

Chowan County, North Carolina
Audited Financial Statements
June 30, 2008

Chowan County, North Carolina
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June 30, 2008

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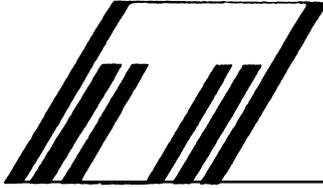
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Independent Auditor's Report

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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Health Care Reserve Funds 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 February 25, 2009 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.



Certified Public Accountant

February 25, 2009

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, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

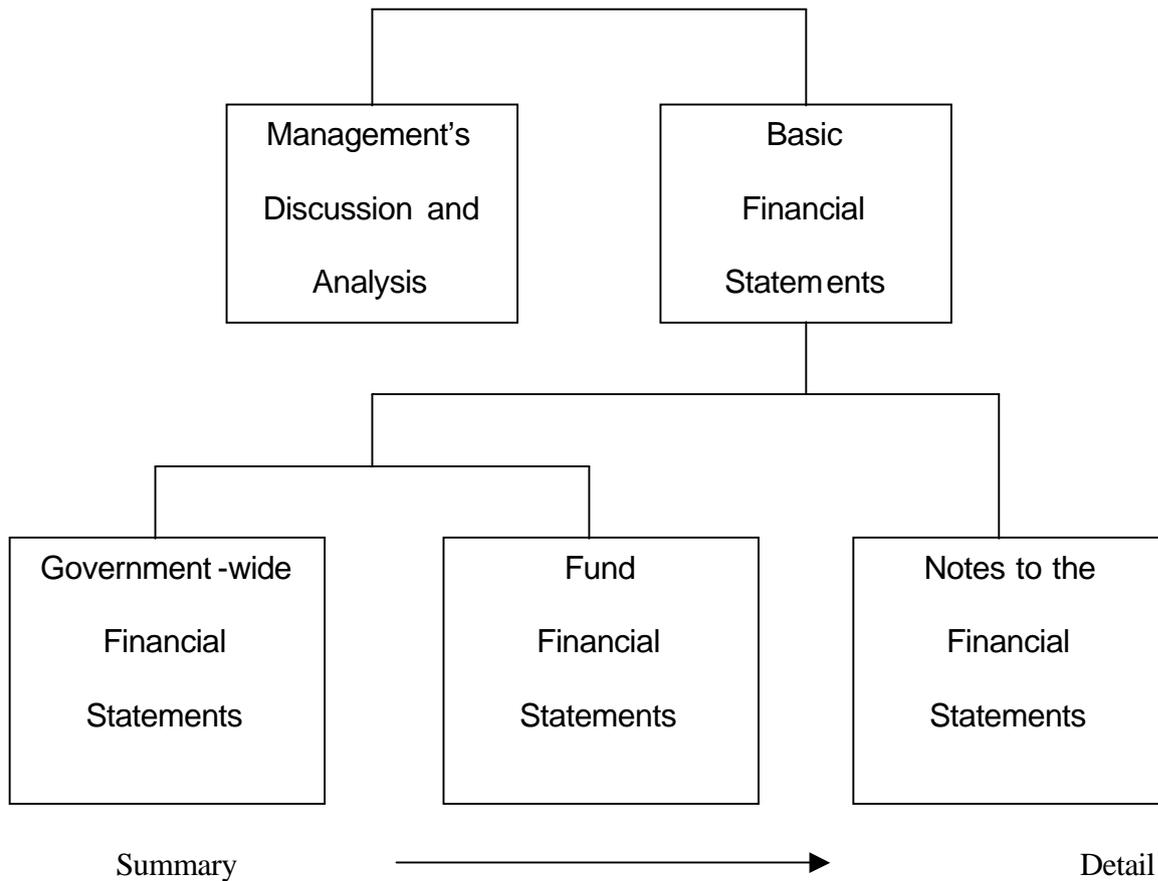
- The assets of Chowan County exceeded its liabilities at the close of the fiscal year by \$18,262,834 (*net assets*).
- The government's total net assets decreased by \$3,958,670, primarily due to decreased net assets in the General Fund. This compares to a decrease of \$3,451,660 in 2007.
- As of the close of the current fiscal year, Chowan County's governmental funds reported combined ending fund balances of \$ 2,923,010, a decrease of \$13,514,168 in comparison with the prior year. Unreserved fund balance was a deficit of \$15,664,396 at June 30, 2008. In 2007, the unreserved fund balance was a deficit of \$1,574,251.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was a deficit of \$11,216,413. In 2007, the unreserved fund balance for the General Fund (as reclassified) was a deficit of \$8,228,795.
- Chowan County's total debt decreased by \$2,119,073 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. Complete financial statements for the individual component unit may be obtained from the ABC Board.

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 fund. *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 \$18,262,834 as of June 30, 2008. As of June 30, 2007, the net assets of Chowan County stood at \$22,221,504. The County's net assets decreased by \$3,958,670 for the fiscal year ended June 30, 2008, compared to a decrease of \$3,451,660 in 2007.

The largest portion (140.33%) 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.

Unrestricted net assets was a deficit of \$7,364,814. This balance may be used to meet the government's ongoing obligations to citizens and creditors.

In 2007, the amount of net assets invested in capital assets net of related debt was \$16,476,830. The remaining \$5,741,994 was unrestricted net assets for that year.

Chowan County's Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 5,488,840	\$ 19,634,350	\$ 890,217	\$ 928,430	\$ 6,379,057	\$ 20,562,780
Capital assets	35,933,212	28,055,051	6,245,660	6,376,826	42,178,872	34,431,877
Total assets	<u>\$ 41,422,052</u>	<u>\$ 47,689,401</u>	<u>\$ 7,135,877</u>	<u>\$ 7,305,256</u>	<u>\$ 48,557,929</u>	<u>\$ 54,994,657</u>
Long-term liabilities outstanding	\$ 27,030,671	\$ 29,000,507	\$ 536,447	\$ 685,684	\$ 27,567,118	\$ 29,686,191
Other liabilities	860,468	1,021,431	1,867,509	2,068,211	2,727,977	3,089,642
Total liabilities	<u>\$ 27,891,139</u>	<u>\$ 30,021,938</u>	<u>\$ 2,403,956</u>	<u>\$ 2,753,895</u>	<u>\$ 30,295,095</u>	<u>\$ 32,775,833</u>
Net assets:						
Invested in capital assets, net of related debt	19,724,527	10,728,344	5,903,121	5,748,486	25,627,648	16,476,830
Unrestricted (deficit)	(6,193,614)	6,939,119	(1,171,200)	(1,197,125)	(7,364,814)	5,741,994
Total net assets	<u>\$ 13,530,913</u>	<u>\$ 17,667,463</u>	<u>\$ 4,731,921</u>	<u>\$ 4,551,361</u>	<u>\$ 18,262,834</u>	<u>\$ 22,218,824</u>

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

- Chowan County enjoyed growth in its tax base of \$61 million in fiscal year 2008.
- The tax collection rate remained above average for a county of its population size at 96.90%. The collection rate for property excluding motor vehicles totaled 97.63%.
- 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. Net assets for the Water Fund for fiscal year 2008 increased by \$53,385. The County continued to collect the impact/development fee on new connections, which now totals over \$360,000. Impact fees 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 5,011 in calendar year 2007 to 5,842 in calendar year 2008. EMS collections for fiscal year 2008 ran slightly above budgeted levels. EMS collections through 12/31/08 totaled \$559,345. Solid waste fees were increased effective July 1, 2005 and again July 1, 2006.
- The County assessed an ad valorem tax rate for 2008 of .65 for every \$100 valuation.

Chowan County Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	Total
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,516,957	\$ 1,556,609	\$ 2,807,541	\$ 2,484,975	\$ 4,324,498	\$ 4,041,584
Operating grants and contributions	3,194,114	3,017,914	-	-	3,194,114	3,017,914
Capital grants and contributions	3,083	83,357	54,760	102,716	57,843	186,073
General revenues:						
Property taxes	8,142,750	7,518,820	-	-	8,142,750	7,518,820
Other taxes	4,925,057	4,185,106	-	-	4,925,057	4,185,106
Grants and contributions not restricted to specific programs	123,161	226,139	-	-	123,161	226,139
Other	1,256,133	1,146,908	(3,642)	45,250	1,252,491	1,192,158
Total revenues	19,161,255	17,734,853	2,858,659	2,632,941	22,019,914	20,367,794
Expenses:						
General government	4,312,889	4,037,721	-	-	4,312,889	4,037,721
Public safety	4,329,886	3,998,578	-	-	4,329,886	3,998,578
Transportation	25,000	25,000	-	-	25,000	25,000
Economic and physical development	976,801	633,366	-	-	976,801	633,366
Environmental protection	1,162,534	1,109,680	-	-	1,162,534	1,109,680
Human services	4,733,047	4,593,588	-	-	4,733,047	4,593,588
Cultural and recreation	1,127,307	1,071,705	-	-	1,127,307	1,071,705
Education	5,531,730	4,895,834	-	-	5,531,730	4,895,834
Interest on long-term debt	1,002,290	1,038,838	-	-	1,002,290	1,038,838
Water fund	-	-	1,304,864	1,074,155	1,304,864	1,074,155
Emergency management	-	-	1,472,236	1,340,989	1,472,236	1,340,989
Total expenses	23,201,484	21,404,310	2,777,100	2,415,144	25,978,584	23,819,454
Increase (decrease) in net assets						
before transfers	(4,040,229)	(3,669,457)	81,559	217,797	(3,958,670)	(3,451,660)
Transfers	(99,000)	(381,542)	99,000	381,542	-	-
Increase in net assets	(4,139,229)	(4,050,999)	180,559	599,339	(3,958,670)	(3,451,660)
Net assets, July 1	17,670,142	21,718,462	4,551,362	3,952,022	22,221,504	25,670,484
Net assets, June 30	\$ 13,530,913	\$ 17,667,463	\$ 4,731,921	\$ 4,551,361	\$ 18,262,834	\$ 22,218,824

Changes in Chowan County's Net Assets

Governmental activities. Governmental activities decreased the County's net assets by \$4,139,229. 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 2009.

Business-type activities: Business-type activities increased Chowan County's net assets by \$180,559. 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 a deficit of \$11,216,413, while total fund balance reached a deficit of \$10,260,311. 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. General Fund expenditures exceeded unreserved fund balance by \$29,902,776 and exceeded total fund balance by \$28,946,674.

At June 30, 2008, the governmental funds of Chowan County reported a combined fund balance of \$2,923,010, an 82.21 percent decrease over last year. The primary reason for this decrease is the decrease in fund balance in the General Fund and Public Safety Building Capital Project 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 fiscal year 2008 in land transfer tax and sales tax. Land transfer tax was substantially reduced in fiscal year 2009 budget and sales tax collection revenues were budgeted at actual revenue received in fiscal year 2008.

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 a deficit of \$345,993, and those for the Emergency Management Fund equaled a deficit of \$825,207. The total change in net assets for both funds was an increase of \$53,385 and an increase of \$127,174 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, 2008, totals \$42,178,872 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, and water system.

Major capital asset transactions during the year include:

- Completed construction of Public Safety Center
- Purchase of equipment for Public Safety Center
- Completed renovation of Library
- Purchase of equipment for Library
- Purchased new tanker truck for Fire Department

Chowan County's Capital Assets

(net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	Total
	2008	2007	2008	2007	2008	2007
Land	\$ 3,362,901	\$ 3,276,721	\$ 98,347	\$ 98,347	\$ 3,461,248	\$ 3,375,068
Buildings and improvements	30,206,127	22,822,367	-	-	30,206,127	22,822,367
Machinery and equipment	2,364,184	1,955,963	279,857	272,121	2,644,041	2,228,084
Water system	-	-	5,867,456	6,006,358	5,867,456	6,006,358
Total	\$ 35,933,212	\$ 28,055,051	\$ 6,245,660	\$ 6,376,826	\$ 42,178,872	\$ 34,431,877

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, 2008, Chowan County had total debt outstanding of \$27,058,993, of which \$190,000 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
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 169,869	\$ 263,744	\$ 20,131	\$ 31,256	\$ 190,000	\$ 295,000
Hospital revenue bonds and note	1,591,833	2,106,501	-	-	1,591,833	2,106,501
Installment purchases	24,826,854	26,209,390	236,448	165,110	25,063,302	26,374,500
Water system expansion note	-	-	213,858	428,144	213,858	428,144
	<u>\$ 26,588,556</u>	<u>\$ 28,579,635</u>	<u>\$ 470,437</u>	<u>\$ 624,510</u>	<u>\$ 27,058,993</u>	<u>\$ 29,204,145</u>

Chowan County's total debt decreased by \$2,145,152 (7.34 percent) during the past fiscal year. The decrease is due to the issuance of additional installment purchases of \$257,000, 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 \$84,467,093. The County has no bonds authorized but un-issued at June 30, 2008.

Additional information regarding Chowan County's long-term debt can be found in note III.B.8. beginning on page 46 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.

- During the last month of fiscal year 2008, cash and investments available for operations were discovered to be depleted. Due to this, an extremely low fund balance was reported to the Local Government Commission.
- The unemployment rate for fiscal year 2008 averaged 8.45% as compared with a statewide average of 6.38%. For fiscal year 2007, this rate averaged 6.26%. The unemployment rate increase in fiscal year 2008-2009 is due to the slowing economy and the partial closure of several boatbuilding businesses, including Albemarle Boats, Carolina Classic Boats, and Regulator Marine.
- The County's other businesses, Seabrook, and Jimbo Jumbo's continue to operate at capacity.
- Tourism and retail continue to expand.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: The Fiscal Year 2009 budget reflects limited expansion in General Fund services. The Board of Education received a 3% increase in Current Expense funding to provide State mandated salary increases and increases in maintenance supplies, energy costs, and property insurance. Revenue projections were adjusted downward to be more in line with actual anticipated revenue collections.

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.

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, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Chowan County ABC Board
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 73,365
Receivables (net)	3,345,089	747,129	4,092,218	-
Due from fiduciary funds	3,000	2,500	5,500	-
Internal balances	1,616,889	(1,616,889)	-	-
Inventories	-	12,689	12,689	115,506
Prepaid items	-	-	-	1,997
Restricted cash and cash equivalents	523,862	127,899	651,761	-
Capital assets:				
Land	3,362,901	98,347	3,461,248	26,135
Other capital assets, net of depreciation	32,570,311	6,147,313	38,717,624	465,735
Total capital assets	35,933,212	6,245,660	42,178,872	491,870
Total assets	41,422,052	5,518,988	46,941,040	682,738
LIABILITIES				
Accounts payable and accrued expenses	497,852	16,268	514,120	26,328
Unearned revenue	111,672	-	111,672	-
Accrued interest payable	250,944	2,926	253,870	-
Due to fiduciary funds	-	157,358	157,358	-
Customer deposits	-	74,068	74,068	-
Long-term liabilities:				
Due within one year	2,154,003	309,438	2,463,441	16,462
Due in more than one year	24,876,668	227,009	25,103,677	210,083
Total liabilities	27,891,139	787,067	28,678,206	252,873
NET ASSETS				
Invested in capital assets, net of related debt	19,724,527	5,903,121	25,627,648	265,326
Restricted for:				
Other purposes	-	-	-	33,796
Unrestricted (deficit)	(6,193,614)	(1,171,200)	(7,364,814)	130,743
Total net assets	\$ 13,530,913	\$ 4,731,921	\$ 18,262,834	\$ 429,865

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, 2008**

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 4,312,889	\$ 242,141	\$ -	\$ -
Public safety	4,329,886	351,024	219,017	3,083
Transportation	25,000	-	115,964	-
Economic and physical development	976,801	-	84,239	-
Environmental Protection	1,162,534	850,009	188,069	-
Human services	4,733,047	-	2,216,683	-
Cultural and recreation	1,127,307	73,783	43,502	-
Education	5,531,730	-	326,640	-
Interest on long-term debt	1,002,290	-	-	-
Total governmental activities	23,201,484	1,516,957	3,194,114	3,083
Business-type activities:				
Water Fund	1,304,864	1,422,047	-	30,737
Emergency Management	1,472,236	1,385,494	-	24,023
Total business-type activities	2,777,100	2,807,541	-	54,760
	\$ 25,978,584	\$ 4,324,498	\$ 3,194,114	\$ 57,843
Component units:				
Chowan County ABC Board	\$ 846,673	\$ 882,303	\$ -	\$ -
Total component units	\$ 846,673	\$ 882,303	\$ -	\$ -

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	
(4,070,748)	\$ -	\$ (4,070,748)		
(3,756,762)	-	(3,756,762)		
90,964	-	90,964		
(892,562)	-	(892,562)		
(124,456)	-	(124,456)		
(2,516,364)	-	(2,516,364)		
(1,010,022)	-	(1,010,022)		
(5,205,090)	-	(5,205,090)		
(1,002,290)	-	(1,002,290)		
(18,487,330)	-	(18,487,330)		
-	147,920	147,920		
-	(62,719)	(62,719)		
-	85,201	85,201		
(18,487,330)	85,201	(18,402,129)		
			\$	35,630
				35,630
8,142,750	-	8,142,750	-	-
3,842,590	-	3,842,590	-	-
1,082,467	-	1,082,467	-	-
123,161	-	123,161	-	-
425,520	7,541	433,061	1,769	1,769
830,613	(11,183)	819,430	1,534	1,534
(99,000)	99,000	-	-	-
14,348,101	95,358	14,443,459	3,303	3,303
(4,139,229)	180,559	(3,958,670)	38,933	38,933
17,670,142	4,551,362	22,221,504	390,932	390,932
\$ 13,530,913	\$ 4,731,921	\$ 18,262,834	\$	429,865

Chowan County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

	Major				Non-Major		Total Governmental Funds
	General	Health Care Reserve 1	Health Care Reserve 2	Consolidated Capital Project Fund	Public Safety Building Capital Project Fund	Other Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net	1,170,295	1,728,935	-	-	145,467	300,392	3,345,089
Due from other funds	3,000	13,721,125	2,715,176	-	-	235,462	16,674,763
Restricted cash and cash equivalents	-	-	-	-	459,523	64,339	523,862
Total assets	\$ 1,173,295	\$ 15,450,060	\$ 2,715,176	\$ -	\$ 604,990	\$ 600,193	\$ 20,543,714
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 367,538	\$ -	\$ -	\$ -	\$ -	\$ 130,314	\$ 497,852
Due to other funds	10,742,377	-	-	2,150,660	130,547	2,031,288	15,054,872
Deferred revenue	323,691	1,728,935	-	-	-	15,354	2,067,980
Total liabilities	11,433,606	1,728,935	-	2,150,660	130,547	2,176,956	17,620,704
Fund balances:							
Reserved for:							
State statute	956,102	13,721,125	2,715,176	-	145,467	525,674	18,063,544
Capital projects	-	-	-	-	459,523	64,339	523,862
Unreserved:							
Unreserved (deficit)	(11,216,413)	-	-	(2,150,660)	(130,547)	-	(13,497,620)
Unreserved (deficit), reported in nonmajor:							
Special revenue funds	-	-	-	-	-	(2,040,513)	(2,040,513)
Capital projects funds	-	-	-	-	-	(126,263)	(126,263)
Total fund balances	(10,260,311)	13,721,125	2,715,176	(2,150,660)	474,443	(1,576,763)	2,923,010
Total liabilities and fund balances	\$ 1,173,295	\$ 15,450,060	\$ 2,715,176	\$ -	\$ 604,990	\$ 600,193	

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.	35,933,212
Liabilities for earned but deferred revenues in fund statements.	1,956,306
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(27,281,615)</u>
Net assets of governmental activities	<u>\$ 13,530,913</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, 2008

	Major				Non-Major		Total Governmental Funds
	General Fund	Health Care Reserve 1	Health Care Reserve 2	Consolidated Capital Project Fund	Public Safety Building Capital Project Fund	Other Governmental Funds	
REVENUES							
Ad valorem taxes	\$ 7,670,212	\$ -	\$ -	\$ -	\$ -	\$ 450,033	\$ 8,120,245
Local option sales taxes	2,888,084	-	-	-	-	954,506	3,842,590
Other taxes and licenses	839,965	-	-	-	145,467	64,564	1,049,996
Unrestricted intergovernmental	94,415	-	-	-	-	-	94,415
Restricted intergovernmental	2,766,957	-	-	-	-	531,786	3,298,743
Permits and fees	253,134	-	-	-	-	-	253,134
Sales and services	351,045	-	-	-	-	972,387	1,323,432
Investment earnings	6,245	249,861	44,835	-	75,382	49,197	425,520
Miscellaneous	529,724	-	-	-	762	244,118	774,604
Total revenues	<u>15,399,781</u>	<u>249,861</u>	<u>44,835</u>	<u>-</u>	<u>221,611</u>	<u>3,266,591</u>	<u>19,182,679</u>
EXPENDITURES							
Current:							
General government	3,638,097	-	-	-	-	6,300	3,644,397
Public safety	3,457,770	-	-	-	-	657,076	4,114,846
Transportation	25,000	-	-	-	-	-	25,000
Environmental protection	73,544	-	-	-	-	1,027,390	1,100,934
Economic and physical development	809,397	-	-	-	-	163,399	972,796
Human services	4,731,131	-	-	-	-	-	4,731,131
Cultural and recreational	1,221,512	-	-	-	-	-	1,221,512
Intergovernmental:							
Education	4,047,616	-	-	-	-	400,000	4,447,616
Capital outlay	-	-	-	-	6,638,958	3,158,920	9,797,878
Debt service:							
Principal	509,194	514,669	-	-	-	1,050,218	2,074,081
Interest	173,102	99,939	-	-	364,008	480,432	1,117,481
Total expenditures	<u>18,686,363</u>	<u>614,608</u>	<u>-</u>	<u>-</u>	<u>7,002,966</u>	<u>6,943,735</u>	<u>33,247,672</u>
Revenues over (under) expenditures	<u>(3,286,582)</u>	<u>(364,747)</u>	<u>44,835</u>	<u>-</u>	<u>(6,781,355)</u>	<u>(3,677,144)</u>	<u>(14,064,993)</u>
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	1,103,973	-	-	84,784	-	2,310,678	3,499,435
Transfers to other funds	(937,460)	(1,284,556)	(230,346)	-	-	(1,146,073)	(3,598,435)
Proceeds of installment purchase	83,000	-	-	-	-	-	83,000
Sale of fixed assets	57,598	-	-	-	-	-	57,598
Lease payments	-	514,669	-	-	-	-	514,669
Total other financing sources and uses	<u>307,111</u>	<u>(769,887)</u>	<u>(230,346)</u>	<u>84,784</u>	<u>-</u>	<u>1,164,605</u>	<u>556,267</u>
Net change in fund balance	(2,979,471)	(1,134,634)	(185,511)	84,784	(6,781,355)	(2,512,539)	(13,508,726)
Fund balances-beginning (deficit) - reclassified	(7,280,840)	14,855,759	2,900,687	(2,235,444)	7,255,798	935,776	16,431,736
Fund balances-ending (deficit)	<u>\$ (10,260,311)</u>	<u>\$ 13,721,125</u>	<u>\$ 2,715,176</u>	<u>\$ (2,150,660)</u>	<u>\$ 474,443</u>	<u>\$ (1,576,763)</u>	<u>\$ 2,923,010</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, 2008

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

Net changes in fund balances - total governmental funds	\$ (13,508,726)
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	7,894,614
Loss on disposal of capital assets, not recognized on modified accrual basis	(16,455)
Revenues in the governmental funds that provide current financial resources are not reported as revenues in the statement of activities	(593,691)
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.	1,991,081
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.	93,948
Total changes in net assets of governmental activities	\$ (4,139,229)

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 Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 7,835,845	\$ 7,918,633	\$ 7,670,212	\$ (248,421)
Local option sales tax	2,675,000	2,675,000	2,888,084	213,084
Other taxes and licenses	2,091,046	1,845,943	839,965	(1,005,978)
Unrestricted intergovernmental	122,000	158,000	94,415	(63,585)
Restricted intergovernmental	2,770,845	3,036,877	2,766,957	(269,920)
Permits and fees	300,000	457,500	253,134	(204,366)
Sales and services	250,000	468,729	351,045	(117,684)
Investment earnings	5,000	5,000	6,245	1,245
Miscellaneous	1,320,067	1,469,978	529,724	(940,254)
Total revenues	<u>17,369,803</u>	<u>18,035,660</u>	<u>15,399,781</u>	<u>(2,635,879)</u>
Expenditures				
Current:				
General government	4,004,762	3,634,584	3,638,097	(3,513)
Public safety	3,393,638	3,515,975	3,457,770	58,205
Transportation	25,000	25,000	25,000	-
Environmental protection	29,040	73,545	73,544	1
Economic and physical development	450,473	585,595	809,397	(223,802)
Human services	4,991,472	4,793,528	4,731,131	62,397
Cultural and recreational	2,016,539	1,300,285	1,221,512	78,773
Intergovernmental:				
Education	3,753,068	4,047,637	4,047,616	21
Debt service:				
Principal retirement	-	522,385	509,194	13,191
Interest and other charges	-	162,639	173,102	(10,463)
Total expenditures	<u>18,663,992</u>	<u>18,661,173</u>	<u>18,686,363</u>	<u>(25,190)</u>
Revenues over (under) expenditures	<u>(1,294,189)</u>	<u>(625,513)</u>	<u>(3,286,582)</u>	<u>(2,661,069)</u>
Other financing sources (uses):				
Transfers to other funds	(634,784)	(937,460)	(937,460)	-
Transfers from other funds	1,928,973	1,103,973	1,103,973	-
Proceeds from installment purchases	-	109,000	83,000	(26,000)
Lease payments	-	-	-	-
Sale of fixed assets	-	350,000	57,598	(292,402)
Total other financing sources (uses)	<u>1,294,189</u>	<u>625,513</u>	<u>307,111</u>	<u>(318,402)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(2,979,471)</u>	<u>\$ (2,979,471)</u>
Fund balances:				
Beginning of year, July 1 (deficit)			<u>(7,280,840)</u>	
End of year, June 30 (deficit)			<u>\$ (10,260,311)</u>	

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

Exhibit 5

Health Care Reserve 1				Health Care Reserve 2			
Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,284,556	1,384,495	249,861	(1,134,634)	230,346	230,346	44,835	(185,511)
-	-	-	-	-	-	-	-
<u>1,284,556</u>	<u>1,384,495</u>	<u>249,861</u>	<u>(1,134,634)</u>	<u>230,346</u>	<u>230,346</u>	<u>44,835</u>	<u>(185,511)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	514,669	514,669	-	-	-	-	-
-	99,939	99,939	-	-	-	-	-
-	614,608	614,608	-	-	-	-	-
1,284,556	769,887	(364,747)	(1,134,634)	230,346	230,346	44,835	(185,511)
(1,284,556)	(1,284,556)	(1,284,556)	-	(230,346)	(230,346)	(230,346)	-
-	-	-	-	-	-	-	-
-	514,669	514,669	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(1,284,556)</u>	<u>(769,887)</u>	<u>(769,887)</u>	<u>-</u>	<u>(230,346)</u>	<u>(230,346)</u>	<u>(230,346)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>(1,134,634)</u>	<u>\$ (1,134,634)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(185,511)</u>	<u>\$ (185,511)</u>
		14,855,760				2,900,687	
		<u>\$ 13,721,126</u>				<u>\$ 2,715,176</u>	

Chowan County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2008

	<u>Major</u>		<u>Total</u>
	<u>Water Fund</u>	<u>Emergency Management Fund</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables, net	360,125	387,004	747,129
Due from other funds	2,500	-	2,500
Restricted Cash	-	127,899	127,899
Inventories	12,689	-	12,689
Total current assets	<u>375,314</u>	<u>514,903</u>	<u>890,217</u>
Noncurrent assets:			
Capital assets:			
Debt acquisition costs - unamortized	2,437	-	2,437
Other capital assets, net of depreciation	5,996,137	247,086	6,243,223
Total noncurrent assets	<u>5,998,574</u>	<u>247,086</u>	<u>6,245,660</u>
Total assets	<u>6,373,888</u>	<u>761,989</u>	<u>7,135,877</u>
LIABILITIES			
Current liabilities:			
Accounts Payable	3,497	12,771	16,268
Accrued expenses	2,882	44	2,926
Customer deposits	74,068	-	74,068
Due to other funds	615,122	1,159,125	1,774,247
Current portion of long-term debt	230,147	79,291	309,438
Total current liabilities	<u>925,716</u>	<u>1,251,231</u>	<u>2,176,947</u>
Noncurrent liabilities:			
Accrued vacation pay	25,739	40,270	66,009
Noncurrent portion of long-term debt	12,220	148,780	161,000
Total noncurrent liabilities	<u>37,959</u>	<u>189,050</u>	<u>227,009</u>
Total liabilities	<u>963,675</u>	<u>1,440,281</u>	<u>2,403,956</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,756,206	146,915	5,903,121
Unrestricted (deficit)	(345,993)	(825,207)	(1,171,200)
Total net assets	<u>\$ 5,410,213</u>	<u>\$ (678,292)</u>	<u>\$ 4,731,921</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, 2008

	<u>Major</u>		<u>Total</u>
	<u>Water Fund</u>	<u>Emergency Management Fund</u>	
OPERATING REVENUES			
Charges for services	\$ 1,223,790	\$ 1,374,228	\$ 2,598,018
Other operating revenues	198,257	11,266	209,523
Total operating revenues	<u>1,422,047</u>	<u>1,385,494</u>	<u>2,807,541</u>
OPERATING EXPENSES			
Salaries and employee benefits	312,575	1,133,050	1,445,625
Other operating expenses	694,995	285,778	980,773
Depreciation	277,503	48,076	325,579
Total operating expenses	<u>1,285,073</u>	<u>1,466,904</u>	<u>2,751,977</u>
Operating income (loss)	<u>136,974</u>	<u>(81,410)</u>	<u>55,564</u>
NONOPERATING REVENUES (EXPENSES)			
Sale of fixed assets	-	(11,183)	(11,183)
Interest earned on investments	6,465	1,076	7,541
Interest expense and fees	(19,791)	(5,332)	(25,123)
Net nonoperating revenues (expenses)	<u>(13,326)</u>	<u>(15,439)</u>	<u>(28,765)</u>
Income (loss) before contributions and transfers	<u>123,648</u>	<u>(96,849)</u>	<u>26,799</u>
Capital contributions	30,737	24,023	54,760
Transfers (to) from other funds	<u>(101,000)</u>	<u>200,000</u>	<u>99,000</u>
Change in net assets	53,385	127,174	180,559
Total net assets - beginning	5,356,828	(805,466)	4,551,362
Total net assets - ending	<u>\$ 5,410,213</u>	<u>\$ (678,292)</u>	<u>\$ 4,731,921</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, 2008

	Major		Total
	Water Fund	Emergency Management Fund	
Cash flows from operating activities:			
Cash received from customers	\$ 1,234,635	\$ 1,279,440	\$ 2,514,075
Cash paid for goods and services	(710,191)	(281,495)	(991,686)
Cash paid to employees for services	(309,390)	(1,131,399)	(1,440,789)
Customer deposits - net	5,147	-	5,147
Other operating revenue	198,256	11,266	209,522
Net cash provided (used) by operating activities	<u>418,457</u>	<u>(122,188)</u>	<u>296,269</u>
Cash flows from noncapital financing activities			
Transfers in (out)	<u>(101,000)</u>	<u>200,000</u>	<u>99,000</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(125,678)	(81,307)	(206,985)
Principal paid on bond maturities and equipment contracts	(230,898)	(97,177)	(328,075)
Interest paid on bond maturities and equipment contracts	(16,028)	(5,332)	(21,360)
Proceeds from issuance of long-term debt	-	174,000	174,000
Capital contributions	30,737	24,023	54,760
Loans from other funds	(230,760)	34,804	(195,956)
Net cash provided (used) by capital and related financing activities	<u>(572,627)</u>	<u>49,011</u>	<u>(523,616)</u>
Cash flows from investing activities:			
Interest on investments	<u>6,465</u>	<u>1,076</u>	<u>7,541</u>
Net increase (decrease) in cash and cash equivalents	(248,705)	127,899	(120,806)
Cash and cash equivalents, July 1	<u>248,705</u>	<u>-</u>	<u>248,705</u>
Cash and cash equivalents, June 30	<u>\$ -</u>	<u>\$ 127,899</u>	<u>\$ 127,899</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, 2008

Reconciliation of operating income to net cash provided by operating activities:	Major		Total
	Water Fund	Emergency Management Fund	
Operating income (loss)	\$ 136,974	\$ (81,410)	\$ 55,564
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	277,503	48,076	325,579
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	10,844	(94,787)	(83,943)
(Increase) decrease in inventory	1,350	-	1,350
Increase (decrease) in accounts payable and accrued liabilities	(16,546)	4,284	(12,262)
Increase (decrease) in customer deposits	5,147	-	5,147
Increase (decrease) in accrued vacation pay	3,185	1,649	4,834
Total adjustments	281,483	(40,778)	240,705
Net cash provided (used) by operating activities	\$ 418,457	\$ (122,188)	\$ 296,269

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, 2008

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 366,267
Accounts receivable	18,593
Due from other funds	<u>157,358</u>
	<u>\$ 542,218</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 536,718
Due to other funds	<u>5,500</u>
Total liabilities	<u>\$ 542,218</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, 2008

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 unit, 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.

Health Care Reserve Fund 1. This is a special revenue fund that accounts for the proceeds of the lease of Chowan Hospital. The principal amount of the proceeds are not to be expended and 75% of the interest can be expended.

Health Care Reserve Fund 2. This is a special revenue fund that was established upon the lease of Chowan Hospital. The interest from this fund can be expended in accordance with plans developed by the Chowan County Board of Commissioners.

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 registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes 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, Sanitation, and Health Care Reserve Funds 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 renovation of John A. Holmes High School are classified as restricted assets within the corresponding capital project fund because their use is restricted for construction/renovation.

The unexpended debt proceeds for the purchase of an ambulance for the Emergency Management Fund is classified as restricted assets within the Emergency Management Fund because their use is restricted for capital outlay.

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.

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 capitaliz ed.

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, 2008.

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.

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 \$10,607,903 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 45,562,313
Less accumulated depreciation	(9,629,101)
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	1,956,306
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	(26,588,557)
Compensated absences	(442,114)
Accrued interest payable	(250,944)
Total adjustment	<u>\$ 10,607,903</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 \$9,369,497 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 9,129,128
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.	(1,234,514)
Loss on disposal of capital assets, not recognized on modified accrual basis	(16,455)
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	(83,000)
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	2,074,081
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)	115,191
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(21,243)
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 7/1/07	(2,343,542)
Recording of deferred lease payments in the fund statements as of 6/30/08	1,728,935
Reversal of deferred tax revenue recorded at 7/1/07	(172,930)
Recording of tax receipts deferred in the fund statements as of 6/30/08	195,435
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.	(1,589)
	<u>\$ 9,369,497</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, 2008:

General Fund	\$10,260,311
Fire District Fund	\$ 136,093
Sanitation Fund	\$ 1,687,871
Emergency Management Fund	\$ 678,292
Isabel Recovery Fund	\$ 36,686
Agriculture Building Addition Fund	\$ 39,700
Consolidated Capital Project Fund	\$ 2,150,660
General Capital Project Fund	\$ 559
Red Banks Farm Park Capital Project Fund	\$ 62,647

The General Fund budget will be monitored and the budget will be amended accordingly over time to ensure that actual revenue collections are in line with budgeted amounts. Also, expenditures will be monitored to ensure that these do not exceed budgeted amounts. A more aggressive purchase order policy has been implemented to ensure expenditures do not exceed budgeted amounts. The Fire District Fund continues to show improvement. It is anticipated that this fund will have a positive fund balance as of June 30, 2009. Measures have been established in the Solid Waste Fund to reduce expenses in this fiscal year to reduce the deficit fund balance. Rates will be established in the 2010 budget to ensure that revenues meet or exceed expenses. The Emergency Management Fund that shows the operations of EMS services is projected to show an improvement on June 30, 2009. As of December 31, 2008 this fund was cash flow positive. The Isabel Recovery, Agriculture Building Addition, General Capital Project, and Red Banks Farm Park are all capital project funds that will require a contribution from the General Fund in fiscal year 2010. An appropriation will be made this fiscal year to cover the deficit in the Isabel Recovery Fund. The Consolidated Capital Building Fund will be analyzed in 2009-2010 for development of a plan, based on current economic conditions, for the “pay-back” of the deficit fund balance from the General Fund budget.

B. Excess of Expenditures over Appropriations

The following funds had expenditures in excess of appropriations:

General Fund – General Government	\$ 3,513
General Fund – Economic and Physical Development	\$ 223,802
Emergency Telephone System Fund	\$ 14,771
Sanitation Fund	\$ 176,735
School Capital Project Fund	\$ 1,328
John A. Holmes High School Renovation Fund	\$ 51,070

Expenditures will be monitored to ensure that they do not exceed budgeted amounts.

C. Budgeted Revenues in Excess of Actual Revenues

The following funds had budgeted revenues in excess of actual revenues:

General Fund	\$2,635,879
Health Care Reserve 1	\$1,134,634
Health Care Reserve 2	\$ 185,511
Sanitation Fund	\$ 25,635
Water Fund	\$ 300,575

Revenues will be budgeted to be more in line with actual revenues.

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, 2008, the County's deposits had a carrying amount of \$269,269 and a bank balance of \$1,332,358. Of the bank balance, \$280,963 was covered by federal depository insurance and \$1,053,395 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2008, Chowan County had \$2,050 cash on hand.

At June 30, 2008, the carrying amount of deposits for Chowan County ABC Board was \$72,665 and the bank balance was \$80,915. All of the bank balance was covered by federal depository insurance.

2. Investments

As of June 30, 2008, the County had the following investments and maturities:

Investment Type	Fair Value	Less than 1 year	1-5 years	6-10 years	11-15 years	16-20 years	Over 20 years
US Government Treasuries	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -
US Government Agencies	627,311	147,279	209,282	12,299	-	136,737	121,714
NC Capital Management Trust - Cash Portfolio	4,228	N/A	N/A	N/A	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio	14,756	14,756	-	-	-	-	-
Total Investments	\$ 746,295	\$ 262,035	\$ 209,282	\$ 12,299	\$ -	\$ 136,737	\$ 121,714

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, 2008. 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 National Mortgage Association, Federal Home Loan Mortgage Corporation, Small Business Administration, and US Department of Housing) 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, Small Business Administration securities, and US Department of Housing securities. These investments are 27%, 30%, and 14%, respectively, of the County's total investments.

At June 30, 2008, 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
2005	\$	345,312	\$ 125,679	\$ 470,991
2006		362,796	88,885	451,681
2007		470,406	72,913	543,319
2008		448,448	-	448,448
Total		<u>\$ 1,626,962</u>	<u>\$ 287,477</u>	<u>\$ 1,914,439</u>

4. Receivables

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

	Accounts	Taxes and Related Accrued Interest	Special Assessments	Due from Other Governments	Other	Total
Governmental Activities:						
General	\$ 534,850	\$ 431,893	\$ 31,938	\$ 418,252	\$ 1,728,935	\$ 3,145,868
Other Governmental	99,781	22,848	-	335,899	-	458,528
Total receivables	634,631	454,741	31,938	754,151	1,728,935	3,604,396
Allowance for doubtful accounts	-	(259,307)	-	-	-	(259,307)
Total-governmental activities	<u>\$ 634,631</u>	<u>\$ 195,434</u>	<u>\$ 31,938</u>	<u>\$ 754,151</u>	<u>\$ 1,728,935</u>	<u>\$ 3,345,089</u>
Business-type Activities						
Water Fund	\$ 348,376	\$ -	\$ -	\$ 11,749	\$ -	\$ 360,125
Emergency Management	1,467,909	-	-	9,216	-	1,477,125
Total receivables	1,816,285	-	-	20,965	-	1,837,250
Allowance for doubtful accounts	(1,090,121)	-	-	-	-	(1,090,121)
Total - business-type activities	<u>\$ 726,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,965</u>	<u>\$ -</u>	<u>\$ 747,129</u>

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

Local option sales tax	\$ 528,686
Sales tax	245,525
Gas tax	116
Federal excise tax	<u>789</u>
Total	<u>\$ 775,116</u>

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,276,721	\$ 86,180	\$ -	\$ 3,362,901
Capital assets being depreciated:				
Buildings	28,364,125	8,011,440	-	36,375,565
Equipment	4,986,345	1,031,509	194,007	5,823,847
Total capital assets being depreciated	<u>33,350,470</u>	<u>9,042,949</u>	<u>194,007</u>	<u>42,199,412</u>
Less accumulated depreciation for:				
Buildings	5,541,758	627,680	-	6,169,438
Equipment	3,030,382	606,834	177,553	3,459,663
Total accumulated depreciation	<u>8,572,140</u>	<u>1,234,514</u>	<u>177,553</u>	<u>9,629,101</u>
Total capital assets being depreciated, net	<u>24,778,330</u>			<u>32,570,311</u>
Governmental activity capital assets, net	<u>\$ 28,055,051</u>			<u>\$ 35,933,212</u>

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

General government	\$ 742,769
Public safety	357,036
Environmental protection	61,600
Economic and physical development	6,513
Human services	21,171
Cultural and recreational	45,425
	<u>\$ 1,234,514</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	10,201,609	124,950	-	10,326,559
Building and improvements	27,456	-	-	27,456
Equipment	492,734	727	-	493,461
Total capital assets being depreciated	10,721,799	125,677	-	10,847,476
Less accumulated depreciation for:				
Plant and distribution systems	4,195,251	263,852	-	4,459,103
Building and improvements	27,456	-	-	27,456
Equipment	445,652	15,038	-	460,690
Total accumulated depreciation	4,668,359	\$ 278,890	\$ -	4,947,249
Total capital assets being depreciated, net	6,053,440			5,900,227
Water Fund capital assets, net	6,151,787			5,998,574
Emergency Management Fund				
Capital assets being depreciated:				
Building	13,898	-	-	13,898
Equipment	944,425	81,307	171,424	854,308
Total capital assets being depreciated	958,323	81,307	171,424	868,206
Less accumulated depreciation for:				
Building	13,898	-	-	13,898
Equipment	719,386	48,076	160,240	607,222
Total accumulated depreciation	733,284	\$ 48,076	\$ 160,240	621,120
Total capital assets being depreciated, net	225,039			247,086
Emergency Management Fund capital assets, net	225,039			247,086
Business-type activities capital assets, net	\$ 6,376,826			\$ 6,245,660

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2008, 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	\$ 584,279	\$ -	\$ -	\$ 584,279
Furniture and equipment	91,837	476	-	92,313
Total capital assets being depreciated	676,116	476	-	676,592
Less accumulated depreciation for:				
Buildings and improvements	140,681	15,963	-	156,644
Furniture and equipment	44,150	10,062	-	54,212
Total accumulated depreciation	184,831	26,025	-	210,856
Total capital assets being depreciated, net	491,285			465,736
ABC capital assets, net	<u>\$ 517,420</u>			<u>\$ 491,871</u>

B. Liabilities

1. Payables

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

	Vendors	Accrued Interest	Total
Governmental Activities:			
General	\$ 367,538	\$ 28,659	\$ 396,197
Other Governmental	130,314	222,285	352,599
Total-governmental activities	<u>\$ 497,852</u>	<u>\$ 250,944</u>	<u>\$ 748,796</u>
Business-type Activities			
Water fund	\$ 3,497	\$ 2,882	\$ 6,379
Emergency Management	12,771	44	12,815
Total - business-type activities	<u>\$ 16,268</u>	<u>\$ 2,926</u>	<u>\$ 19,194</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 4.72%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.08% 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, 2008, 2007, and 2006 were \$282,413, \$267,576 and \$242,683, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$3,308, \$3,680, and \$3,130, 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 obtained an actuarial valuation as of December 31, 2005. The net pension obligation as of June 30, 2006 was \$260,571. 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, 2008 were \$123,660, which consisted of \$40,795 from the County and \$82,865 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 one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2008, the County's required and actual contributions were \$1,749.

e. Other Postemployment Benefits

The County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System, have 20 years of creditable service with the County, and meet requirements for full retirement under the Local Governmental Employee's Retirement System. The County pays the full cost of coverage for these benefits. Currently five retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2008, the County made payments for postretirement health benefit premiums of \$21,736. The County is self-insured.

f. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after

retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2008, the County made contributions to the State for death benefits of \$6,732. 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.

g. 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)	\$ 106,498	\$ 106,498
Prepaid taxes not yet earned (Special Revenue)	5,174	5,174
Taxes receivable, net (General)	185,255	-
Taxes receivable, net (Special Revenue)	10,180	-
Special assessments receivable, net (General)	31,938	-
Lease payments (General)	1,728,935	-
Total	\$ 2,067,980	\$ 111,672

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 \$37.6 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. Construction commitments

At June 30, 2008, the County's commitments with contractors for the construction of the Public Safety Center was \$449,255 and \$342,199 for the renovation of the Shepard-Pruden Library.

7. Contingent Liabilities

At June 30, 2008, the County and the ABC Board were not involved in any material litigation, claims, or assessments as confirmed with the entities' attorneys.

8. 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%.

This installment purchase was refinanced on October 1, 2007. The payments were modified to include interest at 3.91%.

For Chowan County, the future minimum payments as of June 30, 2008 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 775,000	\$ 260,927
2010	775,000	227,758
2011	775,000	197,455
2012	850,000	167,153
2013	850,000	133,918
2014-2016	2,575,000	202,342
Principal payments	<u>\$ 6,600,000</u>	
Total interest payments		<u>\$ 1,189,553</u>

The County refinanced this installment purchase on September 15, 2008. The refinancing extends the maturity date to March 15, 2020. The twelve annual payments will include a fixed principal amount of \$571,743 plus interest at 4.05%.

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.

This installment purchase was refinanced on April 1, 2008. The payments were modified to include interest at 3.79%.

For Chowan County, the future minimum payments as of June 30, 2008 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 300,000	\$ 90,960
2010	300,000	79,590
2011	300,000	68,220
2012	300,000	56,850
2013	300,000	45,480
2014-2016	900,000	68,220
Principal payments	<u>\$ 2,400,000</u>	
Total interest payments		<u>\$ 409,320</u>

The County refinanced this installment purchase on September 15, 2008. The refinancing extends the maturity date to May 31, 2021. The thirteen annual payments will include a fixed principal amount of \$186,656 plus interest at 4.09%.

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, 2008 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 103,573	\$ -
2010	103,573	-
2011	103,573	-
2012	103,573	-
2013	103,573	-
2014-2018	517,865	-
2019-2023	517,865	-
2024-2025	239,259	-
Principal payments	<u>\$ 1,792,854</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, 2008 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 126,995	\$ 7,971
2010	127,707	3,996
Principal payments	<u>\$ 254,702</u>	
Total interest payments		<u>\$ 11,967</u>

Vehicles

In March 2006, the County entered into an installment purchase contract to finance the purchase of vehicles for various departments within 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, 2008 are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 34,837	\$ 563	\$ 13,427	\$ 107
Total	\$ 34,837	\$ 563	\$ 13,427	\$ 107

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, 2008 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 49,032	\$ 843
Principal payments	\$ 49,032	
Total interest payments		\$ 843

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, 2008 are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2009	\$ 5,145	\$ 40
Principal payments	\$ 5,145	
Total interest payments		\$ 40

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, 2008 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 6,956,600	\$ 108,987
Principal payments	<u>\$ 6,956,600</u>	
Total interest payments		<u>\$ 108,987</u>

The County refinanced this installment purchase on October 25, 2008. The financing contract requires annual interest only payments for the first two years and then annual payments including interest at 4.25% with final payment due October 25, 2050. Therefore, no amount has been included in current maturities.

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, 2008 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 4,000,000	\$ 63,000
Principal payments	<u>\$ 4,000,000</u>	
Total interest payments		<u>\$ 63,000</u>

The County refinanced this installment purchase on October 25, 2008. \$2,900,000 was refinanced with the \$6,956,600 installment purchase mentioned above to a 40-year loan with annual interest only payments the first two years and then annual payments including interest at 4.25% with final payment due October 25, 2050. \$1,100,00 (the amount related to the purchase of equipment) was refinanced to a 15-year loan with annual

interest only payments the first two years and then annual payments including interest at 4.25% with final payment due October 25, 2025. Therefore, no amount has been included in current maturities.

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, 2008 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 53,200	\$ 31,133
2010	53,200	28,909
2011	53,200	26,685
2012	53,200	24,461
2013	53,200	22,238
2014-2018	266,000	77,832
2019-2022	212,800	22,238
Principal payments	<u>\$ 744,800</u>	
Total interest payments		<u>\$ 233,496</u>

This installment purchase was modified on October 23, 2008 to finance an additional \$421,525. The financing contract requires thirteen annual payments of \$89,717, which includes interest at 4.38% with final payment due October 25, 2021.

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, 2008. The total principal amount was \$1,800,000. The payments total \$1,901,520.

This installment purchase was modified on April 24, 2008 to extend the maturity date to October 23, 2008.

For Chowan County, the future minimum payments as of June 30, 2008 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 1,800,000	\$ 13,104
Principal payments	\$ 1,800,000	
Total interest payments		\$ 13,104

The County refinanced this installment purchase on October 25, 2008. The financing contract requires annual interest only payments for the first two years and then annual payments including interest at 4.50% with final payment due October 25, 2050. Therefore, no amount has been included in current maturities.

Vehicles

In January 2007, the County entered into an installment purchase contract to finance the purchase of vehicles for various departments within 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, 2008 are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 22,064	\$ 979	\$ 34,612	\$ 1,430
2010	14,342	188	19,684	233
Total	\$ 36,406	\$ 1,167	\$ 54,296	\$ 1,663

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, 2008 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 41,167	\$ 2,390
2010	39,162	764
Principal payments	\$ 80,329	
Total interest payments		\$ 3,154

Vehicles

In March 2008, the County entered into an installment purchase contract to finance the purchase of vehicles for various departments within the County. The financing contract requires 60 monthly payments of \$4,570, including interest at 2.58%. 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, 2008 are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 17,405	\$ 1,789	\$ 31,801	\$ 3,846
2010	17,860	1,335	32,631	3,016
2011	18,326	869	33,483	2,164
2012	18,804	370	34,357	1,290
2013	4,899	10	31,308	363
Total	\$ 77,294	\$ 4,373	\$ 163,580	\$ 10,679

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, 2008, including interest are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2009	\$ 213,858	\$ 11,636
Principal payments	\$ 213,858	
Total interest payments		\$ 11,636

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, 2008 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. \$ 169,869

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. 20,131

Total \$ 190,000

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
2009	\$ 89,405	\$ 7,135	\$ 10,595	\$ 845
2010	80,464	3,380	9,536	400
Total	<u>\$ 169,869</u>	<u>\$ 10,515</u>	<u>\$ 20,131</u>	<u>\$ 1,245</u>

At June 30, 2008, Chowan County had no bonds authorized but unissued and a legal debt margin of \$84,467,093.

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, 2008.

\$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%. \$ 1,091,331

\$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% 500,502
\$ 1,591,833

Debt service requirements to maturity are as follows:

	Year Ending	
	June 30	
	Principal	Interest
2009	\$ 541,325	\$ 73,283
2010	569,363	45,245
2011	363,701	15,752
2012	117,444	2,822
Total	<u>\$ 1,591,833</u>	<u>\$ 137,102</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, 2008:

	Balance			Current	
	July 1, 2007	Increases	Decreases	Balance	Portion of
				June 30, 2008	Balance
Governmental activities:					
General obligation debt	\$ 263,744	\$ -	\$ 93,875	\$ 169,869	\$ 89,405
Hospital revenue bonds and note	2,106,501	-	514,668	1,591,833	541,325
Installment purchase	26,209,390	83,000	1,465,536	24,826,854	1,523,273
Compensated absences	420,872	21,243	-	442,115	-
Total governmental activities	<u>\$ 29,000,507</u>	<u>\$ 104,243</u>	<u>\$ 2,074,079</u>	<u>\$ 27,030,671</u>	<u>\$ 2,154,003</u>
Business-type activities:					
General obligation debt	\$ 31,256	\$ -	\$ 11,125	\$ 20,131	\$ 10,595
Water system expansion note	428,144	-	214,286	213,858	213,858
Installment purchase	165,110	174,000	102,662	236,448	84,985
Compensated absences	61,174	4,836	-	66,010	-
Total business-type activities	<u>\$ 685,684</u>	<u>\$ 178,836</u>	<u>\$ 328,073</u>	<u>\$ 536,447</u>	<u>\$ 309,438</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, 2008, consists of the following:

From the Health Care Reserve 1 Fund to the General Fund to supplement other funding sources	\$ 762,627
From the Health Care Reserve 2 Fund to the General Fund to supplement other funding sources	230,346
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	200,000
From the Health Care Reserve 1 Fund to the School Capital Project Fund to supplement other funding sources	521,929
From the General Fund to the Consolidated Capital Project Fund to supplement other funding sources	84,784
From the General Fund to the Capital Project Fund to supplement other funding sources	8,308
From the General Fund to the D.F. Walker Gym Renovation Fund to supplement other funding sources	79,368
From the General Fund to the Library Renovation Fund to supplement other funding sources	540,000
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	1,136,073
From the Fire District Fund to the General Fund to supplement other funding sources	10,000
	<u>\$ 3,699,435</u>

Balance Due to/from Other Funds

Balances due to/from other funds at June 30, 2008 consist of the following:

Due to the Health Care Reserve 1 Fund from the Fire District Fund	\$ 180,000
Due to the Health Care Reserve 1 Fund from the School Capital Reserve Fund	19,403
Due to the Revaluation Fund from the School Capital Reserve Fund	44,898
Due to the School Capital Project Fund from the School Capital Reserve Fund	13,929
Due to the Health Care Reserve 1 Fund from the Sanitation Fund	1,611,003
Due to the Health Care Reserve 1 Fund from the General Fund	10,704,439
Due to the Fire District Fund from the General Fund	34,097
Due to the Emergency Telephone System Fund from the General Fund	3,841
Due to the Health Care Reserve 1 Fund from the CWMTF – Country Club Fund	36,992
Due to the Health Care Reserve 1 Fund from the Isabel Recovery Fund	101
Due to the Health Care Reserve 1 Fund from the NC Housing Finance Agency Project Fund	9,316
Due to the Occupancy Tax Fund from the NC Housing Finance Agency Project Fund	7,477
Due to the Health Care Reserve 1 Fund from the Albemarle MM/DD/SAS Capital Project Fund	5,262
Due to the Health Care Reserve 2 Fund from the Agriculture Building Addition Capital Project Fund	39,700
Due to the Library Renovation Fund from the Public Safety Building Capital Project	130,547
Due to the Health Care Reserve 1 Fund from the Consolidated Capital Project Fund	1,114,050
Due to the Health Care Reserve 2 Fund from the Consolidated Capital Project Fund	1,036,610
Due to the Health Care Reserve 1 Fund from the Capital Project Fund	559
Due to the Health Care Reserve 2 Fund from the Red Banks Farm Park Capital Project Fund	61,975
Due to the Library Renovation Fund from the Red Banks Farm Park Capital Project Fund	672
Due to the Health Care Reserve 2 Fund from the Water Fund	481,467
Due to the Consolidated Health Services Fund from the Wharf Landing Capital Project Fund	94,648
Due to the Consolidated Health Services Fund from the Airport Industrial Park Fund	39,008
Due to the Health Care Reserve 1 Fund from the Emergency Management Fund	40,000
Due to the Health Care Reserve 2 Fund from the Emergency Management Fund	1,095,424
Due to the Consolidated Health Services Fund from the Emergency Management Fund	23,701
Due to the General Fund from the Consolidated Health Services Fund	3,000
Due to the Water Fund from the Consolidated Health Services Fund	2,500
	<u>\$16,834,619</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.

Chowan County leases real property (land and buildings) owned by the Albemarle Learning Center, Inc., a non-profit corporation. As consideration for the lease, Chowan County pays for the property's maintenance and utility costs as well as the annual debt service of Albemarle Learning Center, Inc. which is secured by its real property. The secured lenders are the US Department of Agriculture and BB&T. As an additional condition of the lease, Albemarle Learning Center, Inc. has granted Chowan County an option to purchase the leased property for an option fee of the amount of any remaining debt owed to the referenced lenders. The County contributed \$129,416 to the organization during the fiscal year ended June 30, 2008. Albemarle Learning Center, Inc. is included in Exhibit 9 Statement of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities .

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, 2008. 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, 2008. 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, 2008. The participating governments provide the library facilities. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$180,402 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 \$43,530 to the organization during the fiscal year ended June 30, 2008. 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 \$1,007,392 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, 2008, total facilities cost totaled \$385,826. 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, 2008. 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, 2008.

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. The county contributed \$34,112 to the organization during the fiscal year ended June 30, 2008.

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 (ECDC), a 501(c)(3) 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. The County contributed \$412,915 to ECDC during the fiscal year ended June 30, 2008. The County Manager serves as the fiscal agent for the Corporation. ECDC is included in Exhibit 9 Statement of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These statements do not include all of the assets and liabilities of ECDC. ECDC is an unaudited entity.

VII. Related Party Transactions

There were no significant related party transactions during the fiscal year ended June 30, 2008.

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	\$ 207,049	\$ (177)
Medicaid	15,946,761	8,115,979
Food stamp program	2,523,501	-
Energy assistance	40,237	-
State foster care	-	4,659
AFDC	(133)	(36)
Title IV-E, foster care	12,061	3,375
Title IV-E, adoption subsidy	4,562	1,284
F/C at risk maximization	-	4,932
WS, adoption subsidy	-	8,130
Refugee assistance	724	-
SC/SA domiciliary care	-	208,052
Total	<u>\$ 18,734,762</u>	<u>\$ 8,346,198</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 Health Care Reserve 1 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 Health Care Reserve 1 Fund.

XI. Fund Balance Reclassifications

The Health Care Reserve Funds were changed from being reported within the General Fund to being reported separately as Special Revenue Funds. The following is a reconciliation of beginning fund balances:

	<u>General Fund</u>	<u>Health Care Reserve 1</u>	<u>Health Care Reserve 2</u>
Fund balance - June 30, 2007	\$ 10,475,606	\$ -	\$ -
Health Care Reserve 1	(14,855,759)	14,855,759	-
Health Care Reserve 2	(2,900,687)	-	2,900,687
Fund balance restated (deficit)	<u>\$ (7,280,840)</u>	<u>\$ 14,855,759</u>	<u>\$ 2,900,687</u>

XII. Subsequent Events

Chowan County has refinanced several of their installment purchases after year-end. These include installment purchases on D.F. Walker School, The Adult Day Center and Community Center, the Public Safety Center, and the Shepard-Pruden Library. Details on the financing is included in Note III.B.8.

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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$ 7,843,633	\$ 7,612,579	\$ (231,054)
Penalties and interest	75,000	57,633	(17,367)
Total	<u>7,918,633</u>	<u>7,670,212</u>	<u>(248,421)</u>
Local option sales taxes:			
Article 39 and 44	1,825,000	1,530,257	(294,743)
Article 40 one-half of one percent	500,000	515,892	15,892
Article 42 one-half of one percent	350,000	341,935	(8,065)
Medicaid Hold Harmless payment	-	500,000	500,000
Total	<u>2,675,000</u>	<u>2,888,084</u>	<u>213,084</u>
Other Taxes and Licenses:			
Deed stamp excise tax	100,000	81,552	(18,448)
Real estate transfer tax	1,668,904	678,671	(990,233)
Scrap tire & white goods disposal tax	57,039	61,944	4,905
Cable TV	20,000	17,798	(2,202)
Total	<u>1,845,943</u>	<u>839,965</u>	<u>(1,005,978)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes	1,000	1,412	412
Beer and wine tax	40,000	44,139	4,139
ABC profit distribution	50,000	-	(50,000)
Tax refunds	67,000	48,864	(18,136)
Total	<u>158,000</u>	<u>94,415</u>	<u>(63,585)</u>
Restricted intergovernmental:			
State grants	525,830	280,222	(245,608)
Federal grants	2,441,047	2,418,966	(22,081)
Local grants	5,000	5,000	-
Court facility fees	60,000	62,769	2,769
ABC profits for law enforcement	3,000	-	(3,000)
ABC profits for alcoholic education	2,000	-	(2,000)
Total	<u>3,036,877</u>	<u>2,766,957</u>	<u>(269,920)</u>
Permits and fees:			
Building permits and inspection fees	312,500	148,395	(164,105)
Register of deeds	145,000	104,739	(40,261)
Total	<u>457,500</u>	<u>253,134</u>	<u>(204,366)</u>
Sales and services:			
Rents, concessions, and fees	143,729	137,402	(6,327)
Jail fees	250,000	139,860	(110,140)
Recreation fees	75,000	73,783	(1,217)
Total	<u>468,729</u>	<u>351,045</u>	<u>(117,684)</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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Investment earnings	5,000	6,245	1,245
Miscellaneous	1,469,978	529,724	(940,254)
Total revenues	<u>18,035,660</u>	<u>15,399,781</u>	<u>(2,635,879)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	46,505	46,505	-
Other operating expenditures	19,060	19,058	2
Total	<u>65,565</u>	<u>65,563</u>	<u>2</u>
Administration:			
Salaries and employee benefits	400,365	400,361	4
Other operating expenditures	677,240	679,357	(2,117)
Capital outlay	6,581	6,581	-
Total	<u>1,084,186</u>	<u>1,086,299</u>	<u>(2,113)</u>
Elections:			
Salaries and employee benefits	69,006	68,723	283
Other operating expenditures	24,985	24,888	97
Capital outlay	1,400	1,390	10
Total	<u>95,391</u>	<u>95,001</u>	<u>390</u>
Data processing:			
Salaries and employee benefits	145,504	145,502	2
Other operating expenditures	126,357	126,341	16
Capital outlay	33,344	33,274	70
Total	<u>305,205</u>	<u>305,117</u>	<u>88</u>
NC information highway:			
Other operating expenditures	7,396	7,395	1
Total	<u>7,396</u>	<u>7,395</u>	<u>1</u>
Taxes:			
Salaries and employee benefits	204,115	204,113	2
Other operating expenditures	51,495	51,351	144
Capital Outlay	4,173	4,173	-
Total	<u>259,783</u>	<u>259,637</u>	<u>146</u>
Legal:			
Salaries and employee benefits	105,823	105,822	1
Other operating expenditures	21,740	21,733	7
Total	<u>127,563</u>	<u>127,555</u>	<u>8</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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Register of deeds:			
Salaries and employee benefits	134,312	134,309	3
Other operating expenditures	22,343	22,296	47
Capital outlay	4,380	4,380	-
Total	<u>161,035</u>	<u>160,985</u>	<u>50</u>
Land records:			
Salaries and employee benefits	110,171	110,155	16
Other operating expenditures	5,474	5,460	14
Total	<u>115,645</u>	<u>115,615</u>	<u>30</u>
Inspection:			
Salaries and employee benefits	330,254	330,154	100
Other operating expenditures	55,230	58,083	(2,853)
Capital outlay	21,785	21,755	30
Total	<u>407,269</u>	<u>409,992</u>	<u>(2,723)</u>
Public buildings:			
Other operating expenditures	518,372	517,900	472
Capital outlay	13,055	13,054	1
Total	<u>531,427</u>	<u>530,954</u>	<u>473</u>
Court facilities:			
Salaries and employee benefits	1,018	1,017	1
Other operating expenditures	24,351	24,332	19
Total	<u>25,369</u>	<u>25,349</u>	<u>20</u>
Central maintenance:			
Salaries and employee benefits	402,360	402,356	4
Other operating expenditures	44,024	43,926	98
Capital outlay	2,366	2,353	13
Total	<u>448,750</u>	<u>448,635</u>	<u>115</u>
Total general government	<u>3,634,584</u>	<u>3,638,097</u>	<u>(3,513)</u>
Public safety:			
Sheriff:			
Salaries and employee benefits	996,767	996,680	87
Other operating expenditures	327,040	299,981	27,059
Capital outlay	72,838	72,837	1
Total	<u>1,396,645</u>	<u>1,369,498</u>	<u>27,147</u>
School resource officer:			
Salaries and employee benefits	148,962	148,821	141
Total	<u>148,962</u>	<u>148,821</u>	<u>141</u>
Albemarle Hopeline	<u>5,000</u>	<u>5,000</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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Animal control:			
Salaries and employee benefits	213,788	213,697	91
Other operating expenditures	89,468	89,018	450
Capital outlay	8,954	8,891	63
Total	<u>312,210</u>	<u>311,606</u>	<u>604</u>
Jail:			
Salaries and employee benefits	441,037	441,004	33
Other operating expenditures	415,320	414,978	342
Capital outlay	17,015	17,015	-
Total	<u>873,372</u>	<u>872,997</u>	<u>375</u>
Civil defense:			
Salaries and employee benefits	139,058	139,008	50
Other operating expenditures	37,874	36,289	1,585
Total	<u>176,932</u>	<u>175,297</u>	<u>1,635</u>
Central communications:			
Salaries and employee benefits	431,697	431,695	2
Other operating expenditures	47,785	47,772	13
Capital outlay	6,160	6,160	-
Total	<u>485,642</u>	<u>485,627</u>	<u>15</u>
Medical examiner:			
Other operating expenditures	6,100	6,100	-
Total	<u>6,100</u>	<u>6,100</u>	<u>-</u>
Juvenile Justice:			
Salaries and employee benefits	15,346	15,346	-
Other operating expenditures	8,851	8,849	2
Total	<u>24,197</u>	<u>24,195</u>	<u>2</u>
Victim's Assistance:			
Salaries and employee benefits	56,452	51,329	5,123
Other operating expenditures	29,463	7,300	22,163
Capital outlay	1,000	-	1,000
Total	<u>86,915</u>	<u>58,629</u>	<u>28,286</u>
Total public safety	<u>3,515,975</u>	<u>3,457,770</u>	<u>58,205</u>
Transportation:			
Airport	25,000	25,000	-
Total transportation	<u>25,000</u>	<u>25,000</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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Environmental Protection:			
Sanitation:			
Other operating expenditures	73,545	73,544	1
Total environmental protection	<u>73,545</u>	<u>73,544</u>	<u>1</u>
Economic development:			
Agricultural extension:			
Salaries and employee benefits	162,585	161,488	1,097
Other operating expenditures	46,015	42,621	3,394
Capital outlay	4,555	4,554	1
Total	<u>213,155</u>	<u>208,663</u>	<u>4,492</u>
Soil conservation:			
Salaries and employee benefits	92,816	92,813	3
Other operating expenditures	153,047	88,430	64,617
Total	<u>245,863</u>	<u>181,243</u>	<u>64,620</u>
Planning:			
Operating expenditures	6,577	6,576	1
Total	<u>6,577</u>	<u>6,576</u>	<u>1</u>
Economic development:			
Operating expenditures	120,000	412,915	(292,915)
Total	<u>120,000</u>	<u>412,915</u>	<u>(292,915)</u>
Total economic and physical development	<u>585,595</u>	<u>809,397</u>	<u>(223,802)</u>
Human services:			
Social services:			
Administration:			
Salaries and benefits	513,403	513,399	4
Other operating expenditures	125,030	125,026	4
Capital outlay	9,866	9,866	-
Total	<u>648,299</u>	<u>648,291</u>	<u>8</u>
Income maintenance programs:			
Salaries and employee benefits	684,766	684,735	31
County participation	94,241	88,931	5,310
Total	<u>779,007</u>	<u>773,666</u>	<u>5,341</u>
Medicaid program:			
County participation	1,346,123	1,346,122	1
Total	<u>1,346,123</u>	<u>1,346,122</u>	<u>1</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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Title XX program:			
Salaries and employee benefits	443,340	443,338	2
Other operating expenditures	103,110	102,960	150
Total	<u>546,450</u>	<u>546,298</u>	<u>152</u>
Foster care:			
Other operating expenditures	43,161	43,159	2
Total	<u>43,161</u>	<u>43,159</u>	<u>2</u>
Title III program:			
Other operating expenditures	6,060	5,355	705
Total	<u>6,060</u>	<u>5,355</u>	<u>705</u>
Other assistance:			
Other operating expenditures	1,301,128	1,244,942	56,186
Total	<u>1,301,128</u>	<u>1,244,942</u>	<u>56,186</u>
Total social services	<u>4,670,228</u>	<u>4,607,833</u>	<u>62,395</u>
Veterans service officer:			
Salaries and employee benefits	13,605	13,605	-
Other operating expenditures	1,077	1,075	2
Total	<u>14,682</u>	<u>14,680</u>	<u>2</u>
Health	<u>74,506</u>	<u>74,506</u>	<u>-</u>
Mental health:			
Other operating expenditures	34,112	34,112	-
Total	<u>34,112</u>	<u>34,112</u>	<u>-</u>
Total human services	<u>4,793,528</u>	<u>4,731,131</u>	<u>62,397</u>
Cultural and recreational:			
Community activities:			
Other operating expenditures	64,770	164,186	(99,416)
Total	<u>64,770</u>	<u>164,186</u>	<u>(99,416)</u>
Recreation:			
Salaries and employee benefits	429,206	429,204	2
Other operating expenditures	412,309	234,145	178,164
Capital outlay	35,968	35,968	-
Total	<u>877,483</u>	<u>699,317</u>	<u>178,166</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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Senior center:			
Salaries and employee benefits	120,402	120,399	3
Other operating expenditures	55,713	55,694	19
Capital outlay	1,514	1,514	-
Total	<u>177,629</u>	<u>177,607</u>	<u>22</u>
Libraries:			
Contribution to regional library	180,403	180,402	1
Total	<u>180,403</u>	<u>180,402</u>	<u>1</u>
Total cultural and recreation	<u>1,300,285</u>	<u>1,221,512</u>	<u>78,773</u>
Education:			
Public schools:			
Current expense:	3,753,068	3,753,068	-
Total	<u>3,753,068</u>	<u>3,753,068</u>	<u>-</u>
Community colleges:			
Other operating expenditures	294,569	294,548	21
Total	<u>294,569</u>	<u>294,548</u>	<u>21</u>
Total education	<u>4,047,637</u>	<u>4,047,616</u>	<u>21</u>
Debt service:			
Principal retirement	522,385	509,194	13,191
Interest and fees	162,639	173,102	(10,463)
Total debt service	<u>685,024</u>	<u>682,296</u>	<u>2,728</u>
Total expenditures	<u>18,661,173</u>	<u>18,686,363</u>	<u>(25,190)</u>
Revenues over (under) expenditures	<u>(625,513)</u>	<u>(3,286,582)</u>	<u>(2,661,069)</u>
Other financing sources (uses):			
Operating transfers from other funds	1,103,973	1,103,973	-
Operating transfers to other funds	(937,460)	(937,460)	-
Proceeds of installment purchase	109,000	83,000	(26,000)
Sale of fixed assets	350,000	57,598	(292,402)
Total other financing sources (uses)	<u>625,513</u>	<u>307,111</u>	<u>(318,402)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(2,979,471)</u>	<u>\$ (2,979,471)</u>
Fund balances:			
Beginning of year, July 1 (deficit)		(7,280,840)	
End of year, June 30 (deficit)		<u>\$ (10,260,311)</u>	

**Chowan County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

Special Revenue Funds

	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Occupancy Tax Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-	-
Accounts receivable, net	143,273	41,662	15,585	-	634
Taxes receivable, net	-	-	10,180	-	-
Due from other funds	-	3,841	34,097	44,898	7,477
Total assets	\$ 143,273	\$ 45,503	\$ 59,862	\$ 44,898	\$ 8,111
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ (1,450)	\$ 601	\$ -	\$ (385)
Due to other funds	78,231	-	180,000	-	-
Deferred revenue	-	-	15,354	-	-
Total liabilities	78,231	(1,450)	195,955	-	(385)
Fund balances:					
Reserved by state statute	143,273	45,503	49,682	44,898	8,111
Reserved for capital projects	-	-	-	-	-
Unreserved (deficit)	(78,231)	1,450	(185,775)	-	385
Total fund balances	65,042	46,953	(136,093)	44,898	8,496
Total liabilities and fund balances	\$ 143,273	\$ 45,503	\$ 59,862	\$ 44,898	\$ 8,111

Isabel Recovery Fund	Sanitation Fund	NC Housing Finance Agency Project Fund	CWMTF-Country Club	School Capital Project Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	16,793	36,992	-	254,939
-	-	-	-	-	10,180
-	-	-	-	13,929	104,242
\$ -	\$ -	\$ 16,793	\$ 36,992	\$ 13,929	\$ 369,361

\$ 36,585	\$ 76,868	\$ -	\$ -	\$ -	\$ 112,219
101	1,611,003	16,793	36,992	-	1,923,120
-	-	-	-	-	15,354
36,686	1,687,871	16,793	36,992	-	2,050,693

-	-	16,793	36,992	13,929	359,181
-	-	-	-	-	-
(36,686)	(1,687,871)	(16,793)	(36,992)	-	(2,040,513)
(36,686)	(1,687,871)	-	-	13,929	(1,681,332)
\$ -	\$ -	\$ 16,793	\$ 36,992	\$ 13,929	\$ 369,361

(Continued)

**Chowan County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

	Red Banks Farm Park	Albemarle MM/DD/SAS Capital Project Fund	Agriculture Building Addition Fund	Library Renovation Fund	General Capital Projects Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-	-
Accounts receivable, net	-	5,262	-	16,456	-
Taxes receivable, net	-	-	-	-	-
Due from other funds	-	-	-	131,220	-
Total assets	\$ -	\$ 5,262	\$ -	\$ 147,676	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	62,647	5,262	39,700	-	559
Deferred revenue	-	-	-	-	-
Total liabilities	62,647	5,262	39,700	-	559
Fund balances:					
Reserved by state statute	-	5,262	-	147,676	-
Reserved for capital projects	-	-	-	-	-
Unreserved (deficit)	(62,647)	(5,262)	(39,700)	-	(559)
Total fund balances	(62,647)	-	(39,700)	147,676	(559)
Total liabilities and fund balances	\$ -	\$ 5,262	\$ -	\$ 147,676	\$ -

John A. Holmes		
High School Renovation Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -
64,339	64,339	64,339
13,555	35,273	290,212
-	-	10,180
-	131,220	235,462
<u>\$ 77,894</u>	<u>\$ 230,832</u>	<u>\$ 600,193</u>

\$ 18,095	\$ 18,095	\$ 130,314
-	108,168	2,031,288
-	-	15,354
<u>18,095</u>	<u>126,263</u>	<u>2,176,956</u>

13,555	166,493	525,674
64,339	64,339	64,339
(18,095)	(126,263)	(2,166,776)
<u>59,799</u>	<u>104,569</u>	<u>(1,576,763)</u>
<u>\$ 77,894</u>	<u>\$ 230,832</u>	<u>\$ 600,193</u>

Chowan County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds				
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Occupancy Tax Fund
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ 450,033	\$ -	\$ -
Local option sales taxes	856,830	-	97,676	-	-
Other taxes and licenses	-	32,787	1,126	-	640
Restricted intergovernmental	326,640	141,913	-	-	-
Sales and service	-	-	-	-	122,378
Miscellaneous	-	-	299	-	5,792
Investment earnings	(1,161)	188	12,777	484	(15)
Total revenues	<u>1,182,309</u>	<u>174,888</u>	<u>561,911</u>	<u>484</u>	<u>128,795</u>
EXPENDITURES					
Current:					
General government	-	-	-	6,300	-
Public safety	-	113,481	543,595	-	-
Economic development	-	-	-	-	120,166
Environmental protection	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	47,619	32,010	-	-
Interest	-	1,527	208	-	-
Total expenditures	<u>-</u>	<u>162,627</u>	<u>575,813</u>	<u>6,300</u>	<u>120,166</u>
Excess (deficiency) of revenues over expenditures	<u>1,182,309</u>	<u>12,261</u>	<u>(13,902)</u>	<u>(5,816)</u>	<u>8,629</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds	(1,136,073)	-	(10,000)	25,000	-
Total other financing sources and uses	<u>(1,136,073)</u>	<u>-</u>	<u>(10,000)</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	46,236	12,261	(23,902)	19,184	8,629
Fund balances - beginning (deficit)	18,806	34,692	(112,191)	25,714	(133)
Fund balances - ending (deficit)	<u>\$ 65,042</u>	<u>\$ 46,953</u>	<u>\$ (136,093)</u>	<u>\$ 44,898</u>	<u>\$ 8,496</u>

Isabel Recovery Fund	Sanitation Fund	NC Housing Finance Agency Project Fund	CWMTF-Country Club	CDBG	School Capital Project Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450,033
-	-	-	-	-	-	954,506
-	-	-	-	-	-	34,553
-	-	24,838	20,000	18,395	-	531,786
-	850,009	-	-	-	-	972,387
-	89,977	-	-	-	-	96,068
-	-	-	-	-	-	12,273
-	939,986	24,838	20,000	18,395	-	3,051,606
-	-	-	-	-	-	6,300
-	-	-	-	-	-	657,076
-	-	24,838	-	18,395	-	163,399
-	1,007,390	-	20,000	-	-	1,027,390
-	-	-	-	-	400,000	400,000
-	-	-	-	-	-	-
-	123,141	-	-	-	847,448	1,050,218
-	11,825	-	-	-	411,882	425,442
-	1,142,356	24,838	20,000	18,395	1,659,330	3,729,825
-	(202,370)	-	-	-	(1,659,330)	(678,219)
-	-	-	-	-	1,658,002	536,929
-	-	-	-	-	1,658,002	536,929
-	(202,370)	-	-	-	(1,328)	(141,290)
(36,686)	(1,485,501)	-	-	-	15,257	(1,540,042)
\$ (36,686)	\$ (1,687,871)	\$ -	\$ -	\$ -	\$ 13,929	\$ (1,681,332)

Chowan County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

Capital Project Funds

	D.F. Walker Gym Renovation Fund	Red Banks Farm Park	Agriculture Building Addition Fund	Library Renovation Fund	General Capital Projects Fund
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Local option sales taxes	-	-	-	-	-
Other taxes and licenses	-	-	-	16,456	-
Restricted intergovernmental	-	-	-	-	-
Sales and service	-	-	-	-	-
Miscellaneous	-	-	-	148,050	-
Investment earnings	-	-	-	13,342	-
Total revenues	-	-	-	177,848	-
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Economic development	-	-	-	-	-
Environmental protection	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	-	62,647	-	2,003,003	8,867
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	54,990	-
Total expenditures	-	62,647	-	2,057,993	8,867
Excess (deficiency) of revenues over expenditures	-	(62,647)	-	(1,880,145)	(8,867)
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds	79,368	-	-	540,000	8,308
Total other financing sources and uses	79,368	-	-	540,000	8,308
Net change in fund balances	79,368	(62,647)	-	(1,340,145)	(559)
Fund balances - beginning (deficit)	(79,368)	-	(39,700)	1,487,821	-
Fund balances - ending (deficit)	\$ -	\$ (62,647)	\$ (39,700)	\$ 147,676	\$ (559)

John A. Holmes High School Renovation Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 450,033
-	-	954,506
13,555	30,011	64,564
-	-	531,786
-	-	972,387
-	148,050	244,118
23,582	36,924	49,197
<u>37,137</u>	<u>214,985</u>	<u>3,266,591</u>
-	-	6,300
-	-	657,076
-	-	163,399
-	-	1,027,390
-	-	400,000
1,084,403	3,158,920	3,158,920
-	-	1,050,218
-	54,990	480,432
<u>1,084,403</u>	<u>3,213,910</u>	<u>6,943,735</u>
<u>(1,047,266)</u>	<u>(2,998,925)</u>	<u>(3,677,144)</u>
-	627,676	1,164,605
-	627,676	1,164,605
(1,047,266)	(2,371,249)	(2,512,539)
1,107,065	2,475,818	935,776
<u>\$ 59,799</u>	<u>\$ 104,569</u>	<u>\$ (1,576,763)</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, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Restricted intergovernmental:			
Public School Building Capital Fund	\$ 353,573	\$ 326,640	\$ (26,933)
Local option sales tax	775,000	856,830	81,830
Investment earnings	7,500	(1,161)	(8,661)
Total revenues	<u>1,136,073</u>	<u>1,182,309</u>	<u>46,236</u>
Other financing sources (uses):			
Transfers in (out)	<u>(1,136,073)</u>	<u>(1,136,073)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	46,236	<u>\$ 46,236</u>
Fund balances:			
Beginning of year, July 1		18,806	
End of year, June 30		<u>\$ 65,042</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, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Other taxes and licenses:			
911 system subscriber fees	\$ 62,356	\$ 31,849	\$ (30,507)
Sales tax refund	10,000	938	(9,062)
Restricted intergovernmental:			
Wireless 911 funds	75,000	141,913	66,913
Investment earnings	500	188	(312)
	<u>147,856</u>	<u>174,888</u>	<u>27,032</u>
Expenditures			
Public safety:			
911 system subscriber fees:			
Operating expenses	79,578	94,461	(14,883)
Total subscriber fees	<u>79,578</u>	<u>94,461</u>	<u>(14,883)</u>
Wireless 911:			
Operating expenses	19,130	19,020	110
Total public safety	<u>98,708</u>	<u>113,481</u>	<u>(14,773)</u>
Debt service:			
Principal	47,621	47,619	2
Interest	1,527	1,527	-
Total debt service	<u>49,148</u>	<u>49,146</u>	<u>2</u>
Total expenditures	<u>147,856</u>	<u>162,627</u>	<u>(14,771)</u>
Revenues over (under) expenditures	<u>\$ -</u>	12,261	<u>\$ (12,261)</u>
Fund balances:			
Beginning of year, July 1		<u>34,692</u>	
End of year, June 30		<u>\$ 46,953</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, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes	\$ 452,520	\$ 450,033	\$ (2,487)
Local option sales tax	98,628	97,676	(952)
Miscellaneous revenue	797	299	(498)
Other taxes and licenses	2,100	1,126	(974)
Investment earnings	3,000	12,777	9,777
Total revenues	<u>557,045</u>	<u>561,911</u>	<u>4,866</u>
Expenditures:			
Public safety:			
Town of Edenton	229,436	229,436	0
Salaries and benefits	64,253	58,760	5,493
Telephone and postage	2,500	2,369	131
Utilities	11,095	11,094	1
Maintenance and repair	35,977	29,636	6,341
Insurance and bonds	9,912	0	9,912
Capital outlay	414,019	189,394	224,625
Other operating expenses	42,853	22,906	19,947
Total public safety	<u>810,045</u>	<u>543,595</u>	<u>266,450</u>
Debt service:			
Principal	81,792	32,010	49,782
Interest	208	208	-
Total debt service	<u>82,000</u>	<u>32,218</u>	<u>49,782</u>
Total expenditures	<u>892,045</u>	<u>575,813</u>	<u>316,232</u>
Revenues over (under) expenditures	<u>(335,000)</u>	<u>(13,902)</u>	<u>(321,098)</u>
Other financing sources (uses):			
Proceeds from installment purchase	375,000	-	375,000
Transfers in (out)	(40,000)	(10,000)	30,000
Total other sources (uses)	<u>335,000</u>	<u>(10,000)</u>	<u>(345,000)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(23,902)</u>	<u>\$ (23,902)</u>
Fund balances:			
Beginning of year, July 1 (deficit)		<u>(112,191)</u>	
End of year, June 30 (deficit)		<u>\$ (136,093)</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, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Investment earnings	\$ -	\$ 484	\$ 484
Total revenues	-	484	484
Expenditures:			
General government:			
Contracted services	25,000	6,300	18,700
Revenues over (under) expenditures	(25,000)	(5,816)	(19,184)
Other financing sources (uses):			
Transfers in (out)	25,000	25,000	-
Revenues and other sources over (under) expenditures and other uses	\$ -	19,184	\$ 19,184
Fund balances:			
Beginning of year, July 1		25,714	
End of year, June 30		\$ 44,898	

Chowan County, North Carolina
Sanitation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Sales and service	\$ 875,644	\$ 850,009	\$ (25,635)
Contribution from other counties	89,977	89,977	-
	<u>965,621</u>	<u>939,986</u>	<u>(25,635)</u>
Expenditures:			
Environmental protection:			
Operating expenditures	830,655	1,007,390	(176,735)
Total expenditures	<u>830,655</u>	<u>1,007,390</u>	<u>(176,735)</u>
Debt service:			
Principal	123,141	123,141	-
Interest	11,825	11,825	-
Total debt service	<u>134,966</u>	<u>134,966</u>	<u>-</u>
Total expenditures	<u>965,621</u>	<u>1,142,356</u>	<u>(176,735)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(202,370)</u>	<u>\$ 202,370</u>
Fund balances:			
Beginning of year, July 1 (deficit)		<u>(1,485,501)</u>	
End of year, June 30 (deficit)		<u>\$ (1,687,871)</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, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Sales and service	\$ 115,605	\$ 122,378	\$ 6,773
Other taxes and licenses	-	640	640
Miscellaneous revenues	4,220	5,792	(1,500)
Investment earnings	2,000	(15)	(2,015)
	<u>121,825</u>	<u>128,795</u>	<u>6,970</u>
Expenditures:			
Economic development:			
Contracted services	68,453	68,453	-
Reimbursements	18,595	17,442	1,153
Miscellaneous expenses	32,729	32,223	506
Capital outlay	2,048	2,048	-
Total expenditures	<u>121,825</u>	<u>120,166</u>	<u>1,659</u>
Revenues over (under) expenditures	<u>\$ -</u>	8,629	<u>\$ (8,629)</u>
Fund balances:			
Beginning of year, July 1 (deficit)		(133)	
End of year, June 30		<u>\$ 8,496</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, 2008

	2008		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 (deficit)		(36,686)	
End of year, June 30 (deficit)		(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, 2008

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	\$ 200,000	\$ 9,384	\$ 24,838	\$ 34,222	\$ (165,778)
Total revenue	<u>200,000</u>	<u>9,384</u>	<u>24,838</u>	<u>34,222</u>	<u>(165,778)</u>
Expenditures:					
Economic development:					
Rehabilitation	158,400	-	5,247	5,247	153,153
Temporary relocation	2,000	9,384	-	9,384	(7,384)
Program soft costs	23,800	-	-	-	23,800
Administrative	15,800	-	19,591	19,591	(3,791)
Total expenditures	<u>200,000</u>	<u>9,384</u>	<u>24,838</u>	<u>34,222</u>	<u>165,778</u>
Revenues over (under) expenditures	<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, 2008

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	\$ 400,000	\$ -	\$ 18,395	\$ 18,395	\$ (381,605)
Expenditures:					
Economic development:					
Administration	40,000	-	18,005	18,005	21,995
Clearance	20,000	-	390	390	19,610
Rehabilitation	120,000	-	-	-	120,000
Relocation assistance	220,000	-	-	-	220,000
Total expenditures	<u>400,000</u>	<u>-</u>	<u>18,395</u>	<u>18,395</u>	<u>381,605</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
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, 2008

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	\$ 534,000	\$ 312,092	\$ 20,000	\$ 332,092	\$ (201,908)
Other taxes and license	-	521	-	521	521
Miscellaneous revenue	50,000	-	-	-	(50,000)
Total revenues	<u>584,000</u>	<u>312,613</u>	<u>20,000</u>	<u>332,613</u>	<u>(251,387)</u>
Expenditures:					
Environmental protection:					
Administration	15,000	5,510	-	5,510	9,490
Contracted services	564,000	307,103	20,000	327,103	236,897
Capital outlay	5,000	-	-	-	5,000
Total expenditures	<u>584,000</u>	<u>312,613</u>	<u>20,000</u>	<u>332,613</u>	<u>251,387</u>
Revenues over (under) expenditures	<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, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Education:			
Capital outlay	400,000	400,000	-
Debt service:			
Principal	847,449	847,448	1
Interest	410,553	411,882	(1,329)
Total debt service	1,258,002	1,259,330	(1,328)
Total expenditures	1,658,002	1,659,330	(1,328)
Revenues over (under) expenditures	(1,658,002)	(1,659,330)	1,328
Other financing sources (uses):			
Transfers in (out)	1,658,002	1,658,002	-
Revenues and other sources over (under) expenditures and other uses	\$ -	(1,328)	\$ (1,328)
Fund balances:			
Beginning of year, July 1		15,257	
End of year, June 30		\$ 13,929	

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, 2008

	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>62,747</u>	<u>-</u>	<u>62,747</u>	<u>2,947</u>
Expenditures:					
Cultural and recreational:					
Capital outlay:					
D.F. Walker Gym	<u>158,035</u>	<u>143,044</u>	<u>-</u>	<u>143,044</u>	<u>14,991</u>
Revenues over (under) expenditures	<u>(98,235)</u>	<u>(80,297)</u>	<u>-</u>	<u>(80,297)</u>	<u>17,938</u>
Other financing sources:					
Transfers in (out)	<u>98,235</u>	<u>-</u>	<u>79,368</u>	<u>79,368</u>	<u>(18,867)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (80,297)</u>	79,368	<u>\$ (929)</u>	<u>\$ (929)</u>
Fund balances:					
Beginning of year, July 1 (deficit)			<u>(79,368)</u>		
End of year, June 30			<u>\$ -</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, 2008

	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	2,239,989	5,262	-	5,262	2,234,727
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, 2008

	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 (deficit)			(39,700)		
End of year, June 30 (deficit)			\$ (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, 2008

	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>25,903</u>	<u>62,647</u>	<u>88,550</u>	<u>928,485</u>
Revenues over (under) expenditures	<u>(500,000)</u>	<u>(25,903)</u>	<u>(62,647)</u>	<u>(88,550)</u>	<u>411,450</u>
Other financing sources:					
Transfers in (out)	<u>500,000</u>	<u>25,903</u>	<u>-</u>	<u>25,903</u>	<u>(474,097)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(62,647)</u>	<u>\$ (62,647)</u>	<u>\$ (62,647)</u>
Fund balances:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30 (deficit)			<u>\$ (62,647)</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, 2008

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Sales tax refund	\$ 270,000	\$ 42,687	\$ 16,456	\$ 59,143	\$ (210,857)
Investment earnings	30,000	7,416	13,342	20,758	(9,242)
Miscellaneous	-	30	148,050	148,080	148,080
Total revenues	<u>300,000</u>	<u>50,133</u>	<u>177,848</u>	<u>227,981</u>	<u>(72,019)</u>
Expenditures:					
Cultural and recreational:					
Contracted services	<u>3,171,790</u>	<u>1,114,649</u>	<u>2,003,003</u>	<u>3,117,652</u>	<u>54,138</u>
Debt service:					
Interest	<u>92,000</u>	<u>45,663</u>	<u>54,990</u>	<u>100,653</u>	<u>(8,653)</u>
Total expenditures	<u>3,263,790</u>	<u>1,160,312</u>	<u>2,057,993</u>	<u>3,218,305</u>	<u>45,485</u>
Revenues over (under) expenditures	<u>(2,963,790)</u>	<u>(1,110,179)</u>	<u>(1,880,145)</u>	<u>(2,990,324)</u>	<u>(26,534)</u>
Other financing sources:					
Transfers in (out)	365,790	-	-	-	(365,790)
Loan proceeds	<u>2,598,000</u>	<u>2,598,000</u>	<u>540,000</u>	<u>3,138,000</u>	<u>(540,000.00)</u>
Total other sources	<u>2,963,790</u>	<u>2,598,000</u>	<u>540,000</u>	<u>3,138,000</u>	<u>(905,790)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,487,821</u>	<u>(1,340,145)</u>	<u>\$ 147,676</u>	<u>\$ (147,676)</u>
Fund balances:					
Beginning of year, July 1			<u>1,487,821</u>		
End of year, June 30			<u>\$ 147,676</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, 2008

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Sales tax refund	\$ -	\$ 10,969	\$ 13,555	\$ 24,524	\$ 24,524
Investment earnings	-	62,763	23,582	86,345	86,345
Total revenues	-	73,732	37,137	110,869	110,869
Expenditures:					
Education:					
Capital outlay:					
John A. Holmes High School Renovation	2,000,000	966,667	1,084,403	2,051,070	(51,070)
Revenues over (under) expenditures	(2,000,000)	(892,935)	(1,047,266)	(1,940,201)	59,799
Other financing sources:					
Loan proceeds	2,000,000	2,000,000	-	2,000,000	-
Total other sources (uses)	2,000,000	2,000,000	-	2,000,000	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 1,107,065	(1,047,266)	\$ 59,799	\$ (59,799)
Fund balances:					
Beginning of year, July 1			1,107,065		
End of year, June 30			\$ 59,799		

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, 2008

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
General government:					
Capital outlay:					
Major repairs	285,000	159,187	8,867	168,054	116,946
Revenues over (under) expenditures	(285,000)	(159,187)	(8,867)	(168,054)	116,946
Other financing sources:					
Transfers in (out)	285,000	159,187	8,308	167,495	117,505
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(559)	<u>\$ (559)</u>	<u>\$ 559</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30 (deficit)			<u>\$ (559)</u>		

Chowan County, North Carolina
Consolidated 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, 2008

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 942,112	\$ 456,050	\$ -	\$ 456,050	\$ (486,062)
Other taxes and licenses	-	84,844	-	84,844	84,844
Investment earnings	50,000	31,882	-	31,882	(18,118)
Total revenues	<u>992,112</u>	<u>572,776</u>	<u>-</u>	<u>572,776</u>	<u>(419,336)</u>
Expenditures:					
Cultural and recreational:					
Capital outlay:					
Chowan Community Center	3,935,701	2,985,869	-	2,985,869	949,832
Economic development:					
Capital outlay:					
Agriculture Extension Building	2,844,408	2,031,094	-	2,031,094	813,314
Education:					
Capital outlay					
	1,000,000	1,000,000	-	1,000,000	-
Human services:					
Capital outlay:					
Adult Health Center	4,541,410	2,683,569	-	2,683,569	1,857,841
Total expenditures	<u>12,321,519</u>	<u>8,700,532</u>	<u>-</u>	<u>8,700,532</u>	<u>3,620,987</u>
Revenues over (under) expenditures	<u>(11,329,407)</u>	<u>(8,127,756)</u>	<u>-</u>	<u>(8,127,756)</u>	<u>3,201,651</u>
Other financing sources:					
Loan proceeds	6,544,424	4,500,000	-	4,500,000	2,044,424
Transfers in (out)	4,784,983	1,392,312	84,784	1,477,096	3,307,887
Total other sources (uses)	<u>11,329,407</u>	<u>5,892,312</u>	<u>84,784</u>	<u>5,977,096</u>	<u>5,352,311</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (2,235,444)</u>	84,784	<u>\$ (2,150,660)</u>	<u>\$ 2,150,660</u>
Fund balances:					
Beginning of year, July 1			<u>(2,235,444)</u>		
End of year, June 30 (deficit)			<u>\$ (2,150,660)</u>		

Chowan County, North Carolina
Public Safety Building 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, 2008

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Sales tax refund	\$ -	\$ 100,731	\$ 145,467	\$ 246,198	(246,198)
Investment earnings	-	134,793	75,382	210,175	(210,175)
Miscellaneous	-	-	762	762	(762)
Total revenues	-	<u>235,524</u>	<u>221,611</u>	<u>457,135</u>	<u>(457,135)</u>
Expenditures:					
Public safety:					
Capital outlay:					
Public Safety Center	<u>10,956,645</u>	<u>3,695,334</u>	<u>6,638,958</u>	<u>10,334,292</u>	<u>622,353</u>
Debt service:					
Interest	-	<u>240,992</u>	<u>364,008</u>	<u>605,000</u>	<u>(605,000)</u>
Total expenditures	<u>10,956,645</u>	<u>3,936,326</u>	<u>7,002,966</u>	<u>10,939,292</u>	<u>17,353</u>
Revenues over (under) expenditures	<u>(10,956,645)</u>	<u>(3,700,802)</u>	<u>(6,781,355)</u>	<u>(10,482,157)</u>	<u>(474,488)</u>
Other financing sources:					
Loan proceeds	<u>10,956,645</u>	<u>10,956,600</u>	<u>-</u>	<u>10,956,600</u>	<u>45</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 7,255,798</u>	<u>(6,781,355)</u>	<u>\$ 474,443</u>	<u>\$ (474,443)</u>
Fund balances:					
Beginning of year, July 1			<u>7,255,798</u>		
End of year, June 30 (deficit)			<u>\$ 474,443</u>		

Chowan County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Water sales	\$ 1,410,858	\$ 1,116,659	\$ (294,199)
Reconnection fees	30,000	36,981	6,981
Miscellaneous revenue	1,000	744	(256)
Sales tax and other refunds	10,000	11,749	1,749
Taps and connection fees	85,000	70,150	(14,850)
Total operating revenues	<u>1,536,858</u>	<u>1,236,283</u>	<u>(300,575)</u>
Expenditures:			
Administration and operating:			
Salaries and employee benefits	328,075	312,575	15,500
Postage and telephone	-	17,936	(17,936)
Utilities	89,508	89,508	-
Maintenance and repairs	215,241	236,733	(21,492)
Automotive supplies	20,000	15,808	4,192
Supplies and materials	106,617	89,294	17,323
Administrative services	282,736	231,545	51,191
Meters and minor improvements	27,000	12,820	14,180
Total	<u>1,069,177</u>	<u>1,006,219</u>	<u>62,958</u>
Debt service:			
Debt principal	231,411	230,898	513
Interest and fees	23,133	23,554	(421)
Total	<u>254,544</u>	<u>254,452</u>	<u>92</u>
Capital outlay	112,137	85,826	26,311
Total expenditures	<u>1,435,858</u>	<u>1,346,497</u>	<u>89,361</u>
Revenues over (under) expenditures	<u>101,000</u>	<u>(110,214)</u>	<u>(211,214)</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, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Transfers in (out)	(101,000)	(101,000)	-
Total other sources (uses)	(101,000)	(101,000)	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(211,214)	<u>\$ (211,214)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		230,898	
Capital outlay		85,826	
Depreciation		(277,503)	
Amortization		(1,392)	
Decrease in bond interest accrued		5,154	
Decrease in inventory		(1,350)	
Revenue from Capital Reserve Funds		192,229	
Revenue from Airport Industrial Park Fund		30,737	
Total reconciling items		<u>264,599</u>	
Change in net assets		<u>\$ 53,385</u>	

Chowan County, North Carolina
Emergency Management Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Ambulance Fees	\$ 1,203,170	\$ 1,374,228	\$ 171,058
Miscellaneous revenue	1,500	2,050	550
Sales tax and other refunds	6,150	9,216	3,066
Total	<u>1,210,820</u>	<u>1,385,494</u>	<u>174,674</u>
Non-operating revenues:			
Restricted intergovernmental - Federal grant	31,000	11,523	(19,477)
Restricted intergovernmental - Local grant	12,500	12,500	-
Investment earnings	-	1,076	1,076
Total	<u>43,500</u>	<u>25,099</u>	<u>(18,401)</u>
Total revenues	<u>1,254,320</u>	<u>1,410,593</u>	<u>156,273</u>
Expenditures:			
Administration and operating:			
Salaries and employee benefits	1,145,338	1,133,050	12,288
Postage and telephone	10,200	9,994	206
Utilities	22,381	22,380	1
Maintenance and repairs	41,251	40,290	961
Automotive supplies	39,261	39,260	1
Supplies and materials	46,136	45,382	754
Contracted services	80,657	80,657	-
Administrative services	55,837	47,815	8,022
Total	<u>1,441,061</u>	<u>1,418,828</u>	<u>22,233</u>
Debt service:			
Debt principal	103,475	97,176	6,299
Interest and fees	6,037	5,395	642
Total	<u>109,512</u>	<u>102,571</u>	<u>6,941</u>
Capital outlay	<u>77,747</u>	<u>81,307</u>	<u>(3,560)</u>
Total expenditures	<u>1,628,320</u>	<u>1,602,706</u>	<u>25,614</u>
Revenues over (under) expenditures	<u>(374,000)</u>	<u>(192,113)</u>	<u>181,887</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, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Loan proceeds	174,000	174,000	-
Transfers in (out)	200,000	200,000	-
Total other financing sources (uses)	<u>374,000</u>	<u>374,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	181,887	<u>\$ 181,887</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		97,176	
Capital outlay		81,307	
Proceeds from installment purchase		(174,000)	
Depreciation		(48,076)	
Loss on sale of fixed assets		(11,183)	
Decrease in interest accrued		63	
Total reconciling items		<u>(54,713)</u>	
Change in net assets		<u>\$ 127,174</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, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Storm preparedness charges	\$ 70,000	\$ 69,700	\$ (300)
Investment earnings	-	754	754
Total revenues	<u>70,000</u>	<u>70,454</u>	<u>454</u>
Other financing sources (uses):			
Transfers in (out)	<u>(70,000)</u>	<u>(69,304)</u>	<u>696</u>
Total other financing sources (uses)	<u>(70,000)</u>	<u>(69,304)</u>	<u>696</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	1,150	<u>\$ 1,150</u>
Fund balances:			
Beginning of year, July 1		<u>4,030</u>	
End of year, June 30		<u>\$ 5,180</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, 2008

	Project Author- ization	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	496,531	-	496,531	(66,531)
Revenues over (under) expenditures	(430,000)	(494,347)	-	(494,347)	(64,347)
Other financing sources:					
Transfers in (out)	430,000	210,466	69,304	279,770	(150,230)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ (283,881)	69,304	\$ (214,577)	\$ (214,577)
Fund balances:					
Beginning of year, July 1 (deficit)			(283,881)		
End of year, June 30 (deficit)			\$ (214,577)		

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, 2008

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental - Federal Grant - CDBG	\$ 228,000	\$ 170,363	\$ -	\$ 170,363	\$ (57,637)
Sales tax refund	-	5,249	-	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>175,612</u>	<u>-</u>	<u>175,612</u>	<u>(434,996)</u>
Expenditures					
Water system improvements:					
Extension project	<u>610,608</u>	<u>270,260</u>	<u>-</u>	<u>270,260</u>	<u>340,348</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (94,648)</u>	<u>-</u>	<u>\$ (94,648)</u>	<u>(94,648)</u>
Fund balances:					
Beginning of year, July 1 (deficit)			<u>(94,648)</u>		
End of year, June 30 (deficit)			<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, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Water development fees	\$ 100,000	\$ 116,063	\$ 16,063
Investment earnings	-	5,711	5,711
Total revenues	<u>100,000</u>	<u>121,774</u>	<u>21,774</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>	121,774	<u>\$ 121,774</u>
Fund balances:			
Beginning of year, July 1		244,675	
End of year, June 30		<u>\$ 366,449</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, 2008

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental	\$ 326,000	\$ -	\$ -	\$ -	\$ (326,000)
Miscellaneous	30,736	-	30,737	30,737	1
	<u>356,736</u>	<u>-</u>	<u>30,737</u>	<u>30,737</u>	<u>(325,999)</u>
Expenditures					
Water system improvements:					
Extension project	<u>387,473</u>	<u>29,893</u>	<u>39,852</u>	<u>69,745</u>	<u>317,728</u>
Revenues over (under) expenditures	<u>(30,737)</u>	<u>(29,893)</u>	<u>(9,115)</u>	<u>(39,008)</u>	<u>(8,271)</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>\$ (29,893)</u>	<u>(9,115)</u>	<u>\$ (39,008)</u>	<u>\$ (39,008)</u>
Fund balances:					
Beginning of year, July 1 (deficit)			<u>(29,893)</u>		
End of year, June 30 (deficit)			<u>\$ (39,008)</u>		

Chowan County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Fireman's Relief Fund				
Assets:				
Cash and cash equivalents	\$ 73,785	\$ 16,530	\$ 93	\$ 90,222
Liabilities:				
Payables	\$ 73,785	\$ 16,530	\$ 93	\$ 90,222
Social Services - Protective Payees				
Assets:				
Cash and cash equivalents	\$ 2,426	\$ 40,798	\$ 37,662	\$ 5,562
Liabilities:				
Payables	\$ 2,426	\$ 40,798	\$ 37,662	\$ 5,562
Consolidated Health Services				
Assets:				
Cash and cash equivalents	\$ 135,702	\$ 5,073,881	\$ 4,948,133	\$ 261,450
Due from other funds	-	157,358	-	157,358
Total assets	<u>\$ 135,702</u>	<u>\$ 5,231,239</u>	<u>\$ 4,948,133</u>	<u>\$ 418,808</u>
Liabilities:				
Payables	\$ 130,202	\$ 5,231,239	\$ 4,948,133	\$ 413,308
Due to other funds	5,500	-	-	5,500
Total liabilities	<u>\$ 135,702</u>	<u>\$ 5,231,239</u>	<u>\$ 4,948,133</u>	<u>\$ 418,808</u>
Edenton Chowan Development Corp				
Assets:				
Cash and cash equivalents	\$ -	\$ 351,146	\$ 351,146	\$ -
Accounts receivable	242,279	-	231,479	10,800
Total assets	<u>\$ 242,279</u>	<u>\$ 351,146</u>	<u>\$ 582,625</u>	<u>\$ 10,800</u>
Liabilities:				
Payables	\$ -	\$ 351,146	\$ 340,346	\$ 10,800
Due to other funds	242,279	-	242,279	-
Total liabilities	<u>\$ 242,279</u>	<u>\$ 351,146</u>	<u>\$ 582,625</u>	<u>\$ 10,800</u>
Fines and Forfeitures				
Assets:				
Cash and cash equivalents	\$ 361	\$ 138,097	\$ 138,043	\$ 415
Liabilities:				
Intergovernmental payable - Chowan County Board of Education	\$ -	\$ 131,954	\$ 131,954	\$ -
Intergovernmental payable - State of North Carolina	361	6,143	6,089	415
Total liabilities	<u>\$ 361</u>	<u>\$ 138,097</u>	<u>\$ 138,043</u>	<u>\$ 415</u>

Chowan County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Albemarle Learning Center				
Assets:				
Cash and cash equivalents	\$ -	\$ 66,804	\$ 66,804	\$ -
Accounts receivable	69,779	-	69,526	253
Total assets	<u>\$ 69,779</u>	<u>\$ 66,804</u>	<u>\$ 136,330</u>	<u>\$ 253</u>
Liabilities:				
Payables	\$ -	\$ 66,804	\$ 66,551	\$ 253
Due to other funds	69,779	-	69,779	-
Total liabilities	<u>\$ 69,779</u>	<u>\$ 66,804</u>	<u>\$ 136,330</u>	<u>\$ 253</u>
Old Courthouse Gala				
Assets:				
Cash and cash equivalents	\$ 1,200	\$ 301	\$ 1,500	\$ 1
Liabilities:				
Payables	\$ 1,200	\$ 301	\$ 1,500	\$ 1
EHC Cannon Fund				
Assets:				
Cash and cash equivalents	\$ 17,756	\$ 25,929	\$ 39,591	\$ 4,094
Accounts receivable	107	7,388	-	7,495
Total assets	<u>\$ 17,863</u>	<u>\$ 33,317</u>	<u>\$ 39,591</u>	<u>\$ 11,589</u>
Liabilities:				
Payables	\$ 17,863	\$ 33,317	\$ 39,591	\$ 11,589
Peace for Families Fund				
Assets:				
Cash and cash equivalents	\$ 315	\$ 11,014	\$ 6,806	\$ 4,523
Accounts receivable	-	45	-	45
Total assets	<u>\$ 315</u>	<u>\$ 11,059</u>	<u>\$ 6,806</u>	<u>\$ 4,568</u>
Liabilities:				
Payables	\$ 315	\$ 11,059	\$ 6,806	\$ 4,568
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 231,545	\$5,724,500	\$ 5,589,778	\$ 366,267
Accounts receivable	312,165	7,433	301,005	18,593
Due from other funds	-	157,358	-	157,358
Total assets	<u>\$ 543,710</u>	<u>\$5,889,291</u>	<u>\$ 5,890,783</u>	<u>\$ 542,218</u>
Liabilities:				
Payables	\$ 226,152	\$5,889,291	\$ 5,578,725	\$ 536,718
Due to other funds	317,558	-	312,058	5,500
Total liabilities	<u>\$ 543,710</u>	<u>\$5,889,291</u>	<u>\$ 5,890,783</u>	<u>\$ 542,218</u>

Chowan County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2008

<u>Fiscal Year</u>	Uncollected Balance June 30, 2007	Additions	Collections And Credits	Uncollected Balance June 30, 2008
1997-1998	\$ 9,731	\$ -	\$ 9,731	\$ -
1998-1999	9,409	-	449	8,960
1999-2000	8,736	-	180	8,556
2000-2001	8,729	-	210	8,519
2001-2002	10,063	-	177	9,886
2002-2003	12,980	-	1,558	11,422
2003-2004	16,692	-	2,787	13,905
2004-2005	25,205	-	6,217	18,988
2005-2006	68,908	-	37,091	31,817
2006-2007	208,953	-	151,506	57,447
2007-2008	-	7,659,497	7,421,928	237,569
	<u>\$ 379,406</u>	<u>\$ 7,659,497</u>	<u>\$ 7,631,834</u>	407,069
Less: allowance for uncollectible accounts: General Fund				<u>246,638</u>
Ad valorem taxes receivable - net: General Fund				<u>\$ 160,431</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				<u>\$ 7,612,579</u>
Reconciling items:				
Interest collected				(57,633)
Other				67,457
Taxes written off				<u>9,431</u>
Total reconciling items				<u>19,255</u>
Total collections and credits				<u>\$ 7,631,834</u>

Chowan County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2008

	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	\$ 1,304,250,800	0.56	\$ 7,303,804	\$ 6,845,550	\$ 458,254
Motor vehicles taxed at prior year's rate	39,784,524	0.545	216,832	-	216,832
Penalties	-		4,074	4,074	-
Total	<u>1,344,035,324</u>		<u>7,524,710</u>	<u>6,849,624</u>	<u>675,086</u>
Discoveries:					
Current year taxes	21,583,127	0.56	120,865	120,862	3
Prior year taxes	4,833,333	0.545	29,174	29,174	-
Total	<u>26,416,460</u>		<u>150,039</u>	<u>150,036</u>	<u>3</u>
Abatements	<u>(2,734,086)</u>		<u>(15,252)</u>	<u>(2,432)</u>	<u>(12,820)</u>
Total property valuation	<u><u>\$ 1,367,717,698</u></u>				
Net levy			7,659,497	6,997,228	662,269
Uncollected taxes at June 30, 2008			<u>237,569</u>	<u>165,882</u>	<u>71,687</u>
Current year's taxes collected			<u><u>\$ 7,421,928</u></u>	<u><u>\$ 6,831,346</u></u>	<u><u>\$ 590,582</u></u>
Current levy collection percentage			<u><u>96.90%</u></u>	<u><u>97.63%</u></u>	<u><u>89.18%</u></u>

Chowan County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2008

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100 %
Real Property	\$ 1,151,169,327
Personal Property	198,176,907
Public Service Companies	<u>18,371,464</u>
Total Assessed Valuation	1,367,717,698
Tax Rate per \$100	0.56
Levy (includes discoveries, releases and abatements)	\$ 7,659,497

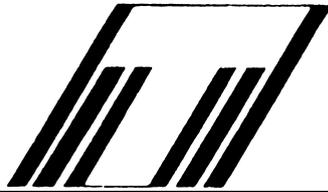
In addition to the County-wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the fiscal year ended June 30:

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

Chowan County, North Carolina
Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2008

Taxpayer	Type of Business	2008 Assessed Valuation	Percentage of Total Assessed Valuation
Gemini Edenton	Shopping Center	\$ 8,627,462	0.670 %
Seabrook Blanching Corp	Manufacturing	8,291,349	0.640
Waterfront Group	Real Estate	5,743,800	0.440
Cameron Edenton	Shopping Center	4,609,539	0.360
Mitek Industries	Manufacturing	4,559,386	0.350
Regulator Marine	Manufacturing	4,076,045	0.310
Coke Edenton Partners	Real Estate	3,942,184	0.300
Bateman Logging	Logging	3,820,450	0.290
JJ Peanut	Manufacturing	3,752,228	0.290
C.A. Perry	Farm Supply	3,584,629	0.280
Total		\$ 51,007,072	3.930 %

Compliance Section



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

**To the 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, 2008, which collectively comprises the County's basic financial statements, and have issued our report thereon dated February 25, 2009. 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 deficiency described in the accompanying schedule of findings as 2008-1 to be a significant deficiency 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, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

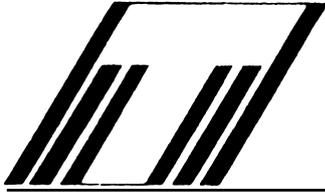
As part of obtaining reasonable assurance about whether Chowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 February 25, 2009.

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

February 25, 2009



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

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

**To the 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, 2008. 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.

In our opinion, 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, 2008.

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.

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.

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.

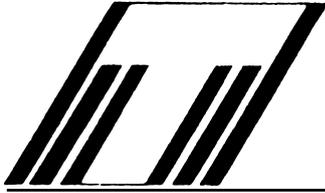
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 6, 2009



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

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

**To the 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, 2008, 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, 2008.

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 6, 2009

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008**

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? yes X 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? 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 federal programs: Unqualified

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

 yes X no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name or Cluster</u>
93.778	Medical Assistance Program

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

\$ 619,490

Auditee qualified as low-risk auditee?

 yes X no

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008**

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
Public School Building Capital Fund

Section II - Financial Statement Findings

SIGNIFICANT DEFICIENCY

2008-1 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/seminars/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.

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008**

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

None reported

CHOWAN COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2008

Finding: 2007-1

Status: Corrected. Transactions in escrow accounts and related interest income were included in the general ledger during year ended June 30, 2008.

Finding: 2007-2

Status: Some progress has been made, but not sufficient; reported as finding 2008-1 for year ended June 30, 2008.

Finding: 2007-3

Status: An extension of time to complete the performance goals of the grant has been approved by the NC Department of Commerce until June 30, 2009. The Finance Officer is now receiving quarterly status reports on the performance goals and the reporting requirements were met for 2008.

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<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	44,181	-	14,448
Bryne Justice Assistance Grants	16.738	6,170	-	
		<u>50,351</u>	<u>-</u>	<u>14,448</u>
Total U.S. Dept. of Justice				
U.S. Department of Homeland Security				
Passed-through the N.C. Dept. of Crime Control and Public Safety:				
Division of Emergency Management:				
Supplemental EMPG	97.004	5,737	-	-
Citizen Corps Program	97.067	3,083	-	-
Emergency Management Performance Grants	97.042	20,932	-	-
		<u>29,752</u>	<u>-</u>	<u>-</u>
Total U.S. Dept. of Homeland Security				
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: (Note 3)				
Title IV-E Foster Care	93.658	35,834	5,508	29,638
Foster Care - Direct Benefits Program	93.658	12,061	3,375	3,375
IV-E Optional Adopt TRN	93.659	836	-	836
Adoption Assistance - Direct Benefit Payments	93.659	4,562	1,284	1,284
Total Foster Care and Adoption Cluster (Note 3)		<u>53,293</u>	<u>10,167</u>	<u>35,133</u>
Social Services Block Grant	93.667	72,632	14,212	25,177
Aid to Families with Dependent Children - Direct	93.560	(133)	(36)	(36)
Family Preservation	93.556	1,121	-	-
Work First/Temporary Assistance to Needy Families	93.558	259,641	-	256,354
Work First/Temporary Assistance to Needy Families - Direct	93.558	207,049	(177)	948
Child Support Enforcement	93.563	276,242	-	142,306
Refugee Assistance Payment	93.566	724	-	-
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568	46,063	-	-
Direct Benefit Payments	93.568	40,237	-	-
Permanency Planning	93.645	4,154	1,068	317
Independent Living Grant	93.674	283	71	-
Division of Child Development:				
Subsidized Child Care				
Child Care Development Fund Cluster: (Note 3)				
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	217,381	-	-
Child Care and Development Fund - Mandatory	93.596	90,116	-	-
Child Care and Development Fund - Match	93.596	128,730	72,000	-
Total Child Care Development Fund Cluster (Note 3)		<u>496,227</u>	<u>72,000</u>	<u>-</u>

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
Social Services Block Grant	93.667	9,831	-	-
TANF	93.558	81,332	-	-
Smart Start	n/a	-	3,061	-
State Appropriations	n/a	-	65,790	-
TANF - Main. of Effort	n/a	-	107,822	-
Total Subsidized Child Care Cluster		<u>587,390</u>	<u>248,673</u>	<u>-</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	15,915,723	8,200,355	1,068,914
Division of Social Services:				
Administration:				
Medical Assistance Program	93.778	370,960	10,616	360,344
State Children's Insurance Program - N.C. Health Choice	93.767	9,967	547	2,781
Total U. S. Dept. of Health and Human Services		<u>17,845,346</u>	<u>8,485,496</u>	<u>1,892,238</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	2,523,501	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561	153,046	-	153,045
Total Food Stamp Cluster		<u>2,676,547</u>	<u>-</u>	<u>153,045</u>
Total U.S. Dept. of Agriculture		<u>2,676,547</u>	<u>-</u>	<u>153,045</u>
U.S. Department of Commerce				
National Oceanic and Atmospheric Administration				
Passed-through the N.C. Department of Environment and Natural Resources:				
NC Public Beach & Coastal Waterfront Access Program	11.419	-	-	2,995
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	708	-	-

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal 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	24,838	-	-
Passed-through the N.C. Department of Commerce:				
Division of Community Assistance:				
Community Development Block Grant - Grant #05-E-1467	14.228	-	-	-
Community Development Block Grant - Grant #07-C-1655	14.228	18,395	-	-
		<u>43,233</u>	<u>-</u>	<u>-</u>
Total U.S. Housing and Urban Development		<u>43,233</u>	<u>-</u>	<u>-</u>
Total Federal Awards		<u>20,645,937</u>	<u>8,485,496</u>	<u>2,062,726</u>
STATE AWARDS:				
N.C. Department of Environment and Natural Resources				
SWC - Agricultural Cost Share	n/a	-	23,601	-
SWC - Administration	n/a	-	4,000	-
DWM - Scrap Tire Program	n/a	-	50,364	-
DWM - White Goods Management Program	n/a	-	11,580	-
DCM - Land Use Plans	n/a	-	6,030	-
DCM - Minor Permit/County Aid	n/a	-	380	-
Cape Colony Access Project	n/a	-	17,032	-
Hurricane Isabel Clean-up Project	n/a	-	4,800	-
Clean Water Mgmt. Trust Fund - Project # 2001B-702	n/a	-	20,000	-
Clean Water Mgmt. Trust Fund - Project # 2006A-806	n/a	-	32,500	-
Public Health Pest Mgmt	n/a	-	5,034	-
		<u>-</u>	<u>175,321</u>	<u>-</u>
Total N.C. Dept. of Environment and Natural Resources		<u>-</u>	<u>175,321</u>	<u>-</u>
N.C. Department of Health and Human Services				
Veterans Service	n/a	-	2,000	-
EMS Toolkit Grant	n/a	-	11,523	-
Division of Social Services:				
County Funded Programs	n/a	-	-	79,841
Non Allocating County Cost	n/a	-	-	33,758
SC/SA Admin.	n/a	-	-	16,451
Work First Non Reimbursable	n/a	-	-	31,957
Energy Assist Private Grants	n/a	-	581	-
State Adult Protective Service	n/a	-	10,119	-
Adoption/Foster Care	93.Unknown	3,739	-	2,028
Direct Benefit Payments:				
F/C At Risk Maximization	n/a	-	4,932	2,766
CWS Adoption Subsidy & Vendor	n/a	-	8,130	2,710
State Foster Home	n/a	-	4,659	4,659
SC/SA Domiciliary Care	n/a	-	208,051	208,118
		<u>3,739</u>	<u>249,995</u>	<u>382,288</u>
Total N.C. Dept. of Health and Human Resources		<u>3,739</u>	<u>249,995</u>	<u>382,288</u>
N.C. Department of Transportation				
Elderly and Disabled Transportation Assistance				
Program (E&DTAP)	n/a	-	61,158	-
Rural General Public Program	n/a	-	47,894	-
Work First Transitional	n/a	-	6,912	-
		<u>-</u>	<u>115,964</u>	<u>-</u>
Total N.C. Dept. of Transportation		<u>-</u>	<u>115,964</u>	<u>-</u>

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<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	-	14,210	-
HCCBG	n/a	-	4,819	-
Total N.C. Office of Budget and Management		-	19,029	-
N.C. Office of Juvenile Justice				
Intensive Super of Juvenile Justice	n/a	-	52,714	-
Psychological Services	n/a	-	1,945	-
JCPC	n/a	-	2,000	-
After School Plus	n/a	-	23,666	-
Total N.C. Office of Juvenile Justice		-	80,325	-
N.C. Department of Public Instruction				
Public School Building Capital Fund	n/a	-	326,640	-
N.C. Department of Insurance				
Division of SHIIP: 2006 SHIIP Mini Grant	n/a	-	5,000	-
N.C. Department of Administration				
Youth Advocacy and Involvement Office (YAIO) State Youth Council Mini Grant Program	n/a	-	100	-
Office of the Governor				
Dept. of Juvenile Justice and Delinquency Prevention - Governor's One-On-One Volunteer Program	n/a	-	31,006	-
Total State Awards		3,739	1,003,380	382,288
Total Federal and State Awards		<u>\$ 20,649,676</u>	<u>\$ 9,488,876</u>	<u>\$ 2,445,014</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	\$ 52,714

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