

Chowan County, North Carolina  
Audited Financial Statements  
June 30, 2003

**Chowan County, North Carolina**  
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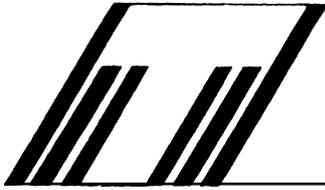
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Independent Auditor's Report

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, 2003, 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 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. 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 provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the 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, 2003, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the School Capital Project Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement Number 34 during the year ended June 30, 2003.

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 24, 2004 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 10, 2004

## 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, 2003. 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

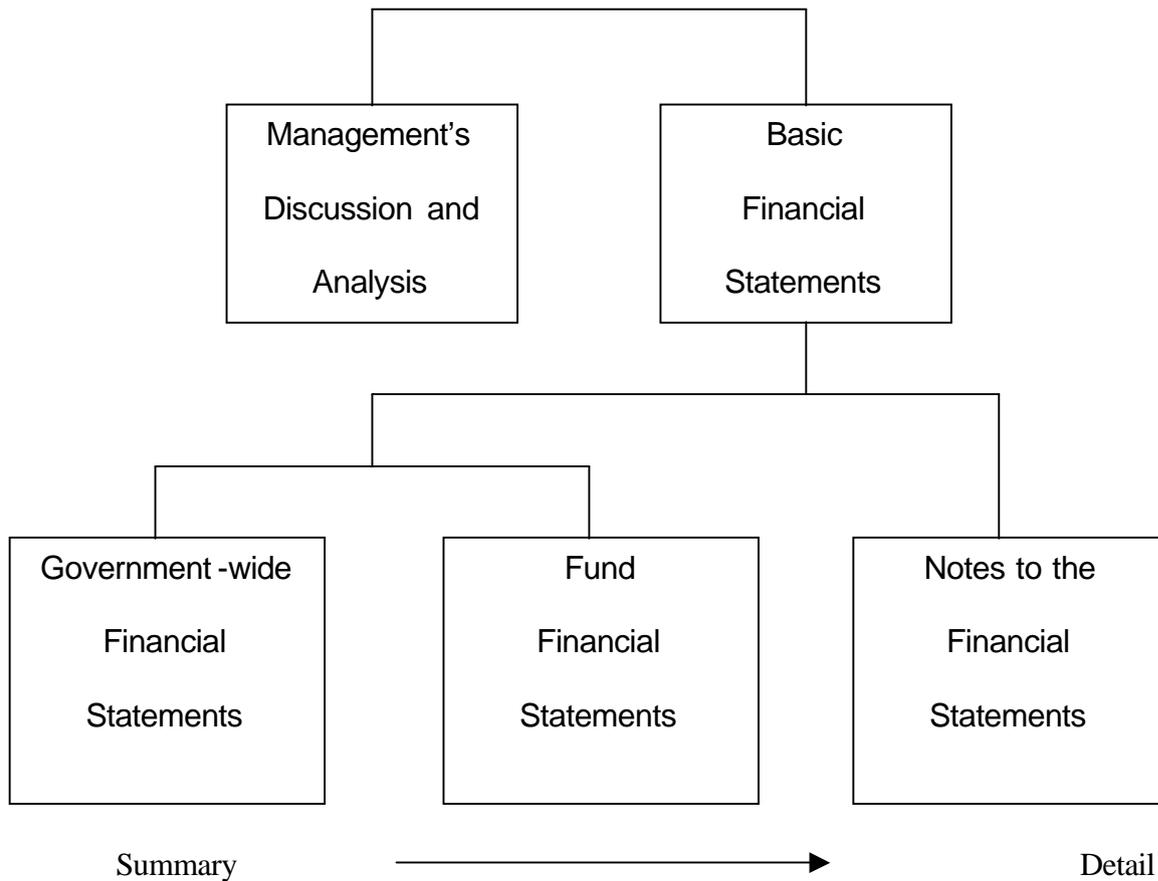
- The assets of Chowan County exceeded its liabilities at the close of the fiscal year by \$33,827,287 (*net assets*).
- The government's total net assets decreased by \$2,304,383, primarily due to decreased net assets in the General Fund.
- As of the close of the current fiscal year, Chowan County's governmental funds reported combined ending fund balances of \$ 21,381,702, a decrease of \$2,553,906 in comparison with the prior year. Approximately 75 percent of this total amount, or \$16,015,191, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$18,949,683.
- Chowan County's total debt decreased by \$1,457,308 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 units. 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. Chowan County Medical Development Authority is a non-profit corporation organized for the purpose of promoting the health care of Chowan County by assisting and providing equipment, facilities, and personnel. The County appoints the board of directors.

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

### **Fund Financial Statements**

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

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

Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 27 of this report.

### **Government-Wide Financial Analysis**

The government-wide financial statements for the fiscal year ended June 30, 2003, are the beginning of a new era in financial reporting for Chowan County, and many other units of government across the United States. Prior to this year, Chowan County maintained their governmental, proprietary, and fiduciary fund groups as separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of Chowan County. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Government Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in

Chowan County's financial reports as well as those of many other units of government. While Chowan County was required to implement these changes for the fiscal year ended June 30, 2003, other units were required to implement Statement 34 in 2002, and any remaining governments will be implementing in 2004.

Because of the new reporting model, comparative data for all facets of this report are not available. When comparative numbers are accessible, they have been included, such as with net assets. Future years' reports will have more comparative data that will allow more opportunities for comparative analysis.

## Chowan County's Net Assets

**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 26,836,837	\$ 29,993,003	\$ 385,762	\$ 334,591	\$ 27,222,599	\$ 30,327,594
Capital assets	22,552,266	22,649,442	6,699,642	6,666,339	29,251,908	29,315,781
Total assets	<u>\$ 49,389,103</u>	<u>\$ 52,642,445</u>	<u>\$ 7,085,404</u>	<u>\$ 7,000,930</u>	<u>\$ 56,474,507</u>	<u>\$ 59,643,375</u>
Long-term liabilities outstanding	\$ 19,360,632	\$ 20,599,563	\$ 1,631,383	\$ 1,839,665	\$ 20,992,015	\$ 22,439,228
Other liabilities	662,728	624,187	992,477	448,287	1,655,205	1,072,474
Total liabilities	<u>20,023,360</u>	<u>21,223,750</u>	<u>2,623,860</u>	<u>2,287,952</u>	<u>22,647,220</u>	<u>23,511,702</u>
Net assets:						
Invested in capital assets, net of related debt	16,455,994	16,162,335	5,096,465	5,073,036	21,552,459	21,235,371
Unrestricted	12,909,749	15,256,360	(634,921)	(360,058)	12,274,828	14,896,302
Total net assets	<u>\$ 29,365,743</u>	<u>\$ 31,418,695</u>	<u>\$ 4,461,544</u>	<u>\$ 4,712,978</u>	<u>\$ 33,827,287</u>	<u>\$ 36,131,673</u>

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 \$33,827,287 as of June 30, 2003. The County's net assets decreased by \$2,304,383 for the fiscal year ended June 30, 2003. Net assets is reported in two categories: Invested in capital assets, net of related debt of \$16,455,994 and Unrestricted net assets of \$12,909,749.

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

The remaining balance of \$12,909,749 is unrestricted. This balance may be used to meet the government's ongoing obligations to citizens and creditors.

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

- Chowan County continued to enjoy growth in its tax base. Despite a difficult economic climate within the State, Chowan County experienced an increase in its tax base of \$11,000,000.
- The tax collection rate remained above average for a county of its population size at 95.919%.
- The County also realized a net reduction in debt of \$1,457,328.
- The County remained aggressive in increasing water rates by 20% and solid waste fees by 15% to place these enterprises on a self-sustaining basis.
- The major negative factor was a withholding of anticipated state revenues of \$500,000. This was partially offset by identifying cost savings of 5% in the General Fund of approximately \$350,000.

### **Changes in Chowan County's Net Assets**

**Governmental activities.** Governmental activities decreased the County's net assets by \$2,052,949. Key elements of this decrease are as follows:

- This decrease was anticipated and reflected in a one-time investment of \$500,000 in the development of a GIS system, \$250,000 to upgrade information systems and a \$150,000 contribution to an economic development incentive program.
- Also reflected is the reduction in State revenues that totaled \$150,000.

**Business-type activities:** Business-type activities decreased Chowan County's net assets by \$251,434. Key elements of this decrease are as follows:

- This decrease was reflective of an upgrade of emergency services to implement an EMT-I program. This decrease is addressed in the June 30, 2004 budget by increasing fees and collecting delinquent accounts.

**Chowan County Changes in Net Assets**  
**Figure 3**

	Governmental Activities 2003	Business-type Activities 2003	Total 2003
Revenues:			
Program revenues:			
Charges for services	\$ 1,320,629	\$ 1,416,456	\$ 2,737,085
Operating grants and contributions	3,099,587	-	3,099,587
Capital grants and contributions	30,000	-	30,000
General revenues:			
Property taxes	5,600,308	-	5,600,308
Other taxes	2,724,341	-	2,724,341
Grants and contributions not restricted to specific programs	241,389	-	241,389
Other	2,229,782	-	2,229,782
Total revenues	<u>15,246,036</u>	<u>1,416,456</u>	<u>16,662,492</u>
Expenses:			
General government	2,980,702	-	2,980,702
Public safety	2,971,614	-	2,971,614
Transportation	33,470	-	33,470
Economic and physical development	813,214	-	813,214
Environmental protection	957,163	-	957,163
Human services	3,920,207	-	3,920,207
Cultural and recreation	984,634	-	984,634
Education	3,728,943	-	3,728,943
Interest on long-term debt	1,010,038	-	1,010,038
Water fund	-	936,651	936,651
Emergency management	-	630,239	630,239
Total expenses	<u>17,399,985</u>	<u>1,566,890</u>	<u>18,966,875</u>
Increase (decrease) in net assets before transfers	(2,153,949)	(150,434)	(2,304,383)
Transfers	101,000	(101,000)	-
Increase in net assets	(2,052,949)	(251,434)	(2,304,383)
Net assets, July 1	31,418,692	4,712,978	36,131,670
Net assets, June 30	<u>\$ 29,365,743</u>	<u>\$ 4,461,544</u>	<u>\$ 33,827,287</u>

## **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 \$18,949,683, while total fund balance reached \$24,081,428. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 128 percent of total General Fund expenditures, while total fund balance represents 163 percent of that same amount.

At June 30, 2003, the governmental funds of Chowan County reported a combined fund balance of \$21,381,702, a 10.7 percent decrease over last year. The primary reason for this decrease is the decrease in fund balance in the General Fund.

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

Chowan County maintains budgeting compliance at a line item basis on a monthly basis. The major shortfalls occurred in investment earnings and delinquent tax collections. The investment earnings budget included contribution to reserves and not actual expenditures. The shortfall in delinquent tax collections reflected the bankruptcy of a major industry. All differentials are addressed in the June 30, 2004 budget.

**Proprietary Funds.** Chowan County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$(483,910), and those for the Emergency Management Fund equaled \$(151,010). The total decrease in net assets for both funds was \$48,150 and \$203,284 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, 2003, totals \$29,251,908 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, and water system.

Major capital asset transactions during the year include:

- Purchased new equipment for the Emergency Management Fund
- Purchased new vehicles for the Fire Departments
- Purchased new vehicles and equipment for the Sheriff's Department
- Improvements made to the water system

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

**Figure 4**

	Governmental Activities 2003	Business-type Activities 2003	Total 2003
Land	\$ 3,136,761	\$ 98,347	\$ 3,235,108
Buildings and improvements	18,036,197	-	18,036,197
Machinery and equipment	1,379,308	261,087	1,640,395
Water system	-	6,340,208	6,340,208
<b>Total</b>	<b>\$ 22,552,266</b>	<b>\$ 6,699,642</b>	<b>\$ 29,251,908</b>

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, 2003, Chowan County had total debt outstanding of \$20,663,494, of which \$1,985,000 is debt backed by the full faith and credit of the County.

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

	Governmental Activities 2003	Business-type Activities 2003	Total 2003
General obligation bonds	\$ 1,774,687	\$ 210,313	\$ 1,985,000
Hospital revenue bonds and note	3,923,916	-	3,923,916
Installment purchases	13,371,586	74,672	13,446,258
Water system expansion note	-	1,285,288	1,285,288
Obligations under capital leases	-	23,032	23,032
	<u>\$ 19,070,189</u>	<u>\$ 1,593,305</u>	<u>\$ 20,663,494</u>

Chowan County's total debt decreased by \$1,457,308 (6.58 percent) during the past fiscal year. The decrease is due to regularly scheduled principal payments, which were slightly offset by the issuance of additional installment purchases of \$556,550.

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 \$47,411,976. The County has no bonds authorized but un-issued at June 30, 2003.

Additional information regarding Chowan County's long-term debt can be found in note III.B.7. 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.

- The unemployment rate for Fiscal Year 2003 averaged 4.6% as compared with a statewide average of 6.5%.
- Expansion in workforce occurred at 4 major industries: Regulator Marine, Albemarle Boats, Carolina Classic Boats, and George C. Moore Company. Also, after briefly closing, United Piece and Dye Works reopened and now employs 150 people.
- Tourism continues to be a viable component of the economy generating approximately \$4,000,000 in business activity.
- Total retail sales increased by 3%.

## **Budget Highlights for the Fiscal Year Ending June 30, 2004**

**Governmental Activities:** The Fiscal Year 2004 budget reflects a decrease of \$382,267 or 2.4%. This decrease is due to completion of capital outlay projects and limited expansion of general fund services.

The major increases in the 2004 budget are a 2% cost of living increase, an \$87,000 increase in workmen's compensation expenses, and a 10% increase in hospitalization expenses.

The fund deficits stated in note II. A. are reflected as receivables against County reserves. Paybacks based on schedules reflecting market interest rates are included in the 2004 budget and will be included in subsequent year's budgets.

**Business – type Activities:** Water rates will increase by an average of 20%. Landfill rates are increased by 15%. The status of all business type activity funds will be reviewed in the Fiscal Year 2005 budget. It is the policy of the County that all business type activity funds be self-sustaining and the reserves of 20% of expenditures will be established.

### **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, 2003**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Chowan County Medical Development Authority	Chowan County ABC Board
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,533,554	\$ 2,539	\$ 19,536,093	\$ 211	\$ 109,458
Receivables (net)	6,253,770	367,171	6,620,941	-	225
Due from fiduciary funds	129,556	2,500	132,056	-	-
Internal balances	919,957	(919,957)	-	-	-
Inventories	-	13,552	13,552	-	101,201
Prepaid items	-	-	-	-	2,805
Capital assets:					
Land	3,136,761	98,347	3,235,108	-	26,135
Other capital assets, net of depreciation	19,415,505	6,601,295	26,016,800	-	131,918
Total capital assets	22,552,266	6,699,642	29,251,908	-	158,053
Total assets	49,389,103	6,165,447	55,554,550	211	371,742
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	210,903	1,651	212,554	-	45,651
Accrued interest payable	451,825	20,046	471,871	-	-
Customer deposits	-	50,823	50,823	-	-
Long-term liabilities:					
Due within one year	1,706,736	321,906	2,028,642	-	-
Due in more than one year	17,653,896	1,309,477	18,963,373	-	-
Total liabilities	20,023,360	1,703,903	21,727,263	-	45,651
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	16,455,994	5,096,465	21,552,459	-	158,053
Restricted for:					
Other purposes	-	-	-	-	23,656
Unrestricted (deficit)	12,909,749	(634,921)	12,274,828	211	144,382
Total net assets	\$ 29,365,743	\$ 4,461,544	\$ 33,827,287	\$ 211	\$ 326,091

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, 2003**

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 2,980,702	\$ 212,316	\$ 35,011	\$ -
Public safety	2,971,614	329,125	341,384	30,000
Transportation	33,470	-	67,880	-
Economic and physical development	813,214	-	473,430	-
Environmental Protection	957,163	638,678	46,296	-
Human services	3,920,207	-	2,085,358	-
Cultural and recreation	984,634	140,510	50,228	-
Education	3,728,943	-	-	-
Interest on long-term debt	1,010,038	-	-	-
Total governmental activities	17,399,985	1,320,629	3,099,587	30,000
Business-type activities:				
Water Fund	936,651	989,501	-	-
Emergency Management	630,239	426,955	-	-
Total business-type activities	1,566,890	1,416,456	-	-
	\$ 18,966,875	\$ 2,737,085	\$ 3,099,587	\$ 30,000
Component units:				
Medical Development Authority	\$ 47,403	\$ -	\$ -	\$ -
ABC Board	625,196	621,549	-	-
Total component units	\$ 672,599	\$ 621,549	\$ -	\$ -
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 Units		
Governmental Activities	Business-type Activities	Total	Chowan County Medical Development Authority	Chowan County ABC Board	
\$ (2,733,375)	\$ -	\$ (2,733,375)			
(2,271,105)	-	(2,271,105)			
34,410	-	34,410			
(339,784)	-	(339,784)			
(272,189)	-	(272,189)			
(1,834,849)	-	(1,834,849)			
(793,896)	-	(793,896)			
(3,728,943)	-	(3,728,943)			
(1,010,038)	-	(1,010,038)			
(12,949,769)	-	(12,949,769)			
-	52,850	52,850			
-	(203,284)	(203,284)			
-	(150,434)	(150,434)			
(12,949,769)	(150,434)	(13,100,203)			
			\$ (47,403)	\$ -	
			-	(3,647)	
			(47,403)	(3,647)	
5,600,308	-	5,600,308	-	-	
2,370,516	-	2,370,516	-	-	
353,825	-	353,825	-	-	
241,389	-	241,389	-	-	
1,764,747	-	1,764,747	-	622	
465,035	-	465,035	-	-	
101,000	(101,000)	-	-	-	
10,896,820	(101,000)	10,795,820	-	622	
(2,052,949)	(251,434)	(2,304,383)	(47,403)	(3,025)	
31,418,692	4,712,978	36,131,670	47,614	329,116	
\$ 29,365,743	\$ 4,461,544	\$ 33,827,287	\$ 211	\$ 326,091	

**Chowan County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2003**

	General	School Capital Project Fund	School Roof Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,270,955	\$ 15,050	\$ -	\$ 247,552	\$ 19,533,557
Receivables, net	6,007,661	-	-	246,109	6,253,770
Due from other funds	4,214,755	-	-	-	4,214,755
Total assets	<u>\$ 29,493,371</u>	<u>\$ 15,050</u>	<u>\$ -</u>	<u>\$ 493,661</u>	<u>\$ 30,002,082</u>

**LIABILITIES AND FUND BALANCES**

## Liabilities:

Accounts payable and accrued liabilities

Due to other funds

Deferred revenue

Total liabilities

\$ 183,277	\$ -	\$ -	\$ 27,626	\$ 210,903
-	-	1,000,000	2,165,243	3,165,243
5,228,666	-	-	15,568	5,244,234
<u>5,411,943</u>	<u>-</u>	<u>1,000,000</u>	<u>2,208,437</u>	<u>8,620,380</u>

## Fund balances:

Reserved for:

State statute

Unreserved:

Designated for health care

Unreserved, reported in nonmajor:

Special revenue funds

Capital projects funds

Total fund balances

Total liabilities and fund balances

5,131,745	-	-	234,766	5,366,511
18,949,683	-	-	-	18,949,683
-	15,050	-	(487,346)	(472,296)
-	-	(1,000,000)	(1,462,196)	(2,462,196)
<u>24,081,428</u>	<u>15,050</u>	<u>(1,000,000)</u>	<u>(1,714,776)</u>	<u>21,381,702</u>
<u>\$ 29,493,371</u>	<u>\$ 15,050</u>	<u>\$ -</u>	<u>\$ 493,661</u>	

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.

Liabilities for earned but deferred revenues in fund statements.

22,552,266

5,244,232

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(19,812,457)

Net assets of governmental activities

\$ 29,365,743

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, 2003**

	General Fund	School Capital Project Fund	School Roof Project Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Ad valorem taxes	\$ 5,440,998	\$ -	\$ -	\$ 206,862	\$ 5,647,860
Local option sales taxes	1,709,204	-	-	661,312	2,370,516
Other taxes and licenses	317,505	-	-	77,300	394,805
Unrestricted intergovernmental	157,379	-	-	-	157,379
Restricted intergovernmental	2,934,388	-	-	427,691	3,362,079
Permits and fees	202,313	-	-	-	202,313
Sales and services	434,292	-	-	700,650	1,134,942
Investment earnings	1,741,162	-	-	23,585	1,764,747
Miscellaneous	423,398	45,786	-	4,489	473,673
Total revenues	<u>13,360,639</u>	<u>45,786</u>	<u>-</u>	<u>2,101,889</u>	<u>15,508,314</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,463,536	-	-	-	2,463,536
Public safety	2,626,017	-	-	725,833	3,351,850
Transportation	23,600	-	-	-	23,600
Environmental protection	22,204	-	-	934,380	956,584
Economic and physical development	435,288	-	-	402,167	837,455
Human services	3,927,565	-	-	-	3,927,565
Cultural and recreational	904,614	-	-	-	904,614
Intergovernmental:					
Education	3,226,719	450,000	-	-	3,676,719
Capital outlay	-	-	-	139,303	139,303
Debt service:					
Principal	706,053	962,419	-	30,009	1,698,481
Interest	420,576	616,660	-	3,985	1,041,221
Total expenditures	<u>14,756,172</u>	<u>2,029,079</u>	<u>-</u>	<u>2,235,677</u>	<u>19,020,928</u>
Revenues over (under) expenditures	<u>(1,395,533)</u>	<u>(1,983,293)</u>	<u>-</u>	<u>(133,788)</u>	<u>(3,512,614)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	604,170	1,983,295	-	878,000	3,465,465
Transfers to other funds	(1,378,000)	-	-	(1,986,465)	(3,364,465)
Installment purchases issued	77,061	-	-	380,814	457,875
Lease payments	399,833	-	-	-	399,833
Total other financing sources and uses	<u>(296,936)</u>	<u>1,983,295</u>	<u>-</u>	<u>(727,651)</u>	<u>958,708</u>
Net change in fund balance	(1,692,469)	2	-	(861,439)	(2,553,906)
Fund balances-beginning	25,773,897	15,048	(1,000,000)	(853,337)	23,935,608
Fund balances-ending	<u>\$ 24,081,428</u>	<u>\$ 15,050</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,714,776)</u>	<u>\$ 21,381,702</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, 2003**

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

Net changes in fund balances - total governmental funds	\$ (2,553,906)
<p style="margin-left: 20px;">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</p>	(97,176)
<p style="margin-left: 20px;">Revenues in the governmental funds that provide current financial resources are not reported as revenues in the statement of activities</p>	(671,983)
<p style="margin-left: 20px;">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.</p>	1,240,606
<p style="margin-left: 20px;">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.</p>	<u>29,510</u>
Total changes in net assets of governmental activities	<u><u>\$ (2,052,949)</u></u>

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

**Chowan County, North Carolina**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2003**

	<b>General Fund</b>			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,785,852	\$ 5,765,852	\$ 5,440,998	\$ (324,854)
Local option sales tax	1,663,668	1,973,668	1,709,204	(264,464)
Other taxes and licenses	475,539	404,539	317,505	(87,034)
Unrestricted intergovernmental	351,162	164,400	157,379	(7,021)
Restricted intergovernmental	3,174,106	3,197,003	2,934,388	(262,615)
Permits and fees	664,197	219,197	202,313	(16,884)
Sales and services	308,205	603,192	434,292	(168,900)
Investment earnings	2,723,581	2,981,229	1,741,162	(1,240,067)
Miscellaneous	557,561	758,547	423,398	(335,149)
Total revenues	<u>15,703,871</u>	<u>16,067,627</u>	<u>13,360,639</u>	<u>(2,706,988)</u>
<b>Expenditures</b>				
Current:				
General government	2,398,133	2,555,282	2,463,536	91,746
Public safety	2,987,491	2,820,991	2,626,017	194,974
Transportation	18,430	27,400	23,600	3,800
Environmental protection	23,669	26,064	22,204	3,860
Economic and physical development	523,021	518,821	435,288	83,533
Human services	4,209,960	4,261,300	3,927,565	333,735
Cultural and recreational	1,102,984	907,310	904,614	2,696
Intergovernmental:				
Education	3,181,559	3,226,786	3,226,719	67
Debt service:				
Principal retirement	-	717,828	706,053	11,775
Interest and other charges	-	420,155	420,576	(421)
Total expenditures	<u>14,445,247</u>	<u>15,481,937</u>	<u>14,756,172</u>	<u>725,765</u>
Revenues over (under) expenditures	<u>1,258,624</u>	<u>585,690</u>	<u>(1,395,533)</u>	<u>(1,981,223)</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	(1,258,624)	(1,090,831)	(773,830)	317,001
Proceeds from installment purchases	-	80,308	77,061	(3,247)
Lease payments	-	399,833	399,833	-
Sale of fixed assets	-	25,000	-	(25,000)
Total other financing sources (uses)	<u>(1,258,624)</u>	<u>(585,690)</u>	<u>(296,936)</u>	<u>288,754</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(1,692,469)</u>	<u>\$(1,692,469)</u>
Fund balances:				
Beginning of year, July 1			<u>25,773,897</u>	
End of year, June 30			<u>\$ 24,081,428</u>	

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

Exhibit 5

School Capital Project Fund			
Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
45,786	45,786	45,786	-
<u>45,786</u>	<u>45,786</u>	<u>45,786</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
450,000	450,000	450,000	-
-	-	-	-
962,420	962,420	962,419	1
616,661	616,661	616,660	1
<u>2,029,081</u>	<u>2,029,081</u>	<u>2,029,079</u>	<u>2</u>
(1,983,295)	(1,983,295)	(1,983,293)	2
1,983,295	1,983,295	1,983,295	-
-	-	-	-
-	-	-	-
<u>1,983,295</u>	<u>1,983,295</u>	<u>1,983,295</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	2	<u>\$ 2</u>

15,048  
\$ 15,050

**Chowan County, North Carolina**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2003**

	<b>Enterprise Funds</b>		
	<b>Emergency Management</b>		
	<b>Water Fund</b>	<b>Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,539	\$ -	\$ 2,539
Receivables, net	246,727	120,444	367,171
Due from other funds	2,500	-	2,500
Inventories	13,552	-	13,552
Total current assets	<u>265,318</u>	<u>120,444</u>	<u>385,762</u>
Noncurrent assets:			
Capital assets:			
Land	98,347	-	98,347
Debt acquisition costs - unamortized	9,400	-	9,400
Other capital assets, net of depreciation	6,442,953	148,942	6,591,895
Total noncurrent assets	<u>6,550,700</u>	<u>148,942</u>	<u>6,699,642</u>
Total assets	<u>6,816,018</u>	<u>269,386</u>	<u>7,085,404</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,513	(4,862)	1,651
Accrued expenses	20,047	-	20,047
Customer deposits	50,823	-	50,823
Due to other funds	659,228	260,728	919,956
Current portion of long-term debt	266,202	55,704	321,906
Total current liabilities	<u>1,002,813</u>	<u>311,570</u>	<u>1,314,383</u>
Noncurrent liabilities:			
Accrued vacation pay	22,017	16,063	38,080
Noncurrent portion of long-term debt	1,229,398	41,999	1,271,397
Total noncurrent liabilities	<u>1,251,415</u>	<u>58,062</u>	<u>1,309,477</u>
Total liabilities	<u>2,254,228</u>	<u>369,632</u>	<u>2,623,860</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,045,701	50,764	5,096,465
Unrestricted	(483,910)	(151,010)	(634,920)
Total net assets	<u>\$ 4,561,790</u>	<u>\$ (100,246)</u>	<u>\$ 4,461,544</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, 2003**

	<b>Enterprise Funds</b>		
	<b>Emergency Management</b>		
	<b>Water Fund</b>	<b>Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 972,619	\$ 421,659	\$ 1,394,278
Other operating revenues	16,882	5,296	22,178
Total operating revenues	<u>989,501</u>	<u>426,955</u>	<u>1,416,456</u>
<b>OPERATING EXPENSES</b>			
Salaries and employee benefits	265,472	480,550	746,022
Other operating expenses	334,435	94,118	428,553
Depreciation	276,322	52,393	328,715
Total operating expenses	<u>876,229</u>	<u>627,061</u>	<u>1,503,290</u>
Operating income (loss)	<u>113,272</u>	<u>(200,106)</u>	<u>(86,834)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest expense and fees	<u>(60,422)</u>	<u>(3,178)</u>	<u>(63,600)</u>
Income (loss) before transfers	<u>52,850</u>	<u>(203,284)</u>	<u>(150,434)</u>
Transfers to other funds	(101,000)	-	(101,000)
Change in net assets	<u>(48,150)</u>	<u>(203,284)</u>	<u>(251,434)</u>
Total net assets - beginning	4,609,940	103,038	4,712,978
Total net assets - ending	<u>\$ 4,561,790</u>	<u>\$ (100,246)</u>	<u>\$ 4,461,544</u>

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

**Chowan County, North Carolina**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For The Fiscal Year Ended June 30, 2003**

	<u>Water Fund</u>	<u>Emergency Management Fund</u>	<u>Totals June 30, 2003</u>
Cash flows from operating activities:			
Cash received from customers	\$ 971,763	\$ 350,327	\$ 1,322,090
Cash paid for goods and services	(344,322)	(98,980)	(443,302)
Cash paid to employees for services	(260,012)	(464,486)	(724,498)
Customer deposits - net	6,169	-	6,169
Other operating revenue	16,882	5,296	22,178
Net cash provided by operating activities	<u>390,480</u>	<u>(207,843)</u>	<u>182,637</u>
Cash flows from noncapital financing activities			
Transfers in (out)	<u>(101,000)</u>	<u>-</u>	<u>(101,000)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(252,293)	(100,327)	(352,620)
Principal paid on bond maturities and equipment contracts	(267,262)	(48,116)	(315,378)
Interest paid on bond maturities and equipment contracts	(60,422)	(3,178)	(63,600)
Proceeds from issuance of long-term debt	-	98,736	98,736
Loans from other funds	290,497	260,728	551,225
Net cash used by capital and related financing activities	<u>(289,480)</u>	<u>207,843</u>	<u>(81,637)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, July 1	2,538	-	2,538
Cash and cash equivalents, June 30	<u>\$ 2,538</u>	<u>\$ -</u>	<u>\$ 2,538</u>

(continued)

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

**Chowan County, North Carolina**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For The Fiscal Year Ended June 30, 2003**

**Reconciliation of operating income  
to net cash provided by operating  
activities:**

Operating income	<u>\$ 113,272</u>	<u>\$ (200,106)</u>	<u>\$ (86,834)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	277,714	52,393	330,107
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(854)	(71,331)	(72,185)
(Increase) decrease in inventory	(2,938)	-	(2,938)
Increase (decrease) in accounts payable and accrued liabilities	(8,343)	(4,862)	(13,205)
Increase (decrease) in customer deposits	6,169	-	6,169
Increase (decrease) in accrued vacation pay	5,460	16,063	21,523
Total adjustments	<u>277,208</u>	<u>(7,737)</u>	<u>269,471</u>
Net cash provided by operating activities	<u><u>\$ 390,480</u></u>	<u><u>\$ (207,843)</u></u>	<u><u>\$ 182,637</u></u>

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

**Chowan County, North Carolina  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2003**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 114,096
Accounts receivable	126,556
	\$ 240,652
<b>Liabilities and Net Assets</b>	
Liabilities:	
Accounts payable	\$ 108,596
Due to other funds	132,056
Total liabilities	\$ 240,652

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, 2003**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Chowan County Medical Development Authority is a non-profit corporation organized for the purpose of promoting the health care of Chowan County by assisting and providing equipment, facilities, and personnel. 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 and the Authority, which have June 30 year-ends, are presented as if they are separate proprietary funds of the County (discrete presentation).

Complete financial statements for the individual component units may be obtained at the administrative offices of those entities:

Chowan Medical Development Authority  
PO Box 1030  
Edenton, NC 27932

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.

*School Capital Project Fund*. This is a special revenue fund that accounts for the debt service of the school debt.

*School Roof Project Fund*. This is a capital project fund that accounts for major repairs to the high school.

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 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.

### **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 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource

to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Chowan County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2002 through February 2003 apply to the fiscal year ended June 30, 2003. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2003 because they are intended to finance the County's operations during the 2003 fiscal year.

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.

The County has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

### **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, and Sanitation Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Edenton Bay Restoration, 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, Chowan County Medical Development Authority, and Chowan County ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the Authority, 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, the Authority, 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, the Authority, 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, the Authority, and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market 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. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

### **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. Chowan County Medical Development Authority and the ABC Board consider 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. 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, 1998. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

**4. 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.

**5. 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.

**6. Capital Assets**

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

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

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

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

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

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

## **7. 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.

## **8. 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, 2003.

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.

## **9. 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 \$7,984,041 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)	\$ 27,915,467
Less accumulated depreciation	(5,363,201)
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	5,244,232
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	(19,070,250)
Compensated absences	(290,382)
Accrued interest payable	(451,825)
Total adjustment	<u>\$ 7,984,041</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 \$500,957 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 722,535
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.	(819,711)
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	(457,875)
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	1,698,481
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)	31,183
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(1,673)
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 7/1/02	(5,416,581)
Recording of deferred lease payments in the fund statements as of 6/30/03	4,801,973
Reversal of deferred tax revenue recorded at 7/1/02	(446,418)
Recording of tax receipts deferred in the fund statements as of 6/30/03	398,866
Recording of grant revenue deferred in the fund statements as of 6/30/03	47
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.	(9,870)
	\$ 500,957

**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, 2003:

School Capital Reserve Fund	\$ 9,482
Fire District Fund	\$ 68,327
Sanitation Fund	\$ 401,294
Emergency Management Fund	\$ 100,246
Agriculture Building Capital Project Fund	\$ 801,983
Adult Day Health Care Capital Project Fund	\$ 437,456
Chowan Community Center Capital Project Fund	\$ 165,574
Library Renovation Fund	\$ 51,921
School Roof Projects Fund	\$1,000,000

Funds have been loaned from the General Fund to cover these deficits. These loans will be paid back based on schedules reflecting market interest rates. Rates for EMT services were increased in 2004 in the Emergency Management Fund.

**B. Excess of Expenditures over Appropriations**

The following funds had expenditures in excess of appropriations:

Library Renovation Fund	\$ 28,998
Emergency Management Fund	\$ 14,394

**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.

At June 30, 2003, the County's deposits had a carrying amount of \$229,496 and a bank balance of \$583,821. Of the bank balance, \$129,738 was covered by federal depository insurance and \$454,083 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2003, Chowan County had \$2,050 cash on hand.

At June 30, 2003, the carrying amount of deposits for Chowan County ABC Board was \$108,746 and the bank balance was \$108,276. \$100,000 of the bank balance was covered by federal depository insurance and \$8,276 was covered by collateral held under the Pooling Method. At June 30, 2003, the ABC Board had \$712 on hand.

At June 30, 2003, the Chowan County Medical Development Authority's deposits had a carrying amount and bank balance of \$211.

## **2. Investments**

The County's and the ABC Board's investments are categorized to give an indication of the level of custodial risk assumed by each of these entities at year-end. In the following tables, Column A includes investments that are insured or registered or for which the securities are held by the County or the ABC Board or their agents in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the County's or the ABC Board's name. Column C includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the County's or the ABC Board's name. The County's and the ABC Board's investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County and the ABC Board do not own any identifiable securities in these mutual funds.

At June 30, 2003, the County's investment balances were as follows:

	Categories			Reported Value	Fair Value
	A	B	C		
US Government Securities	\$ 9,374,343	\$ -	\$ -	9,374,343	9,374,343
US Government Agencies	8,159,080	-	-	8,159,080	8,159,080
	<u>\$ 17,533,423</u>	<u>\$ -</u>	<u>\$ -</u>	17,533,423	17,533,423
NC Capital Management Trust:					
Cash Portfolio				721,056	721,056
Term Portfolio				1,050,068	1,050,068
Total Investments				<u>\$ 19,304,547</u>	<u>\$ 19,304,547</u>

At June 30, 2003, 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
2000	\$ 354,166	\$ 84,114	\$ 438,280
2001	354,166	52,240	406,406
2002	354,166	20,365	374,531
2003	354,166	-	354,166
<b>Total</b>	<b>\$ 1,416,664</b>	<b>\$ 156,719</b>	<b>\$ 1,573,383</b>

### **4. Receivables**

Receivables at the government -wide level at June 30, 2003, were as follows:

	Accounts	Taxes and Related Accrued Interest	Special Assessments	Due from Other Governments	Other	Total
Governmental Activities:						
General	\$ 375,374	\$ 484,928	\$ 43,348	\$ 541,616	\$ 4,801,973	\$ 6,247,239
Other Governmental	67,076	19,864	-	167,690	-	254,630
Total receivables	442,450	504,792	43,348	709,306	4,801,973	6,501,869
Allowance for doubtful accounts	-	(248,099)	-	-	-	(248,099)
<b>Total-governmental activities</b>	<b>\$ 442,450</b>	<b>\$ 256,693</b>	<b>\$ 43,348</b>	<b>\$ 709,306</b>	<b>\$ 4,801,973</b>	<b>\$ 6,253,770</b>
Business-type Activities						
Water Fund	\$ 237,680	\$ -	\$ -	\$ 9,047	\$ -	\$ 246,727
Emergency Management	361,982	-	-	1,617	-	363,599
Total receivables	599,662	-	-	10,664	-	610,326
Allowance for doubtful accounts	(243,155)					(243,155)
<b>Total - business-type activities</b>	<b>\$ 356,507</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,664</b>	<b>\$ -</b>	<b>\$ 367,171</b>

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

Local option sales tax	\$ 654,956
Sales tax	58,482
Gas tax	2,075
Federal excise tax	<u>4,457</u>
Total	<u>\$ 719,970</u>

## 5. Capital Assets

Capital asset activity for the year ended June 30, 2003, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,107,313	\$ 29,448	\$ -	\$ 3,136,761
Capital assets being depreciated:				
Buildings	21,120,783	179,346	-	21,300,129
Equipment	2,964,836	513,741	-	3,478,577
Total capital assets being depreciated	<u>24,085,619</u>	<u>693,087</u>	-	<u>24,778,706</u>
Less accumulated depreciation for:				
Buildings	2,780,382	483,549	-	3,263,931
Equipment	1,763,108	336,162	-	2,099,270
Total accumulated depreciation	<u>4,543,490</u>	<u>819,711</u>	-	<u>5,363,201</u>
Total capital assets being depreciated, net	<u>19,542,129</u>			<u>19,415,505</u>
Governmental activity capital assets, net	<u>\$ 22,649,442</u>			<u>\$ 22,552,266</u>

## Primary Government

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

General government	\$ 584,267
Public safety	154,151
Economic and physical development	6,089
Human services	57
Environmental protection	578
Cultural and recreational	<u>74,569</u>
Total depreciation expense	<u>\$ 819,711</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Water Fund</b>				
Capital assets not being depreciated:				
Land	\$ 98,347	\$ -	\$ -	\$ 98,347
Capital assets being depreciated:				
Plant and systems	9,565,204	237,340	-	9,802,544
Building and improvements	27,456	-	-	27,456
Equipment	426,050	14,953	-	441,003
Total capital assets being depreciated	10,018,710	252,293	-	10,271,003
Less accumulated depreciation for:				
Plant and distribution systems	3,219,492	242,844	-	3,462,336
Building and improvements	27,456	-	-	27,456
Equipment	293,958	34,900	-	328,858
Total accumulated depreciation	3,540,906	\$ 277,744	\$ -	3,818,650
Total capital assets being depreciated, net	6,477,804			6,452,353
Water Fund capital assets, net	6,576,151			6,550,700
<b>Emergency Management Fund</b>				
Capital assets being depreciated:				
Building	13,898	-	-	13,898
Equipment	643,016	98,451	-	741,467
Total capital assets being depreciated	656,914	98,451	-	755,365
Less accumulated depreciation for:				
Building	13,898	-	-	13,898
Equipment	537,605	54,920	-	592,525
Total accumulated depreciation	551,503	\$ 54,920	\$ -	606,423
Total capital assets being depreciated, net	105,411			148,942
Emergency Management Fund capital assets, net	105,411			148,942
Business-type activities capital assets, net	\$ 6,681,562			\$ 6,699,642

**Discretely presented component units**

Activity for the ABC Board for the year ended June 30, 2003, 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	\$ 235,315	\$ -	\$ -	\$ 235,315
Furniture and equipment	24,278	1,610	-	25,888
Total capital assets being depreciated	259,593	1,610	-	261,203
Less accumulated depreciation for:				
Buildings and improvements	100,228	7,507	-	107,735
Furniture and equipment	18,452	3,098	-	21,550
Total accumulated depreciation	118,680	10,605	-	129,285
Total capital assets being depreciated, net	140,913			131,918
ABC capital assets, net	\$ 167,048			\$ 158,053

**B. Liabilities**

**1. Payables**

Payables at the government -wide level at June 30, 2003, were as follows:

	Vendors	Accrued Interest	Total
Governmental Activities:			
General	\$ 183,277	\$ 52,823	\$ 236,100
Other Governmental	27,626	399,002	426,628
Total-governmental activities	\$ 210,903	\$ 451,825	\$ 662,728
Business-type Activities			
Water fund	\$ 6,512	\$ 20,047	\$ 26,559
Emergency Management	(4,862)	-	(4,862)
Total - business-type activities	\$ 1,650	\$ 20,047	\$ 21,697

## **2. Pension Plan Obligations**

### **a. Local Governmental Employees' Retirement System**

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

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.15% 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, 2003, 2002, and 2001 were \$201,569, \$205,614, and \$187,667, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2003, 2001, and 2000 were \$3,205, \$3,125, and \$2,982, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

### **b. Law Enforcement Officers' Special Separation Allowance**

#### ***1. Plan Description.***

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

#### ***2. Contributions.***

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

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2003 were \$116,330, which consisted of \$32,203 from the County and \$84,127 from the law enforcement officers.

**d. Registers of Deeds' Supplemental Pension Fund**

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

*Funding Policy.* On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2003, the County's required and actual contributions were \$5,049.

**e. Other Post employment Benefits - Chowan County**

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 may not exceed \$20,000. 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, 2003, the County made contributions to the State for death

benefits of \$4,837. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

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

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

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

**3. Closure and Postclosure Costs**

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

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

#### **4. Deferred / Unearned Revenues**

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

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Prepaid taxes not yet earned (General)	\$ 137,995	\$ -
Prepaid taxes not yet earned (Special Revenue)	4,178	\$ -
Taxes receivable, net (General)	245,350	-
Taxes receivable, net (Special Revenue)	11,343	-
Special assessments receivable, net (General)	43,348	-
Grant revenue (Special Revenue)	47	-
Lease payments (General)	4,801,973	-
Total	<u>\$ 5,244,234</u>	<u>\$ -</u>

#### **5. Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in 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 \$25.4 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 commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Chowan County ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

#### **6. Contingent Liabilities**

At June 30, 2003, the County, the Authority, and the ABC Board were not involved in any material litigation, claims, or assessments as confirmed with the entities' attorneys.

**7. Long-Term Obligations**

**a. Capital Leases**

The County has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

For Chowan County, the agreement was executed on May 31, 2001 for the lease of public safety vehicles and requires 36 monthly payments of \$2,142.

At June 30, 2003, the County leased vehicles and equipment valued at:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 71,932	\$ 29,972	\$ 41,960

For Chowan County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2003 were as follows:

<u>Year Ending June 30</u>	
2004	\$ 23,562
Less: amount representing interest	530
Present value of the minimum lease payments	<u>\$ 23,032</u>

**b. 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 is \$9,950,000. The payments over fifteen years total \$14,939,305, which includes interest at 5.51%.

For Chowan County, the future minimum payments as of June 30, 2003, including \$3,917,611 of interest, are

Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$ 450,000	\$ 498,655
2005	450,000	473,860
2006	450,000	449,065
2007	450,000	424,270
2008	650,000	399,475
2009-2013	4,025,000	1,387,143
2014-2016	2,575,000	285,143
Principal payments	<u>\$ 9,050,000</u>	
Total interest payments		<u>\$ 3,917,611</u>

**Adult Day Health Center and Community Center**

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

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

For Chowan County, the future minimum payments as of June 30, 2003, including \$1,334,970 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$ 300,000	\$ 190,710
2005	300,000	176,040
2006	300,000	161,370
2007	300,000	146,700
2008	300,000	132,030
2009-2013	1,500,000	440,100
2014-2016	900,000	88,020
Principal payments	<u>\$ 3,900,000</u>	
Total interest payments		<u>\$ 1,334,970</u>

**Fire Trucks**

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

For Chowan County, the future minimum payments as of June 30, 2003, including \$22,903 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$ 72,878	\$ 8,708
2005	74,900	6,685
2006	76,979	4,607
2007	79,115	2,471
2008	46,933	432
Principal payments	<u>\$ 350,805</u>	
Total interest payments		<u>\$ 22,903</u>

**Sheriff's Vehicles and Equipment**

In March 2003, the County entered into an installment purchase contract to finance the purchase of vehicles and equipment for the Sheriff's Department. The financing contract requires 36 monthly payments of \$2,214, including interest at 2.25%.

For Chowan County, the future minimum payments as of June 30, 2003, including \$2,279 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$ 25,233	\$ 1,333
2005	25,807	760
2006	19,740	186
Principal payments	<u>\$ 70,780</u>	
Total interest payments		<u>\$ 2,279</u>

**EMS Equipment**

In September 2002, the County entered into an installment purchase contract to finance the purchase of EMS equipment. The financing contract requires 36 monthly payments of \$2,843, including interest at 2.42%.

For Chowan County, the future minimum payments as of June 30, 2003, including \$2,432 of interest, are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2004	\$ 32,672	\$ 1,448
2005	33,471	649
2006	8,529	335
Principal payments	<u>\$ 74,672</u>	
Total interest payments		<u>\$ 2,432</u>

**c. 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, 2003, including interest are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2004	\$ 214,286	\$ 51,412
2005	214,286	42,840
2006	214,286	34,269
2007	214,286	25,697
2008	214,286	17,126
2009	213,858	8,554
Principal payments	<u>\$ 1,285,288</u>	
Total interest payments		<u>\$ 179,898</u>

**d. 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, 2003 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.	\$1,774,688
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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.	210,313
Total	\$ 1,985,001

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
2004	\$ 438,084	\$ 72,387	\$ 51,916	\$ 8,578
2005	429,144	54,863	50,856	6,502
2006	415,733	37,698	49,267	4,467
2007	227,983	20,653	27,018	2,447
2008	93,875	11,077	11,125	1,313
2009-2010	169,869	10,514	20,131	1,246
Total	\$ 1,774,688	\$ 207,192	\$ 210,313	\$ 24,553

At June 30, 2003, Chowan County had no bonds authorized but unissued and a legal debt margin of \$47,411,976.



**f. Long-Term Obligation Activity**

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2003:

	Balance			Current	
	July 1, 2002	Increases	Decreases	Balance	Portion of
				June 30, 2003	Balance
Governmental activities:					
General obligation debt	\$ 2,221,712	\$ -	\$ 447,025	\$ 1,774,687	\$ 438,084
Hospital revenue bonds and note	4,323,749	-	399,833	3,923,916	420,540
Installment purchase	13,765,395	457,814	851,624	13,371,585	848,112
Compensated absences	288,708	181,581	179,907	290,382	-
Total governmental activities	<u>\$ 20,599,564</u>	<u>\$ 639,395</u>	<u>\$ 1,878,389</u>	<u>\$ 19,360,570</u>	<u>\$ 1,706,736</u>
Business-type activities:					
General obligation debt	\$ 263,288	\$ -	\$ 52,976	\$ 210,312	\$ 51,916
Water system expansion note	1,499,574	-	214,286	1,285,288	214,286
Installment purchase	-	98,736	24,064	74,672	32,672
Capitalized leases	47,084	-	24,052	23,032	23,032
Compensated absences	29,718	27,599	19,237	38,080	-
Total business-type activities	<u>\$ 1,839,664</u>	<u>\$ 126,335</u>	<u>\$ 334,615</u>	<u>\$ 1,631,384</u>	<u>\$ 321,906</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 as earned.

**C. Interfund Balances and Activity**

**Transfers to/from Other Funds**

Transfers to/from other funds at June 30, 2003, consists of the following:

From the General Fund to the Revaluation Fund for annual appropriation	\$25,000
From the General Fund to the School Capital Reserve Fund to supplement other funding sources for school debt retirement	700,000
From the General Fund to the Sanitation Fund to supplement other funding sources	153,000
From the General Fund to the School Capital Project Fund to supplement other funding sources	500,000

From the Emergency Telephone System Fund to the General Fund to supplement other funding sources	32,224
From the School Capital Reserve Fund to the School Capital Project Fund to supplement other funding sources	1,483,295
From the D.F. Walker Capital Project Fund to the General Fund to transfer excess funds	<u>470,946</u>
Total	<u>\$ 3,364,465</u>

**Balance Due to/from Other Funds**

Balances due to/from other funds at June 30, 2003 consist of the following:

Due to the General Fund from the Fire District Fund	\$ 70,000
Due to the General Fund from the School Capital Reserve Fund	175,244
Due to the General Fund from the Sanitation Fund	419,164
Due to the General Fund from the Edenton Bay Restoration Fund	38,571
Due to the General Fund from the CWMTF – Country Club Fund	68
Due to the General Fund from the Agriculture Building Capital Project Fund	801,983
Due to the General Fund from the Adult Day Center Capital Project Fund	437,456
Due to the General Fund from the Albemarle MM/DD/SAS Capital Project Fund	5,262
Due to the General Fund from the Chowan Community Center Capital Project Fund	165,574
Due to the General Fund from the Library Renovation Fund	51,921
Due to the General Fund from the School Roof Projects Fund	1,000,000
Due to the General Fund from the Water Fund	659,228
Due to the General Fund from the Emergency Management Fund	260,728
Due to the General Fund from the Edenton/Chowan Development Corp	126,556
Due to the General Fund from the Consolidated Health Services Fund	3,000
Due to the Water Fund from the Consolidated Health Services Fund	<u>2,500</u>
	<u>\$4,217,255</u>

**IV. Related Organization**

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

## **V. Joint Ventures**

The County, in conjunction with the Town of Edenton, participates in the Chowan County-Edenton Airport Commission. The County appoints one member to the seven-member board. The Airport is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The County has an ongoing financial responsibility for the Airport because it and the Town are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The County contributed \$19,100 to the Airport during the fiscal year ended June 30, 2003. 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, 2003. 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, 2003. The participating governments provide the library facilities. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$116,555 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 four other counties participates in the Pasquotank Perquimans Chowan Camden District Health. The County appoints two members to the ten-member board. The County contributed \$21,031 to the organization during the fiscal year ended June 30, 2003. Complete financial statements for District Health can be obtained from the District Health offices at Pasquotank Perquimans Chowan Camden District Health, 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 \$904,850 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 Count 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, 2003, total facilities cost totaled \$206,322. 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, 2003. 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 \$8,729 to the Commission during the fiscal year ended June 30, 2003.

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

The County, in conjunction with five other counties, participates in Albemarle Mental Health. Albemarle Mental Health provides mental health services to the residents of the participating counties through satellite offices. Chowan County appoints one member to the fifteen-member board of Albemarle Mental Health.

During the fiscal year ended June 30, 1998, Chowan County, the Town of Edenton, and the Edenton Chamber of Commerce organized the Edenton-Chowan Development Corporation, a non-profit corporation that will provide assistance to the County and Town with promotion and advancement of economic development. Chowan County appoints two of the six voting members and the County Manager serves as one of the three non-voting members.

**VII. Related Party Transactions**

There were no significant related party transactions during the fiscal year ended June 30, 2003.

### **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	\$ 507,545	\$ 3
Medicaid	10,706,472	5,481,134
Food stamp program	1,771,999	-
Energy assistance	38,634	-
State foster care	-	1,428
AFDC	(602)	(165)
Title IV-E, foster care	4,360	1,086
F/C at risk maximazation	-	1,464
SC/SA domiciliary care	-	162,157
Total	<u>\$ 13,028,408</u>	<u>\$ 5,647,107</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. Significant Effects of Subsequent Events**

On September 18, 2003, Hurricane Isabel hit Chowan County and caused major damage in the County and surrounding areas. The County was declared a federal disaster area by the President of the United States. The County does not anticipate significant cleanup costs from County funds after final settlement with FEMA and the State of North Carolina. Also, the County does not expect a significant change in the tax base due to storm damage.

**XI. Lease of Chowan Hospital**

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

**XII. Fund Balance Transfer**

The Emergency Management Service department was transferred from being reported within the General Fund to being reported in a separate Enterprise Fund. The following is a reconciliation of beginning fund balance for the Enterprise Funds.

Fund balance - June 30, 2002	\$ 4,609,940
Transfer debt	(47,084)
Transfer accrued vacation	(13,161)
Transfer fixed assets	101,008
Transfer receivables	62,275
Net assets - July 1, 2002	<u>\$ 4,712,978</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, 2003

	2003		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 5,700,852	\$ 5,376,106	\$ (324,746)
Penalties and interest	65,000	64,892	(108)
Total	<u>5,765,852</u>	<u>5,440,998</u>	<u>(324,854)</u>
Other Taxes and Licenses:			
Local option sales tax	1,973,668	1,709,204	(264,464)
Deed stamp excise tax	55,000	51,509	(3,491)
Real estate transfer tax	320,539	228,817	(91,722)
Scrap tire & white goods disposal tax	20,000	18,943	(1,057)
Cable TV	9,000	18,236	9,236
Total	<u>2,378,207</u>	<u>2,026,709</u>	<u>(351,498)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes	1,000	-	(1,000)
Beer and wine tax	36,400	38,710	2,310
ABC profit distribution	57,000	40,000	(17,000)
Tax refunds	70,000	78,669	8,669
Total	<u>164,400</u>	<u>157,379</u>	<u>(7,021)</u>
Restricted intergovernmental:			
State grants	399,605	291,834	(107,771)
Federal grants	2,688,797	2,595,410	(93,387)
Court facility fees	103,601	45,347	(58,254)
ABC profits for law enforcement	3,000	749	(2,251)
ABC profits for alcoholic education	2,000	1,049	(951)
Total	<u>3,197,003</u>	<u>2,934,389</u>	<u>(262,614)</u>
Permits and fees:			
Building permits and inspection fees	109,197	91,644	(17,553)
Concealed weapons permits	-	160	
Register of deeds	110,000	110,509	509
Total	<u>219,197</u>	<u>202,313</u>	<u>(16,884)</u>
Sales and services:			
Rents, concessions, and fees	115,628	101,808	(13,820)
Jail fees	308,205	191,974	(116,231)
Recreation Fees	179,359	140,510	(38,849)
Total	<u>603,192</u>	<u>434,292</u>	<u>(168,900)</u>
Investment earnings	<u>2,981,229</u>	<u>1,741,162</u>	<u>(1,240,067)</u>
Miscellaneous	<u>758,547</u>	<u>423,398</u>	<u>(335,149)</u>
Total revenues	<u>16,067,627</u>	<u>13,360,640</u>	<u>(2,706,987)</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, 2003

	2003		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits	45,429	45,428	1
Other operating expenditures	7,254	7,252	2
Total	<u>52,683</u>	<u>52,680</u>	<u>3</u>
Administration:			
Salaries and employee benefits	331,700	331,697	3
Other operating expenditures	310,804	329,454	(18,650)
Total	<u>642,504</u>	<u>661,151</u>	<u>(18,647)</u>
Elections:			
Salaries and employee benefits	51,049	49,020	2,029
Other operating expenditures	24,544	24,543	1
Total	<u>75,593</u>	<u>73,563</u>	<u>2,030</u>
Data processing:			
Salaries and employee benefits	128,946	125,842	3,104
Other operating expenditures	89,656	80,388	9,268
Capital outlay	70,339	56,865	13,474
Total	<u>288,941</u>	<u>263,095</u>	<u>25,846</u>
NC information highway:			
Other operating expenditures	14,155	13,702	453
Total	<u>14,155</u>	<u>13,702</u>	<u>453</u>
Taxes:			
Salaries and employee benefits	174,537	172,995	1,542
Other operating expenditures	47,224	39,176	8,048
Capital outlay	1,220	1,220	-
Total	<u>222,981</u>	<u>213,391</u>	<u>9,590</u>
Legal:			
Other operating expenditures	1,325	1,325	-
Total	<u>1,325</u>	<u>1,325</u>	<u>-</u>
Register of deeds:			
Salaries and employee benefits	107,431	107,147	284
Other operating expenditures	17,560	17,375	185
Capital outlay	10,800	10,800	-
Total	<u>135,791</u>	<u>135,322</u>	<u>469</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, 2003

	2003		Variance Favorable (Unfavorable)
	Budget	Actual	
Land records:			
Salaries and employee benefits	82,644	82,295	349
Other operating expenditures	41,070	23,228	17,842
Total	<u>123,714</u>	<u>105,523</u>	<u>18,191</u>
Inspection:			
Salaries and employee benefits	182,713	182,710	3
Other operating expenditures	82,659	67,810	14,849
Capital outlay	9,014	-	9,014
Total	<u>274,386</u>	<u>250,520</u>	<u>23,866</u>
Public buildings:			
Salaries and employee benefits	37,260	36,457	803
Other operating expenditures	388,413	380,309	8,104
Capital outlay	65,385	45,667	19,718
Total	<u>491,058</u>	<u>462,433</u>	<u>28,625</u>
Court facilities:			
Other operating expenditures	31,158	29,865	1,293
Total	<u>31,158</u>	<u>29,865</u>	<u>1,293</u>
Central maintenance			
Salaries and employee benefits	139,018	139,017	1
Other operating expenditures	49,934	49,908	26
Capital outlay	12,041	12,040	1
Total	<u>200,993</u>	<u>200,965</u>	<u>28</u>
Total general government	<u>2,555,282</u>	<u>2,463,535</u>	<u>91,747</u>
Public safety:			
Sheriff:			
Salaries and employee benefits	573,501	566,231	7,270
Other operating expenditures	203,875	161,422	42,453
Capital outlay	148,312	142,017	6,295
Total	<u>925,688</u>	<u>869,670</u>	<u>56,018</u>
School resource officer:			
Salaries and employee benefits	88,764	86,501	2,263
Other operating expenditures	7,100	2,621	4,479
Total	<u>95,864</u>	<u>89,122</u>	<u>6,742</u>
CORPS grant:			
Salaries and employee benefits	31,722	31,661	61
Other operating expenditures	2,835	1,803	1,032
Total	<u>34,557</u>	<u>33,464</u>	<u>1,093</u>
Albemarle Hopeline	<u>3,000</u>	<u>3,000</u>	<u>-</u>

Chowan County, North Carolina  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
For the Fiscal Year Ended June 30, 2003

	2003		Variance Favorable (Unfavorable)
	Budget	Actual	
Animal control:			
Salaries and employee benefits	163,345	154,721	8,624
Other operating expenditures	153,507	139,570	13,937
Capital outlay	23,535	18,409	5,126
Total	<u>340,387</u>	<u>312,700</u>	<u>27,687</u>
Jail:			
Salaries and employee benefits	294,548	292,884	1,664
Other operating expenditures	182,678	174,145	8,533
Capital outlay	1,000	313	687
Total	<u>478,226</u>	<u>467,342</u>	<u>10,884</u>
Civil defense:			
Salaries and employee benefits	110,976	110,975	1
Other operating expenditures	16,625	12,425	4,200
Capital outlay	37,615	3,470	34,145
Total	<u>165,216</u>	<u>126,870</u>	<u>38,346</u>
Central communications:			
Salaries and employee benefits	369,533	364,057	5,476
Other operating expenditures	56,079	51,462	4,617
Capital outlay	3,068	3,031	37
Total	<u>428,680</u>	<u>418,550</u>	<u>10,130</u>
Medical examiner:			
Other operating expenditures	18,000	17,425	575
Total	<u>18,000</u>	<u>17,425</u>	<u>575</u>
Juvenile Justice:			
Salaries and employee benefits	86,076	84,903	1,173
Other operating expenditures	5,896	5,771	125
Total	<u>91,972</u>	<u>90,674</u>	<u>1,298</u>
COPS:			
Salaries and employee benefits	239,401	197,202	42,199
Total	<u>239,401</u>	<u>197,202</u>	<u>42,199</u>
Total public safety	<u>2,820,991</u>	<u>2,626,019</u>	<u>194,972</u>
Transportation:			
Airport	20,000	19,100	900
Paving roads	7,400	4,500	2,900
Total transportation	<u>27,400</u>	<u>23,600</u>	<u>3,800</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, 2003

	2003		Variance Favorable (Unfavorable)
	Budget	Actual	
Environmental Protection:			
Sanitation:			
Other operating expenditures	26,064	22,204	3,860
Total environmental protection	<u>26,064</u>	<u>22,204</u>	<u>3,860</u>
Economic development:			
Agricultural extension:			
Salaries and employee benefits	141,517	128,038	13,479
Other operating expenditures	39,352	30,065	9,287
Capital outlay	223	-	223
Total	<u>181,092</u>	<u>158,103</u>	<u>22,989</u>
Soil conservation:			
Salaries and employee benefits	71,343	71,342	1
Other operating expenditures	164,251	113,172	51,079
Total	<u>235,594</u>	<u>184,514</u>	<u>51,080</u>
Planning:			
Operating expenditures	13,700	12,252	1,448
Total	<u>13,700</u>	<u>12,252</u>	<u>1,448</u>
Economic development:			
Salaries and employee benefits	11,368	7,492	3,876
Operating expenditures	77,067	72,927	4,140
Total	<u>88,435</u>	<u>80,419</u>	<u>8,016</u>
Total economic and physical development	<u>518,821</u>	<u>435,288</u>	<u>83,533</u>
Human services:			
Social services:			
Administration:			
Salaries and benefits	442,119	421,454	20,665
Other operating expenditures	93,590	81,839	11,751
Capital outlay	16,500	13,195	3,305
Total	<u>552,209</u>	<u>516,488</u>	<u>35,721</u>
Income maintenance programs:			
Salaries and employee benefits	466,099	465,438	661
County participation	102,108	78,375	23,733
Total	<u>568,207</u>	<u>543,813</u>	<u>24,394</u>
Medicaid program:			
County participation	1,064,196	1,029,217	34,979
Total	<u>1,064,196</u>	<u>1,029,217</u>	<u>34,979</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, 2003

	2003		Variance Favorable (Unfavorable)
	Budget	Actual	
Title XX program:			
Salaries and employee benefits	329,073	322,892	6,181
Other operating expenditures	47,735	31,957	15,778
Total	<u>376,808</u>	<u>354,849</u>	<u>21,959</u>
Foster care:			
Other operating expenditures	51,000	8,875	42,125
Total	<u>51,000</u>	<u>8,875</u>	<u>42,125</u>
Welfare to work:			
Salaries and employee benefits	2,200	2,200	-
Total	<u>2,200</u>	<u>2,200</u>	<u>-</u>
Title III program:			
Other operating expenditures	1,326,179	1,171,951	154,228
Total	<u>1,326,179</u>	<u>1,171,951</u>	<u>154,228</u>
Other assistance:			
Other operating expenditures	174,808	164,603	10,205
Total	<u>174,808</u>	<u>164,603</u>	<u>10,205</u>
Total social services	<u>4,115,607</u>	<u>3,791,996</u>	<u>323,611</u>
Veterans service officer:			
Salaries and employee benefits	12,262	12,261	1
Other operating expenditures	1,290	1,189	101
Total	<u>13,552</u>	<u>13,450</u>	<u>102</u>
Health	<u>98,200</u>	<u>88,177</u>	<u>10,023</u>
Mental health:			
Other operating expenditures	33,941	33,941	-
Total	<u>33,941</u>	<u>33,941</u>	<u>-</u>
Total human services	<u>4,261,300</u>	<u>3,927,564</u>	<u>333,736</u>
Cultural and recreational:			
Community activities:			
Other operating expenditures	54,500	55,788	(1,288)
Total	<u>54,500</u>	<u>55,788</u>	<u>(1,288)</u>
Recreation:			
Salaries and employee benefits	337,109	336,911	198
Other operating expenditures	216,192	201,624	14,568
Capital outlay	29,118	28,218	900
Total	<u>582,419</u>	<u>566,753</u>	<u>15,666</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, 2003

	2003		Variance Favorable (Unfavorable)
	Budget	Actual	
Senior center:			
Salaries and employee benefits	82,562	82,560	2
Other operating expenditures	71,273	82,959	(11,686)
Total	<u>153,835</u>	<u>165,519</u>	<u>(11,684)</u>
Libraries:			
Contribution to regional library	116,556	116,555	1
Total	<u>116,556</u>	<u>116,555</u>	<u>1</u>
Total cultural and recreation	<u>907,310</u>	<u>904,615</u>	<u>2,695</u>
Education:			
Public schools:			
Current expense:	2,976,247	2,976,183	64
Total	<u>2,976,247</u>	<u>2,976,183</u>	<u>64</u>
Community colleges:			
Salaries and employee benefits	44,215	44,214	1
Other operating expenditures	206,324	206,322	2
Total	<u>250,539</u>	<u>250,536</u>	<u>3</u>
Total education	<u>3,226,786</u>	<u>3,226,719</u>	<u>67</u>
Debt service:			
Principal retirement	717,828	706,053	11,775
Interest and fees	420,155	420,576	(421)
Total debt service	<u>1,137,983</u>	<u>1,126,629</u>	<u>11,354</u>
Total expenditures	<u>15,481,937</u>	<u>14,756,173</u>	<u>725,764</u>
Revenues over (under) expenditures	<u>585,690</u>	<u>(1,395,533)</u>	<u>(1,981,223)</u>
<b>Other financing sources (uses):</b>			
Operating transfers from (to) other funds	(1,090,831)	(773,830)	317,001
Proceeds of installment purchase	80,308	77,061	(3,247)
Lease payments	399,833	399,833	-
Sale of fixed assets	25,000	-	(25,000)
Total other financing sources (uses)	<u>(585,690)</u>	<u>(296,936)</u>	<u>288,754</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(1,692,469)</u>	<u>\$ (1,692,469)</u>
Fund balances:			
Beginning of year, July 1		25,773,897	
End of year, June 30		<u>\$ 24,081,428</u>	

**Chowan County, North Carolina  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2003**

	Special Revenue Funds				
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Occupancy Tax Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 129,210	\$ 6,709	\$ 93,650	\$ 17,936
Accounts receivable, net	165,762	5,650	963	-	546
Taxes receivable, net	-	-	11,343	-	-
<b>Total assets</b>	<b>\$ 165,762</b>	<b>\$ 134,860</b>	<b>\$ 19,015</b>	<b>\$ 93,650</b>	<b>\$ 18,482</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 23,396	\$ 1,821	\$ -	\$ 2,409
Due to other funds	175,244	-	70,000	-	-
Deferred revenue	-	-	15,521	-	-
<b>Total liabilities</b>	<b>175,244</b>	<b>23,396</b>	<b>87,342</b>	<b>-</b>	<b>2,409</b>
Fund balances:					
Reserved by state statute	165,762	5,650	963	-	546
Unreserved (deficit)	(175,244)	105,814	(69,290)	93,650	15,527
<b>Total fund balances</b>	<b>(9,482)</b>	<b>111,464</b>	<b>(68,327)</b>	<b>93,650</b>	<b>16,073</b>
<b>Total liabilities and fund balances</b>	<b>\$ 165,762</b>	<b>\$ 134,860</b>	<b>\$ 19,015</b>	<b>\$ 93,650</b>	<b>\$ 18,482</b>

<b>Sanitation Fund</b>	<b>Edenton Bay Restoration</b>	<b>CWMTF- Country Club</b>	<b>CDBG</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ -	\$ -	\$ -	\$ 47	\$ 247,552
17,870	38,571	68	-	229,430
-	-	-	-	11,343
<u>\$ 17,870</u>	<u>\$ 38,571</u>	<u>\$ 68</u>	<u>\$ 47</u>	<u>\$ 488,325</u>

\$ -	\$ -	\$ -	\$ -	\$ 27,626
419,164	38,571	68	-	703,047
-	-	-	47	15,568
<u>419,164</u>	<u>38,571</u>	<u>68</u>	<u>47</u>	<u>746,241</u>

17,870	38,571	68	-	229,430
(419,164)	(38,571)	(68)	-	(487,346)
<u>(401,294)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(257,916)</u>
<u>\$ 17,870</u>	<u>\$ 38,571</u>	<u>\$ 68</u>	<u>\$ 47</u>	<u>\$ 488,325</u>

(Continued)

Chowan County, North Carolina  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2003

	Capital Projects Funds				
	D.F. Walker School Capital Project Fund	Agriculture Building Capital Project Fund	Adult Day Health Care Capital Project Fund	Albemarle MM/DD/SAS Capital Project Fund	Chowan Community Center Capital Project Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net	74	-	-	5,262	-
Taxes receivable, net	-	-	-	-	-
<b>Total assets</b>	<b>\$ 74</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,262</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	801,983	437,456	5,262	165,574
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>801,983</b>	<b>437,456</b>	<b>5,262</b>	<b>165,574</b>
Fund balances:					
Reserved by state statute	74	-	-	5,262	-
Unreserved (deficit)	-	(801,983)	(437,456)	(5,262)	(165,574)
<b>Total fund balances</b>	<b>74</b>	<b>(801,983)</b>	<b>(437,456)</b>	<b>-</b>	<b>(165,574)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 74</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,262</b>	<b>\$ -</b>

<b>Library Renovation Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ 247,552
-	5,336	234,766
-	-	11,343
<b>\$ -</b>	<b>\$ 5,336</b>	<b>\$ 493,661</b>

\$ -	\$ -	\$ 27,626
51,921	1,462,196	2,165,243
-	-	15,568
<b>51,921</b>	<b>1,462,196</b>	<b>2,208,437</b>

-	5,336	234,766
(51,921)	(1,462,196)	(1,949,542)
(51,921)	(1,456,860)	(1,714,776)
<b>\$ -</b>	<b>\$ 5,336</b>	<b>\$ 493,661</b>

**Chowan County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2003**

	Special Revenue Funds				
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Occupancy Tax Fund
<b>REVENUES</b>					
Ad valorem taxes	\$ -	\$ -	\$ 206,862	\$ -	\$ -
Local option sales taxes	661,312	-	-	-	-
Other taxes and licenses	-	54,251	518	-	1,012
Restricted intergovernmental	-	70,641	-	-	-
Sales and service	-	-	-	-	61,972
Miscellaneous	-	-	1,537	-	802
Investment earnings	9,388	7,286	595	4,217	1,553
Total revenues	670,700	132,178	209,512	4,217	65,339
<b>EXPENDITURES</b>					
Current:					
Public safety	-	104,323	621,510	-	-
Economic development	-	-	-	-	72,470
Environmental protection	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	30,009	-	-
Interest	-	-	3,985	-	-
Total expenditures	-	104,323	655,504	-	72,470
Excess (deficiency) of revenues over expenditures	670,700	27,855	(445,992)	4,217	(7,131)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from (to) other funds	(783,295)	(32,224)	-	25,000	-
Proceeds of installment purchase	-	-	380,814	-	-
Total other financing sources and uses	(783,295)	(32,224)	380,814	25,000	-
Net change in fund balances	(112,595)	(4,369)	(65,178)	29,217	(7,131)
Fund balances - beginning	103,113	115,833	(3,149)	64,433	23,204
Fund balances - ending	\$ (9,482)	\$ 111,464	\$ (68,327)	\$ 93,650	\$ 16,073

**Capital Project Funds**

Sanitation Fund	Edenton Bay Restoration Fund	CWMTF - Country Club	CDBG	Total Nonmajor Special Revenue Funds	D.F. Walker School Capital Project Fund	Agriculture Building Capital Project Fund
\$ -	\$ -	\$ -	\$ -	\$ 206,862	\$ -	\$ -
-	-	-	-	661,312	-	-
-	27	-	-	55,808	12,199	-
-	27,285	68	329,697	427,691	-	-
638,678	-	-	-	700,650	-	-
-	2,150	-	-	4,489	-	-
-	-	-	-	23,039	546	-
638,678	29,462	68	329,697	2,079,851	12,745	-
-	-	-	-	725,833	-	-
-	-	-	329,697	402,167	-	-
904,850	29,462	68	-	934,380	-	-
-	-	-	-	-	51,725	-
-	-	-	-	30,009	-	-
-	-	-	-	3,985	-	-
904,850	29,462	68	329,697	2,096,374	51,725	-
(266,172)	-	-	-	(16,523)	(38,980)	-
153,000	-	-	-	(637,519)	(470,946)	-
-	-	-	-	380,814	-	-
153,000	-	-	-	(256,705)	(470,946)	-
(113,172)	-	-	-	(273,228)	(509,926)	-
(288,122)	-	-	-	15,312	510,000	(801,983)
\$ (401,294)	\$ -	\$ -	\$ -	\$ (257,916)	\$ 74	\$ (801,983)

(Continued)

**Chowan County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2003**

	<b>Capital Project Funds</b>				<b>Total Nonmajor Governmental Funds</b>
	<b>Adult Day Health Care Capital Project Fund</b>	<b>Chowan Community Center</b>	<b>Library Renovation Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>	
<b>REVENUES</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ 206,862
Local option sales taxes	-	-	-	-	661,312
Other taxes and licenses	9,293	-	-	21,492	77,300
Restricted intergovernmental	-	-	-	-	427,691
Sales and service	-	-	-	-	700,650
Miscellaneous	-	-	-	-	4,489
Investment earnings	-	-	-	546	23,585
Total revenues	9,293	-	-	22,038	2,101,889
<b>EXPENDITURES</b>					
Current:					
Public safety	-	-	-	-	725,833
Economic development	-	-	-	-	402,167
Environmental protection	-	-	-	-	934,380
Capital outlay	58,580	-	28,998	139,303	139,303
Debt service					
Principal	-	-	-	-	30,009
Interest	-	-	-	-	3,985
Total expenditures	58,580	-	28,998	139,303	2,235,677
Excess (deficiency) of revenues over expenditures	(49,287)	-	(28,998)	(117,265)	(133,788)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from (to) other funds	-	-	-	(470,946)	(1,108,465)
Proceeds of installment purchase	-	-	-	-	380,814
Total other financing sources and uses	-	-	-	(470,946)	(727,651)
Net change in fund balances	(49,287)	-	(28,998)	(588,211)	(861,439)
Fund balances - beginning	(388,169)	(165,574)	(22,923)	(868,649)	(853,337)
Fund balances - ending	\$ (437,456)	\$ (165,574)	\$ (51,921)	\$ (1,456,860)	\$ (1,714,776)

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, 2003

	2003		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Restricted intergovernmental:			
Public School Building Capital Fund	\$ 500,000	\$ -	\$ (500,000)
Local option sales tax	760,007	661,312	(98,695)
Investment earnings	23,288	9,388	(13,900)
Total revenues	<u>1,283,295</u>	<u>670,700</u>	<u>(612,595)</u>
<b>Other financing sources (uses):</b>			
Transfers in (out)	<u>(1,283,295)</u>	<u>(783,295)</u>	<u>500,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(112,595)	<u>\$ (112,595)</u>
<b>Fund balances:</b>			
Beginning of year, July 1		103,113	
End of year, June 30		<u>\$ (9,482)</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, 2003

	2003		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other taxes and licenses:			
911 system subscriber fees	\$ 65,692	\$ 53,635	\$ (12,057)
Sales tax refund	-	616	616
Restricted intergovernmental:			
Wireless 911 funds	31,618	70,641	39,023
Investment earnings	20,734	7,286	(13,448)
	<u>118,044</u>	<u>132,178</u>	<u>14,134</u>
<b>Expenditures</b>			
Public safety:			
911 system subscriber fees:			
Operating expenses	87,757	85,675	2,082
Wireless 911:			
Operating expenses	19,928	18,648	1,280
Total expenditures	107,685	104,323	3,362
Revenues over (under) expenditures	10,359	27,855	(17,496)
<b>Other financing sources (uses):</b>			
Transfers in (out)	(32,224)	(32,224)	-
Appropriated fund balance	21,865	-	21,865
Total other sources (uses)	(10,359)	(32,224)	21,865
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(4,369)	<u>\$ (4,369)</u>
Fund balances:			
Beginning of year, July 1		115,833	
End of year, June 30		<u>\$ 111,464</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, 2003

	2003		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Ad valorem taxes	\$ 248,502	\$ 206,862	\$ (41,640)
Local option sales tax	23,000	-	(23,000)
Other taxes and licenses	3,140	518	(2,622)
Miscellaneous revenue	1,600	1,537	(63)
Investment earnings	500	595	95
Total revenues	<u>276,742</u>	<u>209,512</u>	<u>(67,230)</u>
<b>Expenditures:</b>			
Public safety:			
Town of Edenton	142,200	138,886	3,314
Salaries and benefits	23,733	21,628	2,105
Telephone and postage	2,389	2,389	-
Utilities	7,755	7,678	77
Maintenance and repair	10,000	8,137	1,863
Insurance and bonds	25,989	20,497	5,492
Capital outlay	418,814	407,830	10,984
Other operating expenses	26,676	14,465	12,211
Total public safety	<u>657,556</u>	<u>621,510</u>	<u>36,046</u>
Debt service:			
Principal	66,015	30,009	36,006
Interest	3,985	3,985	-
Total debt service	<u>70,000</u>	<u>33,994</u>	<u>36,006</u>
Total expenditures	<u>727,556</u>	<u>655,504</u>	<u>72,052</u>
Revenues over (under) expenditures	<u>(450,814)</u>	<u>(445,992)</u>	<u>(4,822)</u>
<b>Other financing sources (uses):</b>			
Transfers in (out)	70,000	-	(70,000)
Proceeds of installment purchase	380,814	380,814	-
Total other sources (uses)	<u>450,814</u>	<u>380,814</u>	<u>(70,000)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(65,178)	<u>\$ (65,178)</u>
Fund balances:			
Beginning of year, July 1		<u>(3,149)</u>	
End of year, June 30		<u>\$ (68,327)</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, 2003

	2003		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 4,217	\$ 4,217
<b>Expenditures:</b>			
General government:			
Contracted services	25,000	-	25,000
Revenues over (under) expenditures	(25,000)	4,217	(29,217)
<b>Other financing sources (uses):</b>			
Transfers in (out)	25,000	25,000	-
Revenues and other sources over (under) expenditures and other uses	\$ -	29,217	\$ 29,217
<b>Fund balances:</b>			
Beginning of year, July 1		64,433	
End of year, June 30		\$ 93,650	

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, 2003

	2003		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Sales and service	\$ 64,299	\$ 61,972	\$ (2,327)
Other taxes and licenses	-	1,012	1,012
Miscellaneous revenues	1,110	802	(308)
Investment earnings	2,000	1,553	(447)
	<u>67,409</u>	<u>65,339</u>	<u>(2,070)</u>
<b>Expenditures:</b>			
Economic development:			
Contracted services	31,579	31,579	-
Reimbursements	15,802	15,380	422
Miscellaneous expenses	27,028	24,062	2,966
Capital outlay	1,500	1,449	51
Total expenditures	<u>75,909</u>	<u>72,470</u>	<u>3,439</u>
Revenues over (under) expenditures	<u>(8,500)</u>	<u>(7,131)</u>	<u>(1,369)</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	<u>8,500</u>	<u>-</u>	<u>(8,500)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(7,131)</u>	<u>\$ (7,131)</u>
<b>Fund balances:</b>			
Beginning of year, July 1		<u>23,204</u>	
End of year, June 30		<u>\$ 16,073</u>	

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, 2003

	2003		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Sales and service	\$ 747,000	\$ 638,678	\$ (108,322)
Investment earnings	5,000	-	(5,000)
	<u>752,000</u>	<u>638,678</u>	<u>(113,322)</u>
<b>Expenditures:</b>			
Environmental protection:			
Operating expenses	<u>905,000</u>	<u>904,850</u>	<u>150</u>
Revenues over (under) expenditures	<u>(153,000)</u>	<u>(266,172)</u>	<u>113,172</u>
<b>Other financing sources (uses):</b>			
Transfers in (out)	<u>153,000</u>	<u>153,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(113,172)</u>	<u>\$ (113,172)</u>
Fund balances:			
Beginning of year, July 1		<u>(288,122)</u>	
End of year, June 30		<u>\$ (401,294)</u>	

Chowan County, North Carolina  
**Edenton Bay Restoration Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
From Inception and for the Fiscal Year Ended June 30, 2003

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues:</b>					
Restricted intergovernmental	\$ 3,285,810	\$ 2,162,799	\$ 27,285	\$ 2,190,084	\$ (1,095,726)
Other taxes and licenses	-	193	27	220	220
Miscellaneous revenue	-	-	2,151	2,151	2,151
Total revenue	<u>3,285,810</u>	<u>2,162,992</u>	<u>29,463</u>	<u>2,192,455</u>	<u>(1,093,355)</u>
<b>Expenditures:</b>					
Environmental protection:					
Contracted services	37,000	57,893	15	57,908	(20,908)
Capital outlay	<u>3,248,810</u>	<u>2,105,099</u>	<u>29,448</u>	<u>2,134,547</u>	<u>1,114,263</u>
Total expenditures	<u>3,285,810</u>	<u>2,162,992</u>	<u>29,463</u>	<u>2,192,455</u>	<u>1,093,355</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, 2003

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues:</b>					
Restricted intergovernmental	\$ 400,000	\$ -	\$ 329,697	\$ 329,697	\$ (70,303)
<b>Expenditures:</b>					
Economic development:					
Administration	40,000	-	40,000	40,000	-
Clearance	5,000	-	5,000	5,000	-
Rehabilitation	245,000	-	177,544	177,544	67,456
Relocation assistance	110,000	-	107,153	107,153	2,847
Total expenditures	400,000	-	329,697	329,697	70,303
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  
**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, 2003

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues:</b>					
Restricted intergovernmental	\$ 534,000	\$ -	\$ 68	\$ 68	\$ (533,932)
Miscellaneous revenue	50,000	-	-	-	(50,000)
Total revenues	<u>584,000</u>	<u>-</u>	<u>68</u>	<u>68</u>	<u>(583,932)</u>
<b>Expenditures:</b>					
Environmental protection:					
Administration	15,000	-	-	-	15,000
Contracted services	564,000	-	68	68	563,932
Capital outlay	5,000	-	-	-	5,000
Total expenditures	<u>584,000</u>	<u>-</u>	<u>68</u>	<u>68</u>	<u>583,932</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  
**D.F. Walker School 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, 2003

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental	\$ 498,000	\$ -	\$ -	\$ -	\$ (498,000)
Other taxes and licenses	-	119,105	12,199	131,304	131,304
Miscellaneous revenue	-	22,000	-	22,000	22,000
Investment earnings	-	260,296	546	260,842	260,842
Total revenues	<u>498,000</u>	<u>401,401</u>	<u>12,745</u>	<u>414,146</u>	<u>(83,854)</u>
<b>Expenditures</b>					
Education:					
Capital outlay:					
D.F. Walker Elementary	<u>9,998,000</u>	<u>9,859,681</u>	<u>51,725</u>	<u>9,911,406</u>	<u>86,594</u>
Revenues over (under) expenditures	<u>(9,500,000)</u>	<u>(9,458,280)</u>	<u>(38,980)</u>	<u>(9,497,260)</u>	<u>(170,448)</u>
Other financing sources (uses):					
Transfers in (out)	-	17,464	(470,946)	(453,482)	(453,482)
Loan proceeds	<u>9,500,000</u>	<u>9,950,000</u>	<u>-</u>	<u>9,950,000</u>	<u>(500,000)</u>
Total other sources (uses)	<u>9,500,000</u>	<u>9,967,464</u>	<u>(470,946)</u>	<u>9,496,518</u>	<u>(953,482)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 509,184</u>	<u>(509,926)</u>	<u>\$ (742)</u>	<u>\$ (742)</u>
Fund balances:					
Beginning of year, July 1			<u>510,000</u>		
End of year, June 30			<u>\$ 74</u>		

Chowan County, North Carolina  
**Agriculture 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, 2003

	Project Author- ization	Actual		Variance Positive (Negative)	
		Prior Years	Current Year		Total to Date
<b>Revenues</b>					
Restricted intergovernmental	\$ 6,050	\$ 6,050	\$ -	\$ 6,050	\$ -
Other taxes and licenses	-	318	-	318	318
Total revenues	<u>6,050</u>	<u>6,368</u>	<u>-</u>	<u>6,368</u>	<u>318</u>
<b>Expenditures</b>					
Economic development:					
Capital outlay:					
Agriculture Ext Building	<u>2,844,408</u>	<u>2,031,094</u>	<u>-</u>	<u>2,031,094</u>	<u>813,314</u>
Revenues over (under) expenditures	<u>(2,838,358)</u>	<u>(2,024,726)</u>	<u>-</u>	<u>(2,024,726)</u>	<u>813,632</u>
Other financing sources:					
Transfers in (out)	<u>2,838,358</u>	<u>1,222,743</u>	<u>-</u>	<u>1,222,743</u>	<u>(1,615,615)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (801,983)</u>	<u>-</u>	<u>\$ (801,983)</u>	<u>\$ (801,983)</u>
Fund balances:					
Beginning of year, July 1			<u>(801,983)</u>		
End of year, June 30			<u>\$ (801,983)</u>		

Chowan County, North Carolina  
**Adult Day Health Care 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, 2003

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental	\$ 686,062	\$ 200,000	\$ -	\$ 200,000	\$ (486,062)
Other taxes and licenses	-	22,792	9,293	32,085	32,085
Investment earnings	-	14,028	-	14,028	14,028
Total revenues	<u>686,062</u>	<u>236,820</u>	<u>9,293</u>	<u>246,113</u>	<u>(439,949)</u>
<b>Expenditures</b>					
Human services:					
Capital outlay:					
Adult Health Center	<u>4,541,410</u>	<u>2,624,989</u>	<u>58,580</u>	<u>2,683,569</u>	<u>1,857,841</u>
Revenues over (under) expenditures	<u>(3,855,348)</u>	<u>(2,388,169)</u>	<u>(49,287)</u>	<u>(2,437,456)</u>	<u>1,417,892</u>
Other financing sources:					
Loan proceeds	<u>3,855,348</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>(1,855,348)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (388,169)</u>	<u>(49,287)</u>	<u>\$ (437,456)</u>	<u>\$ (437,456)</u>
Fund balances:					
Beginning of year, July 1			<u>(388,169)</u>		
End of year, June 30			<u>\$ (437,456)</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, 2003

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

Chowan County, North Carolina  
**Chowan Community Center 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, 2003

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ -
Other taxes and licenses	-	52,441	-	52,441	52,441
Investment earnings	50,000	17,854	-	17,854	(32,146)
Total revenues	<u>300,000</u>	<u>320,295</u>	<u>-</u>	<u>320,295</u>	<u>20,295</u>
<b>Expenditures</b>					
Cultural and recreational:					
Capital outlay:					
Chowan Community Center	<u>3,935,701</u>	<u>2,985,869</u>	<u>-</u>	<u>2,985,869</u>	<u>949,832</u>
Revenues over (under) expenditures	<u>(3,635,701)</u>	<u>(2,665,574)</u>	<u>-</u>	<u>(2,665,574)</u>	<u>(929,537)</u>
<b>Other financing sources (uses):</b>					
Transfers in (out)	946,625	-	-	-	(946,625)
Loan proceeds	<u>2,689,076</u>	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>	<u>(500,000)</u>
Total other sources (uses)	<u>3,635,701</u>	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>	<u>(1,446,625)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (165,574)</u>	<u>-</u>	<u>\$ (165,574)</u>	<u>\$ (165,574)</u>
Fund balances:					
Beginning of year, July 1			<u>(165,574)</u>		
End of year, June 30			<u>\$ (165,574)</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, 2003

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Cultural and recreational:					
Contracted services	-	22,923	28,998	51,921	(51,921)
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (22,923)</u>	(28,998)	<u>\$ (51,921)</u>	<u>\$ (51,921)</u>
Fund balances:					
Beginning of year, July 1			(22,923)		
End of year, June 30			<u>\$ (51,921)</u>		

Chowan County, North Carolina  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
For the Fiscal Year Ended June 30, 2003

	2003		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Operating revenues:			
Water sales	\$ 1,282,367	\$ 929,352	\$ (353,015)
Reconnection fees	30,000	11,340	(18,660)
Miscellaneous revenue	16,784	3,253	(13,531)
Sales tax and other refunds	8,000	13,629	5,629
Taps and connection fees	64,000	31,927	(32,073)
Total	<u>1,401,151</u>	<u>989,501</u>	<u>(411,650)</u>
Nonoperating revenues:			
Investment earnings	30,000	-	(30,000)
Total revenues	<u>1,431,151</u>	<u>989,501</u>	<u>(441,650)</u>
<b>Expenditures:</b>			
Administration and operating:			
Salaries and employee benefits	261,013	265,472	(4,459)
Postage and telephone	20,000	17,643	2,357
Utilities	75,000	74,459	541
Maintenance and repairs	38,874	48,823	(9,949)
Automotive supplies	10,923	10,923	-
Supplies and materials	89,754	86,939	2,815
Administrative services	95,560	88,835	6,725
Meters and minor improvements	40,000	9,750	30,250
Total	<u>631,124</u>	<u>602,844</u>	<u>28,280</u>
Debt service:			
Debt principal	267,262	267,262	-
Interest and fees	86,425	71,609	14,816
Total	<u>353,687</u>	<u>338,871</u>	<u>14,816</u>
Capital outlay	345,340	252,293	93,047
Total expenditures	<u>1,330,151</u>	<u>1,194,008</u>	<u>136,143</u>
Revenues over (under) expenditures	<u>101,000</u>	<u>(204,507)</u>	<u>(305,507)</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, 2003

	2003		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
<b>Other financing sources (uses):</b>			
Transfers in (out)	<u>(101,000)</u>	<u>(101,000)</u>	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(305,507)	<u>\$ (305,507)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Debt principal		267,262	
Capital outlay		252,293	
Depreciation		(276,322)	
Amortization		(1,392)	
Increase in bond interest accrued		12,578	
Increase in inventory		<u>2,938</u>	
Total reconciling items		<u>257,357</u>	
Change in net assets		<u>\$ (48,150)</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, 2003

	2003		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Operating revenues:			
Ambulance Fees	\$ 572,790	\$ 421,659	\$ (151,131)
Miscellaneous revenue	3,678	3,678	-
Sales tax and other refunds	-	1,618	1,618
Total revenues	<u>576,468</u>	<u>426,955</u>	<u>(149,513)</u>
<b>Expenditures:</b>			
Administration and operating:			
Salaries and employee benefits	484,636	480,550	4,086
Postage and telephone	8,770	8,770	-
Utilities	14,411	14,411	-
Maintenance and repairs	33,884	27,444	6,440
Automotive supplies	6,950	6,949	1
Supplies and materials	22,355	22,357	(2)
Administrative services	(4,611)	14,187	(18,798)
Total	<u>566,395</u>	<u>574,668</u>	<u>(8,273)</u>
Debt service:			
Debt principal	48,118	48,117	1
Interest and fees	3,178	3,178	-
Total	<u>51,296</u>	<u>51,295</u>	<u>1</u>
Capital outlay	<u>94,205</u>	<u>100,327</u>	<u>(6,122)</u>
Total expenditures	<u>711,896</u>	<u>726,290</u>	<u>(14,394)</u>
Revenues over (under) expenditures	<u>(135,428)</u>	<u>(299,335)</u>	<u>(163,907)</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, 2003

	2003		Variance Positive (Negative)
	Budget	Actual	
<b>Other financing sources (uses):</b>			
Proceeds of installment purchase	95,428	98,736	3,308
Transfers in (out)	40,000	-	(40,000)
Total other financing sources (uses)	<u>135,428</u>	<u>98,736</u>	<u>(36,692)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(200,599)	<u>\$ (200,599)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Debt principal		48,117	
Capital outlay		100,327	
Depreciation		(52,393)	
Loan proceeds		<u>(98,736)</u>	
Total reconciling items		<u>(2,685)</u>	
Change in net assets		<u>\$ (203,284)</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, 2003

	2003		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Investment earnings	\$ -	\$ -	\$ -
<b>Other financing sources (uses):</b>	-	-	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund balances:</b>			
Beginning of year, July 1		2,538	
End of year, June 30		<u>\$ 2,538</u>	

Chowan County, North Carolina  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2003

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
<b>Fireman's Relief Fund</b>				
Assets:				
Cash and cash equivalents	\$ 26,415	\$ 1,532	\$ -	\$ 27,947
Liabilities:				
Payables	\$ 26,415	\$ 1,532	\$ -	\$ 27,947
<b>Social Services - Protective Payees</b>				
Assets:				
Cash and cash equivalents	\$ 544	\$ 29,179	\$ 28,697	\$ 1,026
Liabilities:				
Payables	\$ 544	\$ 29,179	\$ 28,697	\$ 1,026
<b>Consolidated Health Services</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 5,501,873	\$ 5,416,750	\$ 85,123
Accounts receivable	218,479	-	218,479	-
Total	<u>\$218,479</u>	<u>\$5,501,873</u>	<u>\$ 5,635,229</u>	<u>\$ 85,123</u>
Liabilities:				
Payables	\$ -	\$ 5,501,873	\$ 5,422,250	\$ 79,623
Due to other funds	218,479	-	212,979	5,500
Total	<u>\$218,479</u>	<u>\$5,501,873</u>	<u>\$ 5,635,229</u>	<u>\$ 85,123</u>
<b>Edenton Chowan Development Corp</b>				
Assets:				
Cash and cash equivalents	\$ 1	\$ 444,895	\$ 444,896	\$ -
Accounts receivable	5,512	121,044	-	126,556
Total assets	<u>\$ 5,513</u>	<u>\$ 565,939</u>	<u>\$ 444,896</u>	<u>\$126,556</u>
Liabilities:				
Payables	\$ 5,513	\$ 439,383	\$ 444,896	\$ -
Due to other funds	-	126,556	-	126,556
Total liabilities	<u>\$ 5,513</u>	<u>\$ 565,939</u>	<u>\$ 444,896</u>	<u>\$126,556</u>
<b>Fines and forfeitures</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 77,939	\$ 77,939	\$ -
Liabilities:				
Payables	\$ -	\$ 77,939	\$ 77,939	\$ -
<b>Totals - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 26,960	\$ 6,055,418	\$ 5,968,282	\$ 114,096
Accounts receivable	223,991	121,044	218,479	126,556
Total assets	<u>\$250,951</u>	<u>\$6,176,462</u>	<u>\$ 6,186,761</u>	<u>\$240,652</u>
Liabilities:				
Payables	\$ 32,472	\$ 6,049,906	\$ 5,973,782	\$ 108,596
Due to other funds	218,479	126,556	212,979	132,056
Total liabilities	<u>\$250,951</u>	<u>\$6,176,462</u>	<u>\$ 6,186,761</u>	<u>\$240,652</u>

Chowan County, North Carolina  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
June 30, 2003

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2002</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2003</u>
1992-1993	\$ 8,551	\$ -	\$ 8,551	\$ -
1993-1994	7,114	-	1,101	6,013
1994-1995	8,180	-	1,493	6,687
1995-1996	9,320	-	1,802	7,518
1996-1997	13,434	-	4,740	8,694
1997-1998	20,621	-	6,395	14,226
1998-1999	25,897	-	9,840	16,057
1999-2000	36,356	-	16,048	20,308
2000-2001	94,525	-	28,288	66,237
2001-2002	238,440	-	145,538	92,902
2002-2003	-	5,399,954	5,178,888	221,066.00
	<u>\$ 462,438</u>	<u>\$ 5,399,954</u>	<u>\$ 5,402,684</u>	459,708
Less: allowance for uncollectible accounts:				
General Fund				<u>214,358</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 245,350</u>
 <u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				<u>\$ 5,440,998</u>
Reconciling items:				
Interest collected				(64,892)
Other				18,027
Taxes written off				<u>8,551</u>
Total reconciling items				<u>(38,314)</u>
Total collections and credits				<u>\$ 5,402,684</u>

Chowan County, North Carolina  
**Analysis of Current Tax Levy**  
**County - wide Levy**  
For the Fiscal Year Ended June 30, 2003

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	<hr/>				
Original levy:					
Property taxed at current year's rate	\$ 724,788,870	0.69	\$ 5,001,043	\$ 4,602,893	\$ 398,150
Motor vehicles taxed at prior year's rate	43,748,822	0.69	301,867	-	301,867
Penalties	-		4,306	4,306	-
Total	<u>768,537,692</u>		<u>5,307,216</u>	<u>4,607,199</u>	<u>700,017</u>
Discoveries:					
Current year taxes	15,803,905	0.69	109,046	108,643	403
Penalties	-		-	-	-
Total	<u>15,803,905</u>		<u>109,046</u>	<u>108,643</u>	<u>403</u>
Abatements	<u>(2,363,481)</u>		<u>(16,308)</u>	<u>(3,161)</u>	<u>(13,147)</u>
Total property valuation	<u>\$ 781,978,116</u>				
Net levy			5,399,954	4,712,681	687,273
Uncollected taxes at June 30, 2003			<u>221,066</u>	<u>154,977</u>	<u>66,089</u>
Current year's taxes collected			<u>\$ 5,178,888</u>	<u>\$ 4,557,704</u>	<u>\$ 621,184</u>
Current levy collection percentage			<u>95.91%</u>	<u>96.71%</u>	<u>90.38%</u>

Chowan County, North Carolina  
**Analysis of Current Tax Levy**  
**County - wide Levy**  
For the Fiscal Year Ended June 30, 2003

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**Secondary Market Disclosures:**

Assessed Valuation:		
Assessment Ratio		100 %
Real Property	\$ 634,361,069	
Personal Property	133,339,877	
Public Service Companies	<u>14,277,170</u>	
Total Assessed Valuation	781,978,116	
Tax Rate per \$100		0.69
Levy (includes discoveries, releases and abatements)	\$ 5,399,954	

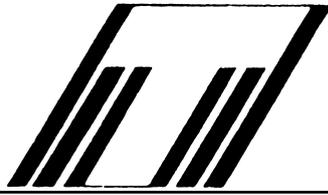
In addition to the County-wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the fiscal year ended June 30:

Fire Protection Districts	<u><u>\$ 177,187</u></u>
---------------------------	--------------------------

Chowan County, North Carolina  
**Ten Largest Taxpayers**  
For the Fiscal Year Ended June 30, 2003

<b>Taxpayer</b>	<b>Type of Business</b>	<b>2003 Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
Morven Partners	Manufacturing	\$ 8,420,933	0.040 %
Seabrook Blanching Corp	Manufacturing	5,970,962	0.030
George C Moore	Manufacturing	5,528,285	0.020
Edenton Dying	Manufacturing	5,198,390	0.020
Mitek	Industrial	5,057,503	0.020
Cameron Edenton	Real Estate	3,955,523	0.020
Evans Lumber	Manufacturing	3,328,605	0.010
P & G Development	Real Estate	3,059,364	0.010
Regulator Marine	Manufacturing	2,478,586	0.010
Castpa	Real Estate	1,952,210	0.003
<b>Total</b>		<b>\$ 44,950,361</b>	<b>0.183 %</b>

## **Compliance Section**



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING 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 basic financial statements of Chowan County, North Carolina, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 10, 2004. 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.

**Compliance**

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 grants, 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 that are required to be reported under 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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

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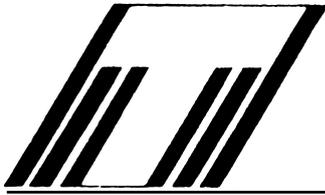
reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of Chowan County in a separate letter dated February 10, 2004.

This report is intended 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 24, 2004



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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, 2003. 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, 2003.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 24, 2004

**CHOWAN COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2003**

<b>Section I - Summary of Auditor's Results</b>
---

**Financial Statements**

Type of auditor's report issued: Unqualified

**Internal control over financial reporting:**

- Material weakness(es) identified?                           yes          X      no
- Reportable condition(s) identified  
that are not considered to be  
material weaknesses           yes          X   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
- Reportable condition(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	Medicaid
93.575	Subsidized Child Care Cluster
93.596	
93.667	
93.558	
10.551	Food Stamp Cluster
10.561	
14.228	CDBG

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

  \$ 462,002  

Auditee qualified as low-risk auditee?

  X      yes               no

**CHOWAN COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2003**

**Section II - Financial Statement Findings**

**None reported**

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

**None reported**

**CHOWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2003**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures (Direct and Pass-Through)</b>	<b>State Expenditures</b>	<b>Local Expenditures</b>
<b>FEDERAL AWARDS:</b>				
<b>U. S. Department of Justice:</b>				
Passed-through the N.C. Dept. of Crime Control and Public Safety:				
Juvenile Justice Delinquency Prevention Direct Program-	16.540	96,347	-	-
COPS Fast	16.710	144,048	-	-
Drug Control and System Improvement	16.579	30,000	-	-
Total U.S. Dept. of Justice		270,395	-	-
<b>Federal Emergency Management Agency:</b>				
Passed-through the N. C. Dept. of Crime Control and Public Safety:				
Flood Mitigation Assistance Grant	83.536	12,705	-	-
EM Performance Grant	83.552	13,071	-	-
Total Federal Emergency Management Agency		25,776	-	-
<b>U.S. Department of Health and Human Services:</b>				
<u>Administration for Children and Families</u>				
Passed-through N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Permanency Planning	93.645	4,049	1,157	192
Social Services Block Grant	93.667	61,145	888	19,600
Aid to Families with Dependent Children - Direct	93.560	(603)	(165)	(165)
Temporary Assistance to Needy Families	93.558	171,653		256,354
Temporary Assistance to Needy Families - Direct	93.558	507,545	3	1,293
Child Support Enforcement	93.563	238,496		122,783
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568	49,089		
Direct Benefit Payments	93.568	38,634		
Child Care and Development Fund	93.596	59,902		
Independent Living Grant	93.674	754	189	
Foster Care and Adoption Cluster:				
Title IV-E Foster Care	93.658	28,616	5,636	22,981
Foster Care / Adoption	n/a			3,301
Foster Care - Direct Benefits Program	93.658	1,632	260	716
Adoption Assistance - Direct Benefit Payments	93.659	2,728	826	826
Total Foster Care and Adoption Cluster		32,976	6,722	27,824

**CHOWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2003**

<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>
Divison of Child Development:				
Subsidized Child Care Cluster:				
Child Care and Development Fund - Discretionary	93.575	265,854		-
Child Care and Development Fund - Mandatory	93.596	143,207		-
Child Care and Development Fund - Match	93.596	168,942	83,081	-
Social Services Block Grant	93.667	2,180		-
TANF	93.558	68,311		-
Smart Start	n\a		21,510	-
State Appropriations	n\a		166,000	-
TANF - Main. of Effort	n\a		99,006	-
Total Subsidized Child Care Cluster		648,494	369,597	-
<u>Health Care Financing Administration</u>				
Passed-through N.C. Dept. of Health and Human Services:				
Division of Medical Assistance:				
Direct Benefit Payments:				
Medical Assistance Program	93.778	10,706,472	5,481,134	913,979
Division of Social Services:				
Medical Assistance Program	93.778	245,655	9,996	205,322
Administration:				
Health Choice	93.767	6,718	679	1,735
Total U. S. Dept. of Health and Human Services		12,770,979	5,870,200	1,548,917
<b>U.S. Department of Agriculture:</b>				
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 - Noncash	10.551	1,771,999	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561	141,328	-	141,328
Total Food Stamp Cluster		1,913,327	-	141,328
Natural Resources Conservation Service -				
Soil and Water Conservation	10.902	21,149	-	-
Passed-through N.C. Dept. of Environment and Natural Resources:				
Division of Forest Resources:				
ATB Program	10.664	783	-	-
Total U.S. Dept. of Agriculture		1,935,259	-	141,328
<b>U.S. Department of Labor:</b>				
Welfare-to-Work Grants to State and Localities	17.253	5,072	-	-

**CHOWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2003**

<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>
<b>Department of Commerce:</b>				
Passed through the N.C. Department of Environment and Natural Resources:				
Division of Coastal Management:				
Land Use Plans	11.419	15,000	-	17,000
CAMA Minor Permit Program	11.419	225	-	-
			-	17,000
Total U.S. Dept. of Commerce		15,225	-	17,000
<b>U.S. Housing and Urban Development</b>				
Passed through the N.C. Department of Commerce:				
Division of Community Assistance:				
Community Development Block Grant	14.228	327,144	-	-
<b>Department of Transportation:</b>				
Passed through the N.C. Department of Environment and Natural Resources:				
Division of Parks and Recreation:				
Recreational Trails Program	20.219	50,228	-	-
<b>Total Federal Awards</b>		15,400,078	5,870,200	1,707,245
<b>STATE AWARDS:</b>				
<b>N.C. Department of Environment and Natural Resources:</b>				
Clear & Snag Grant	n\a	-	9,020	-
Clean Water Mgmt. Trust Fund	n\a	-	27,091	-
Public Access Grant	n\a	-	41,928	-
Public Health Pest Mgmt	n\a	-	3,598	-
NC Clean Water Bond Program	n\a	-	24,000	-
Soil and Water	n\a	-	19,106	-
Total N.C. Dept. of Environment and Natural Resources		-	124,743	-
<b>N.C. Department of Health and Human Services:</b>				
Veterans Service	n\a	-	2,000	-
Division of Social Services:				
Non Allocating County Cost	n\a	-	-	11,443
SC/SA Admin.	n\a	-	-	13,498
State Adult Protective Service	n\a	-	8,355	-
Direct Benefit Payments:				
F/C At Rick Maximization	n\a	-	1,464	876
State Foster Home	n\a	-	1,428	1,428
SC/SA Domiciliary Care	n\a	-	162,156	162,156
Total N.C. Dept. of Health and Human Resources		-	175,403	189,401

**CHOWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2003**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u> <u>(Direct and</u> <u>Pass-Through)</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
<b>N.C. Department of Transportation:</b>				
Elderly and Disabled Transportation Assistance Program (E&DTAP)	n/a	-	36,970	-
Rural General Public Program	n/a	-	17,226	-
Work First Transitional	n/a	-	5,045	-
Total N.C. Dept. of Transportation		-	59,241	-
<b>N.C. Office of Budget and Management - Passed through ARPDC:</b>				
Legislative Appropriation - Senior Center	n/a	-	15,602	-
HCCBG	n/a	-	3,392	-
Total N.C. Office of Budget and Management		-	18,994	-
<b>N.C. Office of Juvenile Justice</b>				
Intensive Super of Juvenile Justice	n/a	-	51,270	-
ADSC Mediation/Conflict Resolution	n/a	-	2,973	-
After School Plus	n/a	-	19,424	-
Total N.C. Office of Juvenile Justice		-	73,667	-
<b>Office of the Governor</b>				
Dept. of Juvenile Justice and Delinquency Prevention - Governor's One-On-One Volunteer Program	n/a	-	22,500	-
One North Carolina Fund	n/a	-	150,000	-
Total Office of the Governor		-	172,500	-
<b>Total State Awards</b>		-	624,548	189,401
<b>Total Federal and State Awards</b>		<u>\$ 15,400,078</u>	<u>\$ 6,494,748</u>	<u>\$ 1,896,646</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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements. Benefit payments are paid directly to recipients and are not included in the county's general purpose financial statements. However, due to the county'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</u> <u>Number</u>	<u>State</u> <u>Expenditures</u>
OJJ Funds	n/a	\$ 73,667