u> |
| Expenditures: | | | | | |
| Human services: | | | | | |
| Capital outlay: | | | | | |
| Albemarle MM/DD/SAS | <u>2,239,989</u> | <u>5,262</u> | <u>-</u> | <u>5,262</u> | <u>2,234,727</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | - | | |
| End of year, June 30 | | | <u>\$ -</u> | | |

Chowan County, North Carolina
Agriculture Building Addition Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|-------------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues: | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | | |
| Economic development | | | | | |
| Capital outlay: | | | | | |
| Agriculture Building Addition | 559,748 | - | 39,700 | 39,700 | 520,048 |
| Revenues over (under) expenditures | (559,748) | - | (39,700) | (39,700) | 520,048 |
| Other financing sources: | | | | | |
| Loan proceeds | 559,748 | - | - | - | (559,748) |
| Revenues and other sources over (under) expenditures and other uses | \$ - | \$ - | (39,700) | \$ (39,700) | \$ (39,700) |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | - | | |
| End of year, June 30 | | | \$ (39,700) | | |

Chowan County, North Carolina
Red Banks Farm Park Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|-------------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 500,000 | \$ - | \$ - | \$ - | \$ (500,000) |
| Other taxes and licenses | 17,035 | - | - | - | (17,035) |
| Total revenues | <u>517,035</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(517,035)</u> |
| Expenditures: | | | | | |
| Cultural and recreational: | | | | | |
| Capital outlay: | | | | | |
| Red Banks Farm Park | <u>1,017,035</u> | <u>-</u> | <u>25,903</u> | <u>25,903</u> | <u>991,132</u> |
| Revenues over (under) expenditures | <u>(500,000)</u> | <u>-</u> | <u>(25,903)</u> | <u>(25,903)</u> | <u>474,097</u> |
| Other financing sources: | | | | | |
| Transfers in (out) | <u>500,000</u> | <u>-</u> | <u>25,903</u> | <u>25,903</u> | <u>(474,097)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | <u>-</u> | | |
| End of year, June 30 | | | <u>\$ -</u> | | |

Chowan County, North Carolina
Library Renovation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Actual | | | Variance Positive (Negative) |
|--|-------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues: | | | | | |
| Sales tax refund | \$ 270,000 | \$ - | \$ 42,687 | \$ 42,687 | \$ (227,313) |
| Investment earnings | 30,000 | - | 7,416 | 7,416 | (22,584) |
| Miscellaneous | - | - | 30 | 30 | 30 |
| Total revenues | <u>300,000</u> | <u>-</u> | <u>50,133</u> | <u>50,133</u> | <u>(249,867)</u> |
| Expenditures: | | | | | |
| Cultural and recreational: | | | | | |
| Contracted services | <u>3,171,790</u> | <u>168,640</u> | <u>946,009</u> | <u>1,114,649</u> | <u>2,057,141</u> |
| Debt service: | | | | | |
| Interest | <u>92,000</u> | <u>-</u> | <u>45,663</u> | <u>45,663</u> | <u>46,337</u> |
| Total expenditures | <u>3,263,790</u> | <u>168,640</u> | <u>991,672</u> | <u>1,160,312</u> | <u>2,103,478</u> |
| Revenues over (under) expenditures | <u>(2,963,790)</u> | <u>(168,640)</u> | <u>(941,539)</u> | <u>(1,110,179)</u> | <u>1,853,611</u> |
| Other financing sources: | | | | | |
| Transfers in (out) | 365,790 | - | - | - | (365,790) |
| Loan proceeds | <u>2,598,000</u> | <u>-</u> | <u>2,598,000</u> | <u>2,598,000</u> | <u>-</u> |
| Total other sources | <u>2,963,790</u> | <u>-</u> | <u>2,598,000</u> | <u>2,598,000</u> | <u>(365,790)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ (168,640)</u> | 1,656,461 | <u>\$ 1,487,821</u> | <u>\$ (1,487,821)</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | <u>(168,640)</u> | | |
| End of year, June 30 | | | <u>\$ 1,487,821</u> | | |

Chowan County, North Carolina
John A. Holmes High School Renovation Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Actual | | | Variance Positive (Negative) |
|--|-------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues: | | | | | |
| Sales tax refund | \$ - | \$ 7,808 | \$ 3,161 | \$ 10,969 | \$ 10,969 |
| Investment earnings | - | 18,120 | 44,643 | 62,763 | 62,763 |
| Total revenues | <u>-</u> | <u>25,928</u> | <u>47,804</u> | <u>73,732</u> | <u>73,732</u> |
| Expenditures: | | | | | |
| Education: | | | | | |
| Capital outlay: | | | | | |
| John A. Holmes High School Renovation | <u>401,700</u> | <u>330,905</u> | <u>635,762</u> | <u>966,667</u> | <u>(564,967)</u> |
| Revenues over (under) expenditures | <u>(401,700)</u> | <u>(304,977)</u> | <u>(587,958)</u> | <u>(892,935)</u> | <u>(491,235)</u> |
| Other financing sources: | | | | | |
| Transfers in (out) | (1,598,300) | - | - | - | (1,598,300) |
| Loan proceeds | <u>2,000,000</u> | <u>2,000,000</u> | <u>-</u> | <u>2,000,000</u> | <u>-</u> |
| Total other sources (uses) | <u>401,700</u> | <u>2,000,000</u> | <u>-</u> | <u>2,000,000</u> | <u>(1,598,300)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ 1,695,023</u> | <u>(587,958)</u> | <u>\$ 1,107,065</u> | <u>\$ (1,107,065)</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | <u>1,695,023</u> | | |
| End of year, June 30 | | | <u>\$ 1,107,065</u> | | |

Chowan County, North Carolina
Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|-------------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues: | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | | |
| General government: | | | | | |
| Capital outlay: | | | | | |
| Major repairs | 130,000 | 114,388 | 44,799 | 159,187 | (29,187) |
| Revenues over (under) expenditures | (130,000) | (114,388) | (44,799) | (159,187) | (29,187) |
| Other financing sources: | | | | | |
| Transfers in (out) | 130,000 | 114,388 | 44,799 | 159,187 | (29,187) |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> | <u>\$ -</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | - | | |
| End of year, June 30 | | | <u>\$ -</u> | | |

Chowan County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|------------------------------------|------------------|------------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Operating revenues: | | | |
| Water sales | \$ 1,311,994 | \$ 1,163,922 | \$ (148,072) |
| Reconnection fees | 30,000 | 24,375 | (5,625) |
| Miscellaneous revenue | 3,000 | 1,017 | (1,983) |
| Sales tax and other refunds | 10,000 | 10,637 | 637 |
| Taps and connection fees | 75,000 | 83,075 | 8,075 |
| Total operating revenues | <u>1,429,994</u> | <u>1,283,026</u> | <u>(146,968)</u> |
| Nonoperating revenues: | | | |
| Investment earnings | - | 167 | 167 |
| Total revenues | <u>1,429,994</u> | <u>1,283,193</u> | <u>(146,801)</u> |
| Expenditures: | | | |
| Administration and operating: | | | |
| Salaries and employee benefits | 296,040 | 288,505 | 7,535 |
| Postage and telephone | 23,870 | 23,870 | - |
| Utilities | 85,043 | 85,042 | 1 |
| Maintenance and repairs | 169,500 | 114,021 | 55,479 |
| Automotive supplies | 15,001 | 15,001 | - |
| Supplies and materials | 99,545 | 87,682 | 11,863 |
| Administrative services | 148,436 | 139,870 | 8,566 |
| Meters and minor improvements | 26,214 | 16,454 | 9,760 |
| Total | <u>863,649</u> | <u>770,445</u> | <u>93,204</u> |
| Debt service: | | | |
| Debt principal | 246,502 | 247,883 | (1,381) |
| Interest and fees | 37,329 | 37,329 | - |
| Total | <u>283,831</u> | <u>285,212</u> | <u>(1,381)</u> |
| Capital outlay | 135,357 | 30,398 | 104,959 |
| Total expenditures | <u>1,282,837</u> | <u>1,086,055</u> | <u>196,782</u> |
| Revenues over (under) expenditures | <u>147,157</u> | <u>197,138</u> | <u>49,981</u> |

(continued)

Chowan County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|-----------|------------|------------------------------------|
| | Budget | Actual | |
| Other financing sources (uses): | | | |
| Proceeds of installment purchase | - | 16,092 | 16,092 |
| Transfers in (out) | (147,157) | (101,000) | 46,157 |
| Total other sources (uses) | (147,157) | (84,908) | 62,249 |
| Revenues and other sources over (under) expenditures and other uses | \$ - | 112,230 | \$ 112,230 |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Reconciling items: | | | |
| Debt principal | | 247,883 | |
| Capital outlay | | 30,398 | |
| Depreciation | | (266,303) | |
| Amortization | | (1,393) | |
| Decrease in bond interest accrued | | 1,345 | |
| Decrease in inventory | | (30) | |
| Revenue from Capital Reserve Funds | | 239,341 | |
| Revenue from Wharf Landing Fund | | 83,076 | |
| Proceeds from installment purchase | | (16,092) | |
| Total reconciling items | | 318,225 | |
| Change in net assets | | \$ 430,455 | |

Chowan County, North Carolina
Emergency Management Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|------------------|------------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Operating revenues: | | | |
| Ambulance Fees | \$ 865,000 | \$ 997,750 | \$ 132,750 |
| Miscellaneous revenue | 3,180 | 3,538 | 358 |
| Sales tax and other refunds | 3,650 | 4,606 | 956 |
| Total | <u>871,830</u> | <u>1,005,894</u> | <u>134,064</u> |
| Non-operating revenues: | | | |
| Restricted intergovernmental - Federal grant | 6,992 | 6,584 | (408) |
| Restricted intergovernmental - Local grant | 14,000 | 14,000 | - |
| Investment earnings | - | 853 | 853 |
| Total | <u>20,992</u> | <u>21,437</u> | <u>445</u> |
| Total revenues | <u>892,822</u> | <u>1,027,331</u> | <u>134,509</u> |
| Expenditures: | | | |
| Administration and operating: | | | |
| Salaries and employee benefits | 990,930 | 1,000,889 | (9,959) |
| Postage and telephone | 12,145 | 12,144 | 1 |
| Utilities | 21,609 | 21,609 | - |
| Maintenance and repairs | 37,425 | 39,288 | (1,863) |
| Automotive supplies | 27,074 | 27,074 | - |
| Supplies and materials | 37,435 | 37,451 | (16) |
| Contracted services | 53,634 | 53,633 | 1 |
| Administrative services | 64,285 | 68,881 | (4,596) |
| Total | <u>1,244,537</u> | <u>1,260,969</u> | <u>(16,432)</u> |
| Debt service: | | | |
| Debt principal | 80,517 | 79,170 | 1,347 |
| Interest and fees | 5,247 | 5,247 | - |
| Total | <u>85,764</u> | <u>84,417</u> | <u>1,347</u> |
| Capital outlay | | | |
| Total expenditures | <u>135,063</u> | <u>133,197</u> | <u>1,866</u> |
| Total expenditures | <u>1,465,364</u> | <u>1,478,583</u> | <u>(13,219)</u> |
| Revenues over (under) expenditures | <u>(572,542)</u> | <u>(451,252)</u> | <u>121,290</u> |

(continued)

Chowan County, North Carolina
Emergency Management Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|-----------------|-------------------|------------------------------------|
| | Budget | Actual | |
| Other financing sources (uses): | | | |
| Proceeds of installment purchase | 90,000 | 85,094 | (4,906) |
| Transfers in (out) | <u>482,542</u> | <u>482,542</u> | <u>-</u> |
| Total other financing sources (uses) | <u>572,542</u> | <u>567,636</u> | <u>(4,906)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | 116,384 | <u>\$ 116,384</u> |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Reconciling items: | | | |
| Debt principal | | 79,170 | |
| Capital outlay | | 133,197 | |
| Proceeds from installment purchase | | (85,094) | |
| Depreciation | | (74,711) | |
| Increase in bond interest accrued | | <u>(62)</u> | |
| Total reconciling items | | <u>52,500</u> | |
| Change in net assets | | <u>\$ 168,884</u> | |

Chowan County, North Carolina
Water Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|--|-----------------|-----------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Storm preparedness charges | \$ 66,249 | \$ 64,086 | \$ (2,163) |
| Investment earnings | - | 1,023 | 1,023 |
| Total revenues | <u>66,249</u> | <u>65,109</u> | <u>(1,140)</u> |
| Other financing sources (uses): | | | |
| Transfers in (out) | <u>(66,249)</u> | <u>(66,249)</u> | - |
| Total other financing sources (uses) | <u>(66,249)</u> | <u>(66,249)</u> | - |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | (1,140) | <u>\$ (1,140)</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | <u>5,170</u> | |
| End of year, June 30 | | <u>\$ 4,030</u> | |

Chowan County, North Carolina
Water Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Actual Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|-------------------------------|--------------------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | | |
| Sales tax refund | \$ - | \$ 2,184 | \$ - | \$ 2,184 | \$ 2,184 |
| Expenditures | | | | | |
| Water system improvements: | | | | | |
| Generator project | 430,000 | 380,446 | 116,085 | 496,531 | (66,531) |
| Revenues over (under) expenditures | (430,000) | (378,262) | (116,085) | (494,347) | (64,347) |
| Other financing sources: | | | | | |
| Transfers in (out) | 430,000 | 144,217 | 66,249 | 210,466 | (219,534) |
| Revenues and other sources over (under) expenditures and other uses | \$ - | \$ (234,045) | (49,836) | \$ (283,881) | \$ (283,881) |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | (234,045) | | |
| End of year, June 30 | | | \$ (283,881) | | |

Chowan County, North Carolina
Wharf Landing Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---|-------------------------------|--------------------|---------------------------|--------------------|------------------------------------|
| Revenues | | | | | |
| Restricted intergovernmental - Federal Grant - CDBG | \$ 228,000 | \$ 88,231 | \$ 82,132 | \$ 170,363 | \$ (57,637) |
| Sales tax refund | - | 4,305 | 944 | 5,249 | 5,249 |
| Miscellaneous | <u>382,608</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(382,608)</u> |
| Total revenues | <u>610,608</u> | <u>92,536</u> | <u>83,076</u> | <u>175,612</u> | <u>(434,996)</u> |
| Expenditures | | | | | |
| Water system improvements: | | | | | |
| Extension project | <u>610,608</u> | <u>188,276</u> | <u>81,984</u> | <u>270,260</u> | <u>340,348</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ (95,740)</u> | 1,092 | <u>\$ (94,648)</u> | <u>(94,648)</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | <u>(95,740)</u> | | |
| End of year, June 30 | | | <u>\$ (94,648)</u> | | |

Chowan County, North Carolina
Water Development Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2007

| | 2007 | | Variance Positive (Negative) |
|------------------------------------|----------------|-------------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Water development fees | \$ 100,000 | \$ 131,025 | \$ 31,025 |
| Investment earnings | - | 43,207 | 43,207 |
| Total revenues | <u>100,000</u> | <u>174,232</u> | <u>74,232</u> |
| Expenditures: | | | |
| Administration | 100,000 | - | 100,000 |
| Total expenditures | <u>100,000</u> | <u>-</u> | <u>100,000</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | 174,232 | <u>\$ 174,232</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | 70,443 | |
| End of year, June 30 | | <u>\$ 244,675</u> | |

Chowan County, North Carolina
Airport Industrial Park Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

| | Project Author- ization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|-------------------------------|-------------------|---------------------------|--------------------|------------------------------------|
| Revenues | | | | | |
| Restricted intergovernmental | \$ 326,000 | \$ - | \$ - | \$ - | \$ (326,000) |
| Miscellaneous | 30,736 | - | - | - | (30,736) |
| | <u>356,736</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(356,736)</u> |
| Expenditures | | | | | |
| Water system improvements: | | | | | |
| Extension project | <u>387,473</u> | <u>1,715</u> | <u>28,178</u> | <u>29,893</u> | <u>357,580</u> |
| Revenues over (under) expenditures | <u>(30,737)</u> | <u>(1,715)</u> | <u>(28,178)</u> | <u>(29,893)</u> | <u>844</u> |
| Other financing sources: | | | | | |
| Transfers in (out) | <u>30,737</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(30,737)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ (1,715)</u> | <u>(28,178)</u> | <u>\$ (29,893)</u> | <u>\$ (29,893)</u> |
| Fund balances: | | | | | |
| Beginning of year, July 1 | | | <u>(1,715)</u> | | |
| End of year, June 30 | | | <u>\$ (29,893)</u> | | |

Chowan County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2007

| | Balance July 1, 2006 | Additions | Deductions | Balance June 30, 2007 |
|---|----------------------------|--------------|--------------|-----------------------------|
| Fireman's Relief Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 56,678 | \$ 17,167 | \$ 60 | \$ 73,785 |
| Liabilities: | | | | |
| Payables | \$ 56,678 | \$ 17,167 | \$ 60 | \$ 73,785 |
| Social Services - Protective Payees | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,571 | \$ 34,837 | \$ 33,981 | \$ 2,427 |
| Liabilities: | | | | |
| Payables | \$ 1,571 | \$ 34,837 | \$ 33,981 | \$ 2,427 |
| Consolidated Health Services | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 744,552 | \$ 5,276,139 | \$ 5,884,988 | \$ 135,703 |
| Liabilities: | | | | |
| Payables | \$ 739,052 | \$ 5,276,139 | \$ 5,884,988 | \$ 130,203 |
| Due to other funds | 5,500 | - | - | 5,500 |
| Total liabilities | \$ 744,552 | \$ 5,276,139 | \$ 5,884,988 | \$ 135,703 |
| Edenton Chowan Development Corp | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 215,961 | \$ 215,961 | \$ - |
| Accounts receivable | 221,318 | 20,961 | - | 242,279 |
| Total assets | \$ 221,318 | \$ 236,922 | \$ 215,961 | \$ 242,279 |
| Liabilities: | | | | |
| Payables | \$ - | \$ 215,961 | \$ 215,961 | \$ - |
| Due to other funds | 221,318 | 20,961 | - | 242,279 |
| Total liabilities | \$ 221,318 | \$ 236,922 | \$ 215,961 | \$ 242,279 |
| Fines and Forfeitures | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 8,513 | \$ 104,375 | \$ 112,527 | \$ 361 |
| Liabilities: | | | | |
| Intergovernmental payable - Chowan County Board of Education | \$ 7,796 | \$ 97,276 | \$ 105,072 | \$ - |
| Intergovernmental payable - State of North Carolina | 717 | 7,099 | 7,455 | 361 |
| Total liabilities | \$ 8,513 | \$ 104,375 | \$ 112,527 | \$ 361 |

Chowan County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2007

| | Balance July 1, 2006 | Additions | Deductions | Balance June 30, 2007 |
|----------------------------------|----------------------------|--------------------|---------------------|-----------------------------|
| Albemarle Learning Center | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 64,170 | \$ 64,170 | \$ - |
| Accounts receivable | 44,056 | 25,723 | - | 69,779 |
| Total assets | <u>\$ 44,056</u> | <u>\$ 89,893</u> | <u>\$ 64,170</u> | <u>\$ 69,779</u> |
| Liabilities: | | | | |
| Payables | \$ - | \$ 64,170 | \$ 64,170 | \$ - |
| Due to other funds | 44,056 | 25,723 | - | 69,779 |
| Total liabilities | <u>\$ 44,056</u> | <u>\$ 89,893</u> | <u>\$ 64,170</u> | <u>\$ 69,779</u> |
| Old Courthouse Gala | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,200 | \$ - | \$ - | \$ 1,200 |
| Liabilities: | | | | |
| Payables | \$ 1,200 | \$ - | \$ - | \$ 1,200 |
| EHC Cannon Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 37,401 | \$ 301,545 | \$ 321,190 | \$ 17,756 |
| Accounts receivable | 16 | 91 | - | 107 |
| Total assets | <u>\$ 37,417</u> | <u>\$ 301,636</u> | <u>\$ 321,190</u> | <u>\$ 17,863</u> |
| Liabilities: | | | | |
| Payables | \$ 37,417 | \$ 301,636 | \$ 321,190 | \$ 17,863 |
| Peace for Families Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 615 | \$ 300 | \$ 315 |
| Liabilities: | | | | |
| Payables | \$ - | \$ 615 | \$ 300 | \$ 315 |
| Totals - All Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 849,915 | \$6,014,809 | \$ 6,633,177 | \$ 231,547 |
| Accounts receivable | 265,390 | 46,775 | - | 312,165 |
| Total assets | <u>\$ 1,115,305</u> | <u>\$6,061,584</u> | <u>\$ 6,633,177</u> | <u>\$ 543,712</u> |
| Liabilities: | | | | |
| Payables | \$ 844,431 | \$6,014,900 | \$ 6,633,177 | \$ 226,154 |
| Due to other funds | 270,874 | 46,684 | - | 317,558 |
| Total liabilities | <u>\$ 1,115,305</u> | <u>\$6,061,584</u> | <u>\$ 6,633,177</u> | <u>\$ 543,712</u> |

Chowan County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2007

| Fiscal Year | Uncollected Balance June 30, 2006 | Additions | Collections And Credits | Uncollected Balance June 30, 2007 |
|---|---|---------------------|----------------------------|---|
| 1996-1997 | \$ 6,642 | \$ - | \$ 6,642 | \$ - |
| 1997-1998 | 10,319 | - | 588 | 9,731 |
| 1998-1999 | 9,736 | - | 327 | 9,409 |
| 1999-2000 | 9,271 | - | 535 | 8,736 |
| 2000-2001 | 9,535 | - | 806 | 8,729 |
| 2001-2002 | 12,636 | - | 2,573 | 10,063 |
| 2002-2003 | 18,793 | - | 5,813 | 12,980 |
| 2003-2004 | 27,927 | - | 11,235 | 16,692 |
| 2004-2005 | 60,512 | - | 35,307 | 25,205 |
| 2005-2006 | 256,827 | - | 187,919 | 68,908 |
| 2006-2007 | - | 7,205,314 | 6,996,361 | 208,953 |
| | <u>\$ 422,198</u> | <u>\$ 7,205,314</u> | <u>\$ 7,248,106</u> | <u>379,406</u> |
| Less: allowance for uncollectible accounts: General Fund | | | | <u>241,770</u> |
| Ad valorem taxes receivable - net: General Fund | | | | <u>\$ 137,636</u> |
| <u>Reconciliation with revenues:</u> | | | | |
| Ad valorem taxes - General Fund | | | | <u>\$ 7,224,529</u> |
| Reconciling items: | | | | |
| Interest collected | | | | (60,524) |
| Other | | | | 77,557 |
| Taxes written off | | | | <u>6,544</u> |
| Total reconciling items | | | | <u>23,577</u> |
| Total collections and credits | | | | <u>\$ 7,248,106</u> |

Chowan County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2007

| | County - wide | | | Total Levy | |
|---|-----------------------|-------|-------------------|--|---------------------------------|
| | Property Valuation | Rate | Amount of Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| | Original levy: | | | | |
| Property taxed at current year's rate | \$ 1,237,846,846 | 0.545 | \$ 6,746,281 | \$ 6,306,027 | \$ 440,254 |
| Motor vehicles taxed at prior year's rate | 36,187,548 | 0.78 | 282,258 | - | 282,258 |
| Penalties | - | | 2,383 | 2,383 | - |
| Total | 1,274,034,394 | | 7,030,922 | 6,308,410 | 722,512 |
| Discoveries: | | | | | |
| Current year taxes | 25,153,622 | 0.545 | 137,087 | 137,087 | - |
| Prior year taxes | 7,221,869 | 0.78 | 53,072 | 53,072 | - |
| Penalties | - | | 2,041 | 2,041 | - |
| Total | 32,375,491 | | 192,200 | 192,200 | - |
| Abatements | (2,834,040) | | (17,808) | (2,390) | (15,418) |
| Total property valuation | \$ 1,303,575,845 | | | | |
| Net levy | | | 7,205,314 | 6,498,220 | 707,094 |
| Uncollected taxes at June 30, 2007 | | | 208,953 | 167,679 | 41,274 |
| Current year's taxes collected | | | \$ 6,996,361 | \$ 6,330,541 | \$ 665,820 |
| Current levy collection percentage | | | 97.10% | 97.42% | 94.16% |

Chowan County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2007

Secondary Market Disclosures:

Assessed Valuation:

| | |
|--|-------------------|
| Assessment Ratio | 100 % |
| Real Property | \$ 1,143,474,490 |
| Personal Property | 122,455,884 |
| Public Service Companies | <u>37,645,471</u> |
| Total Assessed Valuation | 1,303,575,845 |
| Tax Rate per \$100 | 0.545 |
| Levy (includes discoveries, releases and abatements) | \$ 6,957,270 |

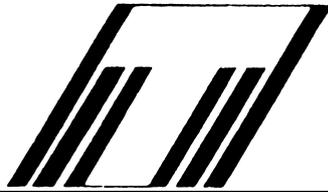
In addition to the County-wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the fiscal year ended June 30:

| | |
|---------------------------|--------------------------|
| Fire Protection Districts | <u><u>\$ 396,055</u></u> |
|---------------------------|--------------------------|

Chowan County, North Carolina
Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2007

| Taxpayer | Type of Business | 2007 Assessed Valuation | Percentage of Total Assessed Valuation |
|-------------------------|-------------------------|--|---|
| Gemini Edenton | Shopping Center | \$ 7,527,462 | 0.620 % |
| Seabrook Blanching Corp | Manufacturing | 6,141,604 | 0.500 |
| Edenton Dyeing | Manufacturing | 5,488,471 | 0.450 |
| Mitek Industries | Manufacturing | 4,798,928 | 0.390 |
| Cameron Edenton | Shopping Center | 4,609,539 | 0.380 |
| George C Moore | Manufacturing | 4,538,529 | 0.370 |
| Bateman Logging | Logging | 3,807,685 | 0.310 |
| C.A. Perry | Farm Supply | 3,654,300 | 0.300 |
| JJ Peanut | Manufacturing | 3,649,953 | 0.300 |
| Regulator Marine | Manufacturing | 3,511,279 | 0.290 |
| Total | | \$ 47,727,750 | 3.910 % |

Compliance Section



J. P. TIMBERLAKE III CPA, P.A.

Certified Public Accountant

P. O. Box 626 • 102 West Eden Street

Edenton, North Carolina 27932

(252) 482-8461 FAX (252) 482-4921

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Board of County Commissioners
Chowan County, North Carolina**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2007, which collectively comprises the County's basic financial statements, and have issued our report thereon dated March 7, 2008. We did not audit the financial statements of the Chowan County ABC Board. Those financial statements were audited by another auditor whose report thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for the Chowan County ABC Board, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the Chowan County ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chowan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chowan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings as 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 2007-1 to be a material weakness.

Compliance and Other Matters

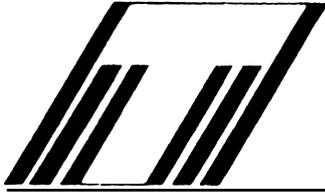
As part of obtaining reasonable assurance about whether Chowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain matters that we reported to management of Chowan County, in a separate letter dated March 7, 2008.

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



Certified Public Accountant

March 7, 2008



J. P. TIMBERLAKE III CPA, P.A.

Certified Public Accountant

P. O. Box 626 • 102 West Eden Street

Edenton, North Carolina 27932

(252) 482-8461 FAX (252) 482-4921

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

**To the Board of County Commissioners
Chowan County, North Carolina**

Compliance

We have audited the compliance of Chowan County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2007. Chowan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chowan County's management. Our responsibility is to express an opinion on Chowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Chowan County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chowan County's compliance with those requirements.

As described in item 2007-3 in the accompanying schedule of findings and questioned costs, Chowan County did not comply with requirements regarding Reporting and Monitoring that are applicable to its Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Chowan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Chowan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chowan County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-3 to be material weaknesses.

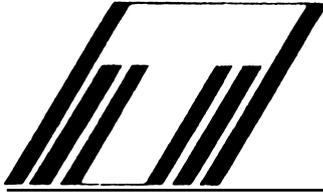
The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly we express no opinion on it.

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

Handwritten signature in black ink, appearing to read "J. R. ... III CPA".

Certified Public Accountant

March 7, 2008



J. P. TIMBERLAKE III CPA, P.A.

Certified Public Accountant

P. O. Box 626 • 102 West Eden Street

Edenton, North Carolina 27932

(252) 482-8461 FAX (252) 482-4921

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND
THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**To the Board of County Commissioners
Chowan County, North Carolina**

Compliance

We have audited the compliance of Chowan County, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2007, Chowan County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Chowan County's management. Our responsibility is to express an opinion on the Chowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Chowan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chowan County's compliance with those requirements.

In our opinion, Chowan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Chowan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Chowan County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

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



Certified Public Accountant

March 7, 2008

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

| |
|---|
| Section I - Summary of Auditor's Results |
|---|

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(s) identified
that are not considered to be
material weaknesses X yes none reported

Noncompliance material to financial
statements noted

 yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(s) identified
that are not considered to be
material weaknesses yes X none reported

Type of auditor's report issued on compliance
for major federal programs: **Unqualified for all federal programs except for Community
Development Block Grant which was qualified.**

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133

 X yes no

Identification of major federal programs:

| <u>CFDA#</u> | <u>Program Name or Cluster</u> |
|--------------|--|
| 10.551 | Food Stamp Program - Direct Benefits |
| 10.561 | State Admin Matching Grants for Food Stamp Program |
| 14.228 | CDBG |
| 93.778 | Medical Assistance Program |

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

 \$ 607,838

Auditee qualified as low-risk auditee?

 X yes no

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

State Awards

Internal control over major State programs:

- **Material weakness(es) identified?** yes X no
- **Significant deficiency(s) identified that are not considered to be material weaknesses** yes X none reported

Type of auditor’s report issued on compliance for major State programs: Unqualified

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

Identification of major State programs:

Medical Assistance Program

Section II - Financial Statement Findings

MATERIAL WEAKNESS

2007-1 Unrecorded Transactions

Criteria: Controls should be in place to provide assurance that transactions are entered in the general ledger correctly and completely.

Condition: There were significant balances in escrow accounts and related interest income that were not entered in the general ledger.

Effect: The material transactions were not included in the general ledger and therefore the financial statements were misstated.

Cause: The Finance Officer was not aware that these transactions should be entered in the general ledger.

Recommendation: The County should implement procedures to ensure that all financial transactions are being entered through the general ledger.

Views of responsible officials and planned corrective actions: The County will implement procedures to ensure that all financial transactions are being entered through the general ledger. The County will implement these procedures immediately. Contact person is Lisa Jones, Finance Officer.

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

SIGNIFICANT DEFICIENCY

2007-2 Financial Statement Preparation

Criteria: There should be an adequate design of internal controls over preparation of financial statements to prevent and detect misstatements.

Condition: Controls over the preparation of the financial statements is inadequate.

Effect: Misstatements could exist in the financial statements and not be detected.

Cause: There does not appear to be enough management oversight over financial reporting.

Recommendation: Management needs to become more aware of the financial reporting requirements of local governments.

Views of responsible officials and planned corrective actions: The County will ensure that all avenues to become aware of financial reporting requirements of local governments are sought. This shall include attending training/s eminars/conferences that discuss new reporting requirements and subscribe to professional bulletins/announcements to keep abreast of new reporting requirements. The County will implement these procedures immediately. Contact person is Lisa Jones, Finance Officer.

| |
|--|
| Section III - Federal Award Findings and Questioned Costs |
|--|

US Housing and Urban Development
Passed through the NC Department of Commerce, Division of Community Assistance
Community Development Block Grant
CFDA # 14.228

MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE

2007-3 Reporting & Monitoring

Criteria: In accordance with NCAC 19L.1101 Reporting and NCAC 19L.1102 Monitoring by the Recipient, the requirements applicable in this case, recipients are responsible for constantly monitoring the performance under grant-supported activities to assure that time schedules are being met, and other performance goals are being achieved. If events occur which have significant impact upon the project, then the recipient shall inform the Department of Commerce as soon as the condition becomes known.

Condition: No procedures were in place to ensure that the 19 jobs that were to be created by this project had been created as of June 30, 2007 as outlined in the legally binding commitment between Chowan County and Wharf Landing LLC.

Questioned Costs: \$168,000.00. This amount was calculated by multiplying the 14 jobs not created by the \$12,000.00 per job to be reimbursed to DOC.

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

Context & Effect: The County was asked to provide a Close Out Performance Report based on the requirements of the grant. The third party contracted to handle the CDBG grant informed the County that the Close Out had not been done since the 19 jobs had not been created.

Cause: The County is not adequately monitoring the performance goals of the grant nor the timely reporting requirements.

Recommendation: Procedures should be in place to make periodic contact with the contracted party in charge of administering the grant to be sure the goals are being met and the reports are being filed on time.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement adequate monitoring procedures and reporting processes for the performance of the grant. The County will implement these procedures immediately. The County intends to request additional time to create the remaining jobs since the construction phase was behind schedule and the economy has slowed down. Contact person is Lisa Jones, Finance Officer.

| |
|---|
| Section IV - State Award Findings and Questioned Costs |
|---|

None reported

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2007

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures (Direct and Pass-Through)</u> | <u>State Expenditures</u> | <u>Local Expenditures</u> |
|---|------------------------------------|---|-------------------------------|-------------------------------|
| FEDERAL AWARDS: | | | | |
| U.S. Department of Justice | | | | |
| Passed-through the N.C. Dept. of Crime Control and Public Safety: | | | | |
| Violence Against Women Formula Grants | 16.588 | 41,921 | - | 23,453 |
| Drug Control & System Improvement | 16.579 | 9,000 | - | 9,216 |
| Direct Program: | | | | |
| 2002 Bulletproof Vest Partnership Program | 16.607 | 948 | - | 948 |
| Total U.S. Dept. of Justice | | <u>51,869</u> | <u>-</u> | <u>33,617</u> |
| U.S. Election Assistance Commission | | | | |
| Help America Vote Act Requirements Payments | 90.401 | 34,601 | - | - |
| U.S. Department of Homeland Security | | | | |
| Passed-through the N.C. Dept. of Crime Control and Public Safety: | | | | |
| Division of Emergency Management: | | | | |
| Homeland Security Grant Program | 97.004 | 9,335 | - | - |
| Hazard Mitigation Grant | 97.039 | 16,244 | 5,415 | - |
| Emergency Management Performance Grants | 97.042 | 22,933 | - | - |
| Total Federal Emergency Management Agency | | <u>48,512</u> | <u>5,415</u> | <u>-</u> |
| U.S. Department of Health and Human Services: | | | | |
| Administration for Children and Families | | | | |
| Passed-through N.C. Dept. of Health and Human Services: | | | | |
| Division of Social Services: | | | | |
| Foster Care and Adoption Cluster: | | | | |
| Title IV-E Foster Care | 93.658 | 35,738 | 6,494 | 25,891 |
| Foster Care - Direct Benefits Program | 93.658 | 2,548 | 701 | 701 |
| Adoption Assistance - Direct Benefit Payments | 93.659 | 3,778 | 1,051 | 1,051 |
| Total Foster Care and Adoption Cluster | | <u>42,064</u> | <u>8,246</u> | <u>27,643</u> |
| Social Services Block Grant | 93.667 | 71,166 | 12,804 | 24,172 |
| Aid to Families with Dependent Children - Direct | 93.560 | (53) | (14) | (14) |
| Work First/Temporary Assistance to Needy Families | 93.558 | 223,932 | - | 249,407 |
| Work First/Temporary Assistance to Needy Families - Direct | 93.558 | 225,917 | - | 1,160 |
| Child Support Enforcement | 93.563 | 271,773 | - | 139,863 |
| Low-Income Home Energy Assistance Block Grant: | | | | |
| Administration | 93.568 | 30,520 | - | - |
| Direct Benefit Payments | 93.568 | 68,210 | - | - |
| Permanency Planning | 93.645 | 4,390 | 1,128 | 335 |
| Independent Living Grant | 93.674 | 428 | 107 | - |
| Child Care Development Fund Cluster: | | | | |
| Division of Social Services: | | | | |
| Child Care and Development Fund | 93.596 | 60,000 | - | - |
| Division of Child Development: | | | | |
| Child Care and Development Fund - Discretionary | 93.575 | 268,859 | - | - |
| Child Care and Development Fund - Mandatory | 93.596 | 109,406 | - | - |
| Child Care and Development Fund - Match | 93.596 | 117,066 | 64,949 | - |
| Total Child Care Development Fund Cluster | | <u>555,331</u> | <u>64,949</u> | <u>-</u> |

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2007

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Federal Expenditures (Direct and Pass-Through) | State Expenditures | Local Expenditures |
|---|------------------------------------|---|-------------------------------|-------------------------------|
| Social Services Block Grant | 93.667 | 7,288 | - | - |
| TANF | 93.558 | 100,191 | - | - |
| Smart Start | n/a | - | 3,661 | - |
| State Appropriations | n/a | - | 48,776 | - |
| TANF - Main. of Effort | n/a | - | 101,581 | - |
| Total Subsidized Child Care Cluster | | <u>662,810</u> | <u>218,967</u> | - |
| Centers for Medicare and Medicaid Services | | | | |
| Passed-through N.C. Dept. of Health and Human Services: | | | | |
| Division of Medical Assistance: | | | | |
| Direct Benefit Payments: | | | | |
| Medical Assistance Program | 93.778 | 15,530,034 | 7,493,639 | 1,343,221 |
| Division of Social Services: | | | | |
| Administration: | | | | |
| Medical Assistance Program | 93.778 | 334,362 | 9,294 | 325,067 |
| State Children's Insurance Program - N.C. Health Choice | 93.767 | 8,739 | 594 | 2,320 |
| Total U. S. Dept. of Health and Human Services | | <u>17,474,292</u> | <u>7,744,765</u> | <u>2,113,174</u> |
| U.S. Department of Agriculture | | | | |
| Food and Nutrition Service | | | | |
| Passed-through N.C. Dept. of Health and Human Services: | | | | |
| Division of Social Services: | | | | |
| Administration: | | | | |
| Food Stamp Cluster: | | | | |
| Food Stamp Program - Direct Benefit Payment | 10.551 | 2,363,631 | - | - |
| State Administrative Matching Grants for the Food Stamp Program | 10.561 | 155,727 | - | 155,727 |
| Total Food Stamp Cluster | | <u>2,519,358</u> | - | <u>155,727</u> |
| Total U.S. Dept. of Agriculture | | <u>2,519,358</u> | - | <u>155,727</u> |
| U.S. Department of Transportation | | | | |
| Passed-through the N.C. Department of Environment and Natural Resources: | | | | |
| Division of Parks and Recreation: | | | | |
| Recreational Trails Program - John's Island | 20.219 | 26,268 | - | 6,567 |
| Passed-through the N.C. Department of Crime Control & Public Safety: | | | | |
| Hazardous Materials Emergency Preparedness | | | | |
| Passed-through the N.C. Department of Transportation Governor's Highway Safety Program: | 20.703 | 3,818 | - | - |
| Highway Safety Cluster: | | | | |
| State and Community Highway Safety | 20.600 | 8,109 | - | - |
| Total Highway Safety Cluster | | <u>8,109</u> | - | - |
| Total U.S. Dept. of Transportation | | <u>38,195</u> | - | <u>6,567</u> |

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2007

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Federal Expenditures (Direct and Pass-Through) | State Expenditures | Local Expenditures |
|---|------------------------------------|---|-------------------------------|-------------------------------|
| U.S. Housing and Urban Development | | | | |
| Passed-through the N.C. Housing Finance Agency Single-Family Rehabilitation Program | 14.239 | 9,384 | - | - |
| Passed-through the N.C. Department of Commerce: Division of Community Assistance: Community Development Block Grant | 14.228 | 2,908 | - | - |
| Community Development Block Grant | 14.228 | 82,132 | - | - |
| Total U.S. Housing and Urban Development | | 94,424 | - | - |
| Total Federal Awards | | 20,261,251 | 7,750,180 | 2,309,085 |
| STATE AWARDS: | | | | |
| N.C. Department of Environment and Natural Resources | | | | |
| SWC - Agricultural Cost Share | n/a | - | 23,258 | - |
| SWC - Administration | n/a | - | 4,000 | - |
| DWM - Scrap Tire Program | n/a | - | 57,885 | - |
| DWM - White Goods Management Program | n/a | - | 10,056 | - |
| DCM - Land Use Plans | n/a | - | 14,307 | - |
| DCM - Minor Permit/County Aid | n/a | - | 380 | - |
| Parks and Recreation Trust Fund | n/a | - | 59,800 | 83,244 |
| Cape Colony Access Project | n/a | - | 13,515 | - |
| Brownrigg-Dillard Millpond Rec Project | n/a | - | 24,474 | - |
| Public Health Pest Mgmt | n/a | - | 9,791 | - |
| Total N.C. Dept. of Environment and Natural Resources | | - | 217,466 | 83,244 |
| N.C. Department of Health and Human Services | | | | |
| Veterans Service | n/a | - | 2,000 | - |
| HRSA Bioterrorism Grant | n/a | - | 6,584 | - |
| Division of Social Services: County Funded Programs | n/a | - | - | 66,499 |
| Non Allocating County Cost | n/a | - | - | 29,290 |
| SC/SA Admin. | n/a | - | - | 24,098 |
| State Adult Protective Service | n/a | - | 9,844 | - |
| Adoption/Foster Care | n/a | - | - | 5,117 |
| Direct Benefit Payments: F/C At Risk Maximization | n/a | - | 4,790 | 2,670 |
| CWS Adoption Subsidy & Vendor | n/a | - | 1,463 | 487 |
| State Foster Home | n/a | - | 3,822 | 3,821 |
| Foster Care At Risk | n/a | - | 4,056 | 884 |
| SC/SA Domiciliary Care | n/a | - | 168,646 | 169,817 |
| Total N.C. Dept. of Health and Human Resources | | - | 201,205 | 302,683 |
| N.C. Department of Transportation | | | | |
| Elderly and Disabled Transportation Assistance Program (E&DTAP) | n/a | - | 49,108 | - |
| Rural General Public Program | n/a | - | 51,739 | - |
| Work First Transitional | n/a | - | 3,733 | - |
| Total N.C. Dept. of Transportation | | - | 104,580 | - |

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2007

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures (Direct and Pass-Through)</u> | <u>State Expenditures</u> | <u>Local Expenditures</u> |
|---|------------------------------------|---|-------------------------------|-------------------------------|
| Office of Budget and Management - Passed through ARPDC | | | | |
| Legislative Appropriation - Senior Center | n/a | - | 13,593 | - |
| HCCBG | n/a | - | 4,394 | - |
| Total N.C. Office of Budget and Management | | - | 17,987 | - |
| N.C. Office of Juvenile Justice | | | | |
| Intensive Super of Juvenile Justice | n/a | - | 53,450 | - |
| Psychological Services | n/a | - | 2,550 | - |
| Strengthening Families | n/a | - | 1,995 | - |
| After School Plus | n/a | - | 24,935 | - |
| Total N.C. Office of Juvenile Justice | | - | 82,930 | - |
| N.C. Department of Public Instruction | | | | |
| Public School Building Capital Fund | n/a | - | 253,003 | - |
| N.C. Department of Insurance | | | | |
| Division of SHIIP: 2006 SHIIP Mini Grant | n/a | - | 3,100 | - |
| Office of the Governor | | | | |
| Dept. of Juvenile Justice and Delinquency Prevention - Governor's One-On-One Volunteer Program | n/a | - | 24,756 | - |
| Total State Awards | | - | 905,027 | 385,927 |
| Total Federal and State Awards | | <u>\$ 20,261,251</u> | <u>\$ 8,655,207</u> | <u>\$ 2,695,012</u> |

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Chowan County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the country's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. Subrecipients

Of the federal and State expenditures presented in the schedule, Chowan County provided State awards to subrecipients as follows:

| <u>Program Title</u> | <u>CFDA Number</u> | <u>State Expenditures</u> |
|-------------------------------------|------------------------|-------------------------------|
| NC Office of Juvenile Justice Funds | n/a | \$ 53,450 |