

**CHOWAN COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

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

CHOWAN COUNTY, NORTH CAROLINA

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Chowan County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chowan County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Chowan County ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion on the financial statement, insofar as it relates to the amounts included for the Chowan County ABC Board, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Chowan County ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

In our opinion, based on our audit, and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, as of June 30, 2010, the respective changes in financial position and cash flows, where appropriate, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2010, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, Law Enforcement Officer's Special Separation Allowance and the Other Post-Employment Benefits Required Supplementary Information are not required parts of the financial statements but are 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 the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Chowan County, North Carolina, taken as a whole. The combining and individual fund financial statements and schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, and supplemental ad valorem tax schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

October 6, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

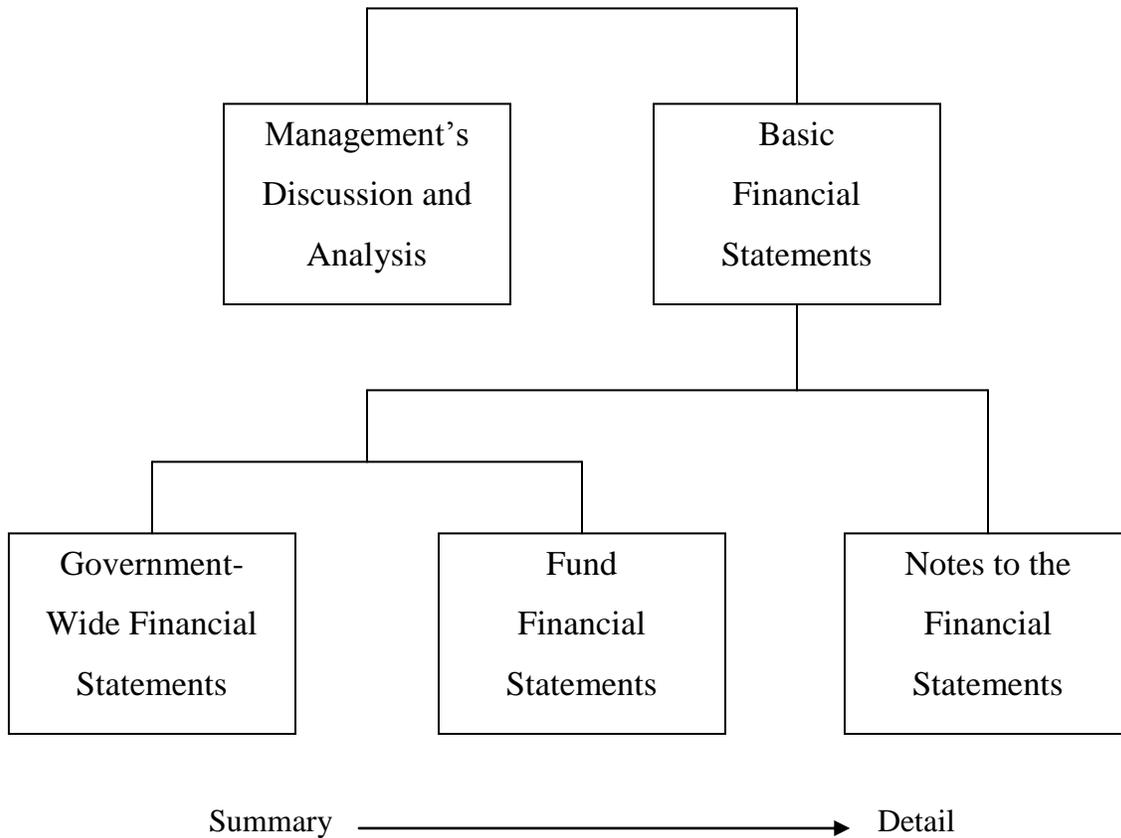
Financial Highlights

- The assets of Chowan County's exceeded its liabilities at the close of the fiscal year by \$29,325,316. Of this amount, \$3,849,487 may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's net assets of governmental activities increased by \$1,638,674. This compares to a decrease of \$1,659,498 in 2009.
- As of the close of the current fiscal year, Chowan County's governmental funds reported combined ending fund balances of \$3,401,529, an increase of \$2,264,250 in comparison with the prior year. Unreserved fund balance was \$2,710,717 at June 30, 2010.
- Chowan County's total debt decreased by \$1,864,694 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. Chowan 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 (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 A and B, in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information concerning the County's financial status.

The next statements, Exhibits C through J, are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government, providing 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 and agency fund statements.

The final section of the basic financial statements is the **Notes to the Financial Statements**. The notes to the financial statements offer a detailed explanation about various information contained in the statements. Following the notes, **Supplemental Information** provides details of the County's nonmajor governmental funds, all of which are combined in one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes can also 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, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of Chowan County's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Chowan County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Chowan County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Chowan County include general governmental, public safety, transportation, public education, economic development, and general administration. The business-type activities of Chowan County consist of the solid waste (landfill) operation, the Water Fund, and the Emergency Management Fund. The County also has two business type capital projects: the Water Storm Preparedness Capital Reserve Fund and the Water Development Capital Reserve Fund.

The government-wide financial statements include not only Chowan County itself (known as the primary government), but also the Chowan County ABC Board for which Chowan County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A and B of this report.

Fund Financial Statements

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 other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 which provides 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 of Commissioners 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds. Chowan County maintains only one type of proprietary fund, an enterprise fund. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Chowan County has seven 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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Chowan County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information immediately follows the notes to the financial statements.

Chowan County's Net Assets
Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets:						
Current and other assets	\$ 4,545,816	\$ 2,984,873	\$ 1,650,478	\$ 1,286,895	\$ 6,196,294	\$ 4,271,768
Capital assets	<u>41,063,141</u>	<u>46,994,687</u>	<u>6,247,372</u>	<u>6,006,755</u>	<u>47,310,513</u>	<u>53,001,442</u>
Total assets	<u>45,608,957</u>	<u>49,979,560</u>	<u>7,897,850</u>	<u>7,293,650</u>	<u>53,506,807</u>	<u>57,273,210</u>
Liabilities:						
Long-term liabilities, outstanding	22,012,313	22,744,953	318,937	156,094	22,331,250	22,901,047
Other liabilities	<u>1,655,284</u>	<u>2,121,784</u>	<u>194,957</u>	<u>192,266</u>	<u>1,850,241</u>	<u>2,314,050</u>
Total liabilities	<u>23,667,597</u>	<u>24,866,737</u>	<u>513,894</u>	<u>348,360</u>	<u>24,181,491</u>	<u>25,215,097</u>
Net Assets:						
Invested in capital assets, net of related debt	19,275,776	24,429,387	6,151,720	5,899,545	25,427,496	30,328,932
Restricted	48,333	46,997	-	-	48,333	46,997
Unrestricted	<u>2,617,251</u>	<u>636,439</u>	<u>1,232,236</u>	<u>1,045,745</u>	<u>3,849,487</u>	<u>1,682,184</u>
Total net assets	<u>\$ 21,941,360</u>	<u>\$ 25,112,823</u>	<u>\$ 7,383,956</u>	<u>\$ 6,945,290</u>	<u>\$ 29,325,316</u>	<u>\$ 32,058,113</u>

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. For Chowan County, assets exceeded liabilities by \$29,325,316 at the close of the most recent fiscal year.

By far the largest portion of Chowan County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. 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 related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to repay these liabilities.

At the end of the current fiscal year, Chowan County is able to report positive balances in unrestricted net assets in the amount of \$3,849,487 for the government as a whole.

Chowan County's Changes in Net Assets
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Charges for services	\$ 4,245,320	\$ 4,630,860	\$ 3,611,402	\$ 2,968,685	\$ 7,856,722	\$ 7,599,545
Operating grants and contributions	754,670	1,100,380	-	-	754,670	1,100,380
Capital grants and contributions	6,931	(36,037)	-	19,477	6,931	(16,560)
General revenues:						
Property taxes	10,442,856	9,832,471	-	-	10,442,856	9,832,471
Other taxes	2,907,283	3,628,223	-	-	2,907,283	3,628,223
Other	21,058	56,804	6,197	3,934	27,255	60,738
Total revenues	<u>18,378,118</u>	<u>19,212,701</u>	<u>3,617,599</u>	<u>2,992,096</u>	<u>21,995,717</u>	<u>22,204,797</u>
Expenses:						
General government	4,496,761	5,322,633	-	-	4,496,761	5,322,633
Public safety	3,620,525	4,665,933	-	-	3,620,525	4,665,933
Economic and physical development	444,809	361,139	-	-	444,809	361,139
Environmental protection	113,492	1,303,733	-	-	113,492	1,303,733
Human services	3,426,008	3,900,216	-	-	3,426,008	3,900,216
Cultural and recreation	817,499	1,457,170	-	-	817,499	1,457,170
Education	3,304,206	3,887,548	-	-	3,304,206	3,887,548
Interest on long-term debt	855,626	487,753	-	-	855,626	487,753
Water Fund	-	-	1,075,707	1,047,517	1,075,707	1,047,517
Solid Waste Fund	-	-	930,104	-	930,104	-
Emergency Management Fund	-	-	1,455,104	1,430,653	1,455,104	1,430,653
Total expenses	<u>17,078,926</u>	<u>21,386,125</u>	<u>3,460,915</u>	<u>2,478,170</u>	<u>20,539,841</u>	<u>23,864,295</u>
Increase (decrease) in net assets before transfers	1,299,192	(2,173,424)	156,684	513,926	1,455,876	(1,659,498)
Transfers	<u>339,482</u>	<u>14,968</u>	<u>(339,482)</u>	<u>(14,968)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>1,638,674</u>	<u>(2,158,456)</u>	<u>(182,798)</u>	<u>498,958</u>	<u>1,455,876</u>	<u>(1,659,498)</u>
Net assets, beginning as stated	25,112,823	13,530,913	6,945,290	4,731,921	32,058,113	18,262,834
Prior period adjustment	<u>(4,810,137)</u>	<u>13,740,366</u>	<u>621,464</u>	<u>1,714,411</u>	<u>(4,188,673)</u>	<u>15,454,777</u>
Net assets, beginning as restated	<u>20,302,686</u>	<u>27,271,279</u>	<u>7,566,754</u>	<u>6,446,332</u>	<u>27,869,440</u>	<u>33,717,611</u>
Net assets, ending	<u>\$ 21,941,360</u>	<u>\$ 25,112,823</u>	<u>\$ 7,383,956</u>	<u>\$ 6,945,290</u>	<u>\$ 29,325,316</u>	<u>\$ 32,058,113</u>

Governmental Activities. Of total net assets, governmental activities accounted for \$21,941,360 (75 percent). Property taxes provided 57 percent of funding at \$10,442,856. Charges for services funded \$4,245,320 and operating grants funded \$754,670 of Chowan County's governmental activities. The decrease in governmental activities net assets of \$3,171,464 was primarily due to depreciation expense of \$1,809,968 and an increase from General Fund activities of \$1,991,631.

Business-Type Activities. Business-type activities increased Chowan County's net assets by \$438,666.

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.

As of the end of the current fiscal year, Chowan County's governmental funds reported combined ending fund balances of \$3,401,529, an increase of \$2,264,249 from 2009. The increase is primarily due to an increase of \$1,991,631 in the General Fund.

The General Fund is the principal operating fund of Chowan County. At the end of the current fiscal year, total fund balance for the General Fund reached \$2,642,477. 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. In the current year, the unreserved fund balance in the General Fund as a percent of expenditures was 14%. Total fund balance represents 18 percent of the total expenditures and transfers out for the fund.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants, and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased total budgeted revenues and expenditures by \$1,550,468. These amendments were necessary to reflect changes made by the governing board to more accurately reflect expected revenues and to reflect cost-cutting measures implemented by management to improve the financial condition of the County.

Proprietary Funds. Chowan County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of Water Fund at the end of the year totaled \$536,129, the Emergency Management Fund totaled \$67,791 and the Solid Waste Fund totaled \$109,033.

Capital Asset and Debt Administration

Capital Assets. Chowan County's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$47,310,513 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, and equipment. The total decrease in Chowan County's investment in capital assets for the current fiscal year was 11 percent (a 13 percent decrease for governmental activities and a 2 percent increase for business-type activities).

Chowan County's Capital Assets
Figure 4

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 3,329,362	\$ -	\$ (200)	\$ 3,329,162
Depreciable Assets:				
Buildings	45,231,940	-	(10,000)	45,221,940
Equipment	6,690,660	315,515	(87,740)	6,918,435
Total depreciable assets	<u>51,922,600</u>	<u>315,515</u>	<u>(97,740)</u>	<u>52,140,375</u>
Less Accumulated Depreciation:				
Buildings	8,449,850	1,113,696	(10,000)	9,553,546
Equipment	4,242,562	696,272	(85,984)	4,852,850
Total accumulated depreciation	<u>12,692,412</u>	<u>\$ 1,809,968</u>	<u>\$ (95,984)</u>	<u>14,406,396</u>
Total capital assets being depreciated, net	<u>39,230,188</u>			<u>37,733,979</u>
	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
Water Fund:				
Non-Depreciable Assets				
Land	\$ 140,847	\$ -	\$ -	\$ 140,847
Depreciable Assets:				
Plant and systems	10,151,790	-	-	10,151,790
Building and improvements	1,513,062	-	-	1,513,062
Equipment	370,434	-	-	370,434
Total	<u>12,035,286</u>	<u>-</u>	<u>-</u>	<u>12,035,286</u>
Less Accumulated Depreciation:				
Plant and distribution systems	4,692,912	260,835	-	4,953,747
Buildings and improvements	793,696	41,498	-	835,194
Equipment	346,686	12,317	-	359,003
Total accumulated depreciation	<u>5,833,294</u>	<u>\$ 314,650</u>	<u>\$ -</u>	<u>6,147,944</u>
Capital assets being depreciated, net	<u>6,201,992</u>			<u>5,887,342</u>
Water Fund capital assets, net	<u>6,342,839</u>			<u>6,028,189</u>
Emergency Management Fund:				
Depreciable Assets:				
Equipment	898,212	\$ 32,518	\$ -	930,730
Total	<u>898,212</u>	<u>32,518</u>	<u>-</u>	<u>930,730</u>
Less Accumulated Depreciation:				
Equipment	616,691	94,856	-	711,547
Total accumulated depreciation	<u>616,691</u>	<u>\$ 94,856</u>	<u>\$ -</u>	<u>711,547</u>
Capital assets being depreciated, net	<u>281,521</u>			<u>219,183</u>
Business-type activities capital assets, net	<u>\$ 6,624,360</u>			<u>\$ 6,247,372</u>

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

Long-Term Debt. At the end of the current fiscal year, Chowan County had no bonded debt outstanding.

**Chowan County's Outstanding
General Obligation Bonds & Other Debt
Figure 5**

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
General obligation bonds	\$ 80,464	\$ -	\$ (80,464)	\$ -	\$ -
Hospital revenue bonds and note	1,050,506	-	(569,362)	481,144	363,701
Qualified Zone Academy Bonds, net of related Sinking Fund \$326,175 as of June 30, 2009	1,673,825	-	(103,573)	1,570,252	103,573
Notes payable	21,266,475	-	(1,049,362)	20,217,113	1,052,204
Unfunded OPEB	454,481	454,481	-	908,962	-
Compensated absences	409,860	12,015	(27,555)	394,320	40,000
Total governmental activities	<u>\$ 24,935,611</u>	<u>\$ 466,496</u>	<u>\$ (1,830,316)</u>	<u>\$ 23,571,791</u>	<u>\$ 1,559,478</u>

Chowan County's total governmental debt decreased by \$1,830,316 during the past fiscal year.

More detailed information on Chowan County's long-term debt and capital asset activity can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for Chowan County is currently 9.8 percent, which is a decrease from a rate of 11.8 percent a year ago. This compares to the State's average unemployment rate of 9.7 percent.

All of these factors were considered in preparing Chowan County's budget for the 2010/2011 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities. Management expects minimal growth in the tax base and other revenue for the 2011 fiscal year. This limited revenue growth continues the trend that dates back to 2008.

Budgeted expenditures in the General Fund remained virtually unchanged as a result of the anticipated revenues including sales tax to remain flat. No new or increased revenue is expected from other sources for the upcoming fiscal year. Land transfer tax revenue is now accounted for in a capital reserve fund for school related capital projects and debt.

Chowan County's goals have been and will continue to include operating and providing services at costs less than budgeted amounts so year-end budget savings and unanticipated revenues would be used to increase fund balance. There was no appropriation of fund balance for any expenditures or capital projects in the 2011 budget.

Business-Type Activities. The budgeted expenditures for the Emergency Management and Solid Waste Funds remained virtually unchanged from the previous year. The Water Fund expenses were increased due to in part to capital improvements that have been postponed from previous years. No fee increases were proposed for any of these funds.

Requests for Information

This financial report is designed to provide a general overview of Chowan County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Office of the County Manager, 305 West Freemason Street, Edenton, North Carolina 27932.

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS JUNE 30, 2010

	<u>Primary Government</u>			<u>Component</u>
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Unit</u>
	<u>Activities</u>	<u>Activities</u>		<u>Chowan</u>
				<u>County ABC</u>
				<u>Board</u>
Assets:				
Cash and cash equivalents	\$ 2,857,100	\$ 1,192,572	\$ 4,049,672	\$ 79,014
Taxes receivable, net	499,009	-	499,009	-
Accounts receivable, net	4,028	443,997	448,025	53
Due from other governments	644,004	-	644,004	-
Inventories	-	13,909	13,909	118,162
Prepaid items	24,750	-	24,750	10,017
Lease receivable, hospital	516,925	-	516,925	-
Capital assets:				
Non-depreciable capital assets	3,329,162	140,847	3,470,009	-
Capital assets, net	<u>37,733,979</u>	<u>6,106,525</u>	<u>43,840,504</u>	<u>453,922</u>
Total capital assets	<u>41,063,141</u>	<u>6,247,372</u>	<u>47,310,513</u>	<u>453,922</u>
Total assets	<u>45,608,957</u>	<u>7,897,850</u>	<u>53,506,807</u>	<u>661,168</u>
Liabilities:				
Accounts payable and accrued expenses	75,632	137,408	213,040	115,021
Unearned revenue	20,174	-	20,174	-
Customer deposits	-	25,066	25,066	-
Long-term liabilities:				
Due within one year	1,559,478	95,023	1,654,501	30,194
Due in more than one year	<u>22,012,313</u>	<u>256,397</u>	<u>22,268,710</u>	<u>86,088</u>
Total liabilities	<u>23,667,597</u>	<u>513,894</u>	<u>24,181,491</u>	<u>231,303</u>
Net Assets:				
Invested in capital assets, net of related debt	19,275,776	6,151,720	25,427,496	337,640
Restricted for:				
Other purposes	48,333	-	48,333	34,952
Unrestricted (deficit)	<u>2,617,251</u>	<u>1,232,236</u>	<u>3,849,487</u>	<u>57,273</u>
Total net assets	<u>\$ 21,941,360</u>	<u>\$ 7,383,956</u>	<u>\$ 29,325,316</u>	<u>\$ 429,865</u>

The accompanying notes are an integral part of the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 4,496,761	\$ 949,323	\$ 148,972	\$ -
Public safety	3,620,524	678,218	28,184	34,970
Environmental protection	113,492	-	80,098	-
Economic and physical development	444,809	71,434	329,526	-
Human services	3,426,008	2,415,147	43,352	(28,039)
Cultural and recreational	817,499	131,198	20,965	-
Education	3,304,206	-	103,573	-
Interest on long-term debt	<u>855,626</u>	-	-	-
Total governmental activities	<u>17,078,926</u>	<u>4,245,320</u>	<u>754,670</u>	<u>6,931</u>
Business-Type Activities:				
Water Fund	1,075,707	1,215,854	-	-
Solid Waste Fund	930,104	1,277,295	-	-
Emergency Management Fund	1,455,104	983,185	-	-
Water Fund Storm Preparedness Capital Reserve Fund	-	77,545	-	-
Water Development Capital Reserve Fund	-	<u>57,523</u>	-	-
Total business-type activities	<u>3,460,915</u>	<u>3,611,402</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 20,539,841</u>	<u>\$ 7,856,722</u>	<u>\$ 754,670</u>	<u>\$ 6,931</u>
Component Unit:				
Chowan County ABC Board	<u>\$ 1,160,529</u>	<u>\$ 1,160,160</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

- Property taxes, levied for general purpose
- Local option sales tax
- Other taxes and licenses

Investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net Assets:

- Beginning of year, as previously stated - July 1
- Prior period adjustment
- Beginning of year, restated
- End of year - June 30

The accompanying notes are an integral part of the financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Chowan County ABC Board
\$ (3,398,466)	\$ -	\$ (3,398,466)	\$ -
(2,879,152)	-	(2,879,152)	-
(33,394)	-	(33,394)	-
(43,849)	-	(43,849)	-
(995,548)	-	(995,548)	-
(665,336)	-	(665,336)	-
(3,200,633)	-	(3,200,633)	-
(855,626)	-	(855,626)	-
<u>(12,072,005)</u>	<u>-</u>	<u>(12,072,005)</u>	<u>-</u>
-	140,147	140,147	-
-	347,191	347,191	-
-	(471,919)	(471,919)	-
-	77,545	77,545	-
-	57,523	57,523	-
-	150,487	150,487	-
<u>(12,072,005)</u>	<u>150,487</u>	<u>(11,921,518)</u>	<u>-</u>
			<u>(369)</u>
10,442,856	-	10,442,856	-
1,714,303	-	1,714,303	-
1,192,980	-	1,192,980	-
21,058	6,197	27,255	369
339,482	(339,482)	-	-
<u>13,710,679</u>	<u>(333,285)</u>	<u>13,377,394</u>	<u>369</u>
1,638,674	(182,798)	1,455,876	-
25,112,823	6,945,290	32,058,113	429,865
(4,810,137)	621,464	(4,188,673)	-
<u>20,302,686</u>	<u>7,566,754</u>	<u>27,869,440</u>	<u>429,865</u>
<u>\$ 21,941,360</u>	<u>\$ 7,383,956</u>	<u>\$ 29,325,316</u>	<u>\$ 429,865</u>

The accompanying notes are an integral part of the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 2,195,676	\$ 661,424	\$ 2,857,100
Taxes receivable, net	472,113	26,896	499,009
Due from other funds	49,802	-	49,802
Due from other governments	497,049	146,955	644,004
Accounts receivable, net	-	4,028	4,028
Prepaid items	24,750	-	24,750
Total assets	<u>\$ 3,239,390</u>	<u>\$ 839,303</u>	<u>\$ 4,078,693</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 74,323	\$ 1,309	\$ 75,632
Due to other funds	-	49,802	49,802
Deferred revenue	522,590	29,140	551,730
Total liabilities	<u>596,913</u>	<u>80,251</u>	<u>677,164</u>
Fund Balances:			
Reserved for:			
Reserved by State statute	516,548	101,181	617,729
Reserved for prepaids	24,750	-	24,750
Register of Deeds	48,333	-	48,333
Unreserved:			
Special revenue funds	-	657,871	657,871
Unreserved (deficit)	2,052,846	-	2,052,846
Total fund balances	<u>2,642,477</u>	<u>759,052</u>	<u>3,401,529</u>
Total liabilities and fund balances	<u>\$ 3,239,390</u>	<u>\$ 839,303</u>	

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

Lease receivable - hospital	516,925
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	41,063,141
Unearned revenue and deferred revenue QZAB	531,556
Long-term debt	(22,268,509)
Accrued vacation and other post-employment benefits	(1,303,282)
Net assets of governmental activities	<u>\$ 21,941,360</u>

The accompanying notes are an integral part of the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 9,860,960	\$ 477,588	\$ 10,338,548
Local option sales taxes	1,675,928	38,375	1,714,303
Other taxes and licenses	326,063	810,064	1,136,127
Unrestricted intergovernmental revenues	56,853	-	56,853
Restricted intergovernmental revenues	3,001,080	149,620	3,150,700
Permits and fees	389,680	-	389,680
Sales and services	1,358,967	-	1,358,967
Investment earnings	15,996	5,062	21,058
Miscellaneous	129,771	5,736	135,507
Total revenues	<u>16,815,298</u>	<u>1,486,445</u>	<u>18,301,743</u>
Expenditures:			
Current:			
General government	2,962,001	-	2,962,001
Public safety	2,892,234	500,879	3,393,113
Environmental protection	108,978	-	108,978
Economic and physical development	317,830	126,648	444,478
Human services	3,322,697	-	3,322,697
Cultural and recreational	752,477	-	752,477
Education	3,215,902	88,304	3,304,206
Debt service	1,034,445	1,054,580	2,089,025
Total expenditures	<u>14,606,564</u>	<u>1,770,411</u>	<u>16,376,975</u>
Revenues over (under) expenditures	<u>2,208,734</u>	<u>(283,966)</u>	<u>1,924,768</u>
Other Financing Sources (Uses):			
Transfers in	281,545	1,589,339	1,870,884
Transfers out	(498,648)	(1,032,754)	(1,531,402)
Total other financing sources (uses)	<u>(217,103)</u>	<u>556,585</u>	<u>339,482</u>
Net change in fund balances	1,991,631	272,619	2,264,250
Fund Balances:			
Beginning of year - July 1	650,846	486,433	1,137,279
End of year - June 30	<u>\$ 2,642,477</u>	<u>\$ 759,052</u>	<u>\$ 3,401,529</u>

The accompanying notes are an integral part of the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds	\$ 2,264,250
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected or is expected to be collected within 60 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenues types:</p>	
Property taxes	74,612
Grant revenue	29,802
Interest expense related to the hospital bond does not require current economic resources; therefore, it is not an expenditure in the governmental funds statement.	(28,039)
Change in liabilities for other post-employment benefits for retirees and compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(438,941)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	315,515
Gain/(loss) on disposal of capital assets is reported in the Statement of Activities; however, proceeds from the sale of assets are not effected by gain/(loss) in the fund statements	(1,956)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,809,968)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>1,233,399</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 1,638,674</u>

The accompanying notes are an integral part of the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund			Variance from Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 9,715,137	\$ 9,715,137	\$ 9,860,960	\$ 145,823
Local option sales taxes	1,265,000	1,490,321	1,675,928	185,607
Other taxes and licenses	243,000	270,275	326,063	55,788
Unrestricted intergovernmental revenues	108,000	42,000	56,853	14,853
Restricted intergovernmental revenues	2,583,723	3,209,652	3,001,080	(208,572)
Permits and fees	382,309	410,083	389,680	(20,403)
Sales and services	794,103	1,236,408	1,358,967	122,559
Investment earnings	-	-	15,996	15,996
Miscellaneous	110,000	180,390	129,771	(50,619)
Total revenues	<u>15,201,272</u>	<u>16,554,266</u>	<u>16,815,298</u>	<u>261,032</u>
Expenditures:				
Current:				
General government	3,135,119	3,311,986	2,962,001	349,985
Public safety	2,895,489	3,162,046	2,892,234	269,812
Environmental protection	143,902	148,008	108,978	39,030
Economic and physical development	213,249	337,256	317,830	19,426
Human services	3,544,806	3,733,192	3,322,697	410,495
Cultural and recreational	688,901	764,749	752,477	12,272
Education	3,119,860	3,219,738	3,215,902	3,836
Debt service	1,054,479	1,044,806	1,034,445	10,361
Total expenditures	<u>14,795,805</u>	<u>15,721,781</u>	<u>14,606,564</u>	<u>1,115,217</u>
Revenues over (under) expenditures	<u>405,467</u>	<u>832,485</u>	<u>2,208,734</u>	<u>1,376,249</u>
Other Financing Sources (Uses):				
Transfers from other funds	126,071	281,545	281,545	-
Transfers to other funds	(484,997)	(1,040,125)	(498,648)	541,477
Contingency	(46,541)	(73,905)	-	73,905
Total other financing sources (uses)	<u>(405,467)</u>	<u>(832,485)</u>	<u>(217,103)</u>	<u>615,382</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,991,631	<u>\$ 1,991,631</u>
Fund Balance:				
Beginning of year - July 1			650,846	
End of year - June 30			<u>\$ 2,642,477</u>	

The accompanying notes are an integral part of the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Water Fund	Solid Waste Fund	Emergency Management Fund	Water Fund Storm Preparedness Capital Reserve	Water Development Capital Reserve	Total
Assets:						
Current assets:						
Cash and cash equivalents	\$ 493,692	\$ 129,665	\$ 58,385	\$ 587	\$ 510,243	\$ 1,192,572
Receivables, net	130,136	88,128	217,280	7,524	929	443,997
Inventories	13,909	-	-	-	-	13,909
Total current assets	<u>637,737</u>	<u>217,793</u>	<u>275,665</u>	<u>8,111</u>	<u>511,172</u>	<u>1,650,478</u>
Non-current assets:						
Non-depreciable capital assets	140,847	-	-	-	-	140,847
Capital assets, net	5,887,342	-	219,183	-	-	6,106,525
Total non-current assets	<u>6,028,189</u>	<u>-</u>	<u>219,183</u>	<u>-</u>	<u>-</u>	<u>6,247,372</u>
Total assets	<u>6,665,926</u>	<u>217,793</u>	<u>494,848</u>	<u>8,111</u>	<u>511,172</u>	<u>7,897,850</u>
Liabilities:						
Current liabilities:						
Accounts payable	10,248	108,760	18,400	-	-	137,408
Customer deposits	25,066	-	-	-	-	25,066
Current portion of long-term debt	22,280	-	72,743	-	-	95,023
Total current liabilities	<u>57,594</u>	<u>108,760</u>	<u>91,143</u>	<u>-</u>	<u>-</u>	<u>257,497</u>
Non-current liabilities:						
Non-current portion of long-term debt	44,014	-	212,383	-	-	256,397
Total non-current liabilities	<u>44,014</u>	<u>-</u>	<u>212,383</u>	<u>-</u>	<u>-</u>	<u>256,397</u>
Total liabilities	<u>101,608</u>	<u>108,760</u>	<u>303,526</u>	<u>-</u>	<u>-</u>	<u>513,894</u>
Net Assets:						
Invested in capital assets, net of related debt	6,028,189	-	123,531	-	-	6,151,720
Unrestricted (deficit)	536,129	109,033	67,791	8,111	511,172	1,232,236
Total net assets	<u>\$ 6,564,318</u>	<u>\$ 109,033</u>	<u>\$ 191,322</u>	<u>\$ 8,111</u>	<u>\$ 511,172</u>	<u>\$ 7,383,956</u>

The accompanying notes are an integral part of the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water Fund	Solid Waste Fund	Emergency Management Fund	Water Fund Storm Preparedness Capital Reserve	Water Development Capital Reserve	Total
Operating Revenues:						
Charges for services	\$ 1,106,698	\$ 1,212,112	\$ 969,096	\$ -	\$ -	\$ 3,287,906
Other taxes and licenses	-	9,969	-	77,545	57,523	145,037
Other operating revenues	109,156	55,214	14,089	-	-	178,459
Total operating revenues	<u>1,215,854</u>	<u>1,277,295</u>	<u>983,185</u>	<u>77,545</u>	<u>57,523</u>	<u>3,611,402</u>
Operating Expenses:						
Salaries and employee benefits	265,041	-	1,109,734	-	-	1,374,775
Other operating expenses	495,528	930,104	246,352	-	-	1,671,984
Depreciation	314,650	-	94,856	-	-	409,506
Total operating expenses	<u>1,075,219</u>	<u>930,104</u>	<u>1,450,942</u>	<u>-</u>	<u>-</u>	<u>3,456,265</u>
Operating income (loss)	<u>140,635</u>	<u>347,191</u>	<u>(467,757)</u>	<u>77,545</u>	<u>57,523</u>	<u>155,137</u>
Non-Operating Revenues (Expenses):						
Interest earned on investments	2,142	324	996	198	2,537	6,197
Interest expense and fees	(488)	-	(4,162)	-	-	(4,650)
Total non-operating revenues (expenses)	<u>1,654</u>	<u>324</u>	<u>(3,166)</u>	<u>198</u>	<u>2,537</u>	<u>1,547</u>
Net income (loss) before contributions and transfers	<u>142,289</u>	<u>347,515</u>	<u>(470,923)</u>	<u>77,743</u>	<u>60,060</u>	<u>156,684</u>
Other Financing Sources (Uses):						
Transfers in	75,000	-	-	-	-	75,000
Transfers out	(101,000)	(238,482)	-	(75,000)	-	(414,482)
Total other financing sources (uses)	<u>(26,000)</u>	<u>(238,482)</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>	<u>(339,482)</u>
Change in net assets	<u>116,289</u>	<u>109,033</u>	<u>(470,923)</u>	<u>2,743</u>	<u>60,060</u>	<u>(182,798)</u>
Net Assets:						
Beginning of year, as previously stated - July 1	5,826,565	-	662,245	5,368	451,112	6,945,290
Prior period adjustment	621,464	-	-	-	-	621,464
Beginning of year, restated	<u>6,448,029</u>	<u>-</u>	<u>662,245</u>	<u>5,368</u>	<u>451,112</u>	<u>7,566,754</u>
End of year - June 30	<u>\$ 6,564,318</u>	<u>\$ 109,033</u>	<u>\$ 191,322</u>	<u>\$ 8,111</u>	<u>\$ 511,172</u>	<u>\$ 7,383,956</u>

The accompanying notes are an integral part of the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water Fund	Solid Waste Fund	Emergency Management Fund	Water Fund Storm Preparedness Capital Reserve	Water Development Capital Reserve	Total
Cash Flows from Operating Activities:						
Cash received from customers	\$ 1,266,146	\$ 1,189,167	\$ 1,206,499	\$ 70,021	\$ 56,595	\$ 3,788,428
Cash paid for goods and services	(494,964)	(821,344)	(235,464)	-	-	(1,551,772)
Cash paid to employees for services	(240,204)	-	(1,025,792)	-	-	(1,265,996)
Net cash provided (used) by operating activities	<u>530,978</u>	<u>367,823</u>	<u>(54,757)</u>	<u>70,021</u>	<u>56,595</u>	<u>970,660</u>
Cash Flows from Non-Capital Financing Activities:						
Transfers in (out)	(26,000)	(238,482)	-	(75,000)	-	(339,482)
Net cash provided (used) by noncapital financing activities	<u>(26,000)</u>	<u>(238,482)</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>	<u>(339,482)</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	-	-	(32,518)	-	-	(32,518)
Principal paid on long-term debt	(12,940)	-	(48,993)	-	-	(61,933)
Interest paid on long term debt	(488)	-	(4,162)	-	-	(4,650)
Net cash provided (used) by capital and related financing activities	<u>(13,428)</u>	<u>-</u>	<u>(85,673)</u>	<u>-</u>	<u>-</u>	<u>(99,101)</u>
Cash Flows from Investing Activities:						
Interest on investments	2,142	324	996	198	2,537	6,197
Net increase (decrease) in cash and cash equivalents	493,692	129,665	(139,434)	(4,781)	59,132	538,274
Cash and Cash Equivalents:						
Beginning of year - July 1	-	-	197,819	5,368	451,111	654,298
End of Year - June 30	<u>\$ 493,692</u>	<u>\$ 129,665</u>	<u>\$ 58,385</u>	<u>\$ 587</u>	<u>\$ 510,243</u>	<u>\$ 1,192,572</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 140,635	\$ 347,191	\$ (467,757)	\$ 77,545	\$ 57,523	\$ 155,137
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	314,650	-	94,856	-	-	409,506
Changes in Assets and Liabilities:						
(Increase) decrease in accounts receivable	51,817	(88,128)	219,460	(7,524)	(928)	174,697
Increase (decrease) in accounts payable and accrued liabilities	564	108,760	14,742	-	-	124,066
Increase (decrease) in customer deposits	(1,524)	-	-	-	-	(1,524)
Increase (decrease) in accrued vacation pay & OPEB	24,836	-	83,942	-	-	108,778
Net cash provided (used) by operating activities	<u>\$ 530,978</u>	<u>\$ 367,823</u>	<u>\$ (54,757)</u>	<u>\$ 70,021</u>	<u>\$ 56,595</u>	<u>\$ 970,660</u>

The accompanying notes are an integral part of the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 6,173
Accounts receivable	<u>325</u>
Total assets	<u>\$ 6,498</u>
Liabilities:	
Accounts payable	\$ 5,854
Due to others	<u>644</u>
Total liabilities	<u>\$ 6,498</u>

The accompanying notes are an integral part of the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Significant Accounting Policies

A. Reporting Entity

Chowan County, North Carolina (the “County”) 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. The County seat is located in Edenton, North Carolina. The County operates under a council-manager form of government.

As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component unit, legally separate entities for which the County is financially accountable. The following discretely presented component unit is reported in separate columns in the County’s combined financial statements in order to emphasize that they are legally separate from the County.

Chowan County Alcoholic Beverage Control Board

The Chowan County Alcoholic Beverage Control Board (“ABC Board”) is governed by a three-member Board appointed by the County Commissioners as ABC Board members’ terms expire. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it was a proprietary fund. Complete financial statements for the ABC Board may be obtained at Chowan County ABC Board, PO Box 88, Edenton, NC 27932

B. Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide financial statements (Exhibit A - Statement of Net Assets and Exhibit B - Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component unit. The effect of interfund activity has been removed from these statements in all material areas. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds for the year ended June 30, 2010:

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

The County reports the following major enterprise funds:

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

Emergency Medical Services Fund. This fund is used to account for the operations of the emergency medical services within the County.

Water Fund Storm Preparedness Capital Reserve Fund. This fund is used to account for revenue received from a storm preparedness fee on the monthly water utility bills. This is to cover the expense of installing generators at the water plant and well sites beginning in 2004. The cost of installing these generators was charged to the Water Capital Project Fund, and the fee will be collected and transferred to that fund annually until that deficit is paid back.

Water Development Capital Reserve Fund. This fund is used to account for revenue received from a water development fee imposed on customers of new development and will be used to expand the capacity of the water system in the future.

Solid Waste Fund - This fund is used to account for the operations of the landfill system within the County.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All funds of the County are accounted for during the year using the modified accrual basis of accounting in accordance with the North Carolina General Statutes. The financial statements are reported at year-end as discussed below.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide financial statements, the proprietary fund, fiduciary fund, and the ABC Board financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Net assets are segregated into (1) investment in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. Operating statements for these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

As permitted by generally accepted accounting principles, the County has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989, in its accounting and reporting practices for its proprietary operations.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of June 30, 2010. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

For modified accrual basis of accounting purposes, 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 subsequent year. Also, as of January 1, 1993, State law altered procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Chowan County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes which were billed during this period are shown as a receivable on the fund financial statements.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue on both the government-wide financial statements and the fund financial statements. 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. The effect of interfund activity has been eliminated from the government-wide financial statements.

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. Internally dedicated resources are reported as general revenues; therefore, all taxes are reported as general revenues.

Proprietary funds distinguish between operating revenues/expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund and Emergency Management Fund are charges to customers for services. The principal operating revenue for the Water Fund Storm Preparedness Capital Reserve Fund and Water Development Capital Reserve Fund are fees imposed by the County to provide resources for the specific capital purpose of the fund. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Basis of Presentation – Fund Accounting

The accounts of the County are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenses or expenditures, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal, and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County has the following fund categories:

Governmental Funds. Governmental funds are those used to account for the County's expendable financial resources and related liabilities (except those accounted for in proprietary or agency funds). The following are the County's governmental fund types:

General Fund. The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund for fund financial statement reporting purposes.

Special Revenue Funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to specified purposes. The Fire District Fund, Emergency Telephone System Fund, Revaluation Fund, NC Housing Finance Agency Project Fund, School Capital Reserve Fund, School Capital Project Fund, Street Assessment Fund, and Occupancy Tax Fund are the special revenue funds of the County.

Capital Projects Funds. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The County's capital project funds are: Public Safety Building Project, Library Renovation Project, Albemarle MM/DD/SS Project, Edenton/Chowan High School Roofing Project, and John A. Holmes High School Renovation Project.

Proprietary Funds. Proprietary funds are used to account for activities that are similar to those often found in the private sector. The following are the proprietary funds of the County:

Enterprise Funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water Fund, Emergency Management Fund, Solid Waste Fund, Water Capital Project Fund, Water Fund Storm Preparedness Capital Reserve Fund, and Water Development Capital Reserve Fund are the enterprise funds of the County. Each of the enterprise funds are major funds for fund financial statement reporting purposes.

Fiduciary Funds. Fiduciary funds are used for assets held in a trustee capacity. The following are the fiduciary funds of the County.

Agency Funds. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds are used to account for assets the County holds on behalf of others. The agency funds maintained by the County account for money deposited with the County through Social Services, Edenton Historical Commission Cannon Fund, Drainage Districts, Town of Edenton Tax Collections, Albemarle Learning Center, Mary S. Gulley Foundation, and motor vehicle 3% interest payable to the State Fund.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

E. 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, Fire District Fund, Emergency Telephone System Fund, Revaluation Fund, School Capital Reserve Fund, School Capital Project Fund, Street Assessment Fund, Occupancy Tax Fund, Solid Waste Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the NC Housing Finance Agency Project Fund, 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, amendments to the original budget were necessary and the most significant amendments are summarized as follows:

Local option sales tax revenue	\$218,461
Grant revenue	581,819
Sales and services – sale of fixed assets	305,545
Rent/concessions/fees	120,000

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.

F. Assets, Liabilities, and Fund Equity

Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31, except as noted in Note 2. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County 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 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), an SEC-registered (2a-7) money market mutual fund.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County's investments are carried at fair value as determined by quoted market prices. The NCCMT's Cash Portfolio are stated 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 and non-participating interest earnings and investment contracts are reported at amortized cost.

Cash and Cash Equivalents

The County pools monies 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.

For purposes of the Statement of Cash Flows, the County considers all deposits and investments with an original maturity date of three months or less, which are not limited as to use, to be cash equivalents.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

G. 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, 2009.

H. 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.

I. Inventories and Prepaid Items

Inventories of the County consist primarily of system materials and supplies and are valued at cost (first-in, first-out method). The costs of governmental fund type inventories are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (including infrastructure assets purchased prior to implementing GASB 34), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost greater than \$500 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The County capitalizes buildings and land, purchased or constructed, for the Chowan County Board of Education in all instances where the County retains title to the property. The County transfers title of school property to the Board of Education after all installment debt collateralized by the property has been retired. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized. The County capitalizes interest costs which are incurred during the construction period of capital assets.

Buildings and equipment are depreciated using the straight-line method over estimated useful lives as shown below:

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

K. Compensated Absences

County employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to a maximum of thirty days. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. The County uses the first-in, first-out method to value accrued vacation pay and the current amount due.

The County's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of the Statement of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Debt issuance costs are recognized as other assets and amortized over the life of the debt using the effective interest method.

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

The bonds for the Water Fund are carried in the Enterprise Fund rather than in the governmental activities funds. The debt service requirements for that debt are met by water revenues, but the taxing power of the County is pledged to make these payments if water revenues should ever be insufficient.

M. Self-Insurance

The County is self-insured for employee medical benefits and workers' compensation with third-party insurance coverage at specified levels. The self-insurance plan is administered by an insurance company. The self-insurance assets, liabilities, revenues, and expenditures are reported in the General Fund.

N. Deferred / Unearned Revenues

In the fund financial statements, ad valorem taxes receivable are not accrued as a revenue because they are not considered to be both "measurable and available." Ad valorem taxes receivable that are measurable, but not available, are recorded as deferred revenues in the fund financial statements. In addition, property taxes collected in advance of the fiscal year to which they apply are also recorded as unearned revenue in the government-wide financial statements and deferred revenue in the fund financial statements. Certain receivables are also recorded as deferred revenue in the fund financial statements because they are not considered to be available at year-end.

O. Interfund Transactions

Interfund services provided are accounted for as revenue or expenses in the government-wide financial statements since they would be treated as such if they involved organizations external to the County. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are: allowance for doubtful accounts and depreciation lives.

Q. 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 of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State Statute. The portion of fund balance, in addition to other reserves, which is not available for appropriation under State law. State law restricts the appropriation of fund balance or fund equity 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.

Reserved for Register of Deeds. The portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the Register of Deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the Register of Deeds' office.

Reserved for Prepaid Items. The portion of fund balance not available for appropriation because it represents the year-end fund balance of prepaid items, which are not expendable, available resources.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

2. Cash, Cash Equivalents, and Investments

All of the County'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 the securities held by the County's agents in the unit's name. 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, these deposits are considered to be held by the County's agent in its name. 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 with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness on any other financial institution used by the County.

The County complies with the provisions G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County does not have a policy regarding custodial credit risk for deposits.

At June 30, 2010, the County's deposits had a carrying amount of \$2,869,543 and a bank balance of \$3,228,106. Of the bank balance, \$2,534,371 was covered by federal depository insurance. At June 30, 2010, Chowan County had \$500 cash on hand.

Investments

At June 30, 2010, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
US Government Agencies	\$ 432,511	\$ 432,511
NC Capital Management Trust - Cash Portfolio	593,926	593,926
NC Capital Management Trust - Term Portfolio	159,365	159,365
Total investments	<u>\$ 1,185,802</u>	<u>\$ 1,185,802</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Credit Risk. The County has no policy regarding credit risk. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2010. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in U.S. Agencies are rated AAA.

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

In accordance with the General Statutes, certain agricultural, horticultural, forest land, and historical properties may be preferentially assessed for property taxes at present-use value rather than fair market value. The difference between taxes on such property at present-use value and taxes that would have been levied at fair market value may become collectible over the next three years. These taxes become due and payable when the property becomes ineligible for the preference. At the end of the fourth year, these taxes expire by operation of law. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 411,690	\$ 97,776	\$ 509,466
2008	460,732	67,958	528,690
2009	486,381	27,967	514,348
2010	486,086	-	486,086
Total	<u>\$ 1,844,889</u>	<u>\$ 193,701</u>	<u>\$ 2,038,590</u>

CHOWAN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

4. Accounts Receivables - Disaggregate Information

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable:			
Street assessments	\$ 2,242	\$ -	\$ 2,242
Water Fund fees, net	-	130,136	130,136
Solid Waste Fund	-	88,128	88,128
Stormpreparedness Fund	-	7,524	7,524
Water Development Capital Fund	-	929	929
Emergency Management Fund fees, net	-	217,280	217,280
Other construction related receivables	1,786	-	1,786
	<u>\$ 4,028</u>	<u>\$ 443,997</u>	<u>\$ 448,025</u>
Due from Other Governments:			
Sales tax	\$ 644,004	\$ -	\$ 644,004

Allowances for Doubtful Accounts

For the County, the amounts presented in Exhibit A, the Statement of Net Assets, are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>Allowance</u>
General Fund:	
Property taxes	\$ 310,000
Fire district taxes	12,669
Total	<u>\$ 322,669</u>
Enterprise Fund:	
Water Fund	\$ 89,572
Solid Waste Fund	140,839
Stormpreparedness Fund	6,301
Water Capital Reserve Fund	5,288
Emergency Management Fund	1,306,200
Total	<u>\$ 1,548,200</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

5. Capital Assets

Governmental Activities Capital Assets

A summary of changes in the County's capital assets used in governmental activities follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
Non-Depreciable Assets:				
Land	\$ 3,329,362	\$ -	\$ (200)	\$ 3,329,162
Depreciable Assets:				
Buildings	45,231,940	-	(10,000)	45,221,940
Equipment	6,690,660	315,515	(87,740)	6,918,435
Total depreciable assets	51,922,600	315,515	(97,740)	52,140,375
Less Accumulated Depreciation:				
Buildings	8,449,850	1,113,696	(10,000)	9,553,546
Equipment	4,242,562	696,272	(85,984)	4,852,850
Total accumulated depreciation	12,692,412	<u>\$ 1,809,968</u>	<u>\$ (95,984)</u>	14,406,396
Total capital assets being depreciated, net	39,230,188			37,733,979
Governmental activities capital assets, net	\$ 42,559,550			\$ 41,063,141

Beginning capital assets were adjusted due to a prior period adjustment.

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

Governmental Activities:	Amount
General government	\$ 1,429,465
Public safety	314,580
Environmental protection	4,514
Economic and physical development	1,830
Human services	16,504
Cultural and recreational	43,075
Total	<u>\$ 1,809,968</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Proprietary Capital Assets

The capital assets of the Proprietary Fund at June 30, 2010, are as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
Water Fund:				
Non-Depreciable Assets				
Land	\$ 140,847	\$ -	\$ -	\$ 140,847
Depreciable Assets:				
Plant and systems	10,151,790	-	-	10,151,790
Building and improvements	1,513,062	-	-	1,513,062
Equipment	370,434	-	-	370,434
Total	<u>12,035,286</u>	<u>-</u>	<u>-</u>	<u>12,035,286</u>
Less Accumulated Depreciation:				
Plant and distribution systems	4,692,912	260,835	-	4,953,747
Buildings and improvements	793,696	41,498	-	835,194
Equipment	346,686	12,317	-	359,003
Total accumulated depreciation	<u>5,833,294</u>	<u>\$ 314,650</u>	<u>\$ -</u>	<u>6,147,944</u>
Capital assets being depreciated, net	<u>6,201,992</u>			<u>5,887,342</u>
Water Fund capital assets, net	<u>6,342,839</u>			<u>6,028,189</u>
Emergency Management Fund:				
Depreciable Assets:				
Equipment	898,212	\$ 32,518	\$ -	930,730
Less Accumulated Depreciation:				
Equipment	616,691	94,856	-	711,547
Total accumulated depreciation	<u>616,691</u>	<u>\$ 94,856</u>	<u>\$ -</u>	<u>711,547</u>
Capital assets being depreciated, net	<u>281,521</u>			<u>219,183</u>
Emergency Management Fund capital assets, net	<u>281,521</u>			<u>219,183</u>
Business-type activities capital assets, net	<u>\$ 6,624,360</u>			<u>\$ 6,247,372</u>

Business-type capital assets were increased due to a prior period adjustment.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2010 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 41,063,141	\$ 6,247,372
Long-term debt	(23,571,791)	(351,420)
Accrued compensated absences & OPEB	1,303,282	255,768
Long-term debt for hospital not owned by the County	481,144	-
Invested in capital assets, net of related debt	\$ 19,275,776	\$ 6,151,720

Accounts Payable - Disaggregate Information

	Vendors
Governmental Activities:	
General	\$ 74,323
Other governmental	1,309
Total governmental activities	\$ 75,632
Business-Type Activities:	
Water Fund	\$ 10,248
Solid Waste Fund	108,760
Emergency Management Fund	18,400
Total - business-type activities	\$ 137,408

6. Deferred/Unearned Revenues

The balance in deferred revenues in the governmental fund statements at year-end is composed of the following elements:

	General Fund	Special Revenue Funds	Total
Prepaid taxes not yet earned	\$ 20,174	\$ -	\$ 20,174
Taxes receivable (net)	472,113	26,896	499,009
Special assessments receivable (net)	-	2,244	2,244
Other deferred items	30,303	-	30,303
Total	\$ 522,590	\$ 29,140	\$ 551,730

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The balance in unearned items in the government-wide statements at year-end is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Prepaid taxes	\$ 20,174	\$ -	\$ 20,174
Total	<u>\$ 20,174</u>	<u>\$ -</u>	<u>\$ 20,174</u>

7. Pension Plan Obligation

A. Local Governmental Employees' Retirement System

Plan Description

Chowan County contributes 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, NC 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 is 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 4.91% and 4.86%, respectively, of annual covered payroll. The County's contributions including the members' contributions, to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$509,731, \$571,920 and \$628,020, respectively. The contributions made by the County equaled the required contributions for each year.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

B. Law Enforcement Officers' Special Separation Allowance

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 0.85% 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. Plan benefits are funded on a pay-as-you-go basis. The County obtained an actuarial valuation as of December 31, 2005. The net pension obligation as of December 31, 2005, was \$260,571. Due to the immateriality of the liability to the County, an actuarial valuation was not obtained at June 30, 2010. The County funds the plan on a pay-as-you-go basis and records these payments as General Fund expenditures. The plan does not prepare separate financial statements.

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2010, were \$114,090, which consisted of \$37,094 from the County and \$76,996 from the law enforcement officers.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

C. Registers of Deeds' Supplemental Pension Fund

Plan Description

Chowan County also contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any 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. The Registers of Deeds' Supplemental 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 Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article I 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. The County's contributions including the members' contributions for the fiscal year ended June 30, 2010, were \$4,884. The contributions made by the County equaled the required contributions for 2010.

D. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Trust Plan for Members of the Local Governmental Employees' Retirement System (Death Trust Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. 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 his/her death, but the benefit may not exceed \$50,000 and will be a minimum of \$25,000. All death benefit payments are made from the Death Trust 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 Trust Plan and not by the County, the County does not determine the number of eligible participants. For

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

the fiscal year ended June 30, 2010, the County made contributions to the State for death benefits of \$44,817. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% and .14% of covered payroll, respectively. The contributions to the Death Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

E. Other Post-Employment Benefits – Healthcare Benefits

Plan Description

In addition to providing pension benefits, the County has elected to provide healthcare benefits to retirees of the County who have at least thirty years service with the North Carolina Local Governmental Employees' Retirement System (System) or the North Carolina Law Enforcement Officers' Local Governmental Employees' Retirement System (LE System); and/or employees who are credited with at least ten years of service with the System or the LE System and have reached their sixtieth birthday in service, have twenty years of total service with Chowan County and their five most recent years of continuous service were with the County, at the time of retirement. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active County employees. The County pays the full cost of coverage for these benefits. Retirees with years of service between ten and twenty years may continue coverage on the County's group policy by paying the full premium until age 65.

Retirees can purchase coverage for their dependents at the County's group rates until the retiree reaches age sixty-five. Currently, 5 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2010, the County paid healthcare related claims of \$70,200 for retirees. The County is self-insured for healthcare coverage and purchases catastrophic loss coverage through private insurers. A separate report was not issued for the plan.

Membership of the plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	13	N/A
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	130	18
Total	143	18

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Funding Policy

The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the County Board. The County's members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 10.64% of annual covered payroll. For the current year, the County contributed \$0 or 0.00% of annual covered payroll. The County is self-insured for healthcare coverage and purchases catastrophic loss coverage through private insurers.

There were no contributions made by employees, except for dependent coverage in the amount of \$6,876. The County's obligation to contribute to the Plan is established and may be amended by the County Board.

Summary of Significant Accounting Policies

Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net Obligation

The County's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 551,095
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB cost (expense)	551,095
Contributions made	-
Increase (decrease) in net OPEB obligation	551,095
Net OPEB obligation, beginning of year	551,095
Net OPEB obligation, end of year	<u>\$ 1,102,190</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 551,095	0.0%	\$ 1,102,190

Fund Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$5,838,284. The covered payroll (annual payroll of active employees covered by the plan) was \$5,237,209, and the ratio of the UAAL to the covered payroll was 111.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, was 29 years.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

8. Long-Term Obligations

The County records long-term debt of the governmental funds at face value in the government-wide statement of net assets. All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

A. Changes in Long-Term Debt

The following is a summary of changes in the County's governmental activities long-term obligations for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
General obligation bonds	\$ 80,464	\$ -	\$ (80,464)	\$ -	\$ -
Hospital revenue bonds and note	1,050,506	-	(569,362)	481,144	363,701
Qualified Zone Academy Bonds, net of related Sinking Fund \$429,748 as of June 30, 2010	1,673,825	-	(103,573)	1,570,252	103,573
Notes payable	21,266,475	-	(1,049,362)	20,217,113	1,052,204
Unfunded OPEB	454,481	454,481	-	908,962	-
Compensated absences	409,860	12,015	(27,555)	394,320	40,000
Total governmental activities	<u>\$ 24,935,611</u>	<u>\$ 466,496</u>	<u>\$ (1,830,316)</u>	<u>\$ 23,571,791</u>	<u>\$ 1,559,478</u>

Total governmental activities long-term debt increased by \$375,000 due to a prior period adjustment for an unreported note that was outstanding in 2009.

The General Fund is typically used to liquidate the compensated absences and pension liabilities. Hospital related debt (\$481,144) represent debt not considered in the calculation of invested in capital assets, net of debt as these issues are not associated with capital assets owned by the County.

At June 30, 2010, Chowan County had no bonds authorized but unissued and a legal debt-margin of \$116,335,000.

CHOWAN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

B. Hospital Lease Receivable, Revenue Bonds Payable and Note Payable

The County entered an agreement to lease the Chowan Hospital facilities to Pitt County Memorial Hospital, Inc. (Pitt), a not-for-profit corporation. The lease agreement requires Pitt to pay the bond payments and note payments in lieu of annual lease payments. The building and related debt is in the County's name and transfer of title will take place upon the retirement of the outstanding debt. The County reported lease receivable of \$516,925 on the Statement of Net Assets as of June 30, 2010. The lease receivable is equal to the principal and interest payments due on the outstanding debt related to the leased property. The outstanding debt related to the Hospital on June 30, 2010 was as follows:

\$4,295,000 1997 Hospital Revenue Bonds, due April 1, 1997, through October 1, 2010. Payable in 28 semi-annual installments of \$235,144, which includes interest at 5.07%.	\$ 251,823
\$1,500,000 note payable to BB&T, collateralized by hospital machinery, chattels, and other tangible personal property. Payable in 180 monthly installments of \$12,027, which includes interest at 5.21%	<u>229,321</u> <u>\$ 481,144</u>

Annual debt service requirements to maturity for the County's hospital bonds and notes payable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 363,701	\$ 15,752
2012	<u>117,443</u>	<u>2,822</u>
Total	<u>\$ 481,144</u>	<u>\$ 18,574</u>

C. Notes Payable - Qualified Zone Academy Bonds

On July 20, 2005, the County financed the renovation of John A. Holmes High School by issuing \$2,000,000 of Qualified Zone Academy Bonds, with a coupon rate of 0%. The bonds are secured by the real estate and require the County to make annual contributions of \$103,573 to a bond sinking fund, which is held in trust by a bank. The bonds mature in 2025 at which time the sinking fund balance is designed to be sufficient to retire the bonds based on the accumulation of the annual contributions and the earnings of the sinking fund. As of June 30, 2010, the sinking fund's balance was \$429,748, consisting of contributions of \$408,261 and accumulated investment earnings of \$21,487. In the event the sinking fund is insufficient to retire the bonds in 2025, the County is obligated to fund the deficiency in 2025.

Annual debt service requirements (in the form of sinking fund contributions) to maturity for the County's Qualified Zone Academy Bonds are as follows:

CHOWAN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Year Ending June 30	Principal	Interest
2011	\$ 103,573	\$ -
2012	103,573	-
2013	103,573	-
2014	103,573	-
2015	103,573	-
2016-2020	517,865	-
2021-2025	<u>534,522</u>	-
Total	<u>\$ 1,570,252</u>	<u>\$ -</u>

D. Notes Payable – Governmental Activities

A summary of the County’s governmental activities notes payable is as follows:

4.05% note, payable in annual installments of \$570,908 plus interest; secured by D.F. Walker Elementary school	\$ 5,717,441
4.09% note, payable in annual installments of \$186,656 plus interest; secured by Adult Day Health Center and Chowan Community Center	2,053,218
4.125% note, payable in annual installments of \$27,900 including interest; secured by landfill equipment	362,569
4.25% note, payable in annual installments of \$532,200 including interest; secured by public safety building; principal payments begin in 2011	9,856,600
4.25% note, payable in annual installments of \$111,881 including interest; secured by public safety building; principal payments begin in 2011	1,100,000
4.38% note, payable in annual installments of \$89,717 plus interest; secured by Shepard-Pruden Library	1,076,608
2.58% note, payable in monthly installments of \$4,570 including interest; secured by vehicles	<u>50,677</u>
Total installment purchase contracts	<u>\$ 20,217,113</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Annual debt service requirements to maturity for the County's governmental activities notes payable are as follows:

Year Ending	Governmental Activities			
	June 30	Principal	Interest	Total
2011	\$	1,052,204	\$ 851,465	\$ 1,903,669
2012		1,060,597	808,366	1,868,963
2013		1,063,590	765,069	1,828,659
2014		1,058,642	721,775	1,780,417
2015		1,067,606	670,491	1,738,097
2016-2020		5,486,381	2,723,812	8,210,193
2021-2025		1,675,970	1,821,700	3,497,670
2026-2030		1,203,848	1,544,870	2,748,718
2031-2035		1,358,036	1,279,099	2,637,135
2036-2040		1,672,213	964,922	2,637,135
2041-2045		2,059,074	578,061	2,637,135
2046-2048		1,458,952	124,722	1,583,674
Total	\$	20,217,113	\$ 12,854,352	\$ 33,071,465

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

E. Proprietary Fund Debt

The following is a summary of the changes in the County's business-type activities long-term obligations for the year ended June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Business-Type Activities:					
Water Fund:					
General obligation bonds	\$ 9,536	\$ -	\$ (9,536)	\$ -	\$ -
Notes payable	3,404	-	(3,404)	-	-
Unfunded pension obligation - OPEB	22,007	22,007	-	44,014	-
Compensated absences	19,450	3,130	(300)	22,280	22,280
Total Water Fund	<u>54,397</u>	<u>25,137</u>	<u>(13,240)</u>	<u>66,294</u>	<u>22,280</u>
Emergency Management Fund:					
Notes payable	144,645	-	(48,993)	95,652	32,483
Unfunded pension obligation - OPEB	74,607	74,607	-	149,214	-
Compensated absences	30,925	10,080	(745)	40,260	40,260
Total Emergency Management	<u>250,177</u>	<u>84,687</u>	<u>(49,738)</u>	<u>285,126</u>	<u>72,743</u>
Total business-type activities	<u>\$ 304,574</u>	<u>\$ 109,824</u>	<u>\$ (62,978)</u>	<u>\$ 351,420</u>	<u>\$ 95,023</u>

A summary of notes payable serviced by the Emergency Management Fund is as follows:

2.78% note, payable in monthly installments of \$4,570 including interest, secured by equipment	\$ 95,652
Total installment purchase contracts	<u>\$ 95,652</u>

Annual debt service requirements to maturity for the County's business-type activities notes payable are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Emergency Management</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 32,483	\$ 2,164
2012	33,357	1,290
2013	29,812	363
Total	<u>\$ 95,652</u>	<u>\$ 3,817</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

9. Landfill Closure and Post-Closure Care 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 discussed in the "Jointly Governed Organizations" note herein, the County participates in two jointly governed organizations 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 adequate reserves to provide for closure and post-closure costs. The County did not recognize any additional costs and/or liability for the year ended June 30, 2010, related to closure and post-closure care cost.

10. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in a self-funded risk financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$37.6 million for anyone occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

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

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

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

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

11. Joint Ventures

Pettigrew Regional Library

The County 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; therefore, no equity interest has been reflected in the financial statements at June 30, 2010. The participating governments provide the library facilities. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$142,076 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.

12. Jointly Governed Organization

Albemarle Regional Health Services

The County, in conjunction with six other counties participates in Albemarle Regional Health Services. The County appoints two members to the ten-member Board. The County contributed \$43,530 to the organization during the fiscal year ended June 30, 2010. Complete financial statements for District Health can be obtained from the District Health offices at Albemarle Regional Health Services, PO Box 189, Elizabeth City, NC 27909.

Albemarle Regional Solid Waste Authority

The County is 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 \$930,104 for solid waste disposal during the current year.

Perquimans-Chowan-Gates Landfill Commission

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.

Chowan County Satellite Campus of the College of the Albemarle

The County, in conjunction with College of the Albemarle, Elizabeth City, NC participates in a joint venture to operate the Chowan County Satellite Campus of the College of the Albemarle. The County has the responsibility to provide funding for the satellite facilities in Chowan County. During the fiscal year ending June 30, 2010, total facilities cost totaled \$325,734.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Albemarle Commission

The County, in conjunction with ten other counties and fourteen other municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints three members to the Commission's governing board. The County paid membership fees of \$9,529 to the Commission during the fiscal year ended June 30, 2010.

North East Economic Development Committee

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

Albemarle Mental Health

The County, in conjunction with five other counties, participates in Albemarle Mental Health. Albemarle Mental Health provides mental health services to the residents of the participating counties through satellite offices. Chowan County appoints one member to the fifteen-member Board of Albemarle Mental Health. The County contributed \$34,111 to the organization during the fiscal year ended June 30, 2010.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

13. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. 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>
Medicaid	\$ 17,453,202	\$ 6,148,683
Temporary assistance to needy families	169,301	-
Low income energy assistance block grant	115,105	-
State Foster Care	-	6,226
Women, infants and children	356,939	-
IV-E Adoption Subsidy	17,969	3,634
IV-E Foster Care	31,493	11,460
F/C at risk maximization	-	3,646
F/C special provision	-	8,554
WS, adoption subsidy	-	9,782
SC/SA domiciliary care	-	189,908
Total	<u>\$ 18,144,009</u>	<u>\$ 6,381,893</u>

14. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

Chowan County leases real property (land and buildings) owned by the Albemarle Learning Center, Inc., a non-profit corporation. As consideration for the lease, Chowan County pays for the property's maintenance and utility costs as well as the annual debt service of Albemarle Learning Center, Inc. which is secured by its real property. As an additional condition of the lease, Albemarle Learning Center, Inc. has granted Chowan County an option to purchase the leased property for an option fee of the amount of the remaining debt at the time the option is exercised. The County paid \$26,865 to the organization during the fiscal year ended June 30, 2010.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

15. Claims and Judgments

At June 30, 2010, the County was a defendant to various lawsuits. Management believes that the ultimate outcome of these legal matters will not have a material adverse effect on the financial position of the County.

16. Interfund Balances and Activity

A. Transfers to/from Other Funds:

Transfers in (out) for the year ended June 30, 2010, are summarized below:

<u>Fund</u>	<u>To</u>	<u>From</u>	<u>Purpose</u>
Water Capital Project - Generator	\$ 75,000		
Water Storm Preparedness Capital Reserve		\$ 75,000	Transfer of assessed fees
Public Safety Capital Project Fund	144,555		
General Fund		144,555	Close fund
General Fund	161,665		
Solid Waste Enterprise Fund		161,665	Budgeted transfer
Solid Waste Enterprise Fund	76,817		Close fund
Solid Waste Special Revenue Fund		76,817	
School Capital Reserve Special Revenue Fund	329,093		
General Fund		329,093	Budgeted transfer
School Capital Special Revenue Fund	1,013,874		Annual debt service requirements
School Capital Reserve Special Revenue Fund		1,013,874	and capital needs
Revaluation Special Revenue Fund	25,000		
General Fund		25,000	Annual contribution
General Fund	18,880		
Fire Districts Special Revenue Fund		18,880	Local contribution
General Fund	101,000		
Water Fund		101,000	Budgeted transfer

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

17. Component Unit Transactions

In fiscal year 2010, the County received \$36,200 in profit distributions from its component unit, Chowan County ABC Board.

18. Prior Period Adjustment

Beginning fund balances in the fund financial statements were restated to correct errors from prior years as follows:

Governmental Funds:

Governmental activities	<u>\$ (4,810,137)</u>
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Enterprise Funds:

Water Fund	<u>\$ 621,464</u>
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The errors from the prior year were due to misstatements related to capital assets and long-term debt in the governmental activities and capital assets within the business-type activities. Beginning net assets for governmental activities and business-type activities were restated by \$4,810,137 and \$621,464 respectively.

19. Commitments and Contingencies

The North Carolina Department of Environment and Natural Resources (NCDENR) have discovered that the County is unable to consistently comply with final effluent limits for chloride flowing into Pollock Swamp. The County has taken action pursuant to a special order by consent between the County and NCDENR to prepare and implement plans to achieve compliance over a 5 year period. The obligation can not be reasonably estimated so therefore no accrual has been reflected in the financial statements.

CHOWAN COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - HEALTH CARE FOR RETIREES REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDING JUNE 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)			
12/31/2008	\$ -	\$ 5,838,284	\$ 5,838,284	0.00%	\$ 5,237,209	111.5%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
6/30/2008	\$ 556,858	0.00%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	4.00%
Projected salary increases	10.50 - 5.00%
Year of ultimate trend rate	2016
Includes inflation at	3.75%
Cost of living adjustments	NA

CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 9,665,137	\$ 9,770,046	\$ 104,909	\$ 9,114,477
Penalties and interest	<u>50,000</u>	<u>90,914</u>	<u>40,914</u>	<u>54,224</u>
Total	<u>9,715,137</u>	<u>9,860,960</u>	<u>145,823</u>	<u>9,168,701</u>
Local Option Sales Taxes:				
Article 39 and 44	825,321	971,992	146,671	1,126,968
Article 40 one-half of one percent	365,000	523,826	158,826	468,793
Article 42 one-half of one percent	300,000	180,110	(119,890)	310,174
Medicaid Hold Harmless Payment	-	-	-	32,229
Total	<u>1,490,321</u>	<u>1,675,928</u>	<u>185,607</u>	<u>1,938,164</u>
Other Taxes and Licenses:				
Deed stamp excise tax	54,275	65,480	11,205	27,283
Real estate transfer tax	200,000	241,701	41,701	207,767
Scrap tire & white goods disposal tax	-	-	-	68,974
Cable TV	<u>16,000</u>	<u>18,882</u>	<u>2,882</u>	<u>19,171</u>
Total	<u>270,275</u>	<u>326,063</u>	<u>55,788</u>	<u>323,195</u>
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	1,000	1,030	30	1,096
Beer and wine tax	14,000	13,612	(388)	42,938
ABC profit distribution	26,000	40,745	14,745	30,182
Tax refunds	1,000	1,466	466	47,092
Gross receipts tax	-	-	-	(548)
Total	<u>42,000</u>	<u>56,853</u>	<u>14,853</u>	<u>120,760</u>
Restricted Intergovernmental Revenues:				
State grants	3,174,699	2,966,715	(207,984)	2,838,136
Local grants	<u>34,953</u>	<u>34,365</u>	<u>(588)</u>	<u>13,343</u>
Total	<u>3,209,652</u>	<u>3,001,080</u>	<u>(208,572)</u>	<u>2,851,479</u>
Permits and Fees:				
Building permits and inspection fees	122,362	117,972	(4,390)	172,665
Register of Deeds	107,012	92,451	(14,561)	82,460
Sheriff and court fees	<u>180,709</u>	<u>179,257</u>	<u>(1,452)</u>	<u>145,712</u>
Total	<u>410,083</u>	<u>389,680</u>	<u>(20,403)</u>	<u>400,837</u>

CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Sales and Services:				
Rents, concessions and fees	333,221	342,333	9,112	209,824
Jail fees	147,000	213,076	66,076	186,907
Recreation fees	49,000	102,794	53,794	60,790
Fees from local governments	390,642	386,241	(4,401)	390,209
Sale of capital assets	316,545	314,523	(2,022)	73,797
Total	<u>1,236,408</u>	<u>1,358,967</u>	<u>122,559</u>	<u>921,527</u>
Investment Earnings	<u>-</u>	<u>15,996</u>	<u>15,996</u>	<u>(290)</u>
Miscellaneous	<u>180,390</u>	<u>129,771</u>	<u>(50,619)</u>	<u>94,895</u>
Total revenues	<u>16,554,266</u>	<u>16,815,298</u>	<u>261,032</u>	<u>15,819,268</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	37,083	36,042		34,405
Operating expenditures	<u>6,900</u>	<u>5,056</u>		<u>4,151</u>
Total	<u>43,983</u>	<u>41,098</u>	<u>2,885</u>	<u>38,556</u>
Administration:				
Salaries and employee benefits	395,038	384,988		401,297
Operating expenditures	<u>324,427</u>	<u>316,082</u>		<u>270,440</u>
Total	<u>719,465</u>	<u>701,070</u>	<u>18,395</u>	<u>671,737</u>
Tax Collection:				
Salaries and employee benefits	148,505	144,142		186,406
Operating expenditures	<u>77,547</u>	<u>69,558</u>		<u>43,414</u>
Total	<u>226,052</u>	<u>213,700</u>	<u>12,352</u>	<u>229,820</u>
Legal:				
Operating expenditures	<u>21,000</u>	<u>18,829</u>		<u>31,421</u>
Total	<u>21,000</u>	<u>18,829</u>	<u>2,171</u>	<u>31,421</u>
Court Facilities:				
Salaries and employee benefits	500	496		-
Operating expenditures	<u>22,669</u>	<u>20,481</u>		<u>25,560</u>
Total	<u>23,169</u>	<u>20,977</u>	<u>2,192</u>	<u>25,560</u>

CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>		<u>Variance Over/Under</u>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Elections:				
Salaries and employee benefits	63,946	59,067		66,467
Operating expenditures	<u>31,907</u>	<u>19,385</u>		<u>15,599</u>
Total	<u>95,853</u>	<u>78,452</u>	<u>17,401</u>	<u>82,066</u>
Register of Deeds:				
Salaries and employee benefits	123,609	123,294		127,275
Operating expenditures	60,012	51,670		8,682
Capital outlay	<u>6,225</u>	<u>6,225</u>		<u>-</u>
Total	<u>189,846</u>	<u>181,189</u>	<u>8,657</u>	<u>135,957</u>
Land Records:				
Salaries and employee benefits	44,394	44,251		113,954
Operating expenditures	<u>19,133</u>	<u>15,811</u>		<u>11,769</u>
Total	<u>63,527</u>	<u>60,062</u>	<u>3,465</u>	<u>125,723</u>
Data Processing:				
Salaries and employee benefits	62,982	62,803		117,232
Operating expenditures	189,898	166,136		136,112
Capital outlay	<u>32,671</u>	<u>32,421</u>		<u>-</u>
Total	<u>285,551</u>	<u>261,360</u>	<u>24,191</u>	<u>253,344</u>
Central Maintenance:				
Salaries and employee benefits	327,012	302,549		376,461
Operating expenditures	25,150	13,167		20,697
Capital outlay	<u>-</u>	<u>-</u>		<u>2,700</u>
Total	<u>352,162</u>	<u>315,716</u>	<u>36,446</u>	<u>399,858</u>
Public Buildings:				
Operating expenditures	594,128	483,987		579,702
Capital outlay	<u>4,000</u>	<u>3,200</u>		<u>-</u>
Total	<u>598,128</u>	<u>487,187</u>	<u>110,941</u>	<u>579,702</u>
Inspection:				
Salaries and employee benefits	175,130	172,937		293,218
Operating expenditures	<u>18,306</u>	<u>10,555</u>		<u>21,880</u>
Total	<u>193,436</u>	<u>183,492</u>	<u>9,944</u>	<u>315,098</u>

CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Other General Government:				
Central services	483,414	382,675	100,739	495,940
Special appropriations	<u>16,400</u>	<u>16,194</u>	<u>206</u>	<u>49,900</u>
Total	<u>499,814</u>	<u>398,869</u>	<u>100,945</u>	<u>545,840</u>
Total general government	<u>3,311,986</u>	<u>2,962,001</u>	<u>349,985</u>	<u>3,434,682</u>
Public Safety:				
Central communications:				
Salaries and employee benefits	444,115	402,661		399,448
Operating expenditures	62,688	49,043		25,751
Capital outlay	<u>200,685</u>	<u>187,888</u>		<u>-</u>
Total	<u>707,488</u>	<u>639,592</u>	<u>67,896</u>	<u>425,199</u>
Sheriff:				
Salaries and employee benefits	968,025	955,585		981,047
Operating expenditures	245,379	194,791		191,708
Capital outlay	<u>22,500</u>	<u>15,861</u>		<u>14,038</u>
Total	<u>1,235,904</u>	<u>1,166,237</u>	<u>69,667</u>	<u>1,186,793</u>
School Resource Officer:				
Salaries and employee benefits	<u>158,709</u>	<u>148,561</u>		<u>147,577</u>
Total	<u>158,709</u>	<u>148,561</u>	<u>10,148</u>	<u>147,577</u>
Jail:				
Salaries and employee benefits	419,794	411,575		391,616
Operating expenditures	335,904	263,315		282,502
Capital outlay	<u>11,600</u>	<u>10,804</u>		<u>-</u>
Total	<u>767,298</u>	<u>685,694</u>	<u>81,604</u>	<u>674,118</u>
Emergency Management:				
Salaries and employee benefits	10,119	10,114		43,091
Operating expenditures	<u>16,530</u>	<u>4,282</u>		<u>-</u>
Total	<u>26,649</u>	<u>14,396</u>	<u>12,253</u>	<u>43,091</u>
Public Safety Office:				
Salaries and employee benefits	8,880	8,879		89,784
Operating expenditures	<u>22,280</u>	<u>22,280</u>		<u>11,526</u>
Total	<u>31,160</u>	<u>31,159</u>	<u>1</u>	<u>101,310</u>

CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Medical Examiner:				
Operating expenditures	6,800	4,800		4,900
Total	6,800	4,800	2,000	4,900
Animal Control:				
Salaries and employee benefits	115,058	105,796		199,633
Operating expenditures	87,808	71,495		58,892
Capital outlay	1,379	1,187		-
Total	204,245	178,478	25,767	258,525
Juvenile Justice:				
Salaries and employee benefits	12,098	12,098		11,709
Operating expenditures	11,695	11,219		9,381
Total	23,793	23,317	476	21,090
Total public safety	3,162,046	2,892,234	269,812	2,862,603
Environmental Protection:				
Solid Waste:				
Operating expenditures	2,200	1,816	384	77,514
Soil Conservation:				
Salaries and employee benefits	77,050	75,310		58,024
Operating expenditures	68,758	31,852		47,505
Total	145,808	107,162	38,646	105,529
Total environmental protection	148,008	108,978	39,030	183,043
Economic and Physical Development:				
Economic Development:				
Operating expenditures	3,834	3,833		34,776
Total	3,834	3,833	1	34,776
Economic Development Projects:				
CDBG scattered site housing	112,460	112,305		269,145
CWMTF Storm water planning	27,500	27,500		15,000
Total	139,960	139,805	155	284,145

CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>		<u>Variance Over/Under</u>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Agricultural Extension:				
Salaries and employee benefits	141,762	138,860		182,598
Operating expenditures	50,198	33,833		24,413
Capital outlay	1,502	1,499		-
Total	<u>193,462</u>	<u>174,192</u>	<u>19,270</u>	<u>207,011</u>
Total economic and physical development	<u>337,256</u>	<u>317,830</u>	<u>19,426</u>	<u>525,932</u>
Human Services:				
Public health - operating expenditures	<u>79,600</u>	<u>63,099</u>	<u>16,501</u>	<u>79,599</u>
Mental health - operating expenditures	<u>91,808</u>	<u>82,848</u>	<u>8,960</u>	<u>14,563</u>
Social Services:				
Administration:				
Salaries and employee benefits	447,689	441,960		532,214
Operating expenditures	107,103	92,629		84,879
Capital outlay	22,928	22,928		1,570
Total	<u>577,720</u>	<u>557,517</u>	<u>20,203</u>	<u>618,663</u>
Title XX Program:				
Salaries and employee benefits	327,199	321,533		390,268
Operating expenditures	116,226	95,824		94,536
Total	<u>443,425</u>	<u>417,357</u>	<u>26,068</u>	<u>484,804</u>
Other Social Services Programs:				
Operating expenditures	<u>260,303</u>	<u>199,192</u>	<u>61,111</u>	<u>216,158</u>
Day Care:				
Operating expenditures	<u>848,001</u>	<u>771,969</u>	<u>76,032</u>	<u>680,213</u>
Income Maintenance Programs:				
Salaries and employee benefits	684,738	665,641		653,187
Operating expenditures	192,960	173,857		83,621
Total	<u>877,698</u>	<u>839,498</u>	<u>38,200</u>	<u>736,808</u>
Medicaid Program:				
County participation	<u>253,457</u>	<u>180,472</u>	<u>72,985</u>	<u>711,907</u>

CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Child Support:				
Operating expenditures	<u>22,750</u>	<u>19,064</u>	<u>3,686</u>	<u>18,481</u>
Foster Care:				
Operating expenditures	<u>176,593</u>	<u>90,784</u>	<u>85,809</u>	<u>59,256</u>
Crisis Intervention:				
Operating expenditures	<u>94,387</u>	<u>93,543</u>	<u>844</u>	<u>96,581</u>
Total social services	<u>3,554,334</u>	<u>3,169,396</u>	<u>384,938</u>	<u>3,622,871</u>
Veterans Services:				
Salaries and employee benefits	6,800	6,729		12,482
Operating expenditures	<u>650</u>	<u>625</u>		<u>595</u>
Total	<u>7,450</u>	<u>7,354</u>	<u>96</u>	<u>13,077</u>
Total human services	<u>3,733,192</u>	<u>3,322,697</u>	<u>410,495</u>	<u>3,730,110</u>
Cultural and Recreational:				
Libraries:				
Operating expenditures	<u>146,161</u>	<u>144,222</u>	<u>1,939</u>	<u>177,657</u>
Recreation:				
Salaries and employee benefits	349,194	349,190		374,573
Operating expenditures	<u>74,795</u>	<u>70,436</u>		<u>67,766</u>
Capital outlay	<u>-</u>	<u>-</u>		<u>599</u>
Total	<u>423,989</u>	<u>419,626</u>	<u>4,363</u>	<u>442,938</u>
Senior Center:				
Salaries and employee benefits	92,140	92,137		113,632
Operating expenditures	<u>102,459</u>	<u>96,492</u>		<u>33,461</u>
Capital outlay	<u>-</u>	<u>-</u>		<u>14,922</u>
Total	<u>194,599</u>	<u>188,629</u>	<u>5,970</u>	<u>162,015</u>
Total cultural and recreation	<u>764,749</u>	<u>752,477</u>	<u>12,272</u>	<u>782,610</u>

CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Education:				
Public Schools:				
Current expense	<u>3,190,157</u>	<u>3,186,621</u>	<u>3,536</u>	<u>3,453,542</u>
Community Colleges:				
Current expense	<u>29,581</u>	<u>29,281</u>	<u>300</u>	<u>54,675</u>
Total education	<u>3,219,738</u>	<u>3,215,902</u>	<u>3,836</u>	<u>3,508,217</u>
Debt Service:				
Principal retirement	448,107	437,749		353,263
Interest and fees	<u>596,699</u>	<u>596,696</u>		<u>102,066</u>
Total debt service	<u>1,044,806</u>	<u>1,034,445</u>	<u>10,361</u>	<u>455,329</u>
Total expenditures	<u>15,721,781</u>	<u>14,606,564</u>	<u>1,115,217</u>	<u>15,482,526</u>
Revenues over (under) expenditures	<u>832,485</u>	<u>2,208,734</u>	<u>1,376,249</u>	<u>336,742</u>
Other Financing Sources (Uses):				
Operating transfer from other funds	281,545	281,545	-	1,156,908
Operating transfers to other funds	(1,040,125)	(498,648)	541,477	(419,744)
Contingency	<u>(73,905)</u>	<u>-</u>	<u>73,905</u>	<u>-</u>
Total other financing sources (uses)	<u>(832,485)</u>	<u>(217,103)</u>	<u>615,382</u>	<u>737,164</u>
Net change in fund balance	<u>\$ -</u>	1,991,631	<u>\$ 1,991,631</u>	1,073,906
Fund Balance:				
Beginning of year - July 1		<u>650,846</u>		<u>(423,060)</u>
End of year - June 30		<u>\$ 2,642,477</u>		<u>\$ 650,846</u>

CHOWAN COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2010

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 661,424	\$ -	\$ 661,424
Restricted cash and cash equivalents	-	-	-
Accounts receivable, net	2,297	1,731	4,028
Taxes receivable, net	26,896	-	26,896
Due from other governments	146,955	-	146,955
Total assets	<u>\$ 837,572</u>	<u>\$ 1,731</u>	<u>\$ 839,303</u>
 Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,309	\$ -	\$ 1,309
Due to other funds	48,071	1,731	49,802
Deferred revenues	29,140	-	29,140
Total liabilities	<u>78,520</u>	<u>1,731</u>	<u>80,251</u>
 Fund Balances:			
Reserved by State statute	101,181	-	101,181
Unreserved (deficit)	<u>657,871</u>	<u>-</u>	<u>657,871</u>
Total fund balances	<u>759,052</u>	<u>-</u>	<u>759,052</u>
 Total liabilities and fund balances	 <u>\$ 837,572</u>	 <u>\$ 1,731</u>	 <u>\$ 839,303</u>

CHOWAN COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2010

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Ad valorem taxes	\$ 477,588	\$ -	\$ 477,588
Local option sales taxes	38,375	-	38,375
Other taxes and licenses	901,588	(91,524)	810,064
Restricted intergovernmental revenues	149,620	-	149,620
Miscellaneous revenues	5,736	-	5,736
Investment earnings	5,062	-	5,062
Total revenues	<u>1,577,969</u>	<u>(91,524)</u>	<u>1,486,445</u>
Expenditures:			
Current:			
Public safety	500,879	-	500,879
Economic development	126,648	-	126,648
Education	-	88,304	88,304
Debt service:			
Principal	795,652	-	795,652
Interest	258,928	-	258,928
Total expenditures	<u>1,682,107</u>	<u>88,304</u>	<u>1,770,411</u>
Revenues over (under) expenditures	<u>(104,138)</u>	<u>(179,828)</u>	<u>(283,966)</u>
Other Financing Sources (Uses):			
Transfers in	1,444,784	144,555	1,589,339
Transfers out	<u>(1,032,754)</u>	<u>-</u>	<u>(1,032,754)</u>
Total other financing sources (uses)	<u>412,030</u>	<u>144,555</u>	<u>556,585</u>
Net change in fund balances	307,892	(35,273)	272,619
Fund Balances:			
Beginning of year - July 1	<u>451,160</u>	<u>35,273</u>	<u>486,433</u>
End of year - June 30	<u>\$ 759,052</u>	<u>\$ -</u>	<u>\$ 759,052</u>

CHOWAN COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET JUNE 30, 2010

	<u>Fire District Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Revaluation Fund</u>
Assets:			
Cash and cash equivalents	\$ 239,555	\$ 124,729	\$ 95,674
Accounts receivable, net	-	55	-
Due from other governments	4,445	-	-
Taxes receivable, net	<u>26,896</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 270,896</u>	<u>\$ 124,784</u>	<u>\$ 95,674</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 50	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenues	<u>26,898</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>26,948</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved by State statute	4,445	55	-
Unreserved (deficit)	<u>239,503</u>	<u>124,729</u>	<u>95,674</u>
Total fund balances	<u>243,948</u>	<u>124,784</u>	<u>95,674</u>
Total liabilities and fund balances	<u>\$ 270,896</u>	<u>\$ 124,784</u>	<u>\$ 95,674</u>

Schedule D-1

<u>NC Housing Finance Agency Project Fund</u>	<u>School Capital Reserve Fund</u>	<u>Street Assessment Fund</u>	<u>Occupancy Tax Fund</u>	<u>Total</u>
\$ -	\$ 165,055	\$ 3,711	\$ 32,700	\$ 661,424
-	-	2,242	-	2,297
48,071	94,439	-	-	146,955
-	-	-	-	26,896
<u>\$ 48,071</u>	<u>\$ 259,494</u>	<u>\$ 5,953</u>	<u>\$ 32,700</u>	<u>\$ 837,572</u>
\$ -	\$ -	\$ -	\$ 1,259	\$ 1,309
48,071	-	-	-	48,071
-	-	2,242	-	29,140
<u>48,071</u>	<u>-</u>	<u>2,242</u>	<u>1,259</u>	<u>78,520</u>
-	94,439	2,242	-	101,181
-	165,055	1,469	31,441	657,871
-	259,494	3,711	31,441	759,052
<u>\$ 48,071</u>	<u>\$ 259,494</u>	<u>\$ 5,953</u>	<u>\$ 32,700</u>	<u>\$ 837,572</u>

CHOWAN COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2010

	Fire Districts Fund	Emergency Telephone System Fund	Revaluation Fund
Revenues:			
Ad valorem taxes	\$ 477,588	\$ -	\$ -
Local option sales taxes	38,375	-	-
Other taxes and licenses	-	169,105	-
Restricted intergovernmental	-	-	-
Miscellaneous revenues	166	-	-
Investment earnings	1,779	470	379
Total revenues	<u>517,908</u>	<u>169,575</u>	<u>379</u>
Expenditures:			
Current:			
Public safety	390,138	110,741	-
Economic development	-	-	-
Debt service:			
Principal	40,706	-	-
Interest	-	-	-
Total expenditures	<u>430,844</u>	<u>110,741</u>	<u>-</u>
Revenues over (under) expenditures	<u>87,064</u>	<u>58,834</u>	<u>379</u>
Other Financing Sources (Uses):			
Transfers in	-	-	25,000
Transfers out	(18,880)	-	-
Total other financing sources (uses)	<u>(18,880)</u>	<u>-</u>	<u>25,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	68,184	58,834	25,379
Fund Balances:			
Beginning of year - July 1	<u>175,764</u>	<u>65,950</u>	<u>70,295</u>
End of year - June 30	<u>\$ 243,948</u>	<u>\$ 124,784</u>	<u>\$ 95,674</u>

<u>NC Housing Finance Agency Project Fund</u>	<u>School Capital Reserve Fund</u>	<u>School Capital Project Fund</u>	<u>Street Assessment Fund</u>	<u>Occupancy Tax Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 477,588
-	-	-	-	-	-	38,375
-	609,485	-	29,846	93,152	-	901,588
40,000	103,573	-	-	6,047	-	149,620
-	-	-	-	5,570	-	5,736
-	2,289	-	23	122	-	5,062
<u>40,000</u>	<u>715,347</u>	<u>-</u>	<u>29,869</u>	<u>104,891</u>	<u>-</u>	<u>1,577,969</u>
-	-	-	-	-	-	500,879
40,000	-	-	-	86,648	-	126,648
-	-	754,946	-	-	-	795,652
-	-	258,928	-	-	-	258,928
<u>40,000</u>	<u>-</u>	<u>1,013,874</u>	<u>-</u>	<u>86,648</u>	<u>-</u>	<u>1,682,107</u>
-	715,347	(1,013,874)	29,869	18,243	-	(104,138)
-	329,093	1,013,874	-	-	76,817	1,444,784
-	(1,013,874)	-	-	-	-	(1,032,754)
-	(684,781)	1,013,874	-	-	76,817	412,030
-	30,566	-	29,869	18,243	76,817	307,892
-	228,928	-	(26,158)	13,198	(76,817)	451,160
<u>\$ -</u>	<u>\$ 259,494</u>	<u>\$ -</u>	<u>\$ 3,711</u>	<u>\$ 31,441</u>	<u>\$ -</u>	<u>\$ 759,052</u>

CHOWAN COUNTY, NORTH CAROLINA

FIRE DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad valorem taxes	\$ 431,871	\$ 477,588	\$ 45,717	\$ 464,501
Local option sales tax	35,000	38,375	3,375	70,915
Miscellaneous revenue	1,100	166	(934)	1,045
Investment earnings	1,000	1,779	779	1,821
Total revenues	<u>468,971</u>	<u>517,908</u>	<u>48,937</u>	<u>538,282</u>
Expenditures:				
Public safety:				
Town of Edenton	273,476	266,079	7,397	246,525
Salaries and benefits	49,903	38,209	11,694	47,543
Telephone and postage	2,500	2,405	95	2,733
Utilities	12,179	11,221	958	10,581
Maintenance and repair	18,430	13,012	5,418	16,111
Capital outlay	37,650	36,000	1,650	217,651
Other operating expenses	31,246	23,212	8,034	43,072
Total public safety	<u>425,384</u>	<u>390,138</u>	<u>35,246</u>	<u>584,216</u>
Debt Service:				
Principal	40,707	40,706	1	-
Total debt service	<u>40,707</u>	<u>40,706</u>	<u>1</u>	<u>-</u>
Total expenditures	<u>466,091</u>	<u>430,844</u>	<u>35,247</u>	<u>584,216</u>
Revenues over (under) expenditures	<u>2,880</u>	<u>87,064</u>	<u>84,184</u>	<u>(45,934)</u>
Other Financing Sources (Uses):				
Transfers in (out)	(18,880)	(18,880)	-	(17,264)
Appropriated fund balance	16,000	-	(16,000)	-
Total other financing sources (uses)	<u>(2,880)</u>	<u>(18,880)</u>	<u>(16,000)</u>	<u>(17,264)</u>
Net change in fund balance	<u>\$ -</u>	<u>68,184</u>	<u>\$ 68,184</u>	<u>(63,198)</u>
Fund Balance:				
Beginning of year - July 1		<u>175,764</u>		<u>238,962</u>
End of year - June 30		<u>\$ 243,948</u>		<u>\$ 175,764</u>

CHOWAN COUNTY, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes and licenses:				
911 system subscriber fees	\$ 165,000	\$ 169,105	\$ 4,105	\$ 110,469
Restricted intergovernmental:				
Wireless 911 funds	-	-	-	14,092
Miscellaneous income - sales tax refund	-	-	-	938
Investment earnings	-	470	470	256
Total revenues	<u>165,000</u>	<u>169,575</u>	<u>4,575</u>	<u>125,755</u>
Expenditures:				
Public safety:				
Operating expenditures	<u>165,000</u>	<u>110,741</u>	<u>54,259</u>	<u>103,073</u>
Total public safety	<u>165,000</u>	<u>110,741</u>	<u>54,259</u>	<u>103,073</u>
Debt service:				
Principal	-	-	-	2,235
Total debt service	-	-	-	2,235
Total expenditures	<u>165,000</u>	<u>110,741</u>	<u>54,259</u>	<u>105,308</u>
Net change in fund balance	<u>\$ -</u>	<u>58,834</u>	<u>\$ 58,834</u>	<u>20,447</u>
Fund Balances:				
Beginning of year - July 1		<u>65,950</u>		<u>45,503</u>
End of year - June 30		<u>\$ 124,784</u>		<u>\$ 65,950</u>

CHOWAN COUNTY, NORTH CAROLINA

REVALUATION FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ -	\$ 379	\$ 379	\$ 397
Expenditures:				
General government:				
Contracted services	25,000	-	25,000	-
Revenues over (under) expenditures	(25,000)	379	(24,621)	397
Other Financing Sources (Uses):				
Transfers in (out)	25,000	25,000	-	25,000
Net change in fund balance	\$ -	25,379	\$ 25,379	25,397
Fund Balance:				
Beginning of year - July 1		70,295		44,898
End of year - June 30		\$ 95,674		\$ 70,295

CHOWAN COUNTY, NORTH CAROLINA

**NC HOUSING FINANCE AGENCY PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted intergovernmental revenues	\$ 98,228	\$ 40,000	\$ (58,228)	\$ 67,550
Expenditures:				
Economic development:				
Rehabilitation	98,228	40,000	58,228	67,550
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHOWAN COUNTY, NORTH CAROLINA

**SCHOOL CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental:				
Public School Building Capital Fund	\$ 103,573	\$ 103,573	\$ -	\$ 422,689
Local option sales tax	580,000	609,485	29,485	779,274
Investment earnings	1,208	2,289	1,081	3,234
Total revenues	<u>684,781</u>	<u>715,347</u>	<u>30,566</u>	<u>1,205,197</u>
Other Financing Sources (Uses):				
Transfers in	329,093	329,093	-	165,480
Transfers out	<u>(1,013,874)</u>	<u>(1,013,874)</u>	<u>-</u>	<u>(1,206,791)</u>
Total other financing sources (uses)	<u>(684,781)</u>	<u>(684,781)</u>	<u>-</u>	<u>(1,041,311)</u>
Net change in fund balance	<u>\$ -</u>	30,566	<u>\$ 30,566</u>	163,886
Fund Balance:				
Beginning of year - July 1		<u>228,928</u>		<u>65,042</u>
End of year - June 30		<u>\$ 259,494</u>		<u>\$ 228,928</u>

CHOWAN COUNTY, NORTH CAROLINA

SCHOOL CAPITAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
Expenditures:				
Education:				
Capital outlay	\$ -	\$ -	\$ -	\$ 300,000
Debt service:				
Principal	754,946	754,946	-	763,886
Interest	258,928	258,928	-	147,676
Total debt service	<u>1,013,874</u>	<u>1,013,874</u>	<u>-</u>	<u>911,562</u>
Total expenditures	<u>1,013,874</u>	<u>1,013,874</u>	<u>-</u>	<u>1,211,562</u>
Revenues over (under) expenditures	<u>(1,013,874)</u>	<u>(1,013,874)</u>	<u>-</u>	<u>(1,211,562)</u>
Other Financing Sources (Uses):				
Transfers in (out)	<u>1,013,874</u>	<u>1,013,874</u>	<u>-</u>	<u>1,206,791</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>(4,771)</u>
Fund Balance:				
Beginning of year - July 1		-		<u>4,771</u>
End of year - June 30		<u>\$ -</u>		<u>\$ -</u>

CHOWAN COUNTY, NORTH CAROLINA

**STREET ASSESSMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Other taxes and licenses	\$ -	\$ 29,846	\$ 29,846	\$ 359
Investment earnings	-	23	23	92
Total revenues	-	29,869	29,869	451
Revenues over (under) expenditures	-	29,869	29,869	451
Net change in fund balance	\$ -	29,869	\$ 29,869	451
Fund Balance:				
Beginning of year - July 1		(26,158)		(26,609)
End of year - June 30		\$ 3,711		\$ (26,158)

CHOWAN COUNTY, NORTH CAROLINA

OCCUPANCY TAX ASSESSMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Sales and service	\$ -	\$ -	\$ -	\$ 250
Other taxes and licenses	92,000	93,152	1,152	106,195
Restricted intergovernmental revenues	6,047	6,047	-	4,990
Miscellaneous revenues	3,264	5,570	2,306	4,911
Investment earnings	1,000	122	(878)	89
Total revenues	<u>102,311</u>	<u>104,891</u>	<u>2,580</u>	<u>116,435</u>
Expenditures:				
Economic development:				
Contracted services	66,717	65,907	810	74,353
Reimbursements	9,632	3,613	6,019	11,453
Miscellaneous expenses	<u>26,930</u>	<u>17,128</u>	<u>9,802</u>	<u>24,095</u>
Total expenditures	<u>103,279</u>	<u>86,648</u>	<u>16,631</u>	<u>109,901</u>
Revenues over (under) expenditures	<u>(968)</u>	<u>18,243</u>	<u>19,211</u>	<u>6,534</u>
Other Financing Sources (Uses):				
Transfer in (out)	(132)	-	132	-
Appropriated fund balance	<u>1,100</u>	<u>-</u>	<u>(1,100)</u>	<u>-</u>
Total other financing sources (uses)	<u>968</u>	<u>-</u>	<u>(968)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>18,243</u>	<u>\$ 18,243</u>	<u>6,534</u>
Fund Balance:				
Beginning of year - July 1		<u>13,198</u>		<u>6,664</u>
End of year - June 30		<u>\$ 31,441</u>		<u>\$ 13,198</u>

CHOWAN COUNTY, NORTH CAROLINA

SOLID WASTE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Sales and service	\$ -	\$ -	\$ -	\$ 897,861
Other taxes and licenses	-	-	-	3,414
Total revenues	-	-	-	901,275
Expenditures:				
Environmental protection:				
Operating expenditures	-	-	-	991,588
Total expenditures	-	-	-	991,588
Revenues over (under) expenditures	-	-	-	(90,313)
Other Financing Sources (Uses):				
Transfers in (out)	76,817	76,817	-	13,496
Contingency	(76,817)	-	76,817	-
Total other financing sources (uses)	-	76,817	76,817	13,496
Net change in fund balance	\$ -	76,817	\$ 76,817	(76,817)
Fund Balance:				
Beginning of year - July 1		(76,817)		-
End of year - June 30		\$ -		\$ (76,817)

CHOWAN COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	<u>Public Safety Building Project</u>	<u>Library Renovation Project</u>	<u>Albemarle MM/DD/SAS Project</u>	<u>John A. Holmes High School Renovation Project</u>	<u>Edenton/Chowan High School Roofing Project</u>	<u>Total</u>
Assets:						
Accounts receivable, net	\$ -	\$ -	\$ -	\$ -	\$ 1,731	\$ 1,731
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,731</u>	<u>\$ 1,731</u>
Liabilities:						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 1,731	\$ 1,731
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,731</u>	<u>1,731</u>
Fund Balances:						
Unreserved (deficit)	-	-	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,731</u>	<u>\$ 1,731</u>

CHOWAN COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2010

	Public Safety Building Project	Library Renovation Project	Albemarle MM/DD/SAS Project	John A. Holmes High School Renovation Project	Edenton/Chowan High School Roofing Project	Total
Revenues:						
Other taxes and licenses	\$ (144,555)	\$ (16,456)	\$ (5,262)	\$ (13,555)	\$ 88,304	\$ (91,524)
Total revenues	(144,555)	(16,456)	(5,262)	(13,555)	88,304	(91,524)
Expenditures:						
Current:						
Education	-	-	-	-	88,304	88,304
Total expenditures	-	-	-	-	88,304	88,304
Revenues over (under) expenditures	(144,555)	(16,456)	(5,262)	(13,555)	-	(179,828)
Other Financing Sources (Uses):						
Transfers in	144,555	-	-	-	-	144,555
Total other financing sources (uses)	144,555	-	-	-	-	144,555
Net change in fund balances	-	(16,456)	(5,262)	(13,555)	-	(35,273)
Fund Balances:						
Beginning of year - July 1	-	16,456	5,262	13,555	-	35,273
End of year - June 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CHOWAN COUNTY, NORTH CAROLINA

PUBLIC SAFETY BUILDING PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Sales tax refund	\$ 225,000	\$ 391,665	\$ (144,555)	\$ 247,110
Investment earnings	210,000	210,908	-	210,908
Miscellaneous	-	1,137	-	1,137
Total revenues	<u>435,000</u>	<u>603,710</u>	<u>(144,555)</u>	<u>459,155</u>
Expenditures:				
Public safety:				
Public Safety Center	-	11,419,999	-	11,419,999
Debt service:				
Interest	-	164,204	-	164,204
Total expenditures	<u>11,584,205</u>	<u>11,584,203</u>	<u>-</u>	<u>11,584,203</u>
Revenues over (under) expenditures	<u>(11,149,205)</u>	<u>(10,980,493)</u>	<u>(144,555)</u>	<u>(11,125,048)</u>
Other Financing Sources (Uses):				
Transfers in	168,450	23,893	144,555	168,448
Issuance of long-term debt	<u>10,980,755</u>	<u>10,956,600</u>	<u>-</u>	<u>10,956,600</u>
Total other financing sources (uses)	<u>11,149,205</u>	<u>10,980,493</u>	<u>144,555</u>	<u>11,125,048</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHOWAN COUNTY, NORTH CAROLINA

LIBRARY RENOVATION PROJECT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Sales tax refund	\$ 270,000	\$ 75,599	\$ (16,456)	\$ 59,143
Investment earnings	30,000	20,758	-	20,758
Miscellaneous	-	148,080	-	148,080
Total revenues	<u>300,000</u>	<u>244,437</u>	<u>(16,456)</u>	<u>227,981</u>
Expenditures:				
Cultural and recreational:				
Contracted services	3,593,315	3,495,544	-	3,495,544
Debt service:				
Interest	92,000	112,884	-	112,884
Total expenditures	<u>3,685,315</u>	<u>3,608,428</u>	<u>-</u>	<u>3,608,428</u>
Revenues over (under) expenditures	<u>(3,385,315)</u>	<u>(3,363,991)</u>	<u>(16,456)</u>	<u>(3,380,447)</u>
Other Financing Sources (Uses):				
Transfers in	365,790	-	-	-
Transfers out	-	(179,078)	-	(179,078)
Issuance of long-term debt	3,019,525	3,559,525	-	3,559,525
Total other financing sources (uses)	<u>3,385,315</u>	<u>3,380,447</u>	<u>-</u>	<u>3,380,447</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 16,456</u>	<u>\$ (16,456)</u>	<u>\$ -</u>

CHOWAN COUNTY, NORTH CAROLINA

**ALBEMARLE MM/DD/SAS PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Sales tax refund	<u>\$ -</u>	\$ (5,262)	<u>\$ (5,262)</u>
Fund Balance:			
Beginning of year - July 1		<u>5,262</u>	
End of year - June 30		<u>\$ -</u>	

CHOWAN COUNTY, NORTH CAROLINA

EDENTON/CHOWAN HIGH SCHOOL ROOFING PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Lottery Proceeds	\$ 88,305	\$ -	\$ 88,304	\$ 88,304
Total revenues	<u>88,305</u>	<u>-</u>	<u>88,304</u>	<u>88,304</u>
Expenditures:				
Education:				
Capital outlay:				
Edenton/Chowan High School Roofing Project	<u>88,305</u>	<u>-</u>	<u>88,304</u>	<u>88,304</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHOWAN COUNTY, NORTH CAROLINA

WATER FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)**

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	<u>2010</u>		<u>Variance Over/Under</u>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Operating revenues:				
Water sales	\$ 1,260,000	\$ 1,106,698	\$ 153,302	\$ 1,163,430
Reconnection fees	35,000	62,216	(27,216)	38,840
Miscellaneous revenue	13,544	16,104	(2,560)	6,934
Sales tax and other refunds	2,000	660	1,340	11,794
Taps and connection fees	<u>35,000</u>	<u>30,176</u>	<u>4,824</u>	<u>36,714</u>
Total operating revenues	<u>1,345,544</u>	<u>1,215,854</u>	<u>(129,690)</u>	<u>1,257,712</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>2,142</u>	<u>(2,142)</u>	<u>-</u>
Total non-operating revenues	<u>-</u>	<u>2,142</u>	<u>(2,142)</u>	<u>-</u>
Total revenues	<u>1,345,544</u>	<u>1,217,996</u>	<u>(131,832)</u>	<u>1,257,712</u>
Expenditures:				
Operating expenditures:				
Salaries and employee benefits	280,963	240,204		307,415
Utilities	97,200	97,148		95,264
Repairs and maintenance	69,814	52,943		55,803
Supplies and materials	97,309	75,397		83,211
Administrative services	364,290	240,099		182,028
Meters and minor improvements	<u>10,954</u>	<u>7,131</u>		<u>7,318</u>
Total operating expenditures	<u>920,530</u>	<u>712,922</u>	<u>207,608</u>	<u>731,039</u>
Debt Service:				
Debt principal	13,937	12,940		230,121
Interest and fees	<u>-</u>	<u>488</u>		<u>10,020</u>
Total debt service	<u>13,937</u>	<u>13,428</u>	<u>509</u>	<u>240,141</u>
Capital outlay	<u>22,877</u>	<u>22,810</u>	<u>67</u>	<u>16,660</u>
Total expenditures	<u>957,344</u>	<u>749,160</u>	<u>208,184</u>	<u>987,840</u>
Revenues over (under) expenditures	<u>388,200</u>	<u>468,836</u>	<u>76,352</u>	<u>269,872</u>

CHOWAN COUNTY, NORTH CAROLINA

WATER FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Other Financing Sources (Uses):				
Intrafund transfers out	(287,200)	-	287,200	(134,161)
Transfers in	-	-	-	111,761
Transfers out	<u>(101,000)</u>	<u>(101,000)</u>	-	<u>(107,890)</u>
Total other financing sources (uses)	<u>(388,200)</u>	<u>(101,000)</u>	<u>287,200</u>	<u>(130,290)</u>
Net change in fund balance	<u>\$ -</u>	<u>367,836</u>	<u>\$ 367,836</u>	<u>\$ 139,582</u>

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual:**

Reconciling items:	
Debt principal	12,940
Depreciation	(314,650)
Intrafund transfers	75,000
Change in accrued vacation	(2,830)
Change in other post-employment benefits liability	<u>(22,007)</u>
Total reconciling items	<u>(251,547)</u>
Change in net assets	<u>\$ 116,289</u>

CHOWAN COUNTY, NORTH CAROLINA

SOLID WASTE FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2010

	2010		Variance Over/Under
	Budget	Actual	
Revenues:			
Operating revenues:			
Tipping Fees	\$ 1,275,917	\$ 1,212,112	\$ 63,805
Restricted Intergovernmental	58,604	55,163	3,441
Other taxes and licenses	8,000	9,969	(1,969)
Miscellaneous	-	51	(51)
Total operating revenues	<u>1,342,521</u>	<u>1,277,295</u>	<u>(65,226)</u>
Non-operating revenues:			
Investment earnings	-	324	(324)
Total non-operating revenues	<u>-</u>	<u>324</u>	<u>(324)</u>
Total revenues	<u>1,342,521</u>	<u>1,277,619</u>	<u>(65,550)</u>
Expenditures:			
Operating expenditures:	<u>1,096,039</u>	<u>930,104</u>	
Total operating expenditures	<u>1,096,039</u>	<u>930,104</u>	<u>165,935</u>
Total expenditures	<u>1,096,039</u>	<u>930,104</u>	<u>165,935</u>
Revenues over (under) expenditures	<u>246,482</u>	<u>347,515</u>	<u>100,385</u>
Other Financing Sources (Uses):			
Transfers out	<u>(246,482)</u>	<u>(238,482)</u>	<u>8,000</u>
Total other financing sources (uses)	<u>(246,482)</u>	<u>(238,482)</u>	<u>8,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 109,033</u>	<u>\$ 109,033</u>

CHOWAN COUNTY, NORTH CAROLINA

EMERGENCY MANAGEMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Ambulance fees	\$ 1,400,000	\$ 969,096	\$ (430,904)	\$ 1,538,953
Miscellaneous revenue	608	14,089	13,481	6,756
Sales tax and other refunds	-	-	-	9,216
Total operating revenues	<u>1,400,608</u>	<u>983,185</u>	<u>(417,423)</u>	<u>1,554,925</u>
Non-operating revenues:				
Restricted intergovernmental	-	-	-	19,477
Investment earnings	-	996	996	131
Total non-operating revenues	<u>-</u>	<u>996</u>	<u>996</u>	<u>19,608</u>
Total revenues	<u>1,400,608</u>	<u>984,181</u>	<u>(416,427)</u>	<u>1,574,533</u>
Expenditures:				
Administration and operating:				
Salaries and employee benefits	1,061,073	1,025,792		1,030,213
Utilities	17,000	16,526		15,445
Maintenance and repairs	34,459	29,160		43,454
Automotive supplies	28,175	24,887		30,369
Supplies and materials	35,793	32,617		36,384
Contracted services	113,150	107,615		73,616
Administrative services	39,509	35,547		43,071
Total	<u>1,329,159</u>	<u>1,272,144</u>	<u>57,015</u>	<u>1,272,552</u>
Debt service:				
Debt principal	53,736	48,993	-	79,393
Interest and fees	-	4,162	-	7,487
Total	<u>53,736</u>	<u>53,155</u>	<u>581</u>	<u>86,880</u>
Capital outlay	<u>17,713</u>	<u>14,918</u>	<u>2,795</u>	<u>120,841</u>
Total expenditures	<u>1,400,608</u>	<u>1,340,217</u>	<u>60,391</u>	<u>1,480,273</u>
Revenues over (under) expenditures	<u>-</u>	<u>(356,036)</u>	<u>(356,036)</u>	<u>94,260</u>

CHOWAN COUNTY, NORTH CAROLINA

EMERGENCY MANAGEMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Transfers out	-	-	-	(16,440)
Total other financing sources (uses)	-	-	-	(16,440)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(356,036)	\$ (356,036)	\$ 77,820

Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:

Reconciling items:	
Debt principal	48,993
Capital outlay	14,918
Depreciation	(94,856)
Change in accrued vacation	(9,335)
Change in other post-employment benefits liability	(74,607)
Change in net assets	\$ (470,923)

CHOWAN COUNTY, NORTH CAROLINA

**WATER FUND STORM PREPAREDNESS CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Storm preparedness charges	\$ 75,000	\$ 77,545	\$ 2,545
Investment earnings	<u>-</u>	<u>198</u>	<u>198</u>
Total revenues	<u>75,000</u>	<u>77,743</u>	<u>2,743</u>
Other Financing Sources (Uses):			
Transfers in (out)	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Revenues and other financing sources (uses)	<u>\$ -</u>	<u>\$ 2,743</u>	<u>\$ 2,743</u>

CHOWAN COUNTY, NORTH CAROLINA

**WATER DEVELOPMENT CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Water development fees	\$ 125,000	\$ 57,523	\$ (67,477)
Investment earnings	-	2,537	2,537
Total revenues	<u>125,000</u>	<u>60,060</u>	<u>(64,940)</u>
Other Financing Sources (Uses):			
Transfers in (out)	<u>(125,000)</u>	-	<u>125,000</u>
Total other financing sources (uses)	<u>(125,000)</u>	-	<u>125,000</u>
Revenues and other financing sources (uses)	<u>\$ -</u>	<u>\$ 60,060</u>	<u>\$ 60,060</u>

CHOWAN COUNTY, NORTH CAROLINA

**WATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Sales tax refund	\$ -	\$ 2,184	\$ -	\$ 2,184
Expenditures:				
Water system improvements:				
Generator project	496,531	496,531	-	496,531
Revenues over (under) expenditures	(496,531)	(494,347)	-	(494,347)
Other Financing Sources (Uses):				
Transfers in	496,531	354,770	75,000	429,770
Total other financing sources (uses)	496,531	354,770	75,000	429,770
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (139,577)</u>	<u>\$ 75,000</u>	<u>\$ (64,577)</u>

CHOWAN COUNTY, NORTH CAROLINA

AGENCY FUNDS COMBINING BALANCE SHEET JUNE 30, 2010

	<u>Albemarle Learning Center</u>	<u>Social Services Protective Payee Fund</u>	<u>Edenton Historical Commission Cannon Fund</u>	<u>Drainage Districts</u>
Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 772	\$ 4,296
Accounts receivable	<u>254</u>	<u>-</u>	<u>71</u>	<u>-</u>
Total assets	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ 843</u>	<u>\$ 4,296</u>
Liabilities:				
Accounts payable	\$ 254	\$ -	\$ 766	\$ 4,296
Due to others	<u>-</u>	<u>-</u>	<u>77</u>	<u>-</u>
Total liabilities	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ 843</u>	<u>\$ 4,296</u>

Schedule G-1

Mary S. Gulley Foundation	Edenton Tax Collections	3% Interest Payable to State	Total
\$ -	\$ 538	\$ 567	\$ 6,173
<u>-</u>	<u>-</u>	<u>-</u>	<u>325</u>
\$ -	\$ 538	\$ 567	\$ 6,498
\$ -	\$ 538	\$ -	\$ 5,854
<u>-</u>	<u>-</u>	<u>567</u>	<u>644</u>
\$ -	\$ 538	\$ 567	\$ 6,498

CHOWAN COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>Albemarle Learning Center</u>				
Assets:				
Cash and accounts receivable	\$ -	\$ 254	\$ -	\$ 254
Liabilities:				
Payables	\$ -	\$ 254	\$ -	\$ 254
<u>Social Services - Protective Payees</u>				
Assets:				
Cash and cash equivalents	\$ 1,715	\$ 11,033	\$ (12,748)	\$ -
Liabilities:				
Payables	\$ 1,715	\$ 11,033	\$ 12,748	\$ -
<u>Edenton Historical Commission Cannon Fund</u>				
Assets:				
Cash, cash equivalents, and accounts receivable	\$ 15,394	\$ 46,015	\$ (60,566)	\$ 843
Liabilities:				
Payables	\$ 15,394	\$ 46,015	\$ (60,566)	\$ 843
<u>Drainage Districts</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 22,777	\$ (18,481)	\$ 4,296
Liabilities:				
Payables	\$ -	\$ 22,777	\$ (18,481)	\$ 4,296
<u>Mary S. Gulley Foundation</u>				
Assets:				
Cash and cash equivalents	\$ 28,037	\$ -	\$ (28,037)	\$ -
Liabilities:				
Payables	\$ 28,037	\$ -	\$ (28,037)	\$ -
<u>Edenton Tax Collections</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,544,732	\$ (1,544,194)	\$ 538
Liabilities:				
Payables	\$ -	\$ 1,544,732	\$ (1,544,194)	\$ 538

CHOWAN COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>3% Interest Payable to State</u>				
Assets:				
Cash and cash equivalents	\$ 334	\$ 6,448	\$ (6,215)	\$ 567
Liabilities:				
Payables	\$ 334	\$ 6,448	\$ (6,215)	\$ 567
 <u>Totals - All Agency Funds</u>				
Assets:				
Cash, cash equivalents, and accounts receivable	\$ 45,480	\$ 86,527	\$ (126,047)	\$ 6,498
Liabilities:				
Payables	\$ 45,480	\$ 86,527	\$ (126,047)	\$ 6,498

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND

June 30, 2010

Fiscal Year	Uncollected Balance July 1, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 9,976,389	\$ 9,540,448	\$ 435,941
2008-2009	381,331	-	275,413	105,918
2007-2008	62,471	-	24,658	37,813
2006-2007	31,714	-	8,404	23,310
2005-2006	27,039	-	4,775	22,264
2004-2005	16,420	-	1,773	14,647
2003-2004	12,809	-	508	12,301
2002-2003	11,210	-	294	10,916
2001-2002	9,702	-	358	9,344
2000-2001	8,247	-	199	8,048
1999-2000	8,398	-	8,398	-
	<u>\$ 569,341</u>	<u>\$ 9,976,389</u>	<u>\$ 9,865,228</u>	680,502
Plus uncollected 2009-2010 ad valorem taxes receivable - motor vehicles				101,611
Less allowance for uncollectible ad valorem taxes receivable				<u>(310,000)</u>
Ad valorem taxes receivable - net				<u>\$ 472,113</u>
Reconciliation with Revenues:				
Taxes - ad valorem - General Fund				\$ 9,860,960
Reconciling items:				
Refunds and other adjustments				(4,130)
Amounts written off per statute of limitations				<u>8,398</u>
Total collections and credits				<u>\$ 9,865,228</u>

CHOWAN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2010

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,317,513,559	0.685	\$ 9,034,426	\$ 9,034,426	\$ -
Motor vehicles taxed at current year's rate	71,127,882	0.685	487,227	-	487,227
Motor vehicles taxed at prior year's rate	<u>38,264,101</u>	0.685	<u>248,636</u>	<u>-</u>	<u>248,636</u>
Total	<u>1,426,905,542</u>		<u>9,770,289</u>	<u>9,034,426</u>	<u>735,863</u>
Discoveries:					
Current year taxes	8,905,325		80,174	80,174	-
Utilities	21,817,478		149,450	149,450	-
Less releases and adjustments	<u>(3,440,187)</u>		<u>(23,524)</u>	<u>(9,566)</u>	<u>(13,958)</u>
Total property valuation	<u>\$ 1,454,188,158</u>				
Net Levy			9,976,389	9,254,484	721,905
Uncollected taxes at June 30, 2010			<u>(435,941)</u>	<u>(405,425)</u>	<u>(30,516)</u>
Current Year's Taxes Collected			<u>\$ 9,540,448</u>	<u>\$ 8,849,059</u>	<u>\$ 691,389</u>
Current Levy Collection Percentage			<u>95.63%</u>	<u>95.62%</u>	<u>95.77%</u>
<u>Secondary Market Disclosures:</u>					
Assessed valuation:					
Assessment ratio					100.00%
Real property					\$ 1,231,722,604
Personal property					93,344,514
Personal property - Motor vehicles					107,303,562
Public service companies					<u>21,817,478</u>
Total assessed valuation					1,454,188,158
Tax rate per \$100					<u>0.685</u>
Levy (includes discoveries, releases and abatements)					<u>\$ 9,976,389</u>
In addition to the county-wide rate, the County had the following levy on behalf of fire protection districts for the fiscal year ended June 30, 2006.					<u>\$ 435,042</u>