

Chowan County, North Carolina
Audited Financial Statements
June 30, 2005

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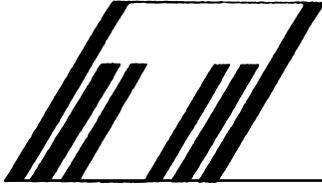
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Independent Auditor's Report

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, 2005, 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, 2005, 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 February 7, 2006 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

December 12, 2005

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, 2005. 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

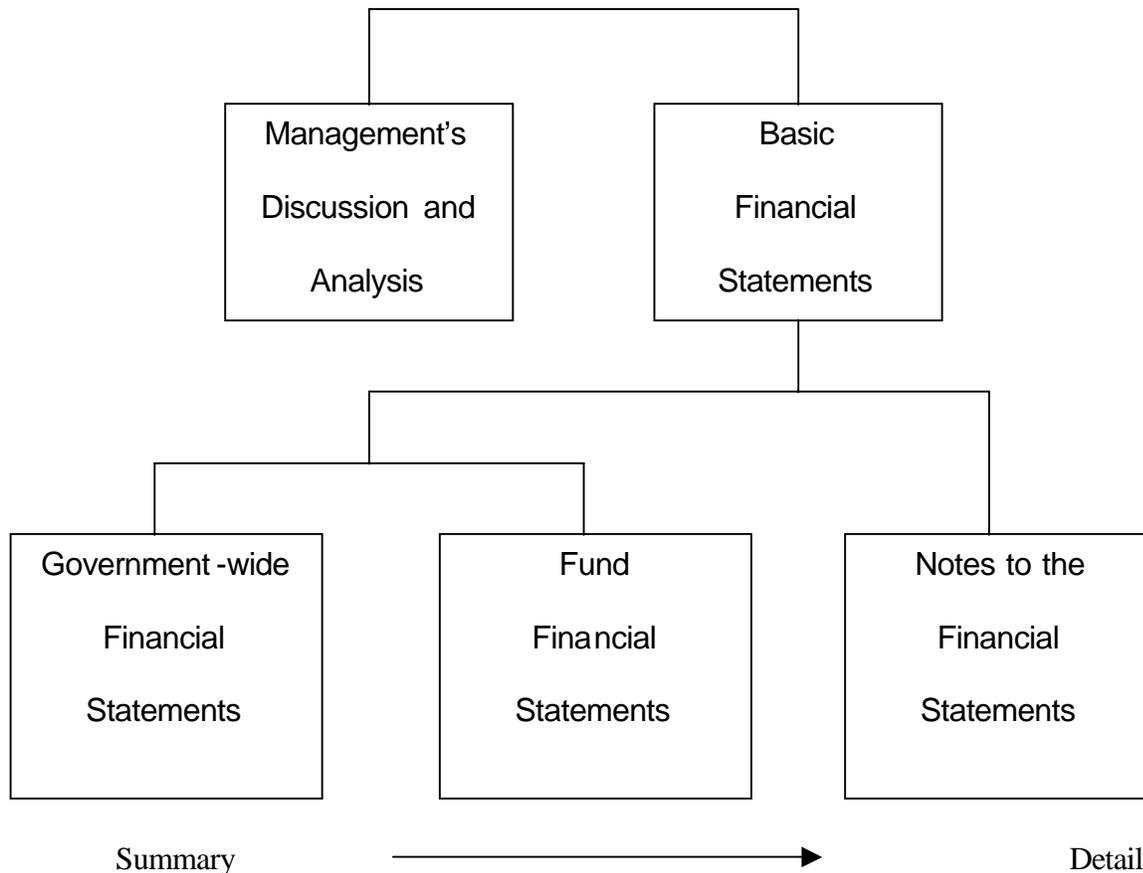
- The assets of Chowan County exceeded its liabilities at the close of the fiscal year by \$28,751,790 (*net assets*).
- The government's total net assets decreased by \$1,253,766, primarily due to decreased net assets in the General Fund. This compares to a decrease of \$3,821,682 in 2004.
- As of the close of the current fiscal year, Chowan County's governmental funds reported combined ending fund balances of \$ 13,988,640, a decrease of \$3,720,909 in comparison with the prior year. Approximately 48 percent of this total amount, or \$6,690,699, is available for spending at the government's discretion (*unreserved fund balance*). In 2004, the unreserved fund balance was \$11,372,853.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$10,732,024. In 2004, the unreserved fund balance for the General Fund was \$14,830,355.
- Chowan County's total debt decreased by \$1,818,704 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 \$28,751,790 as of June 30, 2005. As of June 30, 2004, the net assets of Chowan County stood at \$30,005,556. The County's net assets decreased by \$1,253,766 for the fiscal year ended June 30, 2005, compared to a decrease of \$3,821,682 in 2004.

The largest portion (84.35%) 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 \$4,500,383 is unrestricted. This balance may be used to meet the government's ongoing obligations to citizens and creditors.

In 2004, the amount of net assets invested in capital assets net of related debt was \$21,602,111. The remaining \$8,403,445 was unrestricted net assets for that year.

Chowan County's Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 18,396,517	\$ 22,666,951	\$ 454,304	\$ 426,455	\$ 18,850,821	\$ 23,093,406
Capital assets	23,482,228	21,870,757	6,503,493	6,393,446	29,985,721	28,264,203
Total assets	<u>\$ 41,878,745</u>	<u>\$ 44,537,708</u>	<u>\$ 6,957,797</u>	<u>\$ 6,819,901</u>	<u>\$ 48,836,542</u>	<u>\$ 51,357,609</u>
Long-term liabilities outstanding	\$ 16,277,167	\$ 17,820,094	\$ 1,085,520	\$ 1,325,339	\$ 17,362,687	\$ 19,145,433
Other liabilities	812,425	728,105	1,909,640	1,478,483	2,722,065	2,206,588
Total liabilities	<u>17,089,592</u>	<u>18,548,199</u>	<u>2,995,160</u>	<u>2,803,822</u>	<u>20,084,752</u>	<u>21,352,021</u>
Net assets:						
Invested in capital assets, net of related debt	18,793,991	16,497,052	5,457,416	5,105,059	24,251,407	21,602,111
Unrestricted	5,995,162	9,492,457	(1,494,779)	(1,089,012)	4,500,383	8,403,445
Total net assets	<u>\$ 24,789,153</u>	<u>\$ 25,989,509</u>	<u>\$ 3,962,637</u>	<u>\$ 4,016,047</u>	<u>\$ 28,751,790</u>	<u>\$ 30,005,556</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 and has fully recovered from a one-time tax base loss of \$20 million due to Hurricane Isabel. Growth in fiscal year 2005 totaled approximately \$15 million. Growth for fiscal year 2006 is estimated at \$30 million.
- The tax collection rate remained above average for a county of its population size at 96.65%. This is an increase of 1.37% over fiscal year 2004.
- The County also realized a net reduction in debt of \$1,818,704.
- The County continued to strengthen operating incomes for the Water Fund. Water rates were increased by an average of 12% effective July 1, 2005. Revenue for fiscal year 2006 is projected to exceed expenses by \$100,000. Additionally, the County has implemented an impact/development fee on new connections that is projected to collect \$10 million in the next five years. This will allow the County to provide for needed expansion to the water system necessary to provide for estimated growth. EMS services continue to experience increased utilization. EMS calls increased from 2,406 in calendar year 2004 to 3,674 in calendar year 2005. EMS collections for fiscal year 2006 are at budgeted levels. Solid waste fees were increased effective July 1, 2005 and will provide for an increase in reserves in fiscal year 2006. Additionally, all commercial waste disposal is now privatized which again will result in improved collection and reduced landfill fees.
- The County increased its ad valorem tax rate for fiscal year 2006 from .74 to .78 for every \$100 valuation. This will increase revenue by approximately \$350,000 for fiscal year 2006. Revenues for fiscal year 2006 are at budgeted levels.

Chowan County Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	Total
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 1,335,200	\$ 1,295,056	\$ 1,826,788	\$ 1,407,829	\$ 3,161,988	\$ 2,702,885
Operating grants and contributions	3,257,578	6,211,279	-	-	3,257,578	6,211,279
Capital grants and contributions	127,071	34,228	-	-	127,071	34,228
General revenues:						
Property taxes	6,425,776	5,780,448	-	-	6,425,776	5,780,448
Other taxes	3,551,871	3,274,654	-	-	3,551,871	3,274,654
Grants and contributions not restricted to specific programs	185,021	183,569	-	-	185,021	183,569
Other	1,242,772	1,105,703	1,966	(57)	1,244,738	1,105,646
Total revenues	<u>16,125,289</u>	<u>17,884,937</u>	<u>1,828,754</u>	<u>1,407,772</u>	<u>17,954,043</u>	<u>19,292,709</u>
Expenses:						
General government	1,580,880	3,353,286	-	-	1,580,880	3,353,286
Public safety	3,653,772	6,681,869	-	-	3,653,772	6,681,869
Transportation	21,355	25,092	-	-	21,355	25,092
Economic and physical development	1,026,990	511,288	-	-	1,026,990	511,288
Environmental protection	1,147,296	1,283,637	-	-	1,147,296	1,283,637
Human services	4,066,342	3,866,217	-	-	4,066,342	3,866,217
Cultural and recreation	1,111,444	944,429	-	-	1,111,444	944,429
Education	3,863,368	3,733,982	-	-	3,863,368	3,733,982
Interest on long-term debt	859,733	936,356	-	-	859,733	936,356
Water fund	-	-	1,007,854	947,481	1,007,854	947,481
Emergency management	-	-	868,775	830,754	868,775	830,754
Total expenses	<u>17,331,180</u>	<u>21,336,156</u>	<u>1,876,629</u>	<u>1,778,235</u>	<u>19,207,809</u>	<u>23,114,391</u>
Increase (decrease) in net assets before transfers	(1,205,891)	(3,451,219)	(47,875)	(370,463)	(1,253,766)	(3,821,682)
Transfers	5,535	75,000	(5,535)	(75,000)	-	-
Increase in net assets	(1,200,356)	(3,376,219)	(53,410)	(445,463)	(1,253,766)	(3,821,682)
Net assets, July 1	25,989,509	29,365,728	4,016,047	4,461,510	30,005,556	33,827,238
Net assets, June 30	<u>\$ 24,789,153</u>	<u>\$ 25,989,509</u>	<u>\$ 3,962,637</u>	<u>\$ 4,016,047</u>	<u>\$ 28,751,790</u>	<u>\$ 30,005,556</u>

Changes in Chowan County's Net Assets

Governmental activities. Governmental activities decreased the County's net assets by \$1,200,356. 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.

Business-type activities: Business-type activities decreased Chowan County's net assets by \$53,410. Key elements of this decrease are as follows:

- This marginal decrease was a result of an increase in operating expenses and purchase of a new ambulance in the EMS fund.

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 \$10,732,024, while total fund balance reached \$17,834,861. 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 66.46 percent of total General Fund expenditures, while total fund balance represents 110.45 percent of that same amount.

At June 30, 2005, the governmental funds of Chowan County reported a combined fund balance of \$13,988,640, a 21.01 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 2006 budget and sales tax collection revenues were not increased in the fiscal year 2006 budget.

Proprietary Funds. Chowan County’s proprietary funds provide the same type of information found in the government -wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$(693,081), and those for the Emergency Management Fund equaled \$(801,698). The total change in net assets for both funds was an increase of \$85,744 and a decrease of \$139,154 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, 2005, totals \$29,985,721 (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 system
- Purchased new vehicles and equipment for the Sheriff’s Department
- Purchased new computers for the Data Processing and Social Services Departments
- Purchased equipment for the Civil Preparedness Department
- Purchased new ambulance
- Completed renovations on D.F. Walker gym

Chowan County’s Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	Total
	2005	2004	2005	2004	2005	2004
Land	\$ 3,208,949	\$ 3,206,481	\$ 98,347	\$ 98,347	\$ 3,307,296	\$ 3,304,828
Buildings and improvements	18,959,485	17,400,168	-	-	18,959,485	17,400,168
Machinery and equipment	1,313,794	1,264,108	213,603	201,684	1,527,397	1,465,792
Water system	-	-	6,191,543	6,093,415	6,191,543	6,093,415
Total	\$ 23,482,228	\$ 21,870,757	\$ 6,503,493	\$ 6,393,446	\$ 29,985,721	\$ 28,264,203

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, 2005, Chowan County had total debt outstanding of \$16,938,757, of which \$1,015,000 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
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 907,460	\$ 1,336,603	\$ 107,540	\$ 158,396	\$ 1,015,000	\$ 1,494,999
Hospital revenue bonds and note	3,061,055	3,503,376	-	-	3,061,055	3,503,376
Installment purchases	11,930,777	12,637,101	75,209	50,983	12,005,986	12,688,084
Water system expansion note	-	-	856,716	1,071,002	856,716	1,071,002
	<u>\$ 15,899,292</u>	<u>\$ 17,477,080</u>	<u>\$ 1,039,465</u>	<u>\$ 1,280,381</u>	<u>\$ 16,938,757</u>	<u>\$ 18,757,461</u>

Chowan County's total debt decreased by \$1,818,704 (9.70 percent) during the past fiscal year. The decrease is due to regularly scheduled principal payments, which were slightly offset by the issuance of additional installment purchases of \$300,600.

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 \$51,897,193. The County has no bonds authorized but un-issued at June 30, 2005.

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

Economic Factors and Next Year's Budgets and Rates

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

- The unemployment rate for fiscal year 2005 averaged 5.22% as compared with a statewide average of 5.18%. For fiscal year 2004, this rate averaged 4.9%.
- 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) have announced expansions in both facilities and payrolls. The Fund for Sandy Point, LLC has announced plans to develop a new subdivision totaling 1,600 units. This will result in an increase in the County's tax base of \$800 million. Other development activities have also been announced and will result in the development of 1,500 residential and commercial units in the next five years. This growth is predominantly second family homes and will have minimum impact on school expansion needs and other county services.
- Tourism continues to be a viable component of the economy. According to the Travel Industry Association, the economic impact of tourism in Chowan County reached \$15.36

million in 2004. In addition, the retail section continues to grow with the announcement of the development of a 46 acre shopping center in close proximity to US 17.

Budget Highlights for the Fiscal Year Ending June 30, 2006

Governmental Activities: The Fiscal Year 2006 budget reflects limited expansion in General Fund services. In fact, the Social Services budget incorporated a reduction in personnel levels of 2 positions.

The major increases in the 2006 budget included a 2% cost of living increase, a 10% increase in medical insurance, and a \$200,000 increase in capital outlay appropriations to address long standing maintenance needs of county facilities.

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 2004 budget, but re-budgeted in fiscal year 2006, reducing receivables by approximately \$200,000.

Business – type Activities: Water rates were increased by an average of 12% July 1, 2005. Privatization of the collection of solid waste fees is projected to substantially reduce solid waste fees in fiscal year 2006. The county will continue to strive aggressively to reduce deficits in the EMS and Solid Waste Funds by increasing revenues and/or reducing expenses

Requests for Information

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

Chowan County, North Carolina
Statement of Net Assets
June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Chowan County ABC Board
ASSETS				
Cash and cash equivalents	\$ 11,544,678	\$ -	\$ 11,544,678	\$ 136,839
Receivables (net)	4,761,904	437,209	5,199,113	-
Due from fiduciary funds	249,591	2,500	252,091	-
Internal balances	1,840,344	(1,840,345)	(1)	-
Inventories	-	14,595	14,595	103,261
Prepaid items	-	-	-	2,982
Capital assets:				
Land	3,208,949	98,347	3,307,296	26,135
Other capital assets, net of depreciation	20,273,279	6,405,146	26,678,425	135,881
Total capital assets	<u>23,482,228</u>	<u>6,503,493</u>	<u>29,985,721</u>	<u>162,016</u>
Total assets	<u>41,878,745</u>	<u>5,117,452</u>	<u>46,996,197</u>	<u>405,098</u>
LIABILITIES				
Accounts payable and accrued expenses	420,918	-	420,918	67,231
Accrued interest payable	391,507	12,542	404,049	-
Customer deposits	-	56,753	56,753	-
Long-term liabilities:				
Due within one year	1,851,647	296,868	2,148,515	-
Due in more than one year	14,425,520	788,652	15,214,172	-
Total liabilities	<u>17,089,592</u>	<u>1,154,815</u>	<u>18,244,407</u>	<u>67,231</u>
NET ASSETS				
Invested in capital assets, net of related debt	18,793,991	5,457,416	24,251,407	162,016
Restricted for:				
Other purposes	-	-	-	27,676
Unrestricted (deficit)	5,995,162	(1,494,779)	4,500,383	148,175
Total net assets	<u>\$ 24,789,153</u>	<u>\$ 3,962,637</u>	<u>\$ 28,751,790</u>	<u>\$ 337,867</u>

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

Chowan County, North Carolina
Statement of Activities
For the Year Ended June 30, 2005

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 1,580,880	\$ 219,368	\$ 15,599	\$ -
Public safety	3,653,772	395,272	392,809	41,931
Transportation	21,355	-	63,685	-
Economic and physical development	1,026,990	-	329,684	-
Environmental Protection	1,147,296	633,250	301,396	-
Human services	4,066,342	-	2,012,628	-
Cultural and recreation	1,111,444	87,310	44,050	85,140
Education	3,863,368	-	97,727	-
Interest on long-term debt	859,733	-	-	-
Total governmental activities	17,331,180	1,335,200	3,257,578	127,071
Business-type activities:				
Water Fund	1,007,854	1,192,632	-	-
Emergency Management	868,775	634,156	-	-
Total business-type activities	1,876,629	1,826,788	-	-
	\$ 19,207,809	\$ 3,161,988	\$ 3,257,578	\$ 127,071
Component units:				
Medical Development Authority	\$ 716,281	\$ 721,274	\$ -	\$ -
Total component units	\$ 716,281	\$ 721,274	\$ -	\$ -

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
(1,345,913)	\$ -	\$ (1,345,913)	
(2,823,760)	-	(2,823,760)	
42,330	-	42,330	
(697,306)	-	(697,306)	
(212,650)	-	(212,650)	
(2,053,714)	-	(2,053,714)	
(894,944)	-	(894,944)	
(3,765,641)	-	(3,765,641)	
(859,733)	-	(859,733)	
<u>(12,611,331)</u>	<u>-</u>	<u>(12,611,331)</u>	
-	184,778	184,778	
-	(234,619)	(234,619)	
-	(49,841)	(49,841)	
<u>(12,611,331)</u>	<u>(49,841)</u>	<u>(12,661,172)</u>	
			\$ 4,993
			<u>4,993</u>
6,425,776	-	6,425,776	-
2,983,927	-	2,983,927	-
567,944	-	567,944	-
185,021	-	185,021	-
731,633	1,966	733,599	860
511,139	-	511,139	-
5,535	(5,535)	-	-
<u>11,410,975</u>	<u>(3,569)</u>	<u>11,407,406</u>	<u>860</u>
<u>(1,200,356)</u>	<u>(53,410)</u>	<u>(1,253,766)</u>	<u>5,853</u>
25,989,509	4,016,047	30,005,556	332,014
<u>\$ 24,789,153</u>	<u>\$ 3,962,637</u>	<u>\$ 28,751,790</u>	<u>\$ 337,867</u>

Chowan County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2005

	General	Sanitation Fund	Consolidated Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 11,319,338	\$ -	\$ -	\$ 225,340	\$ 11,544,678
Receivables, net	4,559,355	-	-	202,549	4,761,904
Due from other funds	6,317,150	-	-	-	6,317,150
Total assets	<u>\$ 22,195,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,889</u>	<u>\$ 22,623,732</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 384,691	\$ 9	\$ -	\$ 36,218	\$ 420,918
Due to other funds	-	1,087,834	1,967,557	1,171,824	4,227,215
Deferred revenue	3,976,291	-	-	10,668	3,986,959
Total liabilities	<u>4,360,982</u>	<u>1,087,843</u>	<u>1,967,557</u>	<u>1,218,710</u>	<u>8,635,092</u>

Fund balances:

Reserved for:					
State statute	7,102,837	-	-	195,104	7,297,941
Unreserved:					
Designated for health care	10,732,024	-	-	-	10,732,024
Unreserved, reported in nonmajor:					
Special revenue funds	-	(1,087,843)	-	(421,416)	(1,509,259)
Capital projects funds	-	-	(1,967,557)	(564,509)	(2,532,066)
Total fund balances	<u>17,834,861</u>	<u>(1,087,843)</u>	<u>(1,967,557)</u>	<u>(790,821)</u>	<u>13,988,640</u>

Total liabilities and fund balances	<u>\$ 22,195,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,889</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.	23,482,228
Liabilities for earned but deferred revenues in fund statements.	3,986,959
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,668,674)</u>
Net assets of governmental activities	<u>\$ 24,789,153</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, 2005

	General Fund	Sanitation Fund	Consolidated Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Ad valorem taxes	\$ 6,191,949	\$ -	\$ -	\$ 281,511	\$ 6,473,460
Local option sales taxes	2,242,122	-	-	741,805	2,983,927
Other taxes and licenses	507,271	-	-	80,291	587,562
Unrestricted intergovernmental	116,903	-	-	-	116,903
Restricted intergovernmental	2,910,590	-	-	685,639	3,596,229
Permits and fees	316,032	-	-	-	316,032
Sales and services	326,309	633,250	-	68,117	1,027,676
Investment earnings	726,669	-	-	4,964	731,633
Miscellaneous	436,916	-	-	74,919	511,835
Total revenues	<u>13,774,761</u>	<u>633,250</u>	<u>-</u>	<u>1,937,246</u>	<u>16,345,257</u>
EXPENDITURES					
Current:					
General government	2,806,914	-	-	125,272	2,932,186
Public safety	3,000,641	-	-	756,141	3,756,782
Transportation	20,000	-	-	-	20,000
Environmental protection	19,001	1,115,088	-	13,207	1,147,296
Economic and physical development	623,207	-	-	397,293	1,020,500
Human services	4,066,219	-	-	-	4,066,219
Cultural and recreational	944,971	-	-	-	944,971
Intergovernmental:					
Education	3,488,030	-	-	375,000	3,863,030
Capital outlay	-	-	-	295,718	295,718
Debt service:					
Principal	825,296	-	-	975,493	1,800,789
Interest	352,893	-	-	536,638	889,531
Total expenditures	<u>16,147,172</u>	<u>1,115,088</u>	<u>-</u>	<u>3,474,762</u>	<u>20,737,022</u>
Revenues over (under) expenditures	<u>(2,372,411)</u>	<u>(481,838)</u>	<u>-</u>	<u>(1,537,516)</u>	<u>(4,391,765)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	136,000	-	-	2,461,727	2,597,727
Transfers to other funds	(1,363,463)	-	-	(1,228,729)	(2,592,192)
Installment purchases issued	93,000	-	-	130,000	223,000
Lease payments	442,321	-	-	-	442,321
Total other financing sources and uses	<u>(692,142)</u>	<u>-</u>	<u>-</u>	<u>1,362,998</u>	<u>670,856</u>
Net change in fund balance	(3,064,553)	(481,838)	-	(174,518)	(3,720,909)
Fund balances-beginning	20,899,414	(606,005)	(1,967,557)	(616,303)	17,709,549
Fund balances-ending	<u>\$ 17,834,861</u>	<u>\$ (1,087,843)</u>	<u>\$ (1,967,557)</u>	<u>\$ (790,821)</u>	<u>\$ 13,988,640</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, 2005

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

Net changes in fund balances - total governmental funds	\$ (3,720,909)
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	1,613,388
Loss on disposal of capital assets, not recognized on modified accrual basis	(1,913)
Revenues in the governmental funds that provide current financial resources are not reported as revenues in the statement of activities	(663,647)
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.	1,577,789
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>(5,064)</u>
Total changes in net assets of governmental activities	<u><u>\$ (1,200,356)</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, 2005

	General Fund			Variance With Final Positive Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 6,112,746	\$ 6,389,592	\$ 6,191,949	\$ (197,643)
Local option sales tax	2,462,790	2,473,407	2,242,122	(231,285)
Other taxes and licenses	701,570	703,280	507,271	(196,009)
Unrestricted intergovernmental	150,000	186,000	116,903	(69,097)
Restricted intergovernmental	2,735,170	3,200,219	2,910,590	(289,629)
Permits and fees	220,000	350,000	316,032	(33,968)
Sales and services	199,084	546,702	326,309	(220,393)
Investment earnings	1,641,039	1,813,326	726,669	(1,086,657)
Miscellaneous	901,595	729,592	436,916	(292,676)
Total revenues	<u>15,123,994</u>	<u>16,392,118</u>	<u>13,774,761</u>	<u>(2,617,357)</u>
Expenditures				
Current:				
General government	2,988,471	2,795,121	2,806,914	(11,793)
Public safety	2,716,200	3,016,874	3,000,641	16,233
Transportation	20,000	20,000	20,000	-
Environmental protection	28,720	28,720	19,001	9,719
Economic and physical development	347,169	754,955	623,207	131,748
Human services	4,252,623	4,103,765	4,066,219	37,546
Cultural and recreational	1,101,838	965,250	944,971	20,279
Intergovernmental:				
Education	3,181,442	3,488,078	3,488,030	48
Debt service:				
Principal retirement	-	830,175	825,296	4,879
Interest and other charges	-	348,328	352,893	(4,565)
Total expenditures	<u>14,636,463</u>	<u>16,351,266</u>	<u>16,147,172</u>	<u>204,094</u>
Revenues over (under) expenditures	<u>487,531</u>	<u>40,852</u>	<u>(2,372,411)</u>	<u>(2,413,263)</u>
Other financing sources (uses):				
Transfers to other funds	(487,531)	(1,307,463)	(1,227,463)	80,000
Proceeds from installment purchases	-	99,290	93,000	(6,290)
Lease payments	-	442,321	442,321	-
Appropriated fund balance	-	675,000	-	(675,000)
Sale of fixed assets	-	50,000	-	(50,000)
Total other financing sources (uses)	<u>(487,531)</u>	<u>(40,852)</u>	<u>(692,142)</u>	<u>(651,290)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(3,064,553)</u>	<u>\$(3,064,553)</u>
Fund balances:				
Beginning of year, July 1			<u>20,899,414</u>	
End of year, June 30			<u>\$ 17,834,861</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)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
904,000	904,000	633,250	(270,750)
-	-	-	-
-	-	-	-
<u>904,000</u>	<u>904,000</u>	<u>633,250</u>	<u>(270,750)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>904,000</u>	<u>904,000</u>	<u>1,115,088</u>	<u>(211,088)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>904,000</u>	<u>904,000</u>	<u>1,115,088</u>	<u>(211,088)</u>
-	-	(481,838)	(481,838)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>(481,838)</u>	<u>\$ (481,838)</u>
		<u>(606,005)</u>	
		<u>\$ (1,087,843)</u>	

Chowan County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Enterprise Funds		
	Water Fund	Emergency Management Fund	Total
ASSETS			
Current assets:			
Receivables, net	\$ 315,538	\$ 121,671	\$ 437,209
Due from other funds	2,500	-	2,500
Inventories	14,595	-	14,595
Total current assets	<u>332,633</u>	<u>121,671</u>	<u>454,304</u>
Noncurrent assets:			
Capital assets:			
Land	98,347	-	98,347
Debt acquisition costs - unamortized	6,614	-	6,614
Other capital assets, net of depreciation	6,245,091	153,441	6,398,532
Total noncurrent assets	<u>6,350,052</u>	<u>153,441</u>	<u>6,503,493</u>
Total assets	<u>6,682,685</u>	<u>275,112</u>	<u>6,957,797</u>
LIABILITIES			
Current liabilities:			
Accrued expenses	12,542	-	12,542
Customer deposits	56,753	-	56,753
Due to other funds	941,803	898,542	1,840,345
Current portion of long-term debt	268,892	27,976	296,868
Total current liabilities	<u>1,279,990</u>	<u>926,518</u>	<u>2,206,508</u>
Noncurrent liabilities:			
Accrued vacation pay	21,229	24,827	46,056
Noncurrent portion of long-term debt	705,056	37,540	742,596
Total noncurrent liabilities	<u>726,285</u>	<u>62,367</u>	<u>788,652</u>
Total liabilities	<u>2,006,275</u>	<u>988,885</u>	<u>2,995,160</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,369,491	87,925	5,457,416
Unrestricted	(693,081)	(801,698)	(1,494,779)
Total net assets	<u>\$ 4,676,410</u>	<u>\$ (713,773)</u>	<u>\$ 3,962,637</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, 2005

	Enterprise Funds		
	Water Fund	Emergency Management Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,124,047	\$ 619,478	\$ 1,743,525
Other operating revenues	68,585	6,071	74,656
Total operating revenues	<u>1,192,632</u>	<u>625,549</u>	<u>1,818,181</u>
OPERATING EXPENSES			
Salaries and employee benefits	281,106	640,014	921,120
Other operating expenses	397,296	196,628	593,924
Depreciation	281,747	30,369	312,116
Total operating expenses	<u>960,149</u>	<u>867,011</u>	<u>1,827,160</u>
Operating income (loss)	<u>232,483</u>	<u>(241,462)</u>	<u>(8,979)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earned on investments	1,966	-	1,966
Interest expense and fees	(47,705)	(1,764)	(49,469)
Net nonoperating revenues (expenses)	<u>(45,739)</u>	<u>(1,764)</u>	<u>(47,503)</u>
Income (loss) before contributions and transfers	<u>186,744</u>	<u>(243,226)</u>	<u>(56,482)</u>
Capital contributions	-	8,607	8,607
Transfers (to) from other funds	<u>(101,000)</u>	<u>95,465</u>	<u>(5,535)</u>
Change in net assets	<u>85,744</u>	<u>(139,154)</u>	<u>(62,017)</u>
Total net assets - beginning	4,590,666	(574,619)	4,016,047
Total net assets - ending	<u>\$ 4,676,410</u>	<u>\$ (713,773)</u>	<u>\$ 3,954,030</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, 2005

	<u>Water Fund</u>	<u>Emergency Management Fund</u>	<u>Totals June 30, 2005</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,086,547	\$ 596,236	\$ 1,682,783
Cash paid for goods and services	(402,270)	(182,251)	(584,521)
Cash paid to employees for services	(283,258)	(636,764)	(920,022)
Customer deposits - net	2,558	-	2,558
Other operating revenue	68,689	6,071	74,760
Net cash provided by operating activities	<u>472,266</u>	<u>(216,708)</u>	<u>255,558</u>
Cash flows from noncapital financing activities			
Transfers in (out)	<u>(101,000)</u>	<u>95,465</u>	<u>(5,535)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(345,362)	(78,195)	(423,557)
Principal paid on bond maturities and equipment contracts	(270,352)	(48,166)	(318,518)
Interest paid on bond maturities and equipment contracts	(47,705)	(1,764)	(49,469)
Proceeds from issuance of long-term debt	-	77,600	77,600
Capital contribution - federal grant	-	8,607	8,607
Loans from other funds	269,338	163,161	432,499
Net cash used by capital and related financing activities	<u>(394,081)</u>	<u>121,243</u>	<u>(272,838)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,966</u>	<u>-</u>	<u>1,966</u>
Net increase (decrease) in cash and cash equivalents	(20,849)	-	(20,849)
Cash and cash equivalents, July 1	20,849	-	20,849
Cash and cash equivalents, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2005

Reconciliation of operating income to net cash provided by operating activities:	Water Fund	Emergency Management Fund	Totals June 30, 2005
Operating income	\$ 232,483	\$ (241,462)	\$ (8,979)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	283,140	30,369	313,509
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(37,500)	(23,242)	(60,742)
(Increase) decrease in inventory	(2,586)	-	(2,586)
Increase (decrease) in accounts payable and accrued liabilities	(3,677)	14,377	10,700
Increase (decrease) in customer deposits	2,558	-	2,558
Increase (decrease) in accrued vacation pay	(2,152)	3,250	1,098
Total adjustments	<u>239,783</u>	<u>24,754</u>	<u>264,537</u>
Net cash provided by operating activities	<u>\$ 472,266</u>	<u>\$ (216,708)</u>	<u>\$ 255,558</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, 2005**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 225,628
Accounts receivable	247,753
	\$ 473,381
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 221,290
Due to other funds	252,091
Total liabilities	\$ 473,381

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, 2005

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; 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; and the County is fiscal agent for the Albemarle Learning Center, a not-for-profit corporation.

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 2004 through February 2005 apply to the fiscal year ended June 30, 2005. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2005 because they are intended to finance the County's operations during the 2005 fiscal year.

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

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

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

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the School Capital Reserve, the Emergency Telephone, Fire District, Revaluation, Occupancy Tax Assessment, 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, 2005.

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 \$10,800,513 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)	\$ 30,602,706
Less accumulated depreciation	(7,120,478)
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	3,986,959
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	(15,899,291)
Compensated absences	(377,876)
Accrued interest payable	(391,507)
Total adjustment	<u>\$ 10,800,513</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 \$2,520,553 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,710,407
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(1,097,019)
Loss on disposal of capital assets, not recognized on modified accrual basis	(1,913)
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	(223,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again only affect the statement of net assets in the government-wide statements	1,800,789
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)	29,798
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(34,862)
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 7/1/04	(4,187,366)
Recording of deferred lease payments in the fund statements as of 6/30/05	3,572,758
Reversal of deferred tax revenue recorded at 7/1/04	(424,984)
Recording of tax receipts deferred in the fund statements as of 6/30/05	377,300
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.	(1,355)
	<u>\$ 2,520,553</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, 2005:

School Capital Reserve Fund	\$ 219,061
Fire District Fund	\$ 122,159
Sanitation Fund	\$1,087,843
Emergency Management Fund	\$ 713,773
Public Safety Building Capital Project Fund	\$ 30,016
Adult Day Health Care Capital Project Fund	\$ 437,456
Revaluation Fund	\$ 26,386
Library Renovation Fund	\$ 92,705
Consolidated Capital Project Fund	\$1,967,557

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. Solid waste fees were increased for fiscal year 2006 in the Sanitation Fund.

B. Excess of Expenditures over Appropriations

The following funds had expenditures in excess of appropriations:

Library Renovation Fund	\$ 40,705
Sanitation Fund	\$ 211,088
Emergency Telephone System Fund	\$ 617
Emergency Management Fund	\$ 7,468
Fire District Fund	\$ 1,548

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, 2005, the County's deposits had a carrying amount of \$(343,248) and a bank balance of \$487,055. Of the bank balance, \$168,690 was covered by federal depository insurance and \$318,365 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2005, Chowan County had \$2,050 cash on hand.

At June 30, 2005, the carrying amount of deposits for Chowan County ABC Board was \$135,716 and the bank balance was \$134,439. \$100,000 of the bank balance was covered by federal depository insurance and \$34,439 was covered by collateral held under the Pooling Method. At June 30, 2005, the ABC Board had \$1,123 on hand.

2. Investments

As of June 30, 2005, the County had the following investments and maturities:

Investment Type	Fair Value	Less than					Over 20 years
		1 year	1-5 years	6-10 years	11-15 years	16-20 years	
US Government Treasuries	\$ 3,036,224	\$ 981,136	\$ 1,772,022	\$ 283,066	\$ -	\$ -	\$ -
US Government Agencies	8,595,088	895,456	4,591,166	2,206,704	84,495	124,931	692,336
NC Capital Management Trust - Cash Portfolio	3,661	N/A	N/A	N/A	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio	250,903	250,903	-	-	-	-	-
Total Investments	\$ 11,885,876	\$ 2,127,495	\$ 6,363,188	\$ 2,489,770	\$ 84,495	\$ 124,931	\$ 692,336

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 Home Loan Bank securities, Federal National Mortgage Association securities, and Federal Home Loan Mortgage Corporation securities. These investments are 26%, 17%, and 15%, respectively, of the County's total investments.

At June 30, 2005, 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
2002	\$ 320,299	\$ 47,244	\$ 367,543
2003	320,299	18,417	338,716
2004	324,686	18,669	343,355
2005	345,312	-	345,312
Total	\$ 1,310,596	\$ 84,330	\$ 1,394,926

4. Receivables

Receivables at the government-wide level at June 30, 2005, were as follows:

	Accounts	Taxes and Related Accrued Interest	Special Assessments	Due from Other Governments	Other	Total
Governmental Activities:						
General	\$ 372,338	\$ 378,287	\$ 36,901	\$ 413,348	\$ 3,572,758	\$ 4,773,632
Other Governmental	56,645	16,278	-	138,459	-	211,382
Total receivables	428,983	394,565	36,901	551,807	3,572,758	4,985,014
Allowance for doubtful accounts	-	(223,110)	-	-	-	(223,110)
Total-governmental activities	\$ 428,983	\$ 171,455	\$ 36,901	\$ 551,807	\$ 3,572,758	\$ 4,761,904
Business-type Activities						
Water Fund	\$ 305,417	\$ -	\$ -	\$ 10,122	\$ -	\$ 315,539
Emergency Management	589,179	-	-	3,733	-	592,912
Total receivables	894,596	-	-	13,855	-	908,451
Allowance for doubtful accounts	(471,242)					(471,242)
Total - business-type activities	\$ 423,354	\$ -	\$ -	\$ 13,855	\$ -	\$ 437,209

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

Local option sales tax	\$ 492,848
Sales tax	72,496
Gas tax	86
Federal excise tax	<u>232</u>
 Total	 <u>\$ 565,662</u>

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,206,481	\$ 2,468	\$ -	\$ 3,208,949
Capital assets being depreciated:				
Buildings	21,291,421	2,237,270	16,679	23,512,012
Equipment	3,587,057	470,668	175,981	3,881,744
Total capital assets being depreciated	<u>24,878,478</u>	<u>2,707,938</u>	<u>192,660</u>	<u>27,393,756</u>
Less accumulated depreciation for:				
Buildings	3,891,253	677,954	16,679	4,552,528
Equipment	2,322,949	419,068	174,068	2,567,949
Total accumulated depreciation	<u>6,214,202</u>	<u>1,097,022</u>	<u>190,747</u>	<u>7,120,477</u>
Total capital assets being depreciated, net	<u>18,664,276</u>			<u>20,273,279</u>
Governmental activity capital assets, net	<u>\$ 21,870,757</u>			<u>\$ 23,482,228</u>

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

General government	\$ 769,931
Public safety	229,249
Economic and physical development	7,504
Human services	14,591
Cultural and recreational	75,747
	<u>\$ 1,097,022</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 98,347	\$ -	\$ -	\$ 98,347
Capital assets being depreciated:				
Plant and systems	9,802,544	345,361	-	10,147,905
Building and improvements	27,456	-	-	27,456
Equipment	460,711	-	1,828	458,883
Total capital assets being depreciated	10,290,711	345,361	1,828	10,634,244
Less accumulated depreciation for:				
Plant and distribution systems	3,709,129	247,203	-	3,956,332
Building and improvements	27,456	-	-	27,456
Equipment	364,642	35,937	1,828	398,751
Total accumulated depreciation	4,101,227	\$ 283,140	\$ 1,828	4,382,539
Total capital assets being depreciated, net	6,189,484			6,251,705
Water Fund capital assets, net	6,287,831			6,350,052
Emergency Management Fund				
Capital assets being depreciated:				
Building	13,898	-	-	13,898
Equipment	736,818	78,195	28,907	786,106
Total capital assets being depreciated	750,716	78,195	28,907	800,004
Less accumulated depreciation for:				
Building	13,898	-	-	13,898
Equipment	631,203	30,369	28,907	632,665
Total accumulated depreciation	645,101	\$ 30,369	\$ 28,907	646,563
Total capital assets being depreciated, net	105,615			153,441
Emergency Management Fund capital assets, net	105,615			153,441
Business-type activities capital assets, net	\$ 6,393,446			\$ 6,503,493

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2005, 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	\$ 241,542	\$ 3,600	\$ -	\$ 245,142
Furniture and equipment	45,915	-	-	45,915
Total capital assets being depreciated	287,457	3,600	-	291,057
Less accumulated depreciation for:				
Buildings and improvements	115,686	8,206	-	123,892
Furniture and equipment	25,490	5,794	-	31,284
Total accumulated depreciation	141,176	14,000	-	155,176
Total capital assets being depreciated, net	146,281			135,881
ABC capital assets, net	<u>\$ 172,416</u>			<u>\$ 162,016</u>

B. Liabilities**1. Payables**

Payables at the government -wide level at June 30, 2005, were as follows:

	Vendors	Accrued Interest	Total
Governmental Activities:			
General	\$ 384,691	\$ 41,768	\$ 426,459
Other Governmental	36,227	349,739	385,966
Total-governmental activities	<u>\$ 420,918</u>	<u>\$ 391,507</u>	<u>\$ 812,425</u>
Business-type Activities			
Water fund	\$ -	\$ 12,542	\$ 12,542
Emergency Management	-	-	-
Total - business-type activities	<u>\$ -</u>	<u>\$ 12,542</u>	<u>\$ 12,542</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, 2005, 2004, and 2003 were \$227,279, \$216,057 and \$201,569, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2005, 2004, and 2003 were \$3,027, \$2,961, and \$3,205, 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, 2005 were \$113,235, which consisted of \$35,280 from the County and \$77,955 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, 2005, the County's required and actual contributions were \$5,469.

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, 2005, the County made contributions to the State for death

benefits of \$5,446. 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)	\$ 202,622	\$ -
Prepaid taxes not yet earned (Special Revenue)	3,223	\$ -
Taxes receivable, net (General)	164,010	-
Taxes receivable, net (Special Revenue)	7,445	-
Special assessments receivable, net (General)	36,901	-
Lease payments (General)	3,572,758	-
Total	<u>\$ 3,986,959</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 \$28.9 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, 2005, 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, 2005, including \$2,945,096 of interest, are

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$ 450,000	\$ 449,065
2007	450,000	424,270
2008	650,000	399,475
2009	775,000	363,660
2010	775,000	320,958
2011-2015	4,175,000	939,455
2016	875,000	48,213
Principal payments	<u>\$ 8,150,000</u>	
Total interest payments		<u>\$ 2,945,096</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, 2005, including \$968,220 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$ 300,000	\$ 161,370
2007	300,000	146,700
2008	300,000	132,030
2009	300,000	117,360
2010	300,000	102,690
2011-2015	1,500,000	293,400
2016	300,000	14,670
Principal payments	<u>\$ 3,300,000</u>	
Total interest payments		<u>\$ 968,220</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, 2005, including \$6,473 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$ 77,376	\$ 4,210
2007	79,523	2,063
2008	32,030	200
Principal payments	<u>\$ 188,929</u>	
Total interest payments		<u>\$ 6,473</u>

Sheriff's Vehicles and Equipment

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

For Chowan County, the future minimum payments as of June 30, 2005, including \$186 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$ 21,908	\$ 186
Principal payments	<u>\$ 21,908</u>	
Total interest payments		<u>\$ 186</u>

EMS Equipment

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

For Chowan County, the future minimum payments as of June 30, 2005, including \$5 of interest, are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2006	\$ 2,430	\$ 5
Principal payments	<u>\$ 2,430</u>	
Total interest payments		<u>\$ 5</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, 2005, including \$1,940 of interest, are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 48,220	\$ 1,428	\$ 5,339	\$ 178
2007	32,104	289	4,353	45
Total	<u>\$ 80,324</u>	<u>\$ 1,717</u>	<u>\$ 9,692</u>	<u>\$ 223</u>

911 Radio System

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

For Chowan County, the future minimum payments as of June 30, 2005, including \$4,149 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$ 42,746	\$ 2,610
2007	44,005	1,349
2008	22,194	190
Principal payments	<u>\$ 108,945</u>	
Total interest payments		<u>\$ 4,149</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, 2005, including \$3,369 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$ 30,435	\$ 2,064
2007	31,389	1,110
2008	18,848	195
Principal payments	<u>\$ 80,672</u>	
Total interest payments		<u>\$ 3,369</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, 2005, including \$2,322 of interest, are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2006	\$ 25,547	\$ 1,497
2007	26,300	743
2008	11,240	82
Principal payments	<u>\$ 63,087</u>	
Total interest payments		<u>\$ 2,322</u>

b. Water System Expansion Note

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

The future minimum payments as of June 30, 2005, including interest are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2006	\$ 214,286	\$ 34,269
2007	214,286	25,697
2008	214,286	17,126
2009	213,858	8,554
Principal payments	<u>\$ 856,716</u>	
Total interest payments		<u>\$ 85,646</u>

c. General Obligation Indebtedness

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

The County's general obligation bonds payable at June 30, 2005 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. \$ 907,460

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. 107,540

\$ 1,015,000

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
2006	\$ 415,733	\$ 37,698	\$ 49,267	\$ 4,467
2007	227,983	20,653	27,018	2,447
2008	93,875	11,077	11,125	1,313
2009	89,405	7,135	10,595	845
2010	80,464	3,380	9,535	400
Total	\$ 907,460	\$ 79,943	\$ 107,540	\$ 9,472

At June 30, 2005, Chowan County had no bonds authorized but unissued and a legal debt margin of \$51,897,193.

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, 2005.

\$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%. \$ 2,232,812

\$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% 828,243

\$ 3,061,055

Debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2006	\$ 465,229	\$ 149,378
2007	489,325	125,283
2008	514,668	99,939
2009	541,325	73,283
2010	569,363	45,245
2011-2012	481,145	18,574
Total	<u>\$ 3,061,055</u>	<u>\$ 511,702</u>

e. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2005:

	Balance			Current	
	July 1, 2004	Increases	Decreases	Balance	Portion of
				June 30, 2005	Balance
Governmental activities:					
General obligation debt	\$ 1,336,603	\$ -	\$ 429,143	\$ 907,460	\$ 415,733
Hospital revenue bonds and note	3,503,376	-	442,321	3,061,055	465,229
Installment purchase	12,637,101	223,000	929,325	11,930,776	970,685
Compensated absences	343,014	231,326	196,464	377,876	-
Total governmental activities	<u>\$ 17,820,094</u>	<u>\$ 454,326</u>	<u>\$ 1,997,253</u>	<u>\$ 16,277,167</u>	<u>\$ 1,851,647</u>
Business-type activities:					
General obligation debt	\$ 158,396	\$ -	\$ 50,856	\$ 107,540	\$ 49,267
Water system expansion note	1,071,002	-	214,286	856,716	214,286
Installment purchase	50,983	77,600	53,376	75,207	33,315
Compensated absences	44,958	27,916	26,817	46,057	-
Total business-type activities	<u>\$ 1,325,339</u>	<u>\$ 105,516</u>	<u>\$ 345,335</u>	<u>\$ 1,085,520</u>	<u>\$ 296,868</u>

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

C. Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2005, 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	25,000

From the General Fund to the School Capital Project Fund to supplement other funding sources	573,066
From the General Fund to the D.F. Gym Renovation Fund to supplement other funding sources	144,932
From the General Fund to the Emergency Management Fund to supplement other funding sources	120,465
From the Isabel Recovery Fund to the D.F. Gym Renovation Fund to supplement other funding sources	8,722
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	1,210,007
From the Fire District Fund to the General Fund to supplement other funding sources	10,000
Total	<u>\$ 2,718,192</u>

Balance Due to/from Other Funds

Balances due to/from other funds at June 30, 2005 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	329,878
Due to the General Fund from the Sanitation Fund	1,087,834
Due to the General Fund from the Edenton Bay Restoration Fund	36,540
Due to the General Fund from the CWMTF – Country Club Fund	2,663
Due to the General Fund from the CDBG Fund	425
Due to the General Fund from the Emergency Telephone System Fund	475
Due to the General Fund from the Revaluation Fund	26,404
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	30,016
Due to the General Fund from the Library Renovation Fund	92,705
Due to the General Fund from the Consolidated Capital Project Fund	1,967,557
Due to the General Fund from the Water Fund	706,116
Due to the General Fund from the Water Capital Project Fund	232,965
Due to the General Fund from the Wharf Landing Capital Project Fund	2,722
Due to the General Fund from the Emergency Management Fund	898,542

Due to the General Fund from the Edenton/Chowan Development Corp	238,043
Due to the General Fund from the Albemarle Learning Center	8,548
Due to the General Fund from the Consolidated Health Services Fund	3,000
Due to the Water Fund from the Consolidated Health Services Fund	<u>2,500</u>
	<u>\$6,319,651</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, 2005. 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, 2005. 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, 2005. The participating governments provide the library facilities. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$120,216 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, 2005. 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 \$1,115,088 for solid waste disposal during the current year. Complete financial statements for the Landfill Commission and the Solid Waste Authority can be obtained from their offices at Route 1, Box 152C, Belvidere, NC 27919.

The County, in conjunction with College of the Albemarle, Elizabeth City, NC participates in a joint venture to operate the Chowan Count Satellite Campus of the College of the Albemarle. The County has the responsibility to provide funding for the satellite facilities in Chowan County. During the fiscal year ending June 30, 2005, total facilities cost totaled \$255,502. 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, 2005. 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 \$8,582 to the Commission during the fiscal year ended June 30, 2004.

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, 2005.

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	\$ 472,297	\$ -
Medicaid	12,307,640	5,883,152
Food stamp program	1,980,811	-
Energy assistance	34,665	-
State foster care	-	478
AFDC	(130)	(36)
Title IV-E, foster care	4,261	1,232
F/C at risk maximization	-	994
SC/SA domiciliary care	-	168,187
Total	<u>\$ 14,799,544</u>	<u>\$ 6,054,007</u>

IX. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

X. Lease of Chowan Hospital

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

XI. Fund Balance Reclassification

The School Roof Projects Capital Project Fund, the Agriculture Building Capital Project Fund, and the Chowan Community Center Capital Project Fund were all combined into a single Consolidated Capital Project Fund. The following is a reconciliation of beginning fund balance for the Consolidated Capital Project Fund.

Fund balance – School Roof Projects Fund	\$(1,000,000)
Fund balance – Chowan Community Center Fund	(165,574)
Fund balance – Agriculture Building Fund	<u>(801,983)</u>
Fund balance – July 1, 2004 and June 30, 2005	<u><u>\$(1,967,557)</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, 2005

	2005		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$ 6,314,592	\$ 6,097,903	\$ (216,689)
Penalties and interest	75,000	94,046	19,046
Total	<u>6,389,592</u>	<u>6,191,949</u>	<u>(197,643)</u>
Other Taxes and Licenses:			
Local option sales tax	2,473,407	2,242,122	(231,285)
Deed stamp excise tax	110,500	85,106	(25,394)
Real estate transfer tax	554,780	382,996	(171,784)
Scrap tire & white goods disposal tax	20,000	19,618	(382)
Cable TV	18,000	19,551	1,551
Total	<u>3,176,687</u>	<u>2,749,393</u>	<u>(427,294)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes	1,000	850	(150)
Beer and wine tax	40,000	41,271	1,271
ABC profit distribution	70,000	24,487	(45,513)
Tax refunds	75,000	50,295	(24,705)
Total	<u>186,000</u>	<u>116,903</u>	<u>(69,097)</u>
Restricted intergovernmental:			
State grants	365,592	310,568	(55,024)
Federal grants	2,774,627	2,538,015	(236,612)
Court facility fees	55,000	59,609	4,609
ABC profits for law enforcement	3,000	999	(2,001)
ABC profits for alcoholic education	2,000	1,399	(601)
Total	<u>3,200,219</u>	<u>2,910,590</u>	<u>(289,629)</u>
Permits and fees:			
Building permits and inspection fees	205,000	209,089	4,089
Register of deeds	145,000	106,943	(38,057)
Total	<u>350,000</u>	<u>316,032</u>	<u>(33,968)</u>
Sales and services:			
Rents, concessions, and fees	125,566	112,425	(13,141)
Jail fees	199,084	126,574	(72,510)
Recreation Fees	222,052	87,310	(134,742)
Total	<u>546,702</u>	<u>326,309</u>	<u>(220,393)</u>
Investment earnings	<u>1,813,326</u>	<u>726,669</u>	<u>(1,086,657)</u>
Miscellaneous	<u>729,592</u>	<u>436,916</u>	<u>(292,676)</u>
Total revenues	<u>16,392,118</u>	<u>13,774,761</u>	<u>(2,617,357)</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, 2005

	2005		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	46,936	46,935	1
Other operating expenditures	9,505	9,503	2
Total	<u>56,441</u>	<u>56,438</u>	<u>3</u>
Administration:			
Salaries and employee benefits	353,450	353,435	15
Other operating expenditures	317,921	338,218	(20,297)
Capital outlay	2,285	2,285	-
Total	<u>673,656</u>	<u>693,938</u>	<u>(20,282)</u>
Elections:			
Salaries and employee benefits	58,482	58,479	3
Other operating expenditures	35,190	32,967	2,223
Capital outlay	9,568	9,567	1
Total	<u>103,240</u>	<u>101,013</u>	<u>2,227</u>
Data processing:			
Salaries and employee benefits	131,909	131,907	2
Other operating expenditures	112,759	112,193	566
Capital outlay	47,045	47,045	-
Total	<u>291,713</u>	<u>291,145</u>	<u>568</u>
NC information highway:			
Other operating expenditures	8,969	8,968	1
Total	<u>8,969</u>	<u>8,968</u>	<u>1</u>
Taxes:			
Salaries and employee benefits	187,375	187,373	2
Other operating expenditures	65,068	65,787	(719)
Capital outlay	331	-	-
Total	<u>252,774</u>	<u>253,160</u>	<u>(386)</u>
Legal:			
Salaries and employee benefits	95,857	95,854	3
Other operating expenditures	8,819	8,818	1
Total	<u>104,676</u>	<u>104,672</u>	<u>4</u>
Register of deeds:			
Salaries and employee benefits	113,781	113,740	41
Other operating expenditures	18,932	18,548	384
Capital outlay	2,779	2,750	29
Total	<u>135,492</u>	<u>135,038</u>	<u>454</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, 2005

	2005		Variance Favorable (Unfavorable)
	Budget	Actual	
Land records:			
Salaries and employee benefits	90,130	89,992	138
Other operating expenditures	9,488	9,256	232
Total	<u>99,618</u>	<u>99,248</u>	<u>370</u>
Inspection:			
Salaries and employee benefits	212,471	212,356	115
Other operating expenditures	40,416	35,517	4,899
Capital outlay	1,470	1,470	-
Total	<u>254,357</u>	<u>249,343</u>	<u>5,014</u>
Public buildings:			
Salaries and employee benefits	6,865	6,862	3
Other operating expenditures	484,336	483,968	368
Capital outlay	75,394	75,286	108
Total	<u>566,595</u>	<u>566,116</u>	<u>479</u>
Court facilities:			
Other operating expenditures	18,782	18,780	2
Total	<u>18,782</u>	<u>18,780</u>	<u>2</u>
Central maintenance:			
Salaries and employee benefits	188,600	188,549	51
Other operating expenditures	40,208	40,506	(298)
Total	<u>228,808</u>	<u>229,055</u>	<u>(247)</u>
Total general government	<u>2,795,121</u>	<u>2,806,914</u>	<u>(11,793)</u>
Public safety:			
Sheriff:			
Salaries and employee benefits	656,615	656,610	5
Other operating expenditures	236,075	220,836	15,239
Capital outlay	131,087	131,385	(298)
Total	<u>1,023,777</u>	<u>1,008,831</u>	<u>14,946</u>
School resource officer:			
Salaries and employee benefits	81,410	81,408	2
Other operating expenditures	1,427	1,427	-
Total	<u>82,837</u>	<u>82,835</u>	<u>2</u>
Sentencing services:			
Salaries and employee benefits	34,700	34,698	2
Other operating expenditures	19,539	14,919	4,620
Total	<u>54,239</u>	<u>49,617</u>	<u>4,622</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, 2005

	2005		Variance Favorable (Unfavorable)
	Budget	Actual	
CORPS grant:			
Salaries and employee benefits	36,880	36,826	54
Other operating expenditures	1,637	1,635	2
Total	<u>38,517</u>	<u>38,461</u>	<u>56</u>
Albemarle Hopeline	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Animal control:			
Salaries and employee benefits	174,135	170,410	3,725
Other operating expenditures	91,018	76,977	14,041
Capital outlay	6,059	5,107	952
Total	<u>271,212</u>	<u>252,494</u>	<u>18,718</u>
Jail:			
Salaries and employee benefits	313,258	313,255	3
Other operating expenditures	287,211	309,842	(22,631)
Total	<u>600,469</u>	<u>623,097</u>	<u>(22,628)</u>
Civil defense:			
Salaries and employee benefits	120,353	120,350	3
Other operating expenditures	107,926	43,378	64,548
Capital outlay	34,533	99,021	(64,488)
Total	<u>262,812</u>	<u>262,749</u>	<u>63</u>
Central communications:			
Salaries and employee benefits	412,043	412,040	3
Other operating expenditures	27,901	27,893	8
Total	<u>439,944</u>	<u>439,933</u>	<u>11</u>
Medical examiner:			
Other operating expenditures	6,826	6,825	1
Total	<u>6,826</u>	<u>6,825</u>	<u>1</u>
Juvenile Justice:			
Salaries and employee benefits	15,765	15,764	1
Other operating expenditures	6,290	5,854	436
Total	<u>22,055</u>	<u>21,618</u>	<u>437</u>
COPS:			
Salaries and employee benefits	211,186	211,181	5
Total	<u>211,186</u>	<u>211,181</u>	<u>5</u>
Total public safety	<u>3,016,874</u>	<u>3,000,641</u>	<u>16,233</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, 2005

	2005		Variance Favorable (Unfavorable)
	Budget	Actual	
Transportation:			
Airport	20,000	20,000	-
Total transportation	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Environmental Protection:			
Sanitation:			
Other operating expenditures	28,720	19,001	9,719
Total environmental protection	<u>28,720</u>	<u>19,001</u>	<u>9,719</u>
Economic development:			
Agricultural extension:			
Salaries and employee benefits	148,294	144,737	3,557
Other operating expenditures	31,944	31,222	722
Total	<u>180,238</u>	<u>175,959</u>	<u>4,279</u>
Soil conservation:			
Salaries and employee benefits	73,465	73,463	2
Other operating expenditures	415,399	287,932	127,467
Total	<u>488,864</u>	<u>361,395</u>	<u>127,469</u>
Planning:			
Operating expenditures	5,493	5,493	-
Total	<u>5,493</u>	<u>5,493</u>	<u>-</u>
Economic development:			
Operating expenditures	80,360	80,360	-
Total	<u>80,360</u>	<u>80,360</u>	<u>-</u>
Total economic and physical development	<u>754,955</u>	<u>623,207</u>	<u>131,748</u>
Human services:			
Social services:			
Administration:			
Salaries and benefits	462,077	461,702	375
Other operating expenditures	119,998	121,549	(1,551)
Capital outlay	17,912	17,912	-
Total	<u>599,987</u>	<u>601,163</u>	<u>(1,176)</u>
Income maintenance programs:			
Salaries and employee benefits	548,244	548,241	3
County participation	89,699	65,110	24,589
Total	<u>637,943</u>	<u>613,351</u>	<u>24,592</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, 2005

	2005		Variance Favorable (Unfavorable)
	Budget	Actual	
Medicaid program:			
County participation	1,093,208	1,093,206	2
Total	<u>1,093,208</u>	<u>1,093,206</u>	<u>2</u>
Title XX program:			
Salaries and employee benefits	391,482	391,268	214
Other operating expenditures	44,175	37,743	6,432
Total	<u>435,657</u>	<u>429,011</u>	<u>6,646</u>
Foster care:			
Other operating expenditures	7,149	4,402	2,747
Total	<u>7,149</u>	<u>4,402</u>	<u>2,747</u>
Title III program:			
Other operating expenditures	6,000	4,854	1,146
Total	<u>6,000</u>	<u>4,854</u>	<u>1,146</u>
Other assistance:			
Other operating expenditures	1,233,147	1,229,627	3,520
Total	<u>1,233,147</u>	<u>1,229,627</u>	<u>3,520</u>
Total social services	<u>4,013,091</u>	<u>3,975,614</u>	<u>37,477</u>
Veterans service officer:			
Salaries and employee benefits	12,822	12,820	2
Other operating expenditures	1,256	1,190	66
Total	<u>14,078</u>	<u>14,010</u>	<u>68</u>
Health	<u>42,337</u>	<u>42,336</u>	<u>1</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>4,103,765</u>	<u>4,066,219</u>	<u>37,546</u>
Cultural and recreational:			
Community activities:			
Other operating expenditures	83,291	83,290	1
Total	<u>83,291</u>	<u>83,290</u>	<u>1</u>
Recreation:			
Salaries and employee benefits	374,608	374,605	3
Other operating expenditures	197,642	176,146	21,496
Capital outlay	36,399	36,399	-
Total	<u>608,649</u>	<u>587,150</u>	<u>21,499</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, 2005

	2005		Variance Favorable (Unfavorable)
	Budget	Actual	
Senior center:			
Salaries and employee benefits	93,883	93,915	(32)
Other operating expenditures	56,376	57,567	(1,191)
Capital outlay	2,833	2,833	-
Total	<u>153,092</u>	<u>154,315</u>	<u>(1,223)</u>
Libraries:			
Contribution to regional library	120,218	120,216	2
Total	<u>120,218</u>	<u>120,216</u>	<u>2</u>
Total cultural and recreation	<u>965,250</u>	<u>944,971</u>	<u>20,279</u>
Education:			
Public schools:			
Current expense:	3,181,442	3,181,442	-
Total	<u>3,181,442</u>	<u>3,181,442</u>	<u>-</u>
Community colleges:			
Salaries and employee benefits	51,088	51,086	2
Other operating expenditures	255,548	255,502	46
Total	<u>306,636</u>	<u>306,588</u>	<u>48</u>
Total education	<u>3,488,078</u>	<u>3,488,030</u>	<u>48</u>
Debt service:			
Principal retirement	830,175	825,296	4,879
Interest and fees	348,328	352,893	(4,565)
Total debt service	<u>1,178,503</u>	<u>1,178,189</u>	<u>314</u>
Total expenditures	<u>16,351,266</u>	<u>16,147,172</u>	<u>204,094</u>
Revenues over (under) expenditures	<u>40,852</u>	<u>(2,372,411)</u>	<u>(2,413,263)</u>
Other financing sources (uses):			
Operating transfers from (to) other funds	(1,307,463)	(1,227,463)	80,000
Proceeds of installment purchase	99,290	93,000	(6,290)
Lease payments	442,321	442,321	-
Appropriated fund balance	675,000	-	(675,000)
Sale of fixed assets	50,000	-	(50,000)
Total other financing sources (uses)	<u>(40,852)</u>	<u>(692,142)</u>	<u>(651,290)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(3,064,553)</u>	<u>\$ (3,064,553)</u>
Fund balances:			
Beginning of year, July 1		20,899,414	
End of year, June 30		<u>\$ 17,834,861</u>	

**Chowan County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005**

	Special Revenue Funds				
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Occupancy Tax Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 74,906	\$ -	\$ 2,719
Accounts receivable, net	110,817	19,487	17,827	18	507
Taxes receivable, net	-	-	7,445	-	-
Total assets	\$ 110,817	\$ 19,487	\$ 100,178	\$ 18	\$ 3,226
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ (1,450)	\$ 1,669	\$ -	\$ (601)
Due to other funds	329,878	475	210,000	26,404	-
Deferred revenue	-	-	10,668	-	-
Total liabilities	329,878	(975)	222,337	26,404	(601)
Fund balances:					
Reserved by state statute	110,817	19,487	17,827	18	507
Unreserved (deficit)	(329,878)	975	(139,986)	(26,404)	3,320
Total fund balances	(219,061)	20,462	(122,159)	(26,386)	3,827
Total liabilities and fund balances	\$ 110,817	\$ 19,487	\$ 100,178	\$ 18	\$ 3,226

Isabel Recovery Fund	Edenton Bay Restoration	CWMTF-Country Club	CDBG	School Capital Project Fund	Total Nonmajor Special Revenue Funds
\$ 131,529	\$ -	\$ -	\$ -	\$ 15,256	\$ 224,410
797	36,540	2,663	425	-	189,081
-	-	-	-	-	7,445
<u>\$ 132,326</u>	<u>\$ 36,540</u>	<u>\$ 2,663</u>	<u>\$ 425</u>	<u>\$ 15,256</u>	<u>\$ 420,936</u>

\$ 36,600	\$ -	\$ -	\$ -	\$ -	\$ 36,218
-	36,540	2,663	425	-	606,385
-	-	-	-	-	10,668
<u>36,600</u>	<u>36,540</u>	<u>2,663</u>	<u>425</u>	<u>-</u>	<u>653,271</u>

797	36,540	2,663	425	-	189,081
<u>94,929</u>	<u>(36,540)</u>	<u>(2,663)</u>	<u>(425)</u>	<u>15,256</u>	<u>(421,416)</u>
95,726	-	-	-	15,256	(232,335)
<u>\$ 132,326</u>	<u>\$ 36,540</u>	<u>\$ 2,663</u>	<u>\$ 425</u>	<u>\$ 15,256</u>	<u>\$ 420,936</u>

(Continued)

**Chowan County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005**

	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
ASSETS					
Cash and cash equivalents	\$ 930	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net	761	-	5,262	-	-
Taxes receivable, net	-	-	-	-	-
Total assets	\$ 1,691	\$ -	\$ 5,262	\$ -	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	437,456	5,262	30,016	92,705
Deferred revenue	-	-	-	-	-
Total liabilities	-	437,456	5,262	30,016	92,705
Fund balances:					
Reserved by state statute	761	-	5,262	-	-
Unreserved (deficit)	930	(437,456)	(5,262)	(30,016)	(92,705)
Total fund balances	1,691	(437,456)	-	(30,016)	(92,705)
Total liabilities and fund balances	\$ 1,691	\$ -	\$ 5,262	\$ -	\$ -

Total Nonmajor Capital Projects Funds		Total Nonmajor Governmental Funds	
\$	930	\$	225,340
	6,023		195,104
	-		7,445
\$	6,953	\$	427,889

\$	-	\$	36,218
	565,439		1,171,824
	-		10,668
	565,439		1,218,710

	6,023		195,104
	(564,509)		(985,925)
	(558,486)		(790,821)
\$	6,953	\$	427,889

Chowan County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds				
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Occupancy Tax Fund
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ 281,511	\$ -	\$ -
Local option sales taxes	641,020	-	100,785	-	-
Other taxes and licenses	-	77,341	1,559	18	507
Restricted intergovernmental	97,727	68,056	-	-	-
Sales and service	-	-	-	-	68,117
Miscellaneous	-	-	-	-	6,100
Investment earnings	1,925	597	1,071	1,021	350
Total revenues	<u>740,672</u>	<u>145,994</u>	<u>384,926</u>	<u>1,039</u>	<u>75,074</u>
EXPENDITURES					
Current:					
General government	-	-	-	125,272	-
Public safety	-	274,098	296,568	-	-
Economic development	-	-	-	-	88,239
Environmental protection	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	21,055	75,294	-	-
Interest	-	1,623	6,292	-	-
Total expenditures	<u>-</u>	<u>296,776</u>	<u>378,154</u>	<u>125,272</u>	<u>88,239</u>
Excess (deficiency) of revenues over expenditures	<u>740,672</u>	<u>(150,782)</u>	<u>6,772</u>	<u>(124,233)</u>	<u>(13,165)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from installment purchase	-	130,000	-	-	-
Transfers from (to) other funds	(710,007)	-	(10,000)	25,000	-
Total other financing sources and uses	<u>(710,007)</u>	<u>130,000</u>	<u>(10,000)</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	30,665	(20,782)	(3,228)	(99,233)	(13,165)
Fund balances - beginning	(249,726)	41,244	(118,931)	72,847	16,992
Fund balances - ending	<u>\$ (219,061)</u>	<u>\$ 20,462</u>	<u>\$ (122,159)</u>	<u>\$ (26,386)</u>	<u>\$ 3,827</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			
\$ -	\$ -	\$ -	\$ -	\$ 281,511	\$ -			
-	-	-	-	741,805	-			
101	4	-	-	79,530	761			
112,459	13,203	309,054	-	600,499	85,140			
-	-	-	-	68,117	-			
68,819	-	-	-	74,919	-			
-	-	-	-	4,964	-			
181,379	13,207	309,054	-	1,851,345	85,901			
-	-	-	-	125,272	-			
185,475	-	-	-	756,141	-			
-	-	309,054	-	397,293	-			
-	13,207	-	-	13,207	-			
-	-	-	375,000	375,000	-			
-	-	-	-	-	237,864			
-	-	-	879,144	975,493	-			
-	-	-	528,723	536,638	-			
185,475	13,207	309,054	1,782,867	3,179,044	237,864			
(4,096)	-	-	(1,782,867)	(1,327,699)	(151,963)			
-	-	-	-	130,000	-			
(8,722)	-	-	1,783,073	1,079,344	153,654			
(8,722)	-	-	1,783,073	1,209,344	153,654			
(12,818)	-	-	206	(118,355)	1,691			
108,544	-	-	15,050	(113,980)	-			
\$ 95,726	\$ -	\$ -	\$ 15,256	\$ (232,335)	\$ 1,691			

(Continued)

Chowan County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

Capital Project Funds					Total Nonmajor Governmental Funds
Adult Day Health Care Capital Project Fund	Public Safety Building Capital Project Fund	Library Renovation Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds	
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ 281,511
Local option sales taxes	-	-	-	-	741,805
Other taxes and licenses	-	-	-	761	80,291
Restricted intergovernmental	-	-	-	85,140	685,639
Sales and service	-	-	-	-	68,117
Miscellaneous	-	-	-	-	74,919
Investment earnings	-	-	-	-	4,964
Total revenues	-	-	-	85,901	1,937,246
EXPENDITURES					
Current:					
General government	-	-	-	-	125,272
Public safety	-	-	-	-	756,141
Economic development	-	-	-	-	397,293
Environmental protection	-	-	-	-	13,207
Education	-	-	-	-	375,000
Capital outlay	-	30,016	27,838	295,718	295,718
Debt service					
Principal	-	-	-	-	975,493
Interest	-	-	-	-	536,638
Total expenditures	-	30,016	27,838	295,718	3,474,762
Excess (deficiency) of revenues over expenditures	-	(30,016)	(27,838)	(209,817)	(1,537,516)
OTHER FINANCING SOURCES (USES)					
Proceeds from installment purchase	-	-	-	-	130,000
Transfers from (to) other funds	-	-	-	153,654	1,232,998
Total other financing sources and uses	-	-	-	153,654	1,362,998
Net change in fund balances	-	(30,016)	(27,838)	(56,163)	(174,518)
Fund balances - beginning	(437,456)	-	(64,867)	(502,323)	(616,303)
Fund balances - ending	\$ (437,456)	\$ (30,016)	\$ (92,705)	\$ (558,486)	\$ (790,821)

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, 2005

	2005		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental:			
Public School Building Capital Fund	\$ 340,000	\$ 97,727	\$ (242,273)
Local option sales tax	860,007	641,020	(218,987)
Investment earnings	10,000	1,925	(8,075)
Total revenues	1,210,007	740,672	(469,335)
Other financing sources (uses):			
Transfers in (out)	(1,210,007)	(710,007)	500,000
Revenues and other sources over (under) expenditures and other uses	\$ -	30,665	\$ 30,665
Fund balances:			
Beginning of year, July 1		(249,726)	
End of year, June 30		\$ (219,061)	

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, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Other taxes and licenses:			
911 system subscriber fees	\$ 50,000	\$ 68,911	\$ 18,911
Sales tax refund	500	8,430	7,930
Restricted intergovernmental:			
Wireless 911 funds	70,000	68,056	(1,944)
Investment earnings	7,406	597	(6,809)
	<u>127,906</u>	<u>145,994</u>	<u>18,088</u>
Expenditures			
Public safety:			
911 system subscriber fees:			
Operating expenses	89,840	95,851	(6,011)
Capital outlay	132,517	132,517	-
Total subscriber fees	<u>222,357</u>	<u>228,368</u>	<u>(6,011)</u>
Wireless 911:			
Operating expenses	51,123	45,730	5,393
Total public safety	<u>273,480</u>	<u>274,098</u>	<u>(618)</u>
Debt service:			
Principal	21,056	21,055	1
Interest	1,623	1,623	-
Total debt service	<u>22,679</u>	<u>22,678</u>	<u>1</u>
Total expenditures	<u>296,159</u>	<u>296,776</u>	<u>(617)</u>
Revenues over (under) expenditures	<u>(168,253)</u>	<u>(150,782)</u>	<u>(17,471)</u>
Other financing sources (uses):			
Proceeds of installment purchase	130,000	130,000	-
Appropriated fund balance	38,253	-	38,253
Total other sources (uses)	<u>168,253</u>	<u>130,000</u>	<u>38,253</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(20,782)</u>	<u>\$ (20,782)</u>
Fund balances:			
Beginning of year, July 1		41,244	
End of year, June 30		<u>\$ 20,462</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, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes	\$ 293,000	\$ 281,511	\$ (11,489)
Local option sales tax	120,459	100,785	(19,674)
Other taxes and licenses	1,947	1,559	(388)
Miscellaneous revenue	100	-	(100)
Investment earnings	1,100	1,071	(29)
Total revenues	<u>416,606</u>	<u>384,926</u>	<u>(31,680)</u>
Expenditures:			
Public safety:			
Town of Edenton	180,312	180,311	1
Salaries and benefits	26,306	26,305	1
Telephone and postage	2,683	2,682	1
Utilities	9,753	9,752	1
Maintenance and repair	8,018	8,017	1
Insurance and bonds	21,437	21,435	2
Capital outlay	32,609	32,608	1
Other operating expenses	13,902	15,458	(1,556)
Total public safety	<u>295,020</u>	<u>296,568</u>	<u>(1,548)</u>
Debt service:			
Principal	75,294	75,294	0
Interest	6,292	6,292	-
Total debt service	<u>81,586</u>	<u>81,586</u>	<u>-</u>
Total expenditures	<u>376,606</u>	<u>378,154</u>	<u>(1,548)</u>
Revenues over (under) expenditures	<u>40,000</u>	<u>6,772</u>	<u>33,228</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>(3,228)</u>	<u>\$ (3,228)</u>
Fund balances:			
Beginning of year, July 1		<u>(118,931)</u>	
End of year, June 30		<u>\$ (122,159)</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, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Sales tax refund	\$ -	\$ 18	\$ 18
Investment earnings	1,000	1,021	21
Total revenues	<u>1,000</u>	<u>1,039</u>	<u>39</u>
Expenditures:			
General government:			
Contracted services	<u>288,500</u>	<u>125,272</u>	<u>163,228</u>
Revenues over (under) expenditures	<u>(287,500)</u>	<u>(124,233)</u>	<u>(163,267)</u>
Other financing sources (uses):			
Transfers in (out)	<u>287,500</u>	<u>25,000</u>	<u>(262,500)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(99,233)</u>	<u>\$ (99,233)</u>
Fund balances:			
Beginning of year, July 1		<u>72,847</u>	
End of year, June 30		<u>\$ (26,386)</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, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Sales and service	\$ 71,716	\$ 68,117	\$ (3,599)
Other taxes and licenses	-	507	507
Miscellaneous revenues	4,600	6,100	(1,500)
Investment earnings	2,000	350	(1,650)
	<u>78,316</u>	<u>75,074</u>	<u>(3,242)</u>
Expenditures:			
Economic development:			
Contracted services	41,657	41,657	-
Reimbursements	13,852	13,598	254
Miscellaneous expenses	35,911	32,984	2,927
Total expenditures	<u>91,420</u>	<u>88,239</u>	<u>3,181</u>
Revenues over (under) expenditures	<u>(13,104)</u>	<u>(13,165)</u>	<u>61</u>
Other financing sources (uses):			
Appropriated fund balance	<u>13,104</u>	<u>-</u>	<u>(13,104)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(13,165)</u>	<u>\$ (13,165)</u>
Fund balances:			
Beginning of year, July 1		<u>16,992</u>	
End of year, June 30		<u>\$ 3,827</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, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Restricted intergovernmental	\$ 112,459	\$ 112,459	\$ -
Sales tax refund	6,500	101	(6,399)
Miscellaneous revenue	75,761	68,819	(6,942)
Total revenue	<u>194,720</u>	<u>181,379</u>	<u>(13,341)</u>
Expenditures:			
Public safety:			
Administration	-	101	(101)
Repairs and maintenance	184,558	183,937	621
Supplies	704	704	-
Contracted services	736	733	3
Total expenditures	<u>185,998</u>	<u>185,475</u>	<u>523</u>
Revenues over (under) expenditures	<u>8,722</u>	<u>(4,096)</u>	<u>12,818</u>
Other financing sources (uses):			
Transfers in (out)	<u>(8,722)</u>	<u>(8,722)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(12,818)</u>	<u>\$ (12,818)</u>
Fund balances:			
Beginning of year, July 1		<u>108,544</u>	
End of year, June 30		<u>\$ 95,726</u>	

Chowan County, North Carolina
Edenton Bay Restoration Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

	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, 2005

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 400,000	\$ -	\$ 309,054	\$ 309,054	\$ (90,946)
Expenditures:					
Economic development:					
Administration	40,350	-	29,244	29,244	11,106
Clearance	39,000	-	29,674	29,674	9,326
Relocation assistance	320,650	-	250,136	250,136	70,514
Total expenditures	400,000	-	309,054	309,054	70,514
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, 2005

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 534,000	\$ 296,184	\$ 13,203	\$ 309,387	\$ (224,613)
Other taxes and license	-	517	4	521	521
Miscellaneous revenue	50,000	-	-	-	(50,000)
Total revenues	<u>584,000</u>	<u>296,701</u>	<u>13,207</u>	<u>309,908</u>	<u>(274,092)</u>
Expenditures:					
Environmental protection:					
Administration	15,000	4,035	1,475	5,510	9,490
Contracted services	564,000	292,666	11,732	304,398	259,602
Capital outlay	5,000	-	-	-	5,000
Total expenditures	<u>584,000</u>	<u>296,701</u>	<u>13,207</u>	<u>309,908</u>	<u>274,092</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, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Education:			
Capital outlay	375,000	375,000	-
Debt service:			
Principal	879,144	879,144	-
Interest	528,929	528,723	206
Total debt service	1,408,073	1,407,867	206
Total expenditures	1,783,073	1,782,867	206
Revenues over (under) expenditures	(1,783,073)	(1,782,867)	(206)
Other financing sources (uses):			
Transfers in (out)	1,783,073	1,783,073	-
Revenues and other sources over (under) expenditures and other uses	\$ -	206	\$ 206
Fund balances:			
Beginning of year, July 1		15,050	
End of year, June 30		\$ 15,256	

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, 2005

	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>-</u>	<u>85,901</u>	<u>85,901</u>	<u>761</u>
Expenditures					
Cultural and recreational:					
Capital outlay:					
D.F. Walker Gym	<u>238,794</u>	<u>-</u>	<u>237,864</u>	<u>237,864</u>	<u>930</u>
Revenues over (under) expenditures	<u>(153,654)</u>	<u>-</u>	<u>(151,963)</u>	<u>(151,963)</u>	<u>1,691</u>
Other financing sources:					
Transfers in (out)	<u>153,654</u>	<u>-</u>	<u>153,654</u>	<u>153,654</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	1,691	<u>\$ 1,691</u>	<u>\$ 1,691</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 1,691</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, 2005

	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, 2005

	Project Author- ization	Actual 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, 2005

	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	30,016	10,926,629
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(30,016)	<u>\$ (30,016)</u>	<u>\$ 30,016</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ (30,016)</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, 2005

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Cultural and recreational:					
Contracted services	52,000	64,867	27,838	92,705	(40,705)
Revenues over (under) expenditures	(52,000)	(64,867)	(27,838)	(92,705)	(40,705)
Other financing sources:					
Loan proceeds	52,000	-	-	-	52,000
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (64,867)</u>	(27,838)	<u>\$ (92,705)</u>	<u>\$ 92,705</u>
Fund balances:					
Beginning of year, July 1			(64,867)		
End of year, June 30			<u>\$ (92,705)</u>		

Chowan County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Water sales	\$ 1,130,361	\$ 1,052,859	\$ (77,502)
Reconnection fees	30,000	24,318	(5,682)
Miscellaneous revenue	1,000	58	(942)
Sales tax and other refunds	11,000	11,269	269
Taps and connection fees	<u>60,000</u>	<u>46,869</u>	<u>(13,131)</u>
Total revenues	<u>1,232,361</u>	<u>1,135,373</u>	<u>(96,988)</u>
Expenditures:			
Administration and operating:			
Salaries and employee benefits	283,262	281,106	2,156
Postage and telephone	22,446	22,446	-
Utilities	78,544	78,544	-
Maintenance and repairs	37,276	59,750	(22,474)
Automotive supplies	12,781	13,788	(1,007)
Supplies and materials	75,770	72,286	3,484
Administrative services	128,013	127,585	428
Meters and minor improvements	<u>25,521</u>	<u>25,484</u>	<u>37</u>
Total	<u>663,613</u>	<u>680,989</u>	<u>(17,376)</u>
Debt service:			
Debt principal	270,668	270,352	316
Interest and fees	<u>49,937</u>	<u>50,244</u>	<u>(307)</u>
Total	<u>320,605</u>	<u>320,596</u>	<u>9</u>
Capital outlay	<u>49,935</u>	<u>29,706</u>	<u>20,229</u>
Total expenditures	<u>1,034,153</u>	<u>1,031,291</u>	<u>2,862</u>
Revenues over (under) expenditures	<u>198,208</u>	<u>104,082</u>	<u>(94,126)</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, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Transfers in (out)	(198,208)	(101,000)	97,208
Total other sources (uses)	<u>(198,208)</u>	<u>(101,000)</u>	<u>97,208</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	3,082	<u>\$ 3,082</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		270,352	
Capital outlay		29,706	
Depreciation		(281,747)	
Amortization		(1,393)	
Decrease in bond interest accrued		3,934	
Decrease in inventory		2,586	
Revenue from Capital Reserve Fund		<u>59,224</u>	
Total reconciling items		<u>82,662</u>	
Change in net assets		<u>\$ 85,744</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, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Ambulance Fees	\$ 764,671	\$ 619,478	\$ (145,193)
Miscellaneous revenue	2,377	2,377	-
Sales tax and other refunds	3,799	3,693	(106)
Total	<u>770,847</u>	<u>625,548</u>	<u>(145,299)</u>
Non-operating revenues:			
Restricted intergovernmental - Federal grant	8,607	8,607	-
Total revenues	<u>779,454</u>	<u>634,155</u>	<u>(145,299)</u>
Expenditures:			
Administration and operating:			
Salaries and employee benefits	638,272	640,014	(1,742)
Postage and telephone	10,573	10,573	-
Utilities	16,132	17,088	(956)
Maintenance and repairs	36,866	42,397	(5,531)
Automotive supplies	15,921	17,770	(1,849)
Supplies and materials	24,993	25,160	(167)
Contracted services	30,431	30,430	1
Administrative services	50,529	53,209	(2,680)
Total	<u>823,717</u>	<u>836,641</u>	<u>(12,924)</u>
Debt service:			
Debt principal	48,166	48,166	-
Interest and fees	1,764	1,764	-
Total	<u>49,930</u>	<u>49,930</u>	<u>-</u>
Capital outlay	83,651	78,195	5,456
Total expenditures	<u>957,298</u>	<u>964,766</u>	<u>(7,468)</u>
Revenues over (under) expenditures	<u>(177,844)</u>	<u>(330,611)</u>	<u>(152,767)</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, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Proceeds of installment purchase	82,379	77,600	(4,779)
Transfers in (out)	95,465	95,465	-
Total other financing sources (uses)	<u>177,844</u>	<u>173,065</u>	<u>(4,779)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(157,546)	<u>\$ (157,546)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		48,166	
Capital outlay		78,195	
Proceeds from installment purchase		(77,600)	
Depreciation		<u>(30,369)</u>	
Total reconciling items		<u>18,392</u>	
Change in net assets		<u>\$ (139,154)</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, 2005

	2005		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Storm preparedness charges	\$ 25,000	\$ 57,258	\$ 32,258
Investment earnings	-	1,966	1,966
Total revenues	<u>25,000</u>	<u>59,224</u>	<u>34,224</u>
Other financing sources (uses):			
Transfers in (out)	(25,000)	(80,073)	(55,073)
Total other financing sources (uses)	<u>(25,000)</u>	<u>(80,073)</u>	<u>(55,073)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(20,849)	<u>\$ (20,849)</u>
Fund balances:			
Beginning of year, July 1		<u>20,849</u>	
End of year, June 30		<u>\$ -</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, 2005

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Sales tax refund	\$ -	\$ -	\$ 104	\$ 104	\$ 104
Expenditures					
Water system improvements: Generator project	430,000	-	313,038	313,038	116,962
Revenues over (under) expenditures	(430,000)	-	(312,934)	(312,934)	117,066
Other financing sources:					
Transfers in (out)	430,000	-	80,073	80,073	(349,927)
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(232,861)	<u>\$ (232,861)</u>	<u>\$ (232,861)</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ (232,861)</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, 2005

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental	\$ 228,000	\$ -	\$ -	\$ -	\$ (228,000)
Miscellaneous	382,608	-	-	-	(382,608)
	<u>610,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(610,608)</u>
Expenditures					
Water system improvements:					
Extension project	610,608	-	2,722	2,722	607,886
	<u>610,608</u>	<u>-</u>	<u>2,722</u>	<u>2,722</u>	<u>607,886</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(2,722)	<u>\$ (2,722)</u>	<u>(2,722)</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ (2,722)</u>		

Chowan County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Fireman's Relief Fund				
Assets:				
Cash and cash equivalents	\$ 33,509	\$ 6,364	\$ 20	\$ 39,853
Liabilities:				
Payables	\$ 33,509	\$ 6,364	\$ 20	\$ 39,853
Social Services - Protective Payees				
Assets:				
Cash and cash equivalents	\$ 1,465	\$ 27,623	\$ 26,728	\$ 2,360
Liabilities:				
Payables	\$ 1,465	\$ 27,623	\$ 26,728	\$ 2,360
Consolidated Health Services				
Assets:				
Cash and cash equivalents	\$250,011	\$5,981,787	\$ 6,048,421	\$183,377
Liabilities:				
Payables	\$244,511	\$5,981,787	\$ 6,048,421	\$177,877
Due to other funds	5,500	-	-	5,500
Total liabilities	\$250,011	\$5,981,787	\$ 6,048,421	\$183,377
Edenton Chowan Development Corp				
Assets:				
Cash and cash equivalents	\$ -	\$ 229,934	\$ 229,934	\$ -
Accounts receivable	138,435	99,608	-	238,043
Total assets	\$138,435	\$ 329,542	\$ 229,934	\$238,043
Liabilities:				
Payables	\$ -	\$ 229,934	\$ 229,934	\$ -
Due to other funds	138,435	99,608	-	238,043
Total liabilities	\$138,435	\$ 329,542	\$ 229,934	\$238,043
Fines and forfeitures				
Assets:				
Cash and cash equivalents	\$ -	\$ 88,752	\$ 88,752	\$ -
Liabilities:				
Payables	\$ -	\$ 88,752	\$ 88,752	\$ -

Chowan County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Albemarle Learning Center				
Assets:				
Cash and cash equivalents	\$ -	\$ 86,958	\$ 86,958	\$ -
Accounts receivable	-	8,548	-	8,548
Total assets	<u>\$ -</u>	<u>\$ 95,506</u>	<u>\$ 86,958</u>	<u>\$ 8,548</u>
Liabilities:				
Payables	\$ -	\$ 86,958	\$ 86,958	\$ -
Due to other funds	-	8,548	-	8,548
Total liabilities	<u>\$ -</u>	<u>\$ 95,506</u>	<u>\$ 86,958</u>	<u>\$ 8,548</u>
Old Courthouse Gala				
Assets:				
Cash and cash equivalents	\$ 707	\$ 56,331	\$ 57,000	\$ 38
Accounts receivable	-	1,162	-	1,162
Total assets	<u>\$ 707</u>	<u>\$ 57,493</u>	<u>\$ 57,000</u>	<u>\$ 1,200</u>
Liabilities:				
Payables	<u>\$ 707</u>	<u>\$ 57,493</u>	<u>\$ 57,000</u>	<u>\$ 1,200</u>
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 285,692	\$ 6,477,749	\$ 6,537,813	\$ 225,628
Accounts receivable	138,435	109,318	-	247,753
Total assets	<u>\$424,127</u>	<u>\$ 6,587,067</u>	<u>\$ 6,537,813</u>	<u>\$473,381</u>
Liabilities:				
Payables	\$280,192	\$ 6,478,911	\$ 6,537,813	\$221,290
Due to other funds	143,935	108,156	-	252,091
Total liabilities	<u>\$424,127</u>	<u>\$ 6,587,067</u>	<u>\$ 6,537,813</u>	<u>\$473,381</u>

Chowan County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2005

<u>Fiscal Year</u>	Uncollected Balance June 30, 2004	Additions	Collections And Credits	Uncollected Balance June 30, 2005
1994-1995	\$ 5,865	\$ -	\$ 5,865	\$ -
1995-1996	6,605	-	158	6,447
1996-1997	7,251	-	316	6,935
1997-1998	11,599	-	806	10,793
1998-1999	12,441	-	1,938	10,503
1999-2000	14,565	-	4,046	10,519
2000-2001	55,687	-	43,241	12,446
2001-2002	65,288	-	48,175	17,113
2002-2003	86,313	-	57,638	28,675
2003-2004	225,247	-	174,608	50,639
2004-2005	-	5,968,184	5,768,371	199,813
	<u>\$ 490,861</u>	<u>\$ 5,968,184</u>	<u>\$ 6,105,162</u>	353,883
Less: allowance for uncollectible accounts:				
				<u>214,277</u>
Ad valorem taxes receivable - net:				
				<u>\$ 139,606</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				<u>\$ 6,191,949</u>
Reconciling items:				
				(94,046)
				1,394
				5,865
				<u>(86,787)</u>
Total reconciling items				
Total collections and credits				<u>\$ 6,105,162</u>

Chowan County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2005

	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	\$ 750,471,596	0.74	\$ 5,553,492	\$ 5,097,423	\$ 456,069
Motor vehicles taxed at prior year's rate	46,401,370	0.69	320,175	-	320,175
Penalties	-		3,025	3,025	-
Total	<u>796,872,966</u>		<u>5,876,692</u>	<u>5,100,448</u>	<u>776,244</u>
Discoveries:					
Current year taxes	14,636,041	0.74	108,306	108,298	8
Prior year taxes	353,320	0.69	2,438	2,438	-
Penalties	-		32	32	-
Total	<u>14,989,361</u>		<u>110,776</u>	<u>110,768</u>	<u>8</u>
Abatements	<u>(2,669,461)</u>		<u>(19,284)</u>	<u>(1,776)</u>	<u>(17,508)</u>
Total property valuation	<u>\$ 809,192,866</u>				
Net levy			5,968,184	5,209,440	758,744
Uncollected taxes at June 30, 2005			<u>199,813</u>	<u>110,856</u>	<u>88,957</u>
Current year's taxes collected			<u>\$ 5,768,371</u>	<u>\$ 5,098,584</u>	<u>\$ 669,787</u>
Current levy collection percentage			<u>96.65%</u>	<u>97.87%</u>	<u>88.28%</u>

Chowan County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2005

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100 %
Real Property	\$ 675,799,326
Personal Property	119,002,820
Public Service Companies	<u>14,390,720</u>
Total Assessed Valuation	809,192,866
Tax Rate per \$100	0.74
Levy (includes discoveries, releases and abatements)	\$ 5,968,184

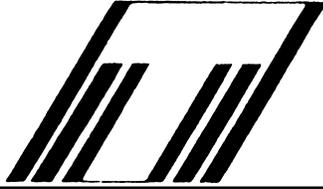
In addition to the County-wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the fiscal year ended June 30:

Fire Protection Districts	<u><u>\$ 230,860</u></u>
---------------------------	--------------------------

Chowan County, North Carolina
Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2005

Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
JJ Peanuts	Manufacturing	\$ 7,611,038	1.000 %
Seabrook Blanching Corp	Manufacturing	5,977,744	0.920
George C Moore	Manufacturing	5,548,115	0.860
Mitek Industries	Manufacturing	5,205,930	0.800
Edenton Dyeing	Manufacturing	4,961,103	0.770
Cameron Edenton	Real Estate	3,960,523	0.610
Bateman Logging	Logging	3,306,811	0.510
Gemini Edenton	Real Estate	3,145,161	0.480
Regulator Marine	Manufacturing	2,837,265	0.440
Thetford Properties	Real Estate	2,298,301	0.350
Total		<u>\$ 44,851,991</u>	<u>6.740 %</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, 2005, which collectively comprises the County's basic financial statements, and have issued our report thereon dated December 12, 2005. 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

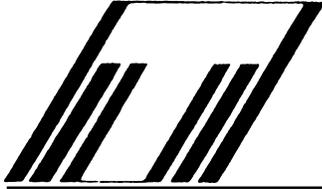
As part of obtaining reasonable assurance about whether Chowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 December 12, 2005.

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



Certified Public Accountant

February 7, 2006



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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, 2005. 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, 2005.

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.

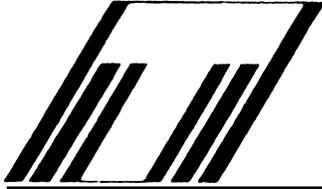
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce 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

February 7, 2006



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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, 2005. 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, 2005.

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

February 7, 2006

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005**

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 yes X no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name or Cluster</u>
93.558	Temporary Assistance for Needy Families
14.228	CDBG
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs \$ 519,542

Auditee qualified as low-risk auditee? X yes no

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005**

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, 2005

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 II	16.007	38,714	-	-
Homeland Security - Part I	16.607	18,070	-	-
Passed-through the Town of Edenton				
Drug Control & System Improvement	16.579	37,500	-	12,369
Direct Program-				
COPS Fast	16.710	<u>27,764</u>	<u>-</u>	<u>-</u>
Total U.S. Dept. of Justice		<u>122,048</u>	<u>-</u>	<u>12,369</u>
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	45,347	-	-
Public Assistance Grants	97.036	116,280	38,760	-
Hazard Mitigation Grant	97.039	3,710	1,237	-
Emergency Management Performance Grants	97.042	24,629	-	-
Community Emergency Response Teams	97.054	<u>1,200</u>	<u>-</u>	<u>-</u>
Total Federal Emergency Management Agency		<u>191,166</u>	<u>39,997</u>	<u>0</u>
U.S. Department of Health and Human Services:				
Administration for Children and Families				
Passed-through N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Social Services Block Grant	93.667	60,947	8,511	21,312
Aid to Families with Dependent Children - Direct	93.560	(130)	(35)	(36)
Work First/Temporary Assistance to Needy Families	93.558	204,331		256,354
Work First/Temporary Assistance to Needy Families - Direct	93.558	472,297		1,019
Child Support Enforcement	93.563	250,250		128,224
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568	47,326		
Direct Benefit Payments	93.568	34,665		90
Child Care and Development Fund	93.596	56,638		
Permanency Planning	93.645	4,577	1,191	335
Independent Living Grant	93.674	500	125	
Foster Care and Adoption Cluster:				
Title IV-E Foster Care	93.658	29,066	2,841	26,224
Foster Care / Adoption	n/a			2,335
Foster Care - Direct Benefits Program	93.658	912	267	266
Adoption Assistance - Direct Benefit Payments	93.659	<u>3,350</u>	<u>965</u>	<u>965</u>
Total Foster Care and Adoption Cluster		<u>33,328</u>	<u>4,073</u>	<u>29,790</u>

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2005

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
Division of Child Development:				
Subsidized Child Care Cluster:				
Child Care and Development Fund - Discretionary	93.575	332,018		-
Child Care and Development Fund - Mandatory	93.596	153,035		-
Child Care and Development Fund - Match	93.596	77,867	44,689	-
Social Services Block Grant	93.667	2,962		-
TANF	93.558	97,280		-
Smart Start	n/a		9,277	-
More at Four State Funding	n/a		18,221	-
State Appropriations	n/a		23,253	-
TANF - Main. of Effort	n/a		140,114	-
Total Subsidized Child Care Cluster		663,162	235,554	-
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	12,307,640	5,883,152	940,940
Division of Social Services:				
Administration:				
Medical Assistance Program	93.778	263,389	10,740	252,649
State Children's Insurance Program - N.C. Health Choice	93.767	18,859	652	5,806
Total U. S. Dept. of Health and Human Services		14,417,779	6,143,963	1,636,483
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	1,980,811	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561	165,612	-	165,611
Total Food Stamp Cluster		2,146,423	-	165,611
Natural Resources Conservation Service -				
Soil and Water Conservation	10.902	15,434	-	-
Total U.S. Dept. of Agriculture		2,161,857	-	165,611
Department of Commerce				
Passed-through the N.C. Department of Environment and Natural Resources:				
Division of Coastal Management:				
CAMA Minor Permit Program	11.419	75	-	-
Total U.S. Dept. of Commerce		75	-	-

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2005

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
Department of Transportation				
Passed-through the N.C. Department of Environment and Natural Resources:				
Division of Parks and Recreation:				
Recreational Trails Program	20.219	21,720	-	5,986
U. S. Housing and Urban Development				
Passed-through the N.C. Department of Commerce:				
Division of Community Assistance:				
Community Development Block Grant	14.228	309,054	-	-
Other Federal Assistance				
U.S. Department of Agriculture				
Natural Resources Conservation Service				
Emergency Watershed Protection Program	10 (69-4532-5-012)	94,366	-	31,494
Total Federal Awards		17,318,065	6,183,960	1,851,943
STATE AWARDS:				
N.C. Department of Environment and Natural Resources				
SWC - Agricultural Cost Share	n/a	-	19,988	-
SWC - Administration	n/a	-	4,000	-
Hurricane Isabel Clean-Up Project	n/a	-	101,863	-
Parks & Recreation Trust Fund	n/a	-	85,140	152,725
Clean Water Mgmt. Trust Fund - Project # 2001B-702	n/a	-	13,271	-
Bennett's Millpond Outdoor Appreciation Project	n/a	-	4,368	-
Public Health Pest Mgmt	n/a	-	5,043	-
Total N.C. Dept. of Environment and Natural Resources		-	233,673	152,725
N.C. Department of Health and Human Services				
Veterans Service	n/a	-	2,000	-
HRSA Bioterrorism Grant	n/a	-	8,607	-
Division of Facility Services:				
Office of Emergency Medical Services				
Passed-through Chowan Hospital				
Emergency Medical Dispatchers	n/a	-	3,000	-
Division of Social Services:				
County Funded Programs	n/a	-	-	38,014
Non Allocating County Cost	n/a	-	-	7,352
SC/SA Admin.	n/a	-	-	14,305
State Adult Protective Service	n/a	-	10,429	-
Direct Benefit Payments:				
F/C At Risk Maximization	n/a	-	994	588
State Foster Home	n/a	-	477	478
SC/SA Domiciliary Care	n/a	-	168,187	168,187
Total N.C. Dept. of Health and Human Resources		-	193,694	228,924

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2005

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	-	37,201	-
Rural General Public Program	n/a	-	21,459	-
Work First Transitional	n/a	-	4,326	-
Total N.C. Dept. of Transportation		-	62,986	-
Office of Budget and Management - Passed through ARPDC				
Legislative Appropriation - Senior Center	n/a	-	15,676	-
HCCBG	n/a	-	4,604	-
Passed-through N.C. State Board of Elections:				
No Contact List - Maintenance Grant	n/a	-	513	-
Elections Technology Grant	n/a	-	13,081	-
Help America Vote Act	n/a	-	2,377	-
Total N.C. Office of Budget and Management		-	36,251	-
N.C. Office of Juvenile Justice				
Intensive Super of Juvenile Justice	n/a	-	53,911	-
ADSC Mediation/Conflict Resolution	n/a	-	2,000	-
Strengthening Families	n/a	-	900	-
After School Plus	n/a	-	19,288	-
Total N.C. Office of Juvenile Justice		-	76,099	-
N.C. Department of Public Instruction				
Public School Building Capital Fund	n/a	-	97,727	-
Office of the Governor				
Dept. of Juvenile Justice and Delinquency Prevention - Governor's One-On-One Volunteer Program	n/a	-	24,756	-
Total Office of the Governor		-	24,756	-
Total State Awards		-	725,186	381,649
Total Federal and State Awards		\$ 17,318,065	\$ 6,909,146	\$ 2,233,592

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2005

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

1. Basis of Presentation

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

2. Subrecipients

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

<u>Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>State</u> <u>Expenditures</u>
NC Office of Juvenile Justice Funds	n/a	\$ 55,911