

Chowan County, North Carolina
Audited Financial Statements
June 30, 2006

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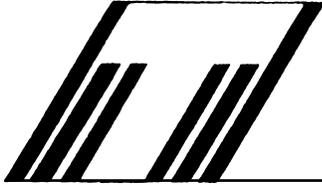
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Independent Auditor's Report

To the Board of County Commissioners
Chowan County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2006, 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, insofar as it relates to the amounts included for the Chowan County ABC Board, is based solely on the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina as of June 30, 2006, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Sanitation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2007 on our consideration of Chowan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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



Certified Public Accountant

February 2, 2007

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, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

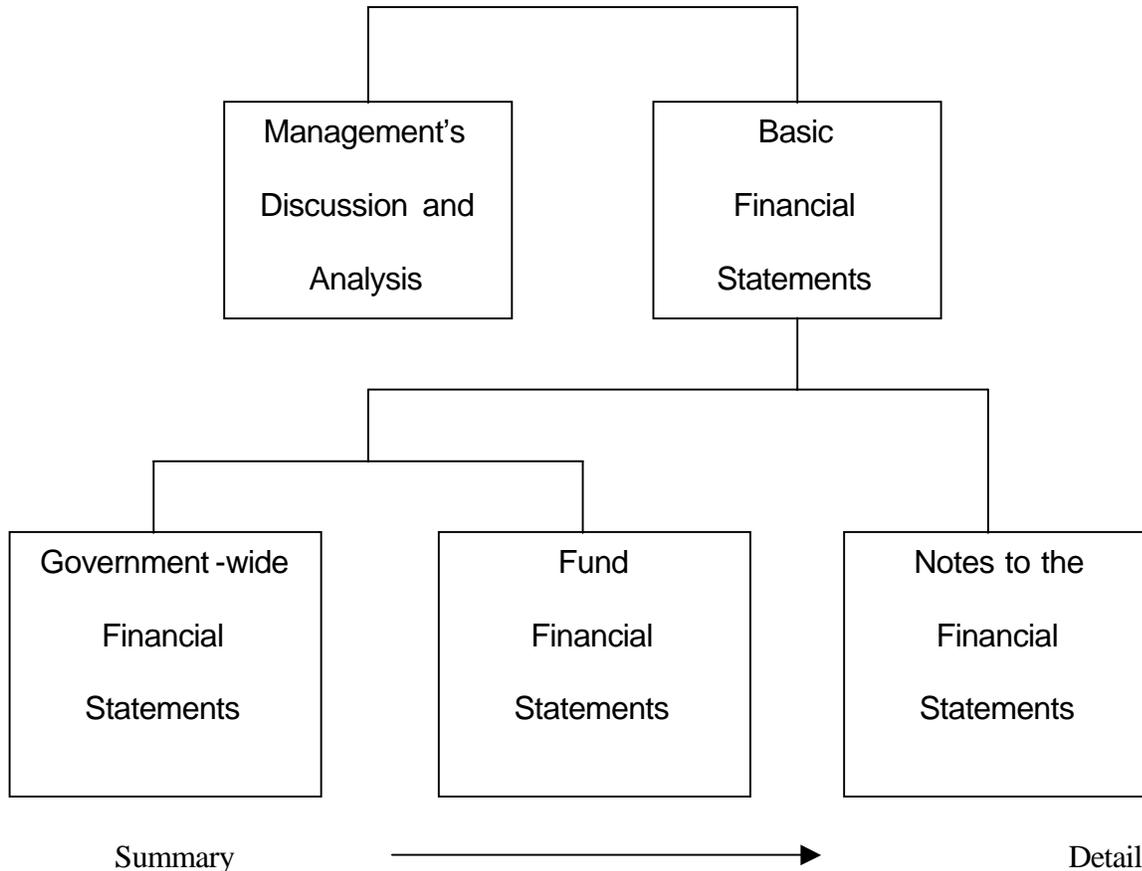
- The assets of Chowan County exceeded its liabilities at the close of the fiscal year by \$25,670,494 (*net assets*).
- The government's total net assets decreased by \$3,081,297, primarily due to decreased net assets in the General Fund. This compares to a decrease of \$1,253,766 in 2005.
- As of the close of the current fiscal year, Chowan County's governmental funds reported combined ending fund balances of \$ 11,582,308, a decrease of \$2,406,332 in comparison with the prior year. Approximately 27 percent of this total amount, or \$3,114,196, is available for spending at the government's discretion (*unreserved fund balance*). In 2005, the unreserved fund balance was \$6,690,699.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,275,060. In 2005, the unreserved fund balance for the General Fund was \$10,732,024.
- Chowan County's total debt increased by \$842,378 during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Government -Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Chowan County exceeded liabilities by \$25,670,494 as of June 30, 2006. As of June 30, 2005, the net assets of Chowan County stood at \$28,751,790. The County's net assets decreased by \$3,081,297 for the fiscal year ended June 30, 2006, compared to a decrease of \$1,253,766 in 2005.

The largest portion (98.55%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Chowan County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chowan County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The remaining balance of \$372,510 is unrestricted. This balance may be used to meet the government's ongoing obligations to citizens and creditors.

In 2005, the amount of net assets invested in capital assets net of related debt was \$24,251,407. The remaining \$4,500,383 was unrestricted net assets for that year.

Chowan County's Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 15,332,673	\$ 18,396,517	\$ 639,992	\$ 454,304	\$ 15,972,665	\$ 18,850,821
Capital assets	24,459,124	23,482,228	6,329,394	6,503,493	30,788,518	29,985,721
Total assets	<u>\$ 39,791,797</u>	<u>\$ 41,878,745</u>	<u>\$ 6,969,386</u>	<u>\$ 6,957,797</u>	<u>\$ 46,761,183</u>	<u>\$ 48,836,542</u>
Long-term liabilities outstanding	\$ 17,326,843	\$ 16,277,167	\$ 901,036	\$ 1,085,520	\$ 18,227,879	\$ 17,362,687
Other liabilities	746,481	812,425	2,116,329	1,909,640	2,862,810	2,722,065
Total liabilities	<u>18,073,324</u>	<u>17,089,592</u>	<u>3,017,365</u>	<u>2,995,160</u>	<u>21,090,689</u>	<u>20,084,752</u>
Net assets:						
Invested in capital assets, net of related debt	19,824,192	18,793,991	5,473,792	5,457,416	25,297,984	24,251,407
Unrestricted	1,894,281	5,995,162	(1,521,771)	(1,494,779)	372,510	4,500,383
Total net assets	<u>\$ 21,718,473</u>	<u>\$ 24,789,153</u>	<u>\$ 3,952,021</u>	<u>\$ 3,962,637</u>	<u>\$ 25,670,494</u>	<u>\$ 28,751,790</u>

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

- Chowan County continued to enjoy growth in its tax base totaling \$85 million in fiscal year 2006. Growth for fiscal year 2007 is estimated at \$35 million, adjusting for 2006 revaluation of real estate. The County continues to anticipate strong growth in its tax base, as there are 4,000 lots under plat to be developed.
- The tax collection rate remained above average for a county of its population size at 96.31%. The collection rate for property excluding motor vehicles totaled 97.93%.
- The County also realized a net increase in debt of \$872,378. \$614,000 of debt was incurred for the purchase of equipment at the solid waste convenience sites for Perquimans, Chowan, and Gates Counties. While this debt remains "on the books" of Chowan County, the other two counties will participate in the repayment of this debt.
- The County continued to strengthen operating incomes for the Water Fund. Water rates were last increased by an average of 12% effective July 1, 2005. Revenue for fiscal year 2006 exceeded expenses by \$15,000. The County continued to collect the impact/development fee on new connections, which now totals \$200,000. Impact fee monies will only be utilized for expansion of the water plant and not for routine operations and maintenance. EMS calls increased from 3,674 in calendar year 2005 to 4,177 in calendar year 2006. EMS collections for fiscal year 2007 are at budgeted levels. Solid waste fees were increased effective July 1, 2005 and again July 1, 2006. The County, in cooperation with the Town of Edenton, has launched a more aggressive recycling program. Tonnage in calendar year 2007 is estimated to be a 600 ton reduction from calendar year 2006.

- The County assessed an ad valorem tax rate for 2007 of .545 for every \$100 valuation. The tax rate was reduced due to revaluation of property. This revaluation resulted in an increase in the tax base of over \$419 million bringing the total to \$1.3 billion. Revenues for fiscal year 2007 are at budgeted levels.

Chowan County Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 1,564,141	\$ 1,335,200	\$ 2,287,471	\$ 1,826,788	\$ 3,851,612	\$ 3,161,988
Operating grants and contributions	3,463,579	3,257,578	-	-	3,463,579	3,257,578
Capital grants and contributions	183,657	127,071	99,519	-	283,176	127,071
General revenues:						
Property taxes	6,989,625	6,425,776	-	-	6,989,625	6,425,776
Other taxes	4,099,583	3,551,871	-	-	4,099,583	3,551,871
Grants and contributions not restricted to specific programs	183,035	185,021	-	-	183,035	185,021
Other	750,678	1,242,772	3,914	1,966	754,592	1,244,738
Total revenues	17,234,298	16,125,289	2,390,904	1,828,754	19,625,202	17,954,043
Expenses:						
General government	4,095,456	1,580,880	-	-	4,095,456	1,580,880
Public safety	3,845,768	3,653,772	-	-	3,845,768	3,653,772
Transportation	20,000	21,355	-	-	20,000	21,355
Economic and physical development	733,848	1,026,990	-	-	733,848	1,026,990
Environmental protection	1,199,384	1,147,296	-	-	1,199,384	1,147,296
Human services	4,315,740	4,066,342	-	-	4,315,740	4,066,342
Cultural and recreation	999,413	1,111,444	-	-	999,413	1,111,444
Education	4,346,622	3,863,368	-	-	4,346,622	3,863,368
Interest on long-term debt	798,748	859,733	-	-	798,748	859,733
Water fund	-	-	1,201,156	1,007,854	1,201,156	1,007,854
Emergency management	-	-	1,150,364	868,775	1,150,364	868,775
Total expenses	20,354,979	17,331,180	2,351,520	1,876,629	22,706,499	19,207,809
Increase (decrease) in net assets						
before transfers	(3,120,681)	(1,205,891)	39,384	(47,875)	(3,081,297)	(1,253,766)
Transfers	50,000	5,535	(50,000)	(5,535)	-	-
Increase in net assets	(3,070,681)	(1,200,356)	(10,616)	(53,410)	(3,081,297)	(1,253,766)
Net assets, July 1	24,789,154	25,989,510	3,962,637	4,016,047	28,751,791	30,005,557
Net assets, June 30	\$ 21,718,473	\$ 24,789,154	\$ 3,952,021	\$ 3,962,637	\$ 25,670,494	\$ 28,751,791

Changes in Chowan County's Net Assets

Governmental activities. Governmental activities decreased the County's net assets by \$3,070,681. Key elements of this decrease are as follows:

- This decrease was a result of cash flow demands for the design costs of a new law enforcement center and library expansion. These monies will be reimbursed with loan proceeds. Also, the County experienced a reduction in interest income due to lowered portfolio valuations. The amount of budgeted interest was reduced for fiscal year 2007.

Business-type activities: Business-type activities decreased Chowan County's net assets by \$10,616. Key elements of this decrease are as follows:

- This marginal decrease was a result of a shortfall in EMS revenues.

Financial Analysis of the County's Funds

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

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

The general fund is the chief operating fund of Chowan County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,275,060, while total fund balance reached \$14,320,225. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35.24 percent of total General Fund expenditures, while total fund balance represents 80.42 percent of that same amount.

At June 30, 2006, the governmental funds of Chowan County reported a combined fund balance of \$11,582,308, a 17.20 percent decrease over last year. The primary reason for this decrease is the decrease in fund balance in the General Fund.

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

Chowan County maintains budgeting compliance at a line item basis on a monthly basis. The major shortfalls occurred in investment earnings and sales tax collections. Anticipated revenue for investment earnings was reduced in the fiscal year 2007 budget and sales tax collection

revenues were marginally increased in the fiscal year 2007 budget. As of February 2007, expected sales tax collections exceeded budgeted amounts.

Proprietary Funds. Chowan County’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$(526,194), and those for the Emergency Management Fund equaled \$(995,577). The total change in net assets for both funds was an increase of \$249,958 and a decrease of \$260,574 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of Chowan County’s business-type activities.

Capital Asset and Debt Administration

Capital assets. Chowan County’s capital assets for its governmental and business – type activities as of June 30, 2006, totals \$30,788,518 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, and water system.

Major capital asset transactions during the year include:

- Purchased new 911 radio software
- Purchased new vehicles and equipment for the Sheriff’s Department
- Purchased new voting machines
- Purchased equipment for the landfill convenience centers
- Purchased new ambulance
- Purchased new EMS boat
- Completed water plant and well generator project

Chowan County’s Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
Land	\$ 3,239,489	\$ 3,208,949	\$ 98,347	\$ 98,347	\$ 3,337,836	\$ 3,307,296
Buildings and improvements	19,147,719	18,959,485	-	-	19,147,719	18,959,485
Machinery and equipment	2,071,916	1,313,794	200,029	213,603	2,271,945	1,527,397
Water system	-	-	6,031,018	6,191,543	6,031,018	6,191,543
Total	\$ 24,459,124	\$ 23,482,228	\$ 6,329,394	\$ 6,503,493	\$ 30,788,518	\$ 29,985,721

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

Long-term Debt. As of June 30, 2006, Chowan County had total debt outstanding of \$17,781,135, of which \$550,000 is debt backed by the full faith and credit of the County.

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

	Governmental Activities		Business-type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 491,727	\$ 907,460	\$ 58,273	\$ 107,540	\$ 550,000	\$ 1,015,000
Hospital revenue bonds and note	2,595,826	3,061,055	-	-	2,595,826	3,061,055
Installment purchases	13,843,204	11,930,777	149,675	75,209	13,992,879	12,005,986
Water system expansion note	-	-	642,430	856,716	642,430	856,716
	<u>\$ 16,930,757</u>	<u>\$ 15,899,292</u>	<u>\$ 850,378</u>	<u>\$ 1,039,465</u>	<u>\$ 17,781,135</u>	<u>\$ 16,938,757</u>

Chowan County's total debt increased by \$842,378 (4.97 percent) during the past fiscal year. The increase is due to the issuance of additional installment purchases of \$3,034,764, which was offset by regularly scheduled principal payments.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Chowan County is \$57,204,527. The County has no bonds authorized but un-issued at June 30, 2006.

Additional information regarding Chowan County's long-term debt can be found in note III.B.7. beginning on page 46 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

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

- The unemployment rate for fiscal year 2006 averaged 4.86% as compared with a statewide average of 4.69%. For fiscal year 2005, this rate averaged 5.22%.
- The business climate remains favorable for Chowan County. Many of our existing industries such as Albemarle Boats, Carolina Classic Boats and Regulator Marine (boat manufacturers), Seabrook, and Jimbo Jumbo's are operating at capacity. In January, the Fund for Sandy Point, LLC received permits to initiate construction of a new subdivision totaling 1,600 units. The market for this subdivision is for second homes growth. As a result, the County anticipates little growth in service demand and plans to utilize most of the tax base increase to provide funding for schools. In addition, other subdivisions, totaling 3,000 lots are also in the planning stages with one subdivision, River Sound, under construction.

- Tourism and retail continue to expand. Groundbreaking is anticipated for a new retail shopping center in close proximity to US 17.

Budget Highlights for the Fiscal Year Ending June 30, 2007

Governmental Activities: The Fiscal Year 2007 budget reflects limited expansion in General Fund services. The Board of Education received a 7% increase in Current Expense funding to provide teacher supplements and to supplant losses in federal and state funding. The County experienced a \$94,000 increase in Workman's Comp premiums and allocated \$300,000 for the construction of a new athletic complex. Additional funding, most notably \$40,000, was included to address maintenance issues of the 1980 Courthouse and various other County facilities. Employees received a 2% cost of living increase and a 10% increase in medical insurance.

The fund deficits stated in note II. A. are reflected as receivables against County reserves. Due to Hurricane Isabel, these paybacks were suspended for fiscal year 2006 budget, but re-budgeted in fiscal year 2007, reducing receivables by approximately \$200,000.

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

Requests for Information

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

Chowan County, North Carolina
Statement of Net Assets
June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Chowan County ABC Board
ASSETS				
Cash and cash equivalents	\$ 8,511,898	\$ 75,613	\$ 8,587,511	\$ 187,904
Receivables (net)	4,508,658	547,810	5,056,468	-
Due from fiduciary funds	268,374	2,500	270,874	-
Internal balances	2,043,743	(2,043,743)	-	-
Inventories	-	14,069	14,069	95,410
Prepaid items	-	-	-	3,489
Capital assets:				
Land	3,239,489	98,347	3,337,836	26,135
Other capital assets, net of depreciation	21,219,635	6,231,047	27,450,682	300,625
Total capital assets	24,459,124	6,329,394	30,788,518	326,760
Total assets	39,791,797	4,925,643	44,717,440	613,563
LIABILITIES				
Accounts payable and accrued expenses	367,130	-	367,130	82,769
Accrued interest payable	379,351	9,428	388,779	-
Customer deposits	-	63,158	63,158	-
Long-term liabilities:				
Due within one year	1,967,437	315,738	2,283,175	-
Due in more than one year	15,359,406	585,298	15,944,704	164,000
Total liabilities	18,073,324	973,622	19,046,946	246,769
NET ASSETS				
Invested in capital assets, net of related debt	19,824,192	5,473,792	25,297,984	326,760
Restricted for:				
Other purposes	-	-	-	29,698
Unrestricted (deficit)	1,894,281	(1,521,771)	372,510	10,336
Total net assets	\$ 21,718,473	\$ 3,952,021	\$ 25,670,494	\$ 366,794

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

**Chowan County, North Carolina
Statement of Activities
For the Year Ended June 30, 2006**

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 4,095,456	\$ 250,255	\$ -	\$ 136,874
Public safety	3,845,768	501,621	641,658	46,783
Transportation	20,000	-	72,634	-
Economic and physical development	733,848	-	118,647	-
Environmental Protection	1,199,384	736,301	269,925	-
Human services	4,315,740	-	2,097,934	-
Cultural and recreation	999,413	75,964	73,198	-
Education	4,346,622	-	189,583	-
Interest on long-term debt	798,748	-	-	-
Total governmental activities	20,354,979	1,564,141	3,463,579	183,657
Business-type activities:				
Water Fund	1,201,156	1,460,577	-	88,231
Emergency Management	1,150,364	826,894	-	11,288
Total business-type activities	2,351,520	2,287,471	-	99,519
	\$ 22,706,499	\$ 3,851,612	\$ 3,463,579	\$ 283,176
Component units:				
Chowan County ABC Board	\$ 758,274	\$ 772,466	\$ -	\$ -
Total component units	\$ 758,274	\$ 772,466	\$ -	\$ -

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Grants and contributions not restricted to specific programs

Investment earnings, unrestricted

Miscellaneous, unrestricted

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets-beginning

Net assets-ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Chowan County ABC Board
(3,708,327)	\$ -	\$ (3,708,327)	
(2,655,706)	-	(2,655,706)	
52,634	-	52,634	
(615,201)	-	(615,201)	
(193,158)	-	(193,158)	
(2,217,806)	-	(2,217,806)	
(850,251)	-	(850,251)	
(4,157,039)	-	(4,157,039)	
(798,748)	-	(798,748)	
<u>(15,143,602)</u>	<u>-</u>	<u>(15,143,602)</u>	
-	347,652	347,652	
-	(312,182)	(312,182)	
-	35,470	35,470	
<u>(15,143,602)</u>	<u>35,470</u>	<u>(15,108,132)</u>	
			<u>\$ 14,192</u>
			<u>14,192</u>
6,989,625	-	6,989,625	-
3,116,700	-	3,116,700	-
982,883	-	982,883	-
183,035	-	183,035	-
277,138	3,914	281,052	2,795
473,540	-	473,540	-
50,000	(50,000)	-	-
<u>12,072,921</u>	<u>(46,086)</u>	<u>12,026,835</u>	<u>2,795</u>
<u>(3,070,681)</u>	<u>(10,616)</u>	<u>(3,081,297)</u>	<u>16,987</u>
<u>24,789,154</u>	<u>3,962,637</u>	<u>28,751,791</u>	<u>349,807</u>
<u>\$ 21,718,473</u>	<u>\$ 3,952,021</u>	<u>\$ 25,670,494</u>	<u>\$ 366,794</u>

Chowan County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2006

	General	Sanitation Fund	Consolidated Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,771,357	\$ -	\$ -	\$ 1,740,543	\$ 8,511,900
Receivables, net	4,076,256	-	-	432,401	4,508,657
Due from other funds	7,176,234	-	-	-	7,176,234
Total assets	<u>\$ 18,023,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,172,944</u>	<u>\$ 20,196,791</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued

liabilities

\$ 332,871	\$ -	\$ -	\$ 34,260	\$ 367,131
------------	------	------	-----------	------------

Due to other funds

-	1,418,672	1,882,773	1,562,672	4,864,117
---	-----------	-----------	-----------	-----------

Deferred revenue

3,370,751	-	-	12,484	3,383,235
-----------	---	---	--------	-----------

Total liabilities

<u>3,703,622</u>	<u>1,418,672</u>	<u>1,882,773</u>	<u>1,609,416</u>	<u>8,614,483</u>
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Fund balances:

Reserved for:

State statute

8,045,165	-	-	422,947	8,468,112
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Unreserved:

Designated for health care

6,275,060	-	-	-	6,275,060
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Unreserved, reported in nonmajor:

Special revenue funds

-	(1,418,672)	-	(563,544)	(1,982,216)
---	-------------	---	-----------	-------------

Capital projects funds

-	-	(1,882,773)	704,125	(1,178,648)
---	---	-------------	---------	-------------

Total fund balances

<u>14,320,225</u>	<u>(1,418,672)</u>	<u>(1,882,773)</u>	<u>563,528</u>	<u>11,582,308</u>
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Total liabilities and fund balances

<u>\$ 18,023,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,172,944</u>	
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Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

24,459,124

Liabilities for earned but deferred revenues in fund statements.

3,383,235

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

(17,706,194)

Net assets of governmental activities

\$ 21,718,473

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

Chowan County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Sanitation Fund	Consolidated Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Ad valorem taxes	\$ 6,707,968	\$ -	\$ -	\$ 287,276	\$ 6,995,244
Local option sales taxes	2,269,571	-	-	847,129	3,116,700
Other taxes and licenses	970,248	-	-	108,362	1,078,610
Unrestricted intergovernmental	103,232	-	-	-	103,232
Restricted intergovernmental	3,393,567	-	-	355,789	3,749,356
Permits and fees	379,360	-	-	-	379,360
Sales and services	384,310	736,301	-	79,802	1,200,413
Investment earnings	255,206	-	-	21,932	277,138
Miscellaneous	458,104	-	-	9,651	467,755
Total revenues	<u>14,921,566</u>	<u>736,301</u>	<u>-</u>	<u>1,709,941</u>	<u>17,367,808</u>
EXPENDITURES					
Current:					
General government	3,781,588	-	-	108,154	3,889,742
Public safety	3,217,537	-	-	690,922	3,908,459
Transportation	20,000	-	-	-	20,000
Environmental protection	75,547	1,681,129	-	2,705	1,759,381
Economic and physical development	549,455	-	-	180,786	730,241
Human services	4,315,937	-	-	-	4,315,937
Cultural and recreational	1,005,699	-	-	-	1,005,699
Intergovernmental:					
Education	3,641,164	-	-	375,000	4,016,164
Capital outlay	-	-	-	870,139	870,139
Debt service:					
Principal	883,266	-	-	993,240	1,876,506
Interest	316,456	-	-	494,448	810,904
Total expenditures	<u>17,806,649</u>	<u>1,681,129</u>	<u>-</u>	<u>3,715,394</u>	<u>23,203,172</u>
Revenues over (under) expenditures	<u>(2,885,083)</u>	<u>(944,828)</u>	<u>-</u>	<u>(2,005,453)</u>	<u>(5,835,364)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	268,326	-	84,784	2,562,731	2,915,841
Transfers to other funds	(1,494,085)	-	-	(1,371,756)	(2,865,841)
Installment purchases issued	125,146	614,000	-	2,168,824	2,907,970
Sale of fixed assets	5,833	-	-	-	5,833
Lease payments	465,229	-	-	-	465,229
Total other financing sources and uses	<u>(629,551)</u>	<u>614,000</u>	<u>84,784</u>	<u>3,359,799</u>	<u>3,429,032</u>
Net change in fund balance	(3,514,634)	(330,828)	84,784	1,354,346	(2,406,332)
Fund balances-beginning	17,834,859	(1,087,844)	(1,967,557)	(790,818)	13,988,640
Fund balances-ending	<u>\$ 14,320,225</u>	<u>\$ (1,418,672)</u>	<u>\$ (1,882,773)</u>	<u>\$ 563,528</u>	<u>\$ 11,582,308</u>

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

Chowan County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2006

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

Net changes in fund balances - total governmental funds	\$ (2,406,332)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	982,361
Loss on disposal of capital assets, not recognized on modified accrual basis	(5,465)
Revenues in the governmental funds that provide current financial resources are not reported as revenues in the statement of activities	(603,725)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,031,464)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(6,056)</u>
Total changes in net assets of governmental activities	<u><u>\$ (3,070,681)</u></u>

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

Chowan County, North Carolina
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 6,693,202	\$ 6,841,202	\$ 6,707,968	\$ (133,234)
Local option sales tax	2,622,790	2,640,353	2,269,571	(370,782)
Other taxes and licenses	1,016,570	1,073,522	970,248	(103,274)
Unrestricted intergovernmental	125,000	205,000	103,232	(101,768)
Restricted intergovernmental	2,899,505	3,998,916	3,393,567	(605,349)
Permits and fees	283,818	486,252	379,360	(106,892)
Sales and services	249,084	478,200	384,310	(93,890)
Investment earnings	1,516,039	1,665,417	255,206	(1,410,211)
Miscellaneous	1,732,782	1,001,914	458,104	(543,810)
Total revenues	<u>17,138,790</u>	<u>18,390,776</u>	<u>14,921,566</u>	<u>(3,469,210)</u>
Expenditures				
Current:				
General government	3,602,977	4,233,614	3,781,588	452,026
Public safety	3,334,393	3,272,678	3,217,537	55,141
Transportation	27,415	27,415	20,000	7,415
Environmental protection	28,720	86,156	75,547	10,609
Economic and physical development	415,947	565,299	549,455	15,844
Human services	4,437,012	4,454,340	4,315,937	138,403
Cultural and recreational	1,165,115	1,039,958	1,005,699	34,259
Intergovernmental:				
Education	3,340,514	3,642,457	3,641,164	1,293
Debt service:				
Principal retirement	-	888,988	883,266	5,722
Interest and other charges	-	310,748	316,456	(5,708)
Total expenditures	<u>16,352,093</u>	<u>18,521,653</u>	<u>17,806,649</u>	<u>715,004</u>
Revenues over (under) expenditures	<u>786,697</u>	<u>(130,877)</u>	<u>(2,885,083)</u>	<u>(2,754,206)</u>
Other financing sources (uses):				
Transfers to other funds	(922,697)	(1,060,352)	(1,494,085)	(433,733)
Transfers from other funds	136,000	306,000	268,326	(37,674)
Proceeds from installment purchases	-	143,000	125,146	(17,854)
Lease payments	-	465,229	465,229	-
Appropriated fund balance	-	27,000	-	(27,000)
Sale of fixed assets	-	250,000	5,833	(244,167)
Total other financing sources (uses)	<u>(786,697)</u>	<u>130,877</u>	<u>(629,551)</u>	<u>(760,428)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(3,514,634)</u>	<u>\$(3,514,634)</u>
Fund balances:				
Beginning of year, July 1			<u>17,834,859</u>	
End of year, June 30			<u>\$ 14,320,225</u>	

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

Exhibit 5

Sanitation Fund			
Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
722,280	722,280	736,301	14,021
-	-	-	-
-	-	-	-
<u>722,280</u>	<u>722,280</u>	<u>736,301</u>	<u>14,021</u>
-	-	-	-
-	-	-	-
-	-	-	-
722,280	722,280	1,681,129	(958,849)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>722,280</u>	<u>722,280</u>	<u>1,681,129</u>	<u>(958,849)</u>
-	-	(944,828)	(944,828)
-	-	-	-
-	-	-	-
-	-	614,000	614,000
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>614,000</u>	<u>614,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>(330,828)</u>	<u>\$ (330,828)</u>
		<u>(1,087,844)</u>	
		<u>\$ (1,418,672)</u>	

Chowan County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Enterprise Funds		
	Water Fund	Emergency Management Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 75,613	\$ -	\$ 75,613
Receivables, net	360,219	187,591	547,810
Due from other funds	2,500	-	2,500
Inventories	14,069	-	14,069
Total current assets	<u>452,401</u>	<u>187,591</u>	<u>639,992</u>
Noncurrent assets:			
Capital assets:			
Land	98,347	-	98,347
Debt acquisition costs - unamortized	5,222	-	5,222
Other capital assets, net of depreciation	6,059,272	166,553	6,225,825
Total noncurrent assets	<u>6,162,841</u>	<u>166,553</u>	<u>6,329,394</u>
Total assets	<u>6,615,242</u>	<u>354,144</u>	<u>6,969,386</u>
LIABILITIES			
Current liabilities:			
Accrued expenses	9,382	46	9,428
Customer deposits	63,158	-	63,158
Due to other funds	889,231	1,154,512	2,043,743
Current portion of long-term debt	245,657	70,081	315,738
Total current liabilities	<u>1,207,428</u>	<u>1,224,639</u>	<u>2,432,067</u>
Noncurrent liabilities:			
Accrued vacation pay	22,045	28,611	50,656
Noncurrent portion of long-term debt	459,400	75,242	534,642
Total noncurrent liabilities	<u>481,445</u>	<u>103,853</u>	<u>585,298</u>
Total liabilities	<u>1,688,873</u>	<u>1,328,492</u>	<u>3,017,365</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,452,563	21,229	5,473,792
Unrestricted	(526,194)	(995,577)	(1,521,771)
Total net assets	<u>\$ 4,926,369</u>	<u>\$ (974,348)</u>	<u>\$ 3,952,021</u>

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

Chowan County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Enterprise Funds		
	Water Fund	Emergency Management Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,308,147	\$ 821,537	\$ 2,129,684
Other operating revenues	152,430	5,357	157,787
Total operating revenues	<u>1,460,577</u>	<u>826,894</u>	<u>2,287,471</u>
OPERATING EXPENSES			
Salaries and employee benefits	277,191	775,970	1,053,161
Other operating expenses	433,709	242,468	676,177
Depreciation	275,914	128,525	404,439
Total operating expenses	<u>986,814</u>	<u>1,146,963</u>	<u>2,133,777</u>
Operating income (loss)	<u>473,763</u>	<u>(320,069)</u>	<u>153,694</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on sale of fixed assets	(174,225)	-	(174,225)
Interest earned on investments	3,306	608	3,914
Interest expense and fees	(40,117)	(3,401)	(43,518)
Net nonoperating revenues (expenses)	<u>(211,036)</u>	<u>(2,793)</u>	<u>(213,829)</u>
Income (loss) before contributions and transfers	<u>262,727</u>	<u>(322,862)</u>	<u>(60,135)</u>
Capital contributions	88,231	11,288	99,519
Transfers (to) from other funds	<u>(101,000)</u>	<u>51,000</u>	<u>(50,000)</u>
Change in net assets	<u>249,958</u>	<u>(260,574)</u>	<u>(10,616)</u>
Total net assets - beginning	4,676,411	(713,774)	3,962,637
Total net assets - ending	<u>\$ 4,926,369</u>	<u>\$ (974,348)</u>	<u>\$ 3,952,021</u>

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

Chowan County, North Carolina
Statement of Cash Flows
Enterprise Funds
For The Fiscal Year Ended June 30, 2006

	<u>Water Fund</u>	<u>Emergency Management Fund</u>	<u>Totals June 30, 2006</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,263,976	\$ 753,725	\$ 2,017,701
Cash paid for goods and services	(433,691)	(240,530)	(674,221)
Cash paid to employees for services	(276,376)	(772,185)	(1,048,561)
Customer deposits - net	6,405	-	6,405
Other operating revenue	152,428	5,356	157,784
Net cash provided by operating activities	<u>712,742</u>	<u>(253,634)</u>	<u>459,108</u>
Cash flows from noncapital financing activities			
Transfers in (out)	<u>(101,000)</u>	<u>51,000</u>	<u>(50,000)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(264,318)	(141,637)	(405,955)
Principal paid on bond maturities and equipment contracts	(268,892)	(46,987)	(315,879)
Interest paid on bond maturities and equipment contracts	(41,885)	(3,401)	(45,286)
Proceeds from issuance of long-term debt	-	126,794	126,794
Capital contribution - federal grant	88,231	11,288	99,519
Loans from other funds	(52,571)	255,969	203,398
Net cash used by capital and related financing activities	<u>(539,435)</u>	<u>202,026</u>	<u>(337,409)</u>
Cash flows from investing activities:			
Interest on investments	<u>3,306</u>	<u>608</u>	<u>3,914</u>
Net increase (decrease) in cash and cash equivalents	75,613	-	75,613
Cash and cash equivalents, July 1	-	-	-
Cash and cash equivalents, June 30	<u>\$ 75,613</u>	<u>\$ -</u>	<u>\$ 75,613</u>

(continued)

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

Chowan County, North Carolina
Statement of Cash Flows
Enterprise Funds
For The Fiscal Year Ended June 30, 2006

Reconciliation of operating income to net cash provided by operating activities:	Water Fund	Emergency Management Fund	Totals June 30, 2005
Operating income	\$ 473,763	\$ (320,069)	\$ 153,694
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	275,914	128,525	404,439
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(44,173)	(67,812)	(111,985)
(Increase) decrease in inventory	526	-	526
Increase (decrease) in accounts payable and accrued liabilities	(508)	1,938	1,430
Increase (decrease) in customer deposits	6,405	-	6,405
Increase (decrease) in accrued vacation pay	815	3,784	4,599
Total adjustments	<u>238,979</u>	<u>66,435</u>	<u>305,414</u>
Net cash provided by operating activities	<u>\$ 712,742</u>	<u>\$ (253,634)</u>	<u>\$ 459,108</u>

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

**Chowan County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 849,915
Accounts receivable	265,390
	\$ 1,115,305
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 844,431
Due to other funds	270,874
Total liabilities	\$ 1,115,305

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

**Chowan County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006**

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Chowan County ABC Board
PO Box 88
Edenton, NC 27932

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the

operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental funds:

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

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

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

The County reports the following major enterprise funds:

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

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

The County reports the following fund type:

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

EHC Cannon Fund, which is used to account for the Edenton Historical Commission's restoring of the original Edenton Bell Battery Cannon.

Measurement Focus, Basis of Accounting

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for

the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Chowan County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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

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

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the School Capital Reserve, the Emergency Telephone, Fire District, Revaluation, Occupancy Tax Assessment, School Capital Project, Isabel Recovery, and Sanitation Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Edenton Bay Restoration, CDBG, and CWMTF – Country Club Special Revenue Funds and the Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 1998. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts

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

5. Inventories

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

6. Capital Assets

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

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

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

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

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

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

7. Long-term Obligations

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

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

8. Compensated Absences

The vacation policies of the County and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. For the ABC Board, the amount of accumulated vacation pay is not considered material, and therefore no accrual has been made as of June 30, 2006.

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

9. Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Reserved

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

Unreserved

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

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

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$10,136,165 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 32,336,535
Less accumulated depreciation	(7,877,411)
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	3,383,235
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(16,930,755)
Compensated absences	(396,088)
Accrued interest payable	(379,351)
Total adjustment	<u>\$ 10,136,165</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(664,349) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,890,017
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(907,656)
Loss on disposal of capital assets, not recognized on modified accrual basis	(5,465)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(2,907,970)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again only affect the statement of net assets in the government-wide statements	1,876,506
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	12,156
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(18,212)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Reversal of deferred lease payments recorded at 7/1/05	(3,572,758)
Recording of deferred lease payments in the fund statements as of 6/30/06	2,958,150
Reversal of deferred tax revenue recorded at 7/1/05	(377,300)
Recording of tax receipts deferred in the fund statements as of 6/30/06	371,682
Recording of deferred grant revenue deferred in the fund statements as of 6/30/06	18,331
Current year collections of special assessments recorded as revenue in the fund statements this year but in the government-wide statements in the year they were assessed.	(1,830)
	<u>\$ (664,349)</u>

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Net Assets of Individual Funds

The following funds have deficit fund balances as of June 30, 2006:

School Capital Reserve Fund	\$ 7,708
Fire District Fund	\$ 176,834
Sanitation Fund	\$1,418,672
Emergency Management Fund	\$ 974,348
Public Safety Building Capital Project Fund	\$ 378,166
Adult Day Health Care Capital Project Fund	\$ 437,456
Isabel Recovery Fund	\$ 36,671
Library Renovation Fund	\$ 168,640
Consolidated Capital Project Fund	\$1,882,773

Funds have been loaned from the General Fund to cover these deficits. These loans will be paid back based on schedules reflecting market interest rates. Loans have been secured for the Library Renovation and Public Safety Building Capital Project to cover those deficits.

B. Excess of Expenditures over Appropriations

The following funds had expenditures in excess of appropriations:

Revaluation Fund	\$ 235
Sanitation Fund	\$ 958,849
Emergency Management Fund	\$ 131,409
Fire District Fund	\$ 1,469

The budget has now been amended to reflect the increase of expenditures over appropriations. As regards to the Sanitation Fund, the County of Chowan, Perquimans, and Gates (jointly operated) purchased new equipment for the convenient sites even though the debt is an official debt of Chowan County. All three counties have agreed to service the debt on a 1/3 basis. As of June 30, 2006, the auditor has determined that there was an insufficient paperwork trail to document this arrangement. Since that point in time, all three counties have executed an agreement and this agreement will be made available to the auditor.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by

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

At June 30, 2006, the County's deposits had a carrying amount of \$512,595 and a bank balance of \$1,353,724. Of the bank balance, \$846,597 was covered by federal depository insurance and \$507,127 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2006, Chowan County had \$2,050 cash on hand.

At June 30, 2006, the carrying amount of deposits for Chowan County ABC Board was \$187,504 and the bank balance was \$192,128. \$100,000 of the bank balance was covered by federal depository insurance and \$92,128 was covered by collateral held under the Pooling Method. At June 30, 2006, the ABC Board had \$400 on hand.

2. Investments

As of June 30, 2006, the County had the following investments and maturities:

Investment Type	Fair Value	Less than					Over
		1 year	1-5 years	6-10 years	11-15 years	16-20 years	20 years
US Government Treasuries	\$ 3,120,798	\$ 508,119	\$ 1,581,722	\$ 1,030,957	\$ -	\$ -	\$ -
US Government Agencies	5,633,848	547,500	3,294,194	770,069	224,757	210,817	586,511
NC Capital Management Trust - Cash Portfolio	3,951	N/A	N/A	N/A	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio	159,897	159,897	-	-	-	-	-
Total Investments	<u>\$ 8,918,494</u>	<u>\$ 1,215,516</u>	<u>\$ 4,875,916</u>	<u>\$ 1,801,026</u>	<u>\$ 224,757</u>	<u>\$ 210,817</u>	<u>\$ 586,511</u>

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

Credit Risk. The County has no policy regarding credit risk. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2005. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in U.S.

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

Concentration of Credit Risk. The County places no limit on the amount the County may invest in any one issuer. More than 5% of the County’s investments are in Federal National Mortgage Association securities, Federal Home Loan Bank securities, and Federal Home Loan Mortgage Corporation securities. These investments are 24%, 17%, and 16%, respectively, of the County’s total investments.

At June 30, 2006, the ABC Board had no investments.

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

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

Year Levied	Tax	Interest	Total
2003	\$ 320,029	\$ 18,416	\$ 338,445
2004	324,414	18,669	343,083
2005	350,312	17,516	367,828
2006	362,797	-	362,797
Total	<u>\$ 1,357,552</u>	<u>\$ 54,601</u>	<u>\$ 1,412,153</u>

4. Receivables

Receivables at the government -wide level at June 30, 2006, were as follows:

	Accounts	Taxes and Related Accrued Interest	Special Assessments	Due from Other Governments	Other	Total
Governmental Activities:						
General	\$ 438,754	\$ 447,023	\$ 35,071	\$ 430,178	\$ 2,958,150	\$ 4,309,176
Other Governmental	261,720	18,828	-	161,228	-	441,776
Total receivables	700,474	465,851	35,071	591,406	2,958,150	4,750,952
Allowance for doubtful accounts	-	(242,294)	-	-	-	(242,294)
Total-governmental activities	<u>\$ 700,474</u>	<u>\$ 223,557</u>	<u>\$ 35,071</u>	<u>\$ 591,406</u>	<u>\$ 2,958,150</u>	<u>\$ 4,508,658</u>
Business-type Activities						
Water Fund	\$ 344,320	\$ -	\$ -	\$ 15,899	\$ -	\$ 360,219
Emergency Management	563,879	-	-	4,927	-	568,806
Total receivables	908,199	-	-	20,826	-	929,025
Allowance for doubtful accounts	(381,215)					(381,215)
Total - business-type activities	<u>\$ 526,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,826</u>	<u>\$ -</u>	<u>\$ 547,810</u>

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

Local option sales tax	\$ 520,615
Sales tax	90,661
Gas tax	178
Federal excise tax	<u>778</u>
Total	<u>\$ 612,232</u>

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,208,949	\$ 30,540	\$ -	\$ 3,239,489
Capital assets being depreciated:				
Buildings	23,512,012	657,593	-	24,169,605
Equipment	3,881,744	1,201,884	156,191	4,927,437
Total capital assets being depreciated	27,393,756	1,859,477	156,191	29,097,042
Less accumulated depreciation for:				
Buildings	4,552,528	469,358	-	5,021,886
Equipment	2,567,949	438,298	150,726	2,855,521
Total accumulated depreciation	7,120,477	907,656	150,726	7,877,407
Total capital assets being depreciated, net	20,273,279			21,219,635
Governmental activity capital assets, net	\$ 23,482,228			\$ 24,459,124

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

General government	\$ 552,292
Public safety	226,695
Environmental protection	62,222
Economic and physical development	5,442
Human services	17,535
Cultural and recreational	43,470
	<u>\$ 907,656</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 98,347	\$ -	\$ -	\$ 98,347
Capital assets being depreciated:				
Plant and systems	10,147,905	260,864	433,407	9,975,362
Building and improvements	27,456	-	-	27,456
Equipment	458,883	3,456	-	462,339
Total capital assets being depreciated	10,634,244	264,320	433,407	10,465,157
Less accumulated depreciation for:				
Plant and distribution systems	3,956,332	247,194	259,182	3,944,344
Building and improvements	27,456	-	-	27,456
Equipment	398,751	30,112	-	428,863
Total accumulated depreciation	4,382,539	\$ 277,306	\$ 259,182	4,400,663
Total capital assets being depreciated, net	6,251,705			6,064,494
Water Fund capital assets, net	6,350,052			6,162,841
Emergency Management Fund				
Capital assets being depreciated:				
Building	13,898	-	-	13,898
Equipment	786,106	141,637	6,603	921,140
Total capital assets being depreciated	800,004	141,637	6,603	935,038
Less accumulated depreciation for:				
Building	13,898	-	-	13,898
Equipment	632,665	128,525	6,603	754,587
Total accumulated depreciation	646,563	\$ 128,525	\$ 6,603	768,485
Total capital assets being depreciated, net	153,441			166,553
Emergency Management Fund capital assets, net	153,441			166,553
Business-type activities capital assets, net	\$ 6,503,493			\$ 6,329,394

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 26,135	\$ -	\$ -	\$ 26,135
Capital assets being depreciated:				
Buildings and improvements	\$ 245,142	\$ 176,898	\$ -	\$ 422,040
Furniture and equipment	45,915	-	-	45,915
Total capital assets being depreciated	291,057	176,898	-	467,955
Less accumulated depreciation for:				
Buildings and improvements	123,892	7,850	-	131,742
Furniture and equipment	31,284	4,304	-	35,588
Total accumulated depreciation	155,176	12,154	-	167,330
Total capital assets being depreciated, net	135,881			300,625
ABC capital assets, net	<u>\$ 162,016</u>			<u>\$ 326,760</u>

B. Liabilities**1. Payables**

Payables at the government -wide level at June 30, 2006, were as follows:

	Vendors	Accrued Interest	Total
Governmental Activities:			
General	\$ 332,870	\$ 42,720	\$ 375,590
Other Governmental	34,260	336,631	370,891
Total-governmental activities	<u>\$ 367,130</u>	<u>\$ 379,351</u>	<u>\$ 746,481</u>
Business-type Activities			
Water fund	\$ -	\$ 9,428	\$ 9,428
Emergency Management	-	-	-
Total - business-type activities	<u>\$ -</u>	<u>\$ 9,428</u>	<u>\$ 9,428</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.19% of annual covered payroll. The contribution requirements of members and of Chowan County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$242,683, \$227,279 and \$216,057, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$3,130, \$3,027, and \$2,961, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

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

2. Contributions.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2006 were \$100,138, which consisted of \$36,332 from the County and \$63,806 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2006, the County's required and actual contributions were \$5,930.

e. Other Post employment Benefits - Chowan County

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2006, the County made contributions to the State for death

benefits of \$5,808. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

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

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

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

3. Closure and Postclosure Costs

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

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

4. Deferred / Unearned Revenues

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

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Prepaid taxes not yet earned (General)	\$ 145,094	\$ -
Prepaid taxes not yet earned (Special Revenue)	3,030	-
Taxes receivable, net (General)	214,104	-
Taxes receivable, net (Special Revenue)	9,454	-
Special assessments receivable, net (General)	35,071	-
Lease payments (General)	2,958,150	-
Deferred grant revenue (General)	18,332	-
Total	<u>\$ 3,383,235</u>	<u>\$ -</u>

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in a self-funded risk-financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$30.6 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

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

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

6. Contingent Liabilities

At June 30, 2006, the County and the ABC Board were not involved in any material litigation, claims, or assessments as confirmed with the entities' attorneys.

7. Long-Term Obligations

a. Installment Purchases

D.F. Walker School

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

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

For Chowan County, the future minimum payments as of June 30, 2006, including \$2,496,030 of interest, are

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 450,000	\$ 424,270
2008	650,000	399,475
2009	775,000	363,660
2010	775,000	320,958
2011	775,000	278,255
2012-2016	4,275,000	709,412
Principal payments	<u>\$ 7,700,000</u>	
Total interest payments		<u>\$ 2,496,030</u>

Adult Day Health Center and Community Center

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

The installment purchase was executed on May 31, 2001 for the construction of the Adult Day Health Center and the Chowan Community Center. The transaction requires fifteen annual principal payments by the County

of \$300,000 plus interest at 4.89%. The total principal amount was \$4,500,000. The payments over fifteen years total \$6,260,400.

For Chowan County, the future minimum payments as of June 30, 2006, including \$806,850 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 300,000	\$ 146,700
2008	300,000	132,030
2009	300,000	117,360
2010	300,000	102,690
2011	300,000	88,020
2012-2016	1,500,000	220,050
Principal payments	<u>\$ 3,000,000</u>	
Total interest payments		<u>\$ 806,850</u>

Fire Trucks

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

For Chowan County, the future minimum payments as of June 30, 2006, including \$2,263 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 79,523	\$ 2,063
2008	32,020	200
Principal payments	<u>\$ 111,543</u>	
Total interest payments		<u>\$ 2,263</u>

Vehicles

In March 2004, the County entered into an installment purchase contract to finance the purchase of vehicles for various departments within the County. The financing contract requires 36 monthly payments of \$4,597, including interest at 2.45%. Part of these payments are paid by the General Fund and part by the Water Fund.

For Chowan County, the future minimum payments as of June 30, 2006, including \$334 of interest, are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 32,105	\$ 289	\$ 4,353	\$ 45
Total	\$ 32,105	\$ 289	\$ 4,353	\$ 45

911 Radio System

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

For Chowan County, the future minimum payments as of June 30, 2006, including \$1,539 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 44,005	\$ 1,349
2008	18,810	190
Principal payments	<u>\$ 62,815</u>	
Total interest payments		<u>\$ 1,539</u>

Sheriff's Vehicles and Old Courthouse Sound System

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

For Chowan County, the future minimum payments as of June 30, 2006, including \$1,305 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 31,389	\$ 1,110
2008	18,848	195
Principal payments	<u>\$ 50,237</u>	
Total interest payments		<u>\$ 1,305</u>

Ambulance

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

For Chowan County, the future minimum payments as of June 30, 2006, including \$825 of interest, are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2007	\$ 26,300	\$ 743
2008	11,240	82
Principal payments	<u>\$ 37,540</u>	
Total interest payments		<u>\$ 825</u>

John A. Holmes High School

As authorized by State law [G.S.160A-20], the County financed the renovation of John A. Holmes High School for use by Edenton-Chowan County Board of Education during the fiscal year ended June 30, 2006 by installment purchase designated as a Qualified Zone Academy Bond. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Edenton-Chowan County Board of Education that transfers the rights and responsibilities for maintenance of the property to the Board of Education. The lease contains an option to purchase at the termination of the financing agreement. The lease term is the same as that of the installment purchase obligation.

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

For Chowan County, the future minimum payments as of June 30, 2006 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 103,573	\$ -
2008	103,573	-
2009	103,573	-
2010	103,573	-
2011	103,573	-
2012-2016	517,865	-
2017-2021	517,865	-
2022-2025	446,405	-
Principal payments	<u>\$ 2,000,000</u>	
Total interest payments		<u>\$ -</u>

Landfill Convenience Centers Equipment

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

For Chowan County, the future minimum payments as of June 30, 2006, including \$57,519 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 116,800	\$ 18,165
2008	119,403	15,562
2009	123,141	11,825
2010	126,995	7,971
2011	127,661	3,996
Principal payments	<u>\$ 614,000</u>	
Total interest payments		<u>\$ 57,519</u>

Vehicles

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

For Chowan County, the future minimum payments as of June 30, 2006, including \$9,593 of interest, are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 38,206	\$ 3,521	\$ 29,268	\$ 2,210
2008	39,644	2,083	30,369	1,109
2009	34,701	563	13,427	107
Total	<u>\$ 112,551</u>	<u>\$ 6,167</u>	<u>\$ 73,064</u>	<u>\$ 3,426</u>

911 Software

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

For Chowan County, the future minimum payments as of June 30, 2006, including \$8,897 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 54,526	\$ 5,067
2008	56,606	2,987
2009	48,818	843
Principal payments	<u>\$ 159,950</u>	
Total interest payments		<u>\$ 8,897</u>

EMS Boat

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

For Chowan County, the future minimum payments as of June 30, 2006, including \$1,578 of interest, are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2007	\$ 14,513	\$ 1,043
2008	15,061	495
2009	5,145	40
Principal payments	<u>\$ 34,719</u>	
Total interest payments		<u>\$ 1,578</u>

b. Water System Expansion Note

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2007	\$ 214,286	\$ 25,697
2008	214,286	17,126
2009	213,858	8,554
Principal payments	<u>\$ 642,430</u>	
Total interest payments		<u>\$ 51,377</u>

The future minimum payments as of June 30, 2006, including interest are:

c. General Obligation Indebtedness

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

The County's general obligation bonds payable at June 30, 2006 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$4,100,000 General Obligation Bonds, Series 1998, payments due in annual installments of \$90,000 to \$525,000 through March 1, 2010. Interest at 4.2785%, payable semi-annually. \$ 491,727

Serviced by the Enterprise Fund:

\$4,100,000 General Obligation Bonds, Series 1998, payments due in annual installments of \$90,000 to \$525,000 through March 1, 2010. Interest at 4.2785%, payable semi-annually. 58,273

Total \$ 550,000

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 227,983	\$ 20,653	\$ 27,018	\$ 2,447
2008	93,875	11,077	11,125	1,313
2009	89,405	7,135	10,595	845
2010	80,464	3,380	9,535	400
Total	<u>\$ 491,727</u>	<u>\$ 42,245</u>	<u>\$ 58,273</u>	<u>\$ 5,005</u>

At June 30, 2006, Chowan County had no bonds authorized but unissued and a legal debt margin of \$57,204,527.

d. Hospital Revenue Bonds and Note

As indicated in Note X, the County entered an agreement to lease the Chowan Hospital facilities to Pitt County Memorial Hospital, Inc. (Pitt), a not-for-profit corporation, for thirty years. Pitt agreed to make the payments on the Hospital Revenue Bonds and the note payable to BB&T relating to Hospital construction. The bonds and note are in the County's name, and the Hospital property is title to Chowan County. All payments had been timely made as of June 30, 2006.

\$4,295,000 1997 Hospital Revenue Bonds, due April 1, 1997 through October 1, 2010. Payable in 28 semi-annual installments of \$235,144, which includes interest at 5.07%. \$ 1,871,202

\$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%

	724,624
	\$ 2,595,826

Debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2007	\$ 489,325	\$ 125,283
2008	514,668	99,939
2009	541,325	73,283
2010	569,363	45,245
2011	363,701	15,752
2012	117,444	2,822
Total	\$ 2,595,826	\$ 362,324

e. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2006:

	Balance			Current	
	July 1, 2005	Increases	Decreases	Balance	Portion of
				June 30, 2006	Balance
Governmental activities:					
General obligation debt	\$ 907,460	\$ -	\$ 415,733	\$ 491,727	\$ 227,983
Hospital revenue bonds and note	3,061,055	-	465,229	2,595,826	489,325
Installment purchase	11,930,776	2,907,970	995,542	13,843,204	1,250,129
Compensated absences	377,876	18,213	-	396,089	-
Total governmental activities	<u>\$ 16,277,167</u>	<u>\$ 2,926,183</u>	<u>\$ 1,876,504</u>	<u>\$ 17,326,846</u>	<u>\$ 1,967,437</u>
Business-type activities:					
General obligation debt	\$ 107,540	\$ -	\$ 49,267	\$ 58,273	\$ 27,018
Water system expansion note	856,716	-	214,286	642,430	214,286
Installment purchase	75,207	126,794	52,326	149,675	74,434
Compensated absences	46,057	4,599	-	50,656	-
Total business-type activities	<u>\$ 1,085,520</u>	<u>\$ 131,393</u>	<u>\$ 315,879</u>	<u>\$ 901,034</u>	<u>\$ 315,738</u>

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

C. Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2006, consists of the following:

From the General Fund to the School Capital Reserve Fund to supplement other funding sources for school debt retirement	\$	500,000
From the General Fund to the Revaluation Fund to supplement other funding sources		135,000
From the General Fund to the Emergency Management Fund to supplement other funding sources		76,000
From the General Fund to the School Capital Project Fund to supplement other funding sources		498,066
From the General Fund to the Consolidated Capital Project Fund to supplement other funding sources		84,784
From the General Fund to the Emergency Telephone System Fund to supplement other funding sources		85,847
From the General Fund to the Capital Project Fund to supplement other funding sources		114,388
From the Isabel Recovery Fund to the General Fund to supplement other funding sources		132,326
From the Emergency Management Fund to the General Fund to supplement other funding sources		25,000
From the Water Fund to the General Fund to supplement other funding sources		101,000
From the School Capital Reserve Fund to the School Capital Project Fund to supplement other funding sources		1,229,430
From the Fire District Fund to the General Fund to supplement other funding sources		10,000
	\$	<u>2,991,841</u>

Balance Due to/from Other Funds

Balances due to/from other funds at June 30, 2006 consist of the following:

Due to the General Fund from the Fire District Fund	\$ 210,000
Due to the General Fund from the School Capital Reserve Fund	325,692
Due to the General Fund from the Sanitation Fund	1,418,672
Due to the General Fund from the Edenton Bay Restoration Fund	36,540
Due to the General Fund from the CWMTF – Country Club Fund	452
Due to the General Fund from the CDBG Fund	363
Due to the General Fund from the Isabel Recovery Fund	101
Due to the General Fund from the Adult Day Center Capital Project Fund	437,456
Due to the General Fund from the Albemarle MM/DD/SAS Capital Project Fund	5,262
Due to the General Fund from the Public Safety Building Capital Project Fund	378,166
Due to the General Fund from the Library Renovation Fund	168,640
Due to the General Fund from the Consolidated Capital Project Fund	1,882,773
Due to the General Fund from the Water Fund	551,347
Due to the General Fund from the Water Capital Project Fund	236,124
Due to the General Fund from the Wharf Landing Capital Project Fund	100,045
Due to the General Fund from the Airport Industrial Park Fund	1,715
Due to the General Fund from the Emergency Management Fund	1,154,512
Due to the General Fund from the Edenton/Chowan Development Corp	221,318
Due to the General Fund from the Albemarle Learning Center	44,056
Due to the General Fund from the Consolidated Health Services Fund	3,000
Due to the Water Fund from the Consolidated Health Services Fund	<u>2,500</u>
	<u><u>\$7,178,734</u></u>

IV. Related Organization

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

V. Joint Ventures

The County, in conjunction with the Town of Edenton, participates in the Chowan County-Edenton Airport Commission. The County appoints one member to the seven-member board. The Airport is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The County has an ongoing financial responsibility for the Airport because it and the Town are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The County contributed \$20,000 to the Airport during the fiscal year ended June 30, 2006. The participating governments do not have any equity interest in the joint

venture, so no equity interest has been reflected in the financial statements at June 30, 2006. Complete financial statements for the Airport can be obtained from the administrative offices at Town of Edenton, Edenton, NC 27932.

The County also participates in a joint venture to operate Pettigrew Regional Library with four other local governments. Each participating government appoints three board members to the twelve-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2006. The participating governments provide the library facilities. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$124,385 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at Pettigrew Regional Library, PO Box 906 Plymouth, NC 27962.

The County, in conjunction with six other counties participates in Albemarle Regional Health Services. The County appoints two members to the ten-member board. The County contributed \$31,546 to the organization during the fiscal year ended June 30, 2006. Complete financial statements for District Health can be obtained from the District Health offices at Albemarle Regional Health Services, PO Box 189, Elizabeth City, NC 27909.

The County participates in two joint ventures in connection with handling solid waste disposal. The County is one of three counties involved in the Perquimans -Chowan-Gates Landfill Commission. The Commission maintains a landfill for waste products other than household waste. It also contracts with a private contractor to maintain dumpster sites and haul the trash in the three participating counties. The County is also one of eight counties participating in the Albemarle Regional Solid Waste Authority. This Authority contracts with a private contractor to maintain a landfill to meet environmental regulations for household solid waste and other regulated wastes. The Authority has a 20-year contract with the private contractor. The County spent approximately \$1,067,129 for solid waste disposal during the current year. Complete financial statements for the Landfill Commission and the Solid Waste Authority can be obtained from their offices at Route 1, Box 152C, Belvidere, NC 27919.

The County, in conjunction with College of the Albemarle, Elizabeth City, NC participates in a joint venture to operate the Chowan County Satellite Campus of the College of the Albemarle. The County has the responsibility to provide funding for the satellite facilities in Chowan County. During the fiscal year ending June 30, 2006, total facilities cost totaled \$247,710. The County does not have any equity in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2006. Complete financial statements for the College of the Albemarle may be obtained from the community college's administrative offices at US Highway 17, Elizabeth City, NC 27909.

VI. Jointly Governed Organization

The County, in conjunction with ten other counties and fourteen other municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints three members to the Commission's governing board. The County paid membership fees of \$8,620 to the Commission during the fiscal year ended June 30, 2006.

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

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

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

VII. Related Party Transactions

There were no significant related party transactions during the fiscal year ended June 30, 2006.

VIII. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary assistance to needy families	\$ 273,912	\$ -
Medicaid	12,995,241	6,320,378
Food stamp program	2,178,772	-
Energy assistance	29,738	-
State foster care	-	4,227
AFDC	(952)	(261)
Title IV-E, foster care	11,536	1,883
F/C at risk maximization	-	6,474
SC/SA domiciliary care	-	167,646
Total	<u>\$ 15,488,247</u>	<u>\$ 6,500,347</u>

IX. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

X. Lease of Chowan Hospital

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

XI. Significant Effects of Subsequent Events

Chowan County has entered into four significant installment purchase contracts after year-end.

In October 2006, the County entered into an installment purchase contract of \$6,956,600 to finance the construction of the new Public Safety Center. The financing contract requires 24 monthly interest only payments of \$21,797 with one final payment of all unpaid principal and interest due October 2008.

In January 2007, the County entered into an installment purchase contract of \$4,000,000 to finance the construction of the new Public Safety Center. The financing contract requires 21 monthly interest only payments of \$12,600 with one final payment of all unpaid principal and interest due October 2008.

In October 2006, the County entered into an installment purchase contract of \$1,800,000 to finance the renovation of the Shepard-Pruden Memorial Library. The financing contract requires 18 monthly interest only payments of \$5,640 with one final payment of all unpaid principal and interest due April 2008.

In October 2006, the County entered into an installment purchase contract of \$798,000 to finance the renovation of the Shepard-Pruden Memorial Library. The financing contract requires 15 annual payments of \$53,200 principal plus interest at 4.18%.

The Public Safety Building Capital Project Fund is presented on page 89 and the Library Renovation Fund is presented on page 90.

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$ 6,766,202	\$ 6,640,889	\$ (125,313)
Penalties and interest	75,000	67,079	(7,921)
Total	<u>6,841,202</u>	<u>6,707,968</u>	<u>(133,234)</u>
Other Taxes and Licenses:			
Local option sales tax	2,640,353	2,269,571	(370,782)
Deed stamp excise tax	97,300	97,348	48
Real estate transfer tax	879,570	757,618	(121,952)
Scrap tire & white goods disposal tax	76,252	94,880	18,628
Cable TV	20,400	20,402	2
Total	<u>3,713,875</u>	<u>3,239,819</u>	<u>(474,056)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes	2,500	2,539	39
Beer and wine tax	41,500	41,572	72
ABC profit distribution	50,000	-	(50,000)
Tax refunds	111,000	59,121	(51,879)
Total	<u>205,000</u>	<u>103,232</u>	<u>(101,768)</u>
Restricted intergovernmental:			
State grants	453,425	470,136	16,711
Federal grants	3,476,491	2,857,151	(619,340)
Court facility fees	64,000	64,170	170
ABC profits for law enforcement	3,000	879	(2,121)
ABC profits for alcoholic education	2,000	1,231	(769)
Total	<u>3,998,916</u>	<u>3,393,567</u>	<u>(605,349)</u>
Permits and fees:			
Building permits and inspection fees	323,818	244,928	(78,890)
Register of deeds	162,434	134,432	(28,002)
Total	<u>486,252</u>	<u>379,360</u>	<u>(106,892)</u>
Sales and services:			
Rents, concessions, and fees	132,116	115,823	(16,293)
Jail fees	249,084	192,523	(56,561)
Recreation Fees	97,000	75,964	(21,036)
Total	<u>478,200</u>	<u>384,310</u>	<u>(93,890)</u>
Investment earnings	<u>1,665,417</u>	<u>255,206</u>	<u>(1,410,211)</u>
Miscellaneous	<u>1,001,914</u>	<u>458,104</u>	<u>(543,810)</u>
Total revenues	<u>18,390,776</u>	<u>14,921,566</u>	<u>(3,469,210)</u>

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	46,505	46,505	-
Other operating expenditures	15,205	15,202	3
Total	<u>61,710</u>	<u>61,707</u>	<u>3</u>
Administration:			
Salaries and employee benefits	366,828	366,824	4
Other operating expenditures	387,815	421,249	(33,434)
Total	<u>754,643</u>	<u>788,073</u>	<u>(33,430)</u>
Elections:			
Salaries and employee benefits	57,334	57,315	19
Other operating expenditures	43,985	41,842	2,143
Capital outlay	26,772	117,322	(90,550)
Total	<u>128,091</u>	<u>216,479</u>	<u>(88,388)</u>
Data processing:			
Salaries and employee benefits	146,374	146,366	8
Other operating expenditures	117,113	115,760	1,353
Capital outlay	60,290	60,253	37
Total	<u>323,777</u>	<u>322,379</u>	<u>1,398</u>
NC information highway:			
Other operating expenditures	320	319	1
Total	<u>320</u>	<u>319</u>	<u>1</u>
Taxes:			
Salaries and employee benefits	195,575	194,416	1,159
Other operating expenditures	48,445	46,187	2,258
Capital outlay	4,129	3,895	234
Total	<u>248,149</u>	<u>244,498</u>	<u>3,651</u>
Legal:			
Salaries and employee benefits	97,970	97,969	1
Other operating expenditures	5,984	5,947	37
Total	<u>103,954</u>	<u>103,916</u>	<u>38</u>
Register of deeds:			
Salaries and employee benefits	118,409	118,004	405
Other operating expenditures	24,428	23,141	1,287
Capital outlay	18,572	13,676	4,896
Total	<u>161,409</u>	<u>154,821</u>	<u>6,588</u>

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Favorable (Unfavorable)
	Budget	Actual	
Land records:			
Salaries and employee benefits	103,026	103,014	12
Other operating expenditures	22,403	20,495	1,908
Capital outlay	3,303	2,519	784
Total	<u>128,732</u>	<u>126,028</u>	<u>2,704</u>
Inspection:			
Salaries and employee benefits	270,786	270,783	3
Other operating expenditures	959,415	562,925	396,490
Capital outlay	6,210	6,210	-
Total	<u>1,236,411</u>	<u>839,918</u>	<u>396,493</u>
Public buildings:			
Salaries and employee benefits	3,760	3,759	1
Other operating expenditures	437,330	462,415	(25,085)
Capital outlay	350,099	162,061	188,038
Total	<u>791,189</u>	<u>628,235</u>	<u>162,954</u>
Court facilities:			
Salaries and employee benefits	826	826	-
Other operating expenditures	32,281	32,278	3
Total	<u>33,107</u>	<u>33,104</u>	<u>3</u>
Central maintenance:			
Salaries and employee benefits	209,723	209,718	5
Other operating expenditures	39,941	39,935	6
Capital outlay	12,458	12,458	-
Total	<u>262,122</u>	<u>262,111</u>	<u>11</u>
Total general government	<u>4,233,614</u>	<u>3,781,588</u>	<u>452,026</u>
Public safety:			
Sheriff:			
Salaries and employee benefits	838,668	838,665	3
Other operating expenditures	279,801	269,548	10,253
Capital outlay	125,915	125,914	1
Total	<u>1,244,384</u>	<u>1,234,127</u>	<u>10,257</u>
School resource officer:			
Salaries and employee benefits	109,370	109,009	361
Total	<u>109,370</u>	<u>109,009</u>	<u>361</u>
Sentencing services:			
Salaries and employee benefits	5,848	5,847	1
Other operating expenditures	1,206	1,205	1
Total	<u>7,054</u>	<u>7,052</u>	<u>2</u>

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Favorable (Unfavorable)
	Budget	Actual	
CORPS grant:			
Salaries and employee benefits	39,127	39,124	3
Total	<u>39,127</u>	<u>39,124</u>	<u>3</u>
NC Governor's Highway Safety:			
Other operating expenditures	<u>16,637</u>	<u>16,637</u>	<u>-</u>
Albemarle Hopeline	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Animal control:			
Salaries and employee benefits	204,700	201,435	3,265
Other operating expenditures	91,389	85,682	5,707
Capital outlay	24,936	24,936	-
Total	<u>321,025</u>	<u>312,053</u>	<u>8,972</u>
Jail:			
Salaries and employee benefits	327,820	327,817	3
Other operating expenditures	404,826	404,822	4
Capital outlay	(180)	(180)	-
Total	<u>732,466</u>	<u>732,459</u>	<u>7</u>
Civil defense:			
Salaries and employee benefits	128,845	127,996	849
Other operating expenditures	39,754	28,653	11,101
Capital outlay	9,094	8,639	455
Total	<u>177,693</u>	<u>165,288</u>	<u>12,405</u>
Central communications:			
Salaries and employee benefits	414,595	414,592	3
Other operating expenditures	37,661	37,655	6
Capital outlay	7,189	7,188	1
Total	<u>459,445</u>	<u>459,435</u>	<u>10</u>
Medical examiner:			
Other operating expenditures	<u>2,425</u>	<u>2,425</u>	<u>-</u>
Total	<u>2,425</u>	<u>2,425</u>	<u>-</u>
Juvenile Justice:			
Salaries and employee benefits	19,749	18,456	1,293
Other operating expenditures	5,862	7,152	(1,290)
Total	<u>25,611</u>	<u>25,608</u>	<u>3</u>

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Favorable (Unfavorable)
	Budget	Actual	
Victim's Assistance:			
Salaries and employee benefits	64,695	61,661	3,034
Other operating expenditures	23,289	4,505	18,784
Capital outlay	34,457	33,154	1,303
Total	<u>122,441</u>	<u>99,320</u>	<u>23,121</u>
Total public safety	<u>3,272,678</u>	<u>3,217,537</u>	<u>55,141</u>
Transportation:			
Paving roads	7,415	-	7,415
Airport	20,000	20,000	-
Total transportation	<u>27,415</u>	<u>20,000</u>	<u>7,415</u>
Environmental Protection:			
Sanitation:			
Other operating expenditures	86,156	75,547	10,609
Total environmental protection	<u>86,156</u>	<u>75,547</u>	<u>10,609</u>
Economic development:			
Agricultural extension:			
Salaries and employee benefits	139,544	139,470	74
Other operating expenditures	33,647	33,115	532
Capital outlay	2,464	2,334	130
Total	<u>175,655</u>	<u>174,919</u>	<u>736</u>
Soil conservation:			
Salaries and employee benefits	81,558	81,553	5
Other operating expenditures	180,224	166,269	13,955
Capital outlay	1,147	-	1,147
Total	<u>262,929</u>	<u>247,822</u>	<u>15,107</u>
Planning:			
Operating expenditures	6,715	6,714	1
Total	<u>6,715</u>	<u>6,714</u>	<u>1</u>
Economic development:			
Operating expenditures	120,000	120,000	-
Total	<u>120,000</u>	<u>120,000</u>	-
Total economic and physical development	<u>565,299</u>	<u>549,455</u>	<u>15,844</u>
Human services:			
Social services:			
Administration:			
Salaries and benefits	498,012	495,518	2,494
Other operating expenditures	139,160	133,482	5,678
Capital outlay	15,000	14,997	3
Total	<u>652,172</u>	<u>643,997</u>	<u>8,175</u>

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Favorable (Unfavorable)
	Budget	Actual	
Income maintenance programs:			
Salaries and employee benefits	588,204	586,574	1,630
County participation	65,352	55,685	9,667
Total	<u>653,556</u>	<u>642,259</u>	<u>11,297</u>
Medicaid program:			
County participation	1,242,978	1,225,442	17,536
Total	<u>1,242,978</u>	<u>1,225,442</u>	<u>17,536</u>
Title XX program:			
Salaries and employee benefits	388,081	380,445	7,636
Other operating expenditures	67,873	57,794	10,079
Total	<u>455,954</u>	<u>438,239</u>	<u>17,715</u>
Foster care:			
Other operating expenditures	38,030	33,187	4,843
Total	<u>38,030</u>	<u>33,187</u>	<u>4,843</u>
Title III program:			
Other operating expenditures	6,060	2,418	3,642
Total	<u>6,060</u>	<u>2,418</u>	<u>3,642</u>
Other assistance:			
Other operating expenditures	1,291,230	1,217,795	73,435
Total	<u>1,291,230</u>	<u>1,217,795</u>	<u>73,435</u>
Total social services	<u>4,339,980</u>	<u>4,203,337</u>	<u>136,643</u>
Veterans service officer:			
Salaries and employee benefits	13,078	13,076	2
Other operating expenditures	1,650	1,160	490
Total	<u>14,728</u>	<u>14,236</u>	<u>492</u>
Health	<u>65,373</u>	<u>64,105</u>	<u>1,268</u>
Mental health:			
Other operating expenditures	34,259	34,259	-
Total	<u>34,259</u>	<u>34,259</u>	<u>-</u>
Total human services	<u>4,454,340</u>	<u>4,315,937</u>	<u>138,403</u>
Cultural and recreational:			
Community activities:			
Other operating expenditures	54,823	54,823	-
Total	<u>54,823</u>	<u>54,823</u>	<u>-</u>

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Favorable (Unfavorable)
	Budget	Actual	
Recreation:			
Salaries and employee benefits	409,871	409,868	3
Other operating expenditures	219,088	185,336	33,752
Capital outlay	17,764	17,764	-
Total	<u>646,723</u>	<u>612,968</u>	<u>33,755</u>
Senior center:			
Salaries and employee benefits	99,999	99,997	2
Other operating expenditures	78,393	78,390	3
Capital outlay	35,137	35,136	1
Total	<u>213,529</u>	<u>213,523</u>	<u>6</u>
Libraries:			
Contribution to regional library	124,883	124,385	498
Total	<u>124,883</u>	<u>124,385</u>	<u>498</u>
Total cultural and recreation	<u>1,039,958</u>	<u>1,005,699</u>	<u>34,259</u>
Education:			
Public schools:			
Current expense:	3,340,514	3,340,514	-
Total	<u>3,340,514</u>	<u>3,340,514</u>	<u>-</u>
Community colleges:			
Salaries and employee benefits	52,943	52,940	3
Other operating expenditures	249,000	247,710	1,290
Total	<u>301,943</u>	<u>300,650</u>	<u>1,293</u>
Total education	<u>3,642,457</u>	<u>3,641,164</u>	<u>1,293</u>
Debt service:			
Principal retirement	888,988	883,266	5,722
Interest and fees	310,748	316,456	(5,708)
Total debt service	<u>1,199,736</u>	<u>1,199,722</u>	<u>14</u>
Total expenditures	<u>18,521,653</u>	<u>17,806,649</u>	<u>715,004</u>
Revenues over (under) expenditures	<u>(130,877)</u>	<u>(2,885,083)</u>	<u>(2,754,206)</u>
Other financing sources (uses):			
Operating transfers from other funds	306,000	268,326	(37,674)
Operating transfers to other funds	(1,060,352)	(1,494,085)	(433,733)
Proceeds of installment purchase	143,000	125,146	(17,854)
Lease payments	465,229	465,229	-
Fund balance appropriated	27,000		
Sale of fixed assets	250,000	5,833	(244,167)
Total other financing sources (uses)	<u>130,877</u>	<u>(629,551)</u>	<u>(760,428)</u>

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(3,514,634)	\$ (3,514,634)
Fund balances:			
Beginning of year, July 1		17,834,859	
End of year, June 30		\$ 14,320,225	

**Chowan County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

Special Revenue Funds

	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Occupancy Tax Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ 11,094	\$ 19,050	\$ 460	\$ 1,033
Accounts receivable, net	317,984	39,983	17,453	237	2,354
Taxes receivable, net	-	-	9,454	-	-
Total assets	\$ 317,984	\$ 51,077	\$ 45,957	\$ 697	\$ 3,387
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ (1,450)	\$ 307	\$ -	\$ (1,182)
Due to other funds	325,692	-	210,000	-	-
Deferred revenue	-	-	12,484	-	-
Total liabilities	325,692	(1,450)	222,791	-	(1,182)
Fund balances:					
Reserved by state statute	317,984	39,983	17,453	237	2,354
Unreserved (deficit)	(325,692)	12,544	(194,287)	460	2,215
Total fund balances	(7,708)	52,527	(176,834)	697	4,569
Total liabilities and fund balances	\$ 317,984	\$ 51,077	\$ 45,957	\$ 697	\$ 3,387

Isabel Recovery Fund	Edenton Bay Restoration	CWMTF-Country Club	CDBG	School Capital Project Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 15,257	\$ 46,894
15	36,540	452	363	-	415,381
-	-	-	-	-	9,454
<u>\$ 15</u>	<u>\$ 36,540</u>	<u>\$ 452</u>	<u>\$ 363</u>	<u>\$ 15,257</u>	<u>\$ 471,729</u>

\$ 36,585	\$ -	\$ -	\$ -	\$ -	\$ 34,260
101	36,540	452	363	-	573,148
-	-	-	-	-	12,484
<u>36,686</u>	<u>36,540</u>	<u>452</u>	<u>363</u>	<u>-</u>	<u>619,892</u>

15	36,540	452	363	-	415,381
(36,686)	(36,540)	(452)	(363)	15,257	(563,544)
<u>(36,671)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,257</u>	<u>(148,163)</u>
<u>\$ 15</u>	<u>\$ 36,540</u>	<u>\$ 452</u>	<u>\$ 363</u>	<u>\$ 15,257</u>	<u>\$ 471,729</u>

(Continued)

**Chowan County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

Capital Project Funds

ASSETS

	D.F. Walker Gym Renovation Fund	Adult Day Health Care Capital Project Fund	Albemarle MM/DD/SAS Capital Project Fund	Public Safety Building Capital Project Fund	Library Renovation Fund
Cash and cash equivalents	\$ 930	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net	-	-	5,262	-	-
Taxes receivable, net	-	-	-	-	-
Total assets	\$ 930	\$ -	\$ 5,262	\$ -	\$ -

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	437,456	5,262	378,166	168,640
Deferred revenue	-	-	-	-	-
Total liabilities	-	437,456	5,262	378,166	168,640

Fund balances:

Reserved by state statute	-	-	5,262	-	-
Unreserved (deficit)	930	(437,456)	(5,262)	(378,166)	(168,640)
Total fund balances	930	(437,456)	-	(378,166)	(168,640)
Total liabilities and fund balances	\$ 930	\$ -	\$ 5,262	\$ -	\$ -

John A. Holmes		
High School Renovation Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 1,692,719	\$ 1,693,649	\$ 1,740,543
2,304	7,566	422,947
-	-	9,454
\$ 1,695,023	\$ 1,701,215	\$ 2,172,944

\$ -	\$ -	\$ 34,260
-	989,524	1,562,672
-	-	12,484
-	989,524	1,609,416

2,304	7,566	422,947
1,692,719	704,125	140,581
1,695,023	711,691	563,528
\$ 1,695,023	\$ 1,701,215	\$ 2,172,944

Chowan County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

Special Revenue Funds

	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Occupancy Tax Fund
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ 287,276	\$ -	\$ -
Local option sales taxes	750,138	-	96,991	-	-
Other taxes and licenses	-	98,433	1,633	237	251
Restricted intergovernmental	189,583	71,673	-	-	3,000
Sales and service	-	-	-	-	79,802
Miscellaneous	-	-	3	-	9,648
Investment earnings	1,062	1,453	1,297	-	-
Total revenues	<u>940,783</u>	<u>171,559</u>	<u>387,200</u>	<u>237</u>	<u>92,701</u>
EXPENDITURES					
Current:					
General government	-	-	-	108,154	-
Public safety	-	340,561	350,290	-	-
Economic development	-	-	-	-	91,958
Environmental protection	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	50,121	77,386	-	-
Interest	-	3,485	4,200	-	-
Total expenditures	<u>-</u>	<u>394,167</u>	<u>431,876</u>	<u>108,154</u>	<u>91,958</u>
Excess (deficiency) of revenues over expenditures	<u>940,783</u>	<u>(222,608)</u>	<u>(44,676)</u>	<u>(107,917)</u>	<u>743</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from installment purchase	-	168,824	-	-	-
Transfers from (to) other funds	(729,430)	85,847	(10,000)	135,000	-
Total other financing sources and uses	<u>(729,430)</u>	<u>254,671</u>	<u>(10,000)</u>	<u>135,000</u>	<u>-</u>
Net change in fund balances	211,353	32,063	(54,676)	27,083	743
Fund balances - beginning	(219,061)	20,464	(122,158)	(26,386)	3,826
Fund balances - ending	<u>\$ (7,708)</u>	<u>\$ 52,527</u>	<u>\$ (176,834)</u>	<u>\$ 697</u>	<u>\$ 4,569</u>

**Capital
Project Funds**

Isabel Recovery Fund	CWMTF - Country Club	CDBG	School Capital Project Fund	Total Nonmajor Special Revenue Funds	D.F. Walker Gym Renovation Fund
\$ -	\$ -	\$ -	\$ -	\$ 287,276	\$ -
-	-	-	-	847,129	-
-	-	-	-	100,554	-
-	2,705	88,828	-	355,789	-
-	-	-	-	79,802	-
-	-	-	-	9,651	-
-	-	-	-	3,812	-
-	2,705	88,828	-	1,684,013	-
-	-	-	-	108,154	-
71	-	-	-	690,922	-
-	-	88,828	-	180,786	-
-	2,705	-	-	2,705	-
-	-	-	375,000	375,000	-
-	-	-	-	-	761
-	-	-	865,733	993,240	-
-	-	-	486,763	494,448	-
71	2,705	88,828	1,727,496	2,845,255	761
(71)	-	-	(1,727,496)	(1,161,242)	(761)
-	-	-	-	168,824	-
(132,326)	-	-	1,727,496	1,076,587	-
(132,326)	-	-	1,727,496	1,245,411	-
(132,397)	-	-	-	84,169	(761)
95,726	-	-	15,257	(232,332)	1,691
\$ (36,671)	\$ -	\$ -	\$ 15,257	\$ (148,163)	\$ 930

(Continued)

Chowan County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

Capital Project Funds

	Adult Day Health Care Capital Project Fund	Public Safety Building Capital Project Fund	Library Renovation Fund	John A. Holmes High School Renovation Fund	Capital Project Fund
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Local option sales taxes	-	-	-	-	-
Other taxes and licenses	-	-	-	7,808	-
Restricted intergovernmental	-	-	-	-	-
Sales and service	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Investment earnings	-	-	-	18,120	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,928</u>	<u>-</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Economic development	-	-	-	-	-
Environmental protection	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	-	348,150	75,935	330,905	114,388
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>-</u>	<u>348,150</u>	<u>75,935</u>	<u>330,905</u>	<u>114,388</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(348,150)</u>	<u>(75,935)</u>	<u>(304,977)</u>	<u>(114,388)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from installment purchase	-	-	-	2,000,000	-
Transfers from (to) other funds	-	-	-	-	114,388
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>114,388</u>
Net change in fund balances	<u>-</u>	<u>(348,150)</u>	<u>(75,935)</u>	<u>1,695,023</u>	<u>-</u>
Fund balances - beginning	(437,456)	(30,016)	(92,705)	-	-
Fund balances - ending	<u>\$ (437,456)</u>	<u>\$ (378,166)</u>	<u>\$ (168,640)</u>	<u>\$ 1,695,023</u>	<u>\$ -</u>

Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ 287,276
-	847,129
7,808	108,362
-	355,789
-	79,802
-	9,651
18,120	21,932
<u>25,928</u>	<u>1,709,941</u>

-	108,154
-	690,922
-	180,786
-	2,705
-	375,000
870,139	870,139
-	993,240
-	494,448
<u>870,139</u>	<u>3,715,394</u>

<u>(844,211)</u>	<u>(2,005,453)</u>
------------------	--------------------

2,000,000	2,168,824
114,388	1,190,975
<u>2,114,388</u>	<u>3,359,799</u>
1,270,177	1,354,346
(558,486)	(790,818)
<u>\$ 711,691</u>	<u>\$ 563,528</u>

Chowan County, North Carolina
School Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Restricted intergovernmental:			
Public School Building Capital Fund	\$ 384,430	\$ 189,583	\$ (194,847)
Local option sales tax	835,000	750,138	(84,862)
Investment earnings	10,000	1,062	(8,938)
Total revenues	1,229,430	940,783	(288,647)
Other financing sources (uses):			
Transfers in (out)	(1,229,430)	(729,430)	500,000
Revenues and other sources over (under) expenditures and other uses	\$ -	211,353	\$ 211,353
Fund balances:			
Beginning of year, July 1		(219,061)	
End of year, June 30		\$ (7,708)	

Chowan County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Other taxes and licenses:			
911 system subscriber fees	\$ 86,000	\$ 85,866	\$ (134)
Sales tax refund	8,500	12,567	4,067
Restricted intergovernmental:			
Wireless 911 funds	70,000	71,673	1,673
Investment earnings	500	1,453	953
	<u>165,000</u>	<u>171,559</u>	<u>6,559</u>
Expenditures			
Public safety:			
911 system subscriber fees:			
Operating expenses	102,626	87,792	14,834
Capital outlay	176,145	176,144	1
Total subscriber fees	<u>278,771</u>	<u>263,936</u>	<u>14,835</u>
Wireless 911:			
Operating expenses	77,293	76,625	668
Total public safety	<u>356,064</u>	<u>340,561</u>	<u>15,503</u>
Debt service:			
Principal	50,122	50,121	1
Interest	3,485	3,485	-
Total debt service	<u>53,607</u>	<u>53,606</u>	<u>1</u>
Total expenditures	<u>409,671</u>	<u>394,167</u>	<u>15,504</u>
Revenues over (under) expenditures	<u>(244,671)</u>	<u>(222,608)</u>	<u>(22,063)</u>
Other financing sources (uses):			
Proceeds of installment purchase	168,824	168,824	-
Transfers in (out)	75,847	85,847	(10,000)
Total other sources (uses)	<u>244,671</u>	<u>254,671</u>	<u>(10,000)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	32,063	<u>\$ 32,063</u>
Fund balances:			
Beginning of year, July 1		20,464	
End of year, June 30		<u>\$ 52,527</u>	

Chowan County, North Carolina
Fire District Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes	\$ 338,225	\$ 287,276	\$ (50,949)
Local option sales tax	125,459	96,991	(28,468)
Other taxes and licenses	1,500	1,633	133
Miscellaneous revenue	4,223	3	(4,220)
Investment earnings	1,000	1,297	297
Total revenues	<u>470,407</u>	<u>387,200</u>	<u>(83,207)</u>
Expenditures:			
Public safety:			
Town of Edenton	207,553	207,409	144
Salaries and benefits	42,652	42,650	2
Telephone and postage	2,775	2,775	-
Utilities	11,684	11,683	1
Maintenance and repair	13,550	13,548	2
Insurance and bonds	24,759	24,757	2
Capital outlay	29,825	29,825	0
Other operating expenses	16,023	17,643	(1,620)
Total public safety	<u>348,821</u>	<u>350,290</u>	<u>(1,469)</u>
Debt service:			
Principal	77,386	77,386	-
Interest	4,200	4,200	-
Total debt service	<u>81,586</u>	<u>81,586</u>	<u>-</u>
Total expenditures	<u>430,407</u>	<u>431,876</u>	<u>(1,469)</u>
Revenues over (under) expenditures	<u>40,000</u>	<u>(44,676)</u>	<u>84,676</u>
Other financing sources (uses):			
Transfers in (out)	<u>(40,000)</u>	<u>(10,000)</u>	<u>30,000</u>
Total other sources (uses)	<u>(40,000)</u>	<u>(10,000)</u>	<u>30,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(54,676)</u>	<u>\$ (54,676)</u>
Fund balances:			
Beginning of year, July 1		<u>(122,158)</u>	
End of year, June 30		<u>\$ (176,834)</u>	

Chowan County, North Carolina
Revaluation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Sales tax refund	\$ -	\$ 237	\$ 237
Total revenues	<u>-</u>	<u>237</u>	<u>237</u>
Expenditures:			
General government:			
Contracted services	<u>107,919</u>	<u>108,154</u>	<u>(235)</u>
Revenues over (under) expenditures	<u>(107,919)</u>	<u>(107,917)</u>	<u>(2)</u>
Other financing sources (uses):			
Transfers in (out)	<u>107,919</u>	<u>135,000</u>	<u>27,081</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>27,083</u>	<u>\$ 27,083</u>
Fund balances:			
Beginning of year, July 1		<u>(26,386)</u>	
End of year, June 30		<u>\$ 697</u>	

Chowan County, North Carolina
Occupancy Tax Assessment Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Sales and service	\$ 79,700	\$ 79,802	\$ 102
Restricted intergovernmental	3,000	3,000	-
Other taxes and licenses	500	251	(249)
Miscellaneous revenues	9,600	9,648	(1,500)
Investment earnings	500	-	(500)
	<u>93,300</u>	<u>92,701</u>	<u>(599)</u>
Expenditures:			
Economic development:			
Contracted services	54,458	53,983	475
Reimbursements	12,650	12,117	533
Miscellaneous expenses	26,192	25,858	334
Total expenditures	<u>93,300</u>	<u>91,958</u>	<u>1,342</u>
Revenues over (under) expenditures	<u>\$ -</u>	743	<u>\$ (743)</u>
Fund balances:			
Beginning of year, July 1		<u>3,826</u>	
End of year, June 30		<u>\$ 4,569</u>	

Chowan County, North Carolina
Isabel Recovery Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Public safety:			
Administration	-	71	(71)
Total expenditures	-	71	(71)
Revenues over (under) expenditures	-	(71)	71
Other financing sources (uses):			
Fund balance appropriated	132,326	-	(132,326)
Transfers in (out)	(132,326)	(132,326)	-
Total other sources (uses)	-	(132,326)	(132,326)
Revenues and other sources over (under) expenditures and other uses	\$ -	(132,397)	\$ (132,397)
Fund balances:			
Beginning of year, July 1		95,726	
End of year, June 30		\$ (36,671)	

Chowan County, North Carolina
Edenton Bay Restoration Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 3,285,810	\$ 2,230,356	\$ -	\$ 2,230,356	\$ (1,055,454)
Other taxes and licenses	-	220	-	220	220
Miscellaneous revenue	-	2,151	-	2,151	2,151
Total revenue	<u>3,285,810</u>	<u>2,232,727</u>	<u>-</u>	<u>2,232,727</u>	<u>(1,053,083)</u>
Expenditures:					
Environmental protection:					
Contracted services	37,000	57,908	-	57,908	(20,908)
Capital outlay	3,248,810	2,174,819	-	2,174,819	1,073,991
Total expenditures	<u>3,285,810</u>	<u>2,232,727</u>	<u>-</u>	<u>2,232,727</u>	<u>1,053,083</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

Chowan County, North Carolina
CDBG Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 400,000	\$ 309,054	\$ 88,828	\$ 397,882	\$ (2,118)
Expenditures:					
Economic development:					
Administration	40,350	29,244	3,000	32,244	8,106
Clearance	39,000	29,674	12,374	42,048	(3,048)
Relocation assistance	320,650	250,136	73,454	323,590	(2,940)
Total expenditures	400,000	309,054	88,828	397,882	(2,940)
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

Chowan County, North Carolina
CWMTF - Country Club Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 534,000	\$ 309,387	\$ 2,705	\$ 312,092	\$ (221,908)
Other taxes and license	-	521	-	521	521
Miscellaneous revenue	50,000	-	-	-	(50,000)
Total revenues	<u>584,000</u>	<u>309,908</u>	<u>2,705</u>	<u>312,613</u>	<u>(271,387)</u>
Expenditures:					
Environmental protection:					
Administration	15,000	5,510	-	5,510	9,490
Contracted services	564,000	304,398	2,705	307,103	256,897
Capital outlay	5,000	-	-	-	5,000
Total expenditures	<u>584,000</u>	<u>309,908</u>	<u>2,705</u>	<u>312,613</u>	<u>271,387</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

Chowan County, North Carolina
School Capital Project Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Education:			
Capital outlay	375,000	375,000	-
Debt service:			
Principal	865,733	865,733	-
Interest	486,763	486,763	-
Total debt service	1,352,496	1,352,496	-
Total expenditures	1,727,496	1,727,496	-
Revenues over (under) expenditures	(1,727,496)	(1,727,496)	-
Other financing sources (uses):			
Transfers in (out)	1,727,496	1,727,496	-
Revenues and other sources over (under) expenditures and other uses	\$ -	-	\$ -
Fund balances:			
Beginning of year, July 1		15,257	
End of year, June 30		\$ 15,257	

Chowan County, North Carolina
D.F. Walker Gym Renovation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental	\$ 85,140	\$ 85,140	\$ -	\$ 85,140	\$ -
Other taxes and licenses	-	761	-	761	761
Total revenues	<u>85,140</u>	<u>85,901</u>	<u>-</u>	<u>85,901</u>	<u>761</u>
Expenditures					
Cultural and recreational:					
Capital outlay:					
D.F. Walker Gym	<u>238,794</u>	<u>237,864</u>	<u>761</u>	<u>238,625</u>	<u>169</u>
Revenues over (under) expenditures	<u>(153,654)</u>	<u>(151,963)</u>	<u>(761)</u>	<u>(152,724)</u>	<u>930</u>
Other financing sources:					
Transfers in (out)	<u>153,654</u>	<u>153,654</u>	<u>-</u>	<u>153,654</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,691</u>	<u>(761)</u>	<u>\$ 930</u>	<u>\$ 930</u>
Fund balances:					
Beginning of year, July 1			<u>1,691</u>		
End of year, June 30			<u>\$ 930</u>		

Chowan County, North Carolina
Adult Day Health Care Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

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

Chowan County, North Carolina
Albemarle MM/DD/SAS Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

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

Chowan County, North Carolina
Public Safety Building Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental	\$ 10,956,645	\$ -	\$ -	\$ -	\$ (10,956,645)
Expenditures					
Public safety:					
Capital outlay:					
Public Safety Building	10,956,645	30,016	348,150	378,166	10,578,479
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (30,016)</u>	(348,150)	<u>\$ (378,166)</u>	<u>\$ 378,166</u>
Fund balances:					
Beginning of year, July 1			(30,016)		
End of year, June 30			<u>\$ (378,166)</u>		

Chowan County, North Carolina
Library Renovation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Cultural and recreational:					
Contracted services	2,597,900	92,705	75,935	168,640	2,429,260
Revenues over (under) expenditures	<u>(2,597,900)</u>	<u>(92,705)</u>	<u>(75,935)</u>	<u>(168,640)</u>	<u>2,429,260</u>
Other financing sources:					
Loan proceeds	2,597,900	-	-	-	2,597,900
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (92,705)</u>	(75,935)	<u>\$ (168,640)</u>	<u>\$ 168,640</u>
Fund balances:					
Beginning of year, July 1			<u>(92,705)</u>		
End of year, June 30			<u>\$ (168,640)</u>		

Chowan County, North Carolina
John A. Holmes High School Renovation Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Sales tax refund	\$ -	\$ -	\$ 7,808	\$ 7,808	\$ 7,808
Investment earnings	-	-	18,120	18,120	18,120
Total revenues	-	-	25,928	25,928	25,928
Expenditures					
Education:					
Capital outlay:					
John A. Holmes High School Renovation	401,700	-	330,905	330,905	70,795
Revenues over (under) expenditures	(401,700)	-	(304,977)	(304,977)	96,723
Other financing sources:					
Transfers in (out)	(1,598,300)	-	-	-	(1,598,300)
Loan proceeds	2,000,000	-	2,000,000	2,000,000	-
Total other sources (uses)	401,700	-	2,000,000	2,000,000	(1,598,300)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	1,695,023	\$ 1,695,023	\$ (1,695,023)
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			\$ 1,695,023		

Chowan County, North Carolina
Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
General government:					
Capital outlay:					
Major repairs	130,000	-	114,388	114,388	15,612
Revenues over (under) expenditures	(130,000)	-	(114,388)	(114,388)	15,612
Other financing sources:					
Transfers in (out)	130,000	-	114,388	114,388	15,612
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	-	\$ -	\$ -
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

Chowan County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Water sales	\$ 1,313,994	\$ 1,193,918	\$ (120,076)
Reconnection fees	30,000	24,650	(5,350)
Miscellaneous revenue	3,863	2	(3,861)
Sales tax and other refunds	10,000	9,593	(407)
Taps and connection fees	60,000	89,579	29,579
Total revenues	<u>1,417,857</u>	<u>1,317,742</u>	<u>(100,115)</u>
Expenditures:			
Administration and operating:			
Salaries and employee benefits	284,999	277,191	7,808
Postage and telephone	20,000	19,619	381
Utilities	87,219	87,218	1
Maintenance and repairs	34,722	65,541	(30,819)
Automotive supplies	16,000	15,126	874
Supplies and materials	89,159	84,638	4,521
Administrative services	151,852	146,879	4,973
Meters and minor improvements	26,690	14,162	12,528
Total	<u>710,641</u>	<u>710,374</u>	<u>267</u>
Debt service:			
Debt principal	269,079	268,892	187
Interest and fees	41,709	41,886	(177)
Total	<u>310,788</u>	<u>310,778</u>	<u>10</u>
Capital outlay	465,428	9,641	455,787
Total expenditures	<u>1,486,857</u>	<u>1,030,793</u>	<u>456,064</u>
Revenues over (under) expenditures	<u>(69,000)</u>	<u>286,949</u>	<u>355,949</u>

(continued)

Chowan County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Proceeds of installment purchase	270,000	-	(270,000)
Transfers in (out)	(201,000)	(101,000)	100,000
Total other sources (uses)	<u>69,000</u>	<u>(101,000)</u>	<u>(170,000)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	185,949	<u>\$ 185,949</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		268,892	
Capital outlay		9,641	
Depreciation		(275,914)	
Amortization		(1,392)	
Decrease in bond interest accrued		3,161	
Decrease in inventory		(526)	
Revenue from Capital Reserve Funds		139,756	
Revenue from Capital Project Fund		2,080	
Revenue from Wharf Landing Fun		92,536	
Loss on disposal of fixed assets		(174,225)	
Total reconciling items		<u>64,009</u>	
Change in net assets		<u>\$ 249,958</u>	

Chowan County, North Carolina
Emergency Management Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Ambulance Fees	\$ 915,000	\$ 821,537	\$ (93,463)
Miscellaneous revenue	7,882	305	(7,577)
Sales tax and other refunds	3,500	5,052	1,552
Total	<u>926,382</u>	<u>826,894</u>	<u>(99,488)</u>
Non-operating revenues:			
Restricted intergovernmental - Federal grant	11,616	11,288	(328)
Investment earnings	-	608	608
Total	<u>11,616</u>	<u>11,896</u>	<u>280</u>
Total revenues	<u>937,998</u>	<u>838,790</u>	<u>(99,208)</u>
Expenditures:			
Administration and operating:			
Salaries and employee benefits	698,224	775,970	(77,746)
Postage and telephone	12,500	13,673	(1,173)
Utilities	17,300	18,300	(1,000)
Maintenance and repairs	38,892	43,298	(4,406)
Automotive supplies	20,918	23,464	(2,546)
Supplies and materials	26,713	29,754	(3,041)
Contracted services	18,500	51,791	(33,291)
Administrative services	57,044	62,187	(5,143)
Total	<u>890,091</u>	<u>1,018,437</u>	<u>(128,346)</u>
Debt service:			
Debt principal	44,734	46,987	(2,253)
Interest and fees	3,355	3,355	-
Total	<u>48,089</u>	<u>50,342</u>	<u>(2,253)</u>
Capital outlay			
Total expenditures	<u>1,079,007</u>	<u>1,210,416</u>	<u>(131,409)</u>
Revenues over (under) expenditures	<u>(141,009)</u>	<u>(371,626)</u>	<u>(230,617)</u>

(continued)

Chowan County, North Carolina
Emergency Management Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Proceeds of installment purchase	134,100	126,794	(7,306)
Transfers in (out)	6,909	51,000	44,091
Total other financing sources (uses)	<u>141,009</u>	<u>177,794</u>	<u>36,785</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(193,832)	<u>\$ (193,832)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		46,987	
Capital outlay		141,637	
Proceeds from installment purchase		(126,794)	
Depreciation		(128,525)	
Increase in bond interest accrued		(47)	
Total reconciling items		<u>(66,742)</u>	
Change in net assets		<u>\$ (260,574)</u>	

Chowan County, North Carolina
Water Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Storm preparedness charges	\$ 65,000	\$ 68,875	\$ 3,875
Investment earnings	-	438	438
Total revenues	<u>65,000</u>	<u>69,313</u>	<u>4,313</u>
Other financing sources (uses):			
Transfers in (out)	(65,000)	(64,144)	856
Total other financing sources (uses)	<u>(65,000)</u>	<u>(64,144)</u>	<u>856</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	5,169	<u>\$ 5,169</u>
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ 5,169</u>	

Chowan County, North Carolina
Water Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Actual Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Sales tax refund	\$ -	\$ 104	\$ 2,080	\$ 2,184	\$ 2,184
Expenditures					
Water system improvements: Generator project	430,000	313,038	67,408	380,446	49,554
Revenues over (under) expenditures	(430,000)	(312,934)	(65,328)	(378,262)	51,738
Other financing sources:					
Transfers in (out)	430,000	80,073	64,144	144,217	(285,783)
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (232,861)</u>	(1,184)	<u>\$ (234,045)</u>	<u>\$ (234,045)</u>
Fund balances:					
Beginning of year, July 1			<u>(232,861)</u>		
End of year, June 30			<u>\$ (234,045)</u>		

Chowan County, North Carolina
Wharf Landing Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental	\$ 228,000	\$ -	\$ 88,231	\$ 88,231	\$ (139,769)
Sales tax refund	-	-	4,305	4,305	4,305
Miscellaneous	382,608	-	-	-	(382,608)
	<u>610,608</u>	<u>-</u>	<u>92,536</u>	<u>92,536</u>	<u>(518,072)</u>
Expenditures					
Water system improvements: Extension project	610,608	2,722	185,554	188,276	422,332
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (2,722)</u>	(185,554)	<u>\$ (188,276)</u>	<u>(188,276)</u>
Fund balances:					
Beginning of year, July 1			<u>(2,722)</u>		
End of year, June 30			<u>\$ (188,276)</u>		

Chowan County, North Carolina
Water Development Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2006

	2006		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Water development fees	\$ 50,000	\$ 67,575	\$ 17,575
Investment earnings	-	2,868	2,868
Total revenues	<u>50,000</u>	<u>70,443</u>	<u>20,443</u>
Expenditures:			
Administration	50,000	-	50,000
Total expenditures	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	70,443	<u>\$ 70,443</u>
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ 70,443</u>	

Chowan County, North Carolina
Airport Industrial Park Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental	\$ 326,850	\$ -	\$ -	\$ -	\$ (326,850)
Miscellaneous	95,000	-	-	-	(95,000)
	<u>421,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(421,850)</u>
Expenditures					
Water system improvements:					
Extension project	421,850	-	1,715	1,715	420,135
	<u>421,850</u>	<u>-</u>	<u>1,715</u>	<u>1,715</u>	<u>420,135</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(1,715)	<u>\$ (1,715)</u>	<u>(1,715)</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ (1,715)</u>		

Chowan County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Fireman's Relief Fund				
Assets:				
Cash and cash equivalents	\$ 39,853	\$ 16,845	\$ 20	\$ 56,678
Liabilities:				
Payables	\$ 39,853	\$ 16,845	\$ 20	\$ 56,678
Social Services - Protective Payees				
Assets:				
Cash and cash equivalents	\$ 2,360	\$ 18,994	\$ 19,783	\$ 1,571
Liabilities:				
Payables	\$ 2,360	\$ 18,994	\$ 19,783	\$ 1,571
Consolidated Health Services				
Assets:				
Cash and cash equivalents	\$183,377	\$6,737,639	\$ 6,176,464	\$ 744,552
Liabilities:				
Payables	\$177,877	\$6,737,639	\$ 6,176,464	\$ 739,052
Due to other funds	5,500	-	-	5,500
Total liabilities	\$183,377	\$6,737,639	\$ 6,176,464	\$ 744,552
Edenton Chowan Development Corp				
Assets:				
Cash and cash equivalents	\$ -	\$ 189,266	\$ 189,266	\$ -
Accounts receivable	238,043	-	16,725	221,318
Total assets	\$238,043	\$ 189,266	\$ 205,991	\$ 221,318
Liabilities:				
Payables	\$ -	\$ 189,266	\$ 189,266	\$ -
Due to other funds	238,043	-	16,725	221,318
Total liabilities	\$238,043	\$ 189,266	\$ 205,991	\$ 221,318
Fines and Forfeitures				
Assets:				
Cash and cash equivalents	\$ -	\$ 108,305	\$ 99,792	\$ 8,513
Liabilities:				
Intergovernmental payable - Chowan County Board of Education	\$ -	\$ 106,669	\$ 98,873	\$ 7,796
Intergovernmental payable - State of North Carolina	-	1,636	919	717
Total liabilities	\$ -	\$ 108,305	\$ 99,792	\$ 8,513

Chowan County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Albemarle Learning Center				
Assets:				
Cash and cash equivalents	\$ -	\$ 67,215	\$ 67,215	\$ -
Accounts receivable	8,548	35,508	-	44,056
Total assets	<u>\$ 8,548</u>	<u>\$ 102,723</u>	<u>\$ 67,215</u>	<u>\$ 44,056</u>
Liabilities:				
Payables	\$ -	\$ 67,215	\$ 67,215	\$ -
Due to other funds	8,548	35,508	-	44,056
Total liabilities	<u>\$ 8,548</u>	<u>\$ 102,723</u>	<u>\$ 67,215</u>	<u>\$ 44,056</u>
Old Courthouse Gala				
Assets:				
Cash and cash equivalents	\$ 38	\$ 1,162	\$ -	\$ 1,200
Accounts receivable	1,162	-	1,162	-
Total assets	<u>\$ 1,200</u>	<u>\$ 1,162</u>	<u>\$ 1,162</u>	<u>\$ 1,200</u>
Liabilities:				
Payables	<u>\$ 1,200</u>	<u>\$ 1,162</u>	<u>\$ 1,162</u>	<u>\$ 1,200</u>
EHC Cannon Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 56,270	\$ 18,869	\$ 37,401
Accounts receivable	-	16	-	16
Total assets	<u>\$ -</u>	<u>\$ 56,286</u>	<u>\$ 18,869</u>	<u>\$ 37,417</u>
Liabilities:				
Payables	<u>\$ -</u>	<u>\$ 56,286</u>	<u>\$ 18,869</u>	<u>\$ 37,417</u>
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$225,628	\$7,195,696	\$ 6,571,409	\$ 849,915
Accounts receivable	247,753	35,524	17,887	265,390
Total assets	<u>\$473,381</u>	<u>\$7,231,220</u>	<u>\$ 6,589,296</u>	<u>\$ 1,115,305</u>
Liabilities:				
Payables	\$221,290	\$7,195,712	\$ 6,572,571	\$ 844,431
Due to other funds	252,091	35,508	16,725	270,874
Total liabilities	<u>\$473,381</u>	<u>\$7,231,220</u>	<u>\$ 6,589,296</u>	<u>\$ 1,115,305</u>

Chowan County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2006

Fiscal Year	Uncollected Balance June 30, 2005	Additions	Collections And Credits	Uncollected Balance June 30, 2006
1995-1996	\$ 6,447	\$ -	\$ 6,447	\$ -
1996-1997	6,935	-	293	6,642
1997-1998	10,793	-	474	10,319
1998-1999	10,503	-	767	9,736
1999-2000	10,519	-	1,248	9,271
2000-2001	12,446	-	2,911	9,535
2001-2002	17,113	-	4,477	12,636
2002-2003	28,675	-	9,882	18,793
2003-2004	50,639	-	22,712	27,927
2004-2005	199,813	-	139,301	60,512
2005-2006	-	6,957,270	6,700,443	256,827
	<u>\$ 353,883</u>	<u>\$ 6,957,270</u>	<u>\$ 6,888,955</u>	<u>422,198</u>
Less: allowance for uncollectible accounts:				
				232,920
Ad valorem taxes receivable - net:				
				\$ 189,278
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 6,707,967
Reconciling items:				
				(67,079)
				242,124
				5,943
				180,988
Total reconciling items				180,988
Total collections and credits				\$ 6,888,955

Chowan County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2006

	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	\$ 794,812,910	0.78	\$ 6,199,539	\$ 5,572,805	\$ 626,734
Motor vehicles taxed at prior year's rate	79,924,349	0.74	591,194	-	591,194
Penalties	-		3,952	3,952	-
Total	<u>874,737,259</u>		<u>6,794,685</u>	<u>5,576,757</u>	<u>1,217,928</u>
Discoveries:					
Current year taxes	13,961,771	0.78	108,902	108,902	-
Prior year taxes	8,561,385	0.74	60,132	60,132	-
Penalties	-		17,059	17,059	-
Total	<u>22,523,156</u>		<u>186,093</u>	<u>186,093</u>	<u>-</u>
Abatements	<u>(3,017,178)</u>		<u>(23,508)</u>	<u>(2,245)</u>	<u>(21,264)</u>
Total property valuation	<u>\$ 894,243,237</u>				
Net levy			6,957,270	5,760,605	1,196,664
Uncollected taxes at June 30, 2006			<u>256,827</u>	<u>119,279</u>	<u>137,548</u>
Current year's taxes collected			<u>\$ 6,700,443</u>	<u>\$ 5,641,326</u>	<u>\$ 1,059,116</u>
Current levy collection percentage			<u>96.31%</u>	<u>97.93%</u>	<u>88.51%</u>

Chowan County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2006

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100 %
Real Property	\$ 643,350,311
Personal Property	236,931,155
Public Service Companies	<u>13,961,771</u>
Total Assessed Valuation	894,243,237
Tax Rate per \$100	0.78
Levy (includes discoveries, releases and abatements)	\$ 6,957,270

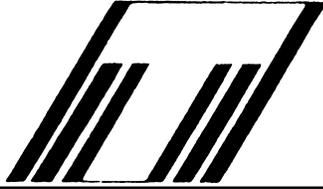
In addition to the County-wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the fiscal year ended June 30:

Fire Protection Districts	<u><u>\$ 239,001</u></u>
---------------------------	--------------------------

Chowan County, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2006

Taxpayer	Type of Business	2006 Assessed Valuation	Percentage of Total Assessed Valuation
Gemini Edenton	Real Estate	\$ 7,527,462	1.000 %
Seabrook Blanching Corp	Manufacturing	5,408,251	0.500
George C Moore	Manufacturing	5,336,250	0.500
Edenton Dyeing	Manufacturing	5,220,877	0.500
Mitek Industries	Manufacturing	4,937,237	0.400
Cameron Edenton	Real Estate	4,609,539	0.400
Coke Edenton Ptr LLC	Real Estate	3,729,454	0.300
JJ Peanut Co	Manufacturing	3,535,457	0.300
Regulator Marine	Manufacturing	3,376,433	0.300
Bateman Logging	Logging	3,247,846	0.300
Total		<u>\$ 46,928,806</u>	<u>4.500 %</u>

Compliance Section



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2006, which collectively comprises the County's basic financial statements, and have issued our report thereon dated February 2, 2007. We did not audit the financial statements of the Chowan County ABC Board. Those financial statements were audited by another auditor whose report thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for the Chowan County ABC Board, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the Chowan County ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chowan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

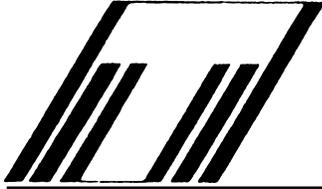
As part of obtaining reasonable assurance about whether Chowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain matters that we reported to management of Chowan County, in a separate letter dated March 8, 2007.

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



Certified Public Accountant

March 8, 2007



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

To the Board of County Commissioners
Chowan County, North Carolina

Compliance

We have audited the compliance of Chowan County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2006. Chowan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chowan County's management. Our responsibility is to express an opinion on Chowan County's compliance based on our audit.

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

In our opinion, Chowan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Chowan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chowan County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

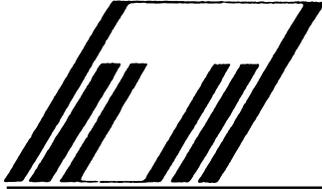
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce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

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



Certified Public Accountant

March 8, 2007



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

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

Compliance

We have audited the compliance of Chowan County, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2006, Chowan County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Chowan County's management. Our responsibility is to express an opinion on the Chowan County's compliance based on our audit.

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

In our opinion, Chowan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Chowan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Chowan County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

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

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



Certified Public Accountant

March 8, 2007

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006**

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

**Noncompliance material to financial
statements noted**

 yes no

Federal Awards

Internal control over major federal programs:

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

Type of auditor's report issued on compliance
for major federal programs: **Unqualified**

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

 yes no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name or Cluster</u>
93.558	Subsidized Child Care Cluster
93.575	
93.596	
93.667	
14.228	CDBG
93.778	Medical Assistance Program

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

\$ 538,978

Auditee qualified as low-risk auditee?

 yes no

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006**

State Awards

Internal control over major State programs:

- **Material weakness(es) identified?** yes X no

- **Reportable condition(s) identified
that are not considered to be
material weaknesses** yes X none reported

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

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

Identification of major State programs:

Medical Assistance Program

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

None reported

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
FEDERAL AWARDS:				
U.S. Department of Justice				
Passed-through the N.C. Dept. of Crime Control and Public Safety:				
Homeland Security - Part I	16.607	871	-	-
Violence Against Women Formula Grants	16.588	59,788	-	39,532
Direct Program:				
2002 Bulletproof Vest Partnership Program	16.607	5,566	-	5,566
Total U.S. Dept. of Justice		66,225	-	45,098
U.S. Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401	118,542	-	-
U.S. Department of Homeland Security				
Passed-through the N.C. Dept. of Crime Control and Public Safety:				
Division of Emergency Management				
Homeland Security Grant Program	97.004	11,036	-	-
Public Assistance Grants	97.036	8,269	2,649	-
Hazard Mitigation Grant	97.039	318,018	105,243	8,883
Emergency Management Performance Grants	97.042	20,574	-	-
Total Federal Emergency Management Agency		357,897	107,892	8,883
U.S. Department of Health and Human Services:				
Administration for Children and Families				
Passed-through N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Foster Care and Adoption Cluster:				
Title IV-E Foster Care	93.658	6,944	2,724	4,219
Foster Care - Direct Benefits Program	93.658	8,087	893	3,748
Title IV-E Optional Adopt TRN 50%	93.659	9,562	-	9,562
Adoption Assistance - Direct Benefit Payments	93.659	3,449	990	990
Total Foster Care and Adoption Cluster		28,042	4,607	18,519
Social Services Block Grant	93.667	70,699	10,383	24,336
Aid to Families with Dependent Children - Direct	93.560	(952)	(261)	(261)
Work First/Temporary Assistance to Needy Families	93.558	207,888	-	256,354
Work First/Temporary Assistance to Needy Families - Direct	93.558	273,912	-	3,369
Child Support Enforcement	93.563	267,314	-	137,481
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568	40,214	-	-
Direct Benefit Payments	93.568	29,738	-	-
Permanency Planning	93.645	5,121	1,190	517

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
Child Care Development Fund Cluster:				
Division of Social Services:				
Child Care and Development Fund	93.596	60,000	-	-
Division of Child Development:				
Child Care and Development Fund - Discretionary	93.575	292,144	-	-
Child Care and Development Fund - Mandatory	93.596	136,279	-	-
Child Care and Development Fund - Match	93.596	77,310	44,434	-
Total Child Care Development Fund Cluster		<u>565,733</u>	<u>44,434</u>	<u>-</u>
Social Services Block Grant	93.667	2,943	-	-
TANF	93.558	89,890	-	-
Smart Start	n/a	-	6,937	-
State Appropriations	n/a	-	48,049	-
TANF - Main. of Effort	n/a	-	117,401	-
Total Subsidized Child Care Cluster		<u>658,566</u>	<u>216,821</u>	<u>-</u>
Centers for Medicare and Medicaid Services				
Passed-through N.C. Dept. of Health and Human Services:				
Division of Medical Assistance:				
Direct Benefit Payments:				
Medical Assistance Program	93.778	12,895,602	6,340,242	1,101,176
Division of Social Services:				
Administration:				
Medical Assistance Program	93.778	311,511	10,136	301,375
State Children's Insurance Program - N.C. Health Choice	93.767	11,884	641	3,433
Total U. S. Dept. of Health and Human Services		<u>14,799,539</u>	<u>6,583,759</u>	<u>1,846,299</u>
U.S. Department of Agriculture				
Food and Nutrition Service				
Passed-through N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Administration:				
Food Stamp Cluster:				
Food Stamp Program - Direct Benefit Payment	10.551	2,178,772	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561	162,227	-	162,227
Total Food Stamp Cluster		<u>2,340,999</u>	<u>-</u>	<u>162,227</u>
Natural Resources Conservation Service - Soil and Water Conservation	10.902	59,236	-	-
Total U.S. Dept. of Agriculture		<u>2,400,235</u>	<u>-</u>	<u>162,227</u>

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
U.S. Department of Transportation				
Passed-through the N.C. Department of Transportation				
Governor's Highway Safety Program:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	30,864	-	-
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	15,919	-	-
Total Highway Safety Cluster		46,783	-	-
U.S. Housing and Urban Development				
Passed-through the N.C. Department of Commerce:				
Division of Community Assistance:				
Community Development Block Grant	14.228	176,696	-	-
Total Federal Awards		17,965,917	6,691,651	2,062,507
STATE AWARDS:				
N.C. Department of Environment and Natural Resources				
SWC - Agricultural Cost Share	n/a	-	19,515	-
SWC - Administration	n/a	-	4,000	-
DWM - Scrap Tire Program	n/a	-	45,644	-
DWM - White Goods Management Program	n/a	-	10,608	-
DCM - Land Use Plans	n/a	-	36,163	-
Hurricane Isabel Clean-Up Project	n/a	-	87,608	-
Clean Water Mgmt. Trust Fund - Project # 2001B-702	n/a	-	2,705	-
Brownrigg-Dillard Millpond Rec Project	n/a	-	23,090	-
Bennett's Millpond Outdoor Appreciation Project	n/a	-	26,243	-
2005-2006 Adopt-A-Trail Grant - Bennett's Millpond	n/a	-	4,800	-
Public Health Pest Mgmt	n/a	-	1,981	-
Total N.C. Dept. of Environment and Natural Resources		-	262,357	-
N.C. Department of Health and Human Services				
Veterans Service	n/a	-	2,000	-
HRSA Bioterrorism Grant	n/a	-	7,838	-
Division of Social Services:				
County Funded Programs	n/a	-	-	26,663
Non Allocating County Cost	n/a	-	-	3,668
SC/SA Admin.	n/a	-	-	11,819
State Adult Protective Service	n/a	-	8,524	-
Adoption/Foster Care	n/a	-	-	988
Direct Benefit Payments:				
F/C At Risk Maximization	n/a	-	5,673	3,259
State Foster Home	n/a	-	4,227	4,227
Foster Care At Risk	n/a	-	801	180
SC/SA Domiciliary Care	n/a	-	167,646	167,646
Total N.C. Dept. of Health and Human Resources		-	196,709	218,450

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
N.C. Department of Transportation				
Elderly and Disabled Transportation Assistance Program (E&DTAP)	n/a	-	37,403	-
Rural General Public Program	n/a	-	32,737	-
Work First Transitional	n/a	-	4,276	-
Total N.C. Dept. of Transportation		-	74,416	-
Office of Budget and Management - Passed through ARPDC				
Legislative Appropriation - Senior Center	n/a	-	25,894	-
HCCBG	n/a	-	2,190	-
Total N.C. Office of Budget and Management		-	28,084	-
N.C. Office of Juvenile Justice				
Intensive Super of Juvenile Justice	n/a	-	56,861	-
After School Plus	n/a	-	21,964	-
Total N.C. Office of Juvenile Justice		-	78,825	-
N.C. Department of Public Instruction				
Public School Building Capital Fund	n/a	-	189,583	-
N.C. Division of Tourism, Film and Sports Development				
2005-2006 Tourism Matching Funds Program	n/a	-	3,000	-
Office of the Governor				
Dept. of Juvenile Justice and Delinquency Prevention - Governor's One-On-One Volunteer Program	n/a	-	26,819	-
Total State Awards		-	859,793	218,450
Total Federal and State Awards		<u>\$ 17,965,917</u>	<u>\$ 7,551,444</u>	<u>\$ 2,280,957</u>

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2006

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u> <u>(Direct and</u> <u>Pass-Through)</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
-------------------------------------------------------------	------------------------------------------------	-------------------------------------------------------------------------------------	-------------------------------------	-------------------------------------

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

1. Basis of Presentation

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

2. Subrecipients

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

<u>Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>State</u> <u>Expenditures</u>
NC Office of Juvenile Justice Funds	n/a	\$ 56,861