

**CHOWAN COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

CHOWAN COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Chowan County
Edenton, North Carolina

Report on the Financial Statements

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 aggregate remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of the Chowan County ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Management has omitted the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employers Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chowan County, North Carolina's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and 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.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated December 9, 2014, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chowan County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 9, 2014

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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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

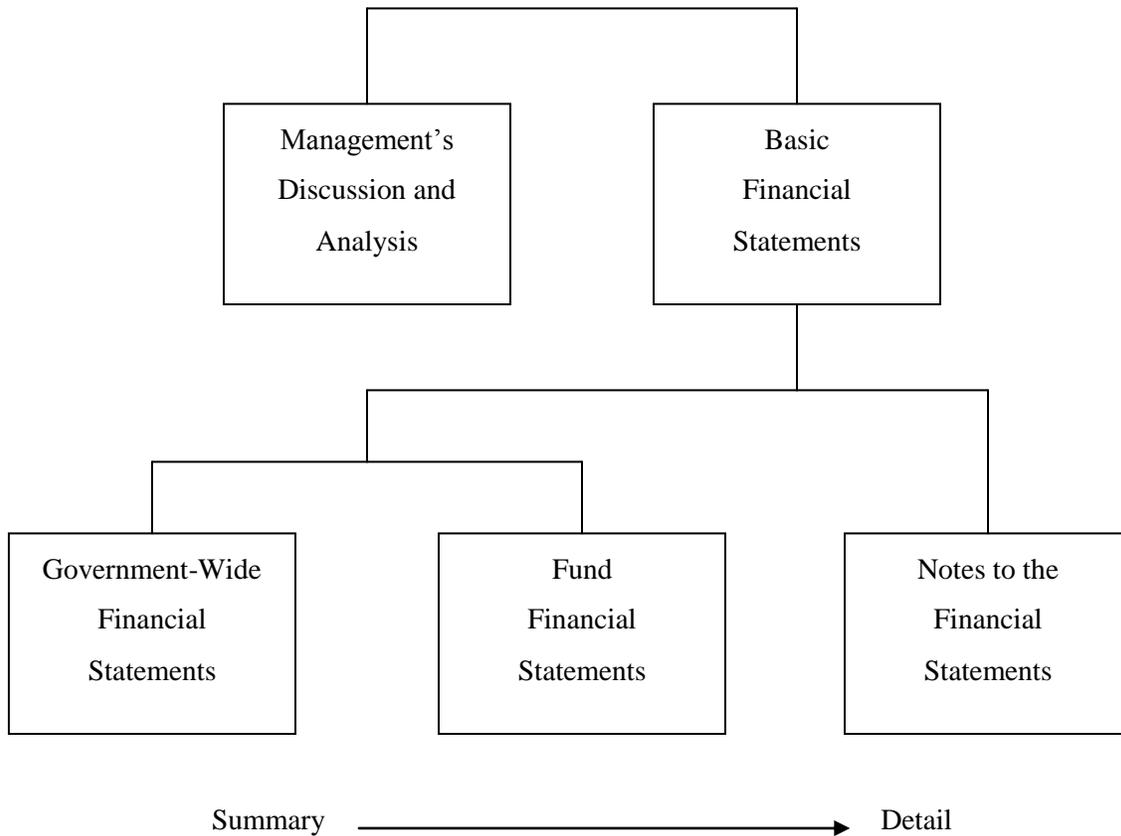
Financial Highlights

- The assets of Chowan County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,422,438 (net position).
- The government's total net position increased by \$967,616 primarily due to increased net position in the governmental activities.
- As of the close of the current fiscal year, Chowan County's governmental funds reported combined ending fund balances of \$7,834,899, after a net increase in fund balance of \$871,369. Approximately 24% of this total amount, or \$1,861,429, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the consolidated General Fund was \$6,002,891, or 35% of total General Fund expenditures and transfers to other funds for the fiscal year.
- Chowan County's total debt decreased by \$1,940,972 during the current fiscal year.

Overview of the Financial Statements

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

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

The first two statements, Exhibits A and B, in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information concerning the County's financial status.

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

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Chowan County, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Chowan County can be divided into three categories: governmental funds, fiduciary funds, and proprietary funds.

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

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

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

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

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

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

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

Chowan County's Net Position
Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 8,298,866	\$ 7,543,414	\$ 2,461,633	\$ 2,487,693	\$10,760,499	\$10,031,107
Capital assets	<u>35,589,924</u>	<u>36,676,715</u>	<u>5,501,136</u>	<u>5,602,946</u>	<u>41,091,060</u>	<u>42,279,661</u>
Total assets	<u>43,888,790</u>	<u>44,220,129</u>	<u>7,962,769</u>	<u>8,090,639</u>	<u>51,851,559</u>	<u>52,310,768</u>
Liabilities:						
Long-term liabilities,						
outstanding	18,657,880	20,169,675	428,910	385,582	19,086,790	20,555,257
Other liabilities	<u>2,135,929</u>	<u>2,081,747</u>	<u>160,564</u>	<u>154,842</u>	<u>2,296,493</u>	<u>2,236,589</u>
Total liabilities	<u>20,793,809</u>	<u>22,251,422</u>	<u>589,474</u>	<u>540,424</u>	<u>21,383,283</u>	<u>22,791,846</u>
Deferred Inflows of Resources	<u>45,838</u>	<u>64,100</u>	<u>-</u>	<u>-</u>	<u>45,838</u>	<u>64,100</u>
Net Position:						
Net investment in capital assets	17,607,445	16,753,264	5,501,136	5,602,946	23,108,581	22,356,210
Restricted	1,839,679	1,951,126	-	-	1,839,679	1,951,126
Unrestricted	<u>3,602,019</u>	<u>3,200,217</u>	<u>1,872,159</u>	<u>1,947,269</u>	<u>5,474,178</u>	<u>5,147,486</u>
Total net position	<u>\$23,049,143</u>	<u>\$21,904,607</u>	<u>\$ 7,373,295</u>	<u>\$ 7,550,215</u>	<u>\$30,422,438</u>	<u>\$29,454,822</u>

Government Wide Financial Analysis

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. For Chowan County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,422,438 at the close of the most recent fiscal year.

By far, the largest portion of Chowan County's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. Chowan County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chowan County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to repay these liabilities.

At the end of the current fiscal year, Chowan County is able to report positive balances in unrestricted net position in the amount of \$5,474,178 for the government as a whole.

Chowan County's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Charges for services	\$ 3,598,948	\$ 3,342,522	\$ 3,465,829	\$ 3,516,780	\$ 7,064,777	\$ 6,859,302
Operating grants and contributions	858,986	247,585	-	-	858,986	247,585
Capital grants and contributions	65,365	306,343	-	-	65,365	306,343
General revenues:						
Property taxes	11,184,729	11,168,730	-	-	11,184,729	11,168,730
Other taxes	3,170,644	3,233,097	-	-	3,170,644	3,233,097
Other	11,579	8,835	2,074	2,739	13,653	11,574
Total revenues	<u>18,890,251</u>	<u>18,307,112</u>	<u>3,467,903</u>	<u>3,519,519</u>	<u>22,358,154</u>	<u>21,826,631</u>
Expenses:						
General government	4,778,925	4,038,000	-	-	4,778,925	4,038,000
Public safety	3,759,025	3,634,925	-	-	3,759,025	3,634,925
Economic and physical development	156,930	173,027	-	-	156,930	173,027
Environmental protection	133,686	254,135	-	-	133,686	254,135
Human services	3,330,782	3,268,371	-	-	3,330,782	3,268,371
Cultural and recreation	902,347	862,987	-	-	902,347	862,987
Education	3,917,198	4,140,914	-	-	3,917,198	4,140,914
Interest on long-term debt	401,512	948,122	-	-	401,512	948,122
Water Fund	-	-	1,401,009	1,404,834	1,401,009	1,404,834
Solid Waste Fund	-	-	1,005,184	888,635	1,005,184	888,635
Water Development Fund	-	-	59,386	-	59,386	-
Emergency Management Fund	-	-	1,544,555	1,467,703	1,544,555	1,467,703
Total expenses	<u>17,380,404</u>	<u>17,320,481</u>	<u>4,010,134</u>	<u>3,761,172</u>	<u>21,390,538</u>	<u>21,081,653</u>
Increase (decrease) in net assets before transfers	1,509,847	986,631	(542,231)	(241,653)	967,616	744,978
Transfers	<u>(365,311)</u>	<u>(30,019)</u>	<u>365,311</u>	<u>30,019</u>	<u>-</u>	<u>-</u>
Change in net position	<u>1,144,536</u>	<u>956,612</u>	<u>(176,920)</u>	<u>(211,634)</u>	<u>967,616</u>	<u>744,978</u>
Net Position:						
Beginning of year - July 1	<u>21,904,607</u>	<u>20,947,995</u>	<u>7,550,215</u>	<u>7,761,849</u>	<u>29,454,822</u>	<u>28,709,844</u>
End of year - June 30	<u>\$ 23,049,143</u>	<u>\$ 21,904,607</u>	<u>\$ 7,373,295</u>	<u>\$ 7,550,215</u>	<u>\$ 30,422,438</u>	<u>\$ 29,454,822</u>

Governmental Activities. Of total net position, governmental activities accounted for \$23,049,143 (75.76%). Property taxes provided 59.2% of funding at \$11,184,729. Charges for services funded \$3,598,948, and operating grants funded \$858,986 of Chowan County's governmental activities. The increase in governmental activities net position of \$1,144,536 was primarily due to an increase from General Fund activities of \$969,436.

Business-Type Activities. Business-type activities decreased Chowan County's net position by \$176,920. The main reason for the decrease was due to an increase in operating costs.

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, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Chowan County's governmental funds reported combined ending fund balances of \$7,834,899, an increase of \$871,369 from 2013. The increase is primarily due to an increase of \$969,436 in the General Fund.

The General Fund is the chief operating fund of Chowan County. At the end of the current fiscal year, Chowan County's fund balance available in the General Fund was \$6,002,891, while total fund balance reached \$7,043,060. The County currently has an available fund balance of 34.71% of General Fund expenditures and transfers to other funds, while total fund balance represents 40.73 of that same amount.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants, and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased total budgeted revenues and expenditures by roughly \$907,340. These amendments were necessary to reflect changes made by the governing board to more accurately reflect expected revenues and to reflect cost-cutting measures implemented by management to improve the financial condition of the County.

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

Unrestricted net position of the Water Fund at the end of the year totaled \$823,690, the Solid Waste Fund totaled \$703,290, the Water Development Fund totaled \$579,178, and the Emergency Management Fund had negative unrestricted net position of \$233,999.

Capital Asset and Debt Administration

Capital Assets. Chowan County's capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$41,091,060 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, and equipment. The total decrease in Chowan County's investment in capital assets for the current fiscal year was 3.0% (a 3.0% decrease for governmental activities).

Chowan County's Capital Assets
Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 3,329,162	\$ 3,329,162	\$ 140,847	\$ 140,847	\$ 3,470,009	\$ 3,470,009
Plant and systems	-	-	4,365,948	4,552,781	4,365,948	4,552,781
Buildings	31,483,331	32,569,095	627,935	668,377	32,111,266	33,237,472
Equipment	<u>777,431</u>	<u>778,458</u>	<u>366,406</u>	<u>240,941</u>	<u>1,143,837</u>	<u>1,019,399</u>
Governmental activities capital assets, net	<u>\$ 35,589,924</u>	<u>\$ 36,676,715</u>	<u>\$ 5,501,136</u>	<u>\$ 5,602,946</u>	<u>\$ 41,091,060</u>	<u>\$ 42,279,661</u>

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

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

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

	<u>July 1, 2013</u>	<u>June 30, 2014</u>
Governmental Activities:		
Qualified Zone Academy Bonds	\$ 1,274,989	\$ 1,171,416
Notes payable	<u>18,648,462</u>	<u>16,811,063</u>
Total governmental activities	<u>\$ 19,923,451</u>	<u>\$ 17,982,479</u>

Chowan County's total governmental debt decreased by \$1,940,972 during the past fiscal year.

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

Economic Factors and Next Year's Budget and Rates

- Depending on what news outlet you watch, one's opinion on the state of the economy can change with the turning of a television channel. Everyone from real estate developers, to investors, to the everyday taxpayer is skeptical of the economy. And while the State's unemployment numbers have improved, the lack of economic opportunities in small rural counties makes it difficult for the average taxpayer to meet those same physical needs and financial obligations they experienced last year.
- With the decline in real property values generated from the 2014 Re-Valuation, Chowan County had to not only increase its property tax rate by 1½ cents, but also to lessen the impact on taxpayers, appropriated \$475,248 of fund balance to cover the tax revenue shortfall. This year will be critical in the preparation of the fiscal year 2016 budget when management has to find that balance between being fiscally responsible and meeting the needs of its constituents.

All of these factors were considered in preparing Chowan County's budget for the 2014/2015 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. As expected, Chowan County experienced a 10% reduction in its tax base with the implementation on the new 2014 property values. Realizing the inevitable, management was forced to make some difficult decision on which departmental requests were "wants", which ones were truly "needs," and what could be postponed. The Board of Commissioners eventually settled on a General Fund Budget of \$15,754,798, some \$703,468.36 less than the prior year's original budget. Although Chowan County reduced its General Fund budget by nearly 2.5 %, it was still able to maintain services with the hopes of addressing several capital projects later in the fiscal year.

Chowan County's approach of living within their means while looking ahead ensures her citizens of a brighter tomorrow.

Business-Type Activities. Although revenues from implementing a higher level of care in its medical transport subdivision were promising, the decline in emergency services calls and dialysis patients resulted in a loss in operational revenues forcing management to take a hard look at its emergency medical services. Even without the lagging reimbursements, the department would have experienced even greater losses had it not been for the additional hospital transports the higher level of care provided. The county is anxious to see what the upcoming operation revenues will be.

Likewise, the water system's financial outlook remains promising with the County's continued efforts to install more radio read meters. Through the replacement of these older meters, the system will reduce the volume of unmetered water thereby generating additional revenue while becoming more efficient in the reduction of man hours needed for monthly readings.

Requests for Information

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

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CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Primary Government</u>			<u>Component Unit</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Chowan County Tourism Development Authority</u>	<u>Chowan County ABC Board</u>
Assets:					
Cash and cash equivalents	\$ 6,865,460	\$ 2,071,536	\$ 8,936,996	\$ 82,403	\$ 125,235
Restricted cash	24,666	31,100	55,766	-	-
Taxes receivable, net	324,697	-	324,697	-	-
Accounts receivable, net	31,874	575,768	607,642	505	-
Due from other governments	803,421	-	803,421	-	-
Internal balances	226,998	(226,998)	-	-	-
Inventories	-	10,227	10,227	-	132,825
Prepaid items	21,750	-	21,750	-	4,367
Capital assets:					
Non-depreciable capital assets	3,329,162	140,847	3,470,009	-	-
Capital assets, net	<u>32,260,762</u>	<u>5,360,289</u>	<u>37,621,051</u>	-	<u>392,721</u>
Total capital assets	<u>35,589,924</u>	<u>5,501,136</u>	<u>41,091,060</u>	-	<u>392,721</u>
Total assets	<u>43,888,790</u>	<u>7,962,769</u>	<u>51,851,559</u>	<u>82,908</u>	<u>655,148</u>
Liabilities:					
Accounts payable and accrued expenses	93,432	109,784	203,216	99	100,694
Long-term liabilities:					
Due within one year	2,042,497	19,680	2,062,177	-	-
Due in more than one year	18,657,880	428,910	19,086,790	-	124,589
Liabilities to be paid from restricted assets:					
Customer deposits	-	31,100	31,100	-	-
Total liabilities	<u>20,793,809</u>	<u>589,474</u>	<u>21,383,283</u>	<u>99</u>	<u>225,283</u>
Deferred Inflows of Resources:					
Prepaid taxes	45,838	-	45,838	-	-
Total deferred inflows of resources	<u>45,838</u>	<u>-</u>	<u>45,838</u>	<u>-</u>	<u>-</u>
Net Position:					
Net investment in capital assets	17,607,445	5,501,136	23,108,581	-	392,721
Restricted for:					
Stabilization for State statute	1,063,978	-	1,063,978	505	-
Restricted, all other	775,701	-	775,701	82,304	38,786
Unrestricted	<u>3,602,019</u>	<u>1,872,159</u>	<u>5,474,178</u>	<u>-</u>	<u>(1,642)</u>
Total net position	<u>\$ 23,049,143</u>	<u>\$ 7,373,295</u>	<u>\$ 30,422,438</u>	<u>\$ 82,809</u>	<u>\$ 429,865</u>

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

CHOWAN COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 4,778,925	\$ 451,069	\$ 10,888	\$ -
Public safety	3,759,025	483,388	694,558	35,317
Environmental protection	133,686	128,853	30,466	-
Economic and physical development	156,930	34,769	-	-
Human services	3,330,782	2,396,660	8,914	-
Cultural and recreational	902,347	104,209	10,587	-
Education	3,917,198	-	103,573	30,048
Interest on long-term debt	401,512	-	-	-
Total governmental activities	<u>17,380,404</u>	<u>3,598,948</u>	<u>858,986</u>	<u>65,365</u>
Business-Type Activities:				
Water Fund	1,401,009	1,210,942	-	-
Solid Waste Fund	1,005,184	1,162,270	-	-
Emergency Medical Services Fund	1,544,555	1,060,070	-	-
Water Development Fund	59,386	32,547	-	-
Total business-type activities	<u>4,010,134</u>	<u>3,465,829</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 21,390,538</u>	<u>\$ 7,064,777</u>	<u>\$ 858,986</u>	<u>\$ 65,365</u>
Component Units:				
Chowan County Tourism Development Authority	<u>\$ 154,824</u>	<u>\$ 156,148</u>	<u>\$ -</u>	<u>\$ -</u>
Chowan County ABC Board	<u>\$ 1,303,292</u>	<u>\$ 1,301,888</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Investment earnings				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net position				
Net Position:				
Beginning of year - July 1				
End of year - June 30				

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit	Component Unit
Governmental Activities	Business-Type Activities	Total	Chowan County Tourism Development Authority	Chowan County ABC Board
\$ (4,316,968)	\$ -	\$ (4,316,968)	\$ -	\$ -
(2,545,762)	-	(2,545,762)	-	-
25,633	-	25,633	-	-
(122,161)	-	(122,161)	-	-
(925,208)	-	(925,208)	-	-
(787,551)	-	(787,551)	-	-
(3,783,577)	-	(3,783,577)	-	-
(401,512)	-	(401,512)	-	-
<u>(12,857,105)</u>	<u>-</u>	<u>(12,857,105)</u>	<u>-</u>	<u>-</u>
-	(190,067)	(190,067)	-	-
-	157,086	157,086	-	-
-	(484,485)	(484,485)	-	-
-	(26,839)	(26,839)	-	-
-	(544,305)	(544,305)	-	-
<u>(12,857,105)</u>	<u>(544,305)</u>	<u>(13,401,410)</u>	<u>-</u>	<u>-</u>
			1,324	-
			-	(1,404)
11,184,729	-	11,184,729	-	-
2,561,842	-	2,561,842	-	-
608,802	-	608,802	-	1,269
11,579	2,074	13,653	96	135
<u>14,366,952</u>	<u>2,074</u>	<u>14,369,026</u>	<u>96</u>	<u>1,404</u>
(365,311)	365,311	-	-	-
<u>14,001,641</u>	<u>367,385</u>	<u>14,369,026</u>	<u>96</u>	<u>1,404</u>
1,144,536	(176,920)	967,616	1,420	-
<u>21,904,607</u>	<u>7,550,215</u>	<u>29,454,822</u>	<u>81,389</u>	<u>429,865</u>
<u>\$ 23,049,143</u>	<u>\$ 7,373,295</u>	<u>\$ 30,422,438</u>	<u>\$ 82,809</u>	<u>\$ 429,865</u>

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

CHOWAN COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>Major</u>		<u>Nonmajor</u>	
	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 6,115,088	\$ -	\$ 750,372	\$ 6,865,460
Restricted cash	24,666	-	-	24,666
Taxes receivable, net	306,963	-	17,734	324,697
Due from other funds	228,683	-	-	228,683
Due from other governments	789,736	-	13,685	803,421
Accounts receivable, net	-	-	31,874	31,874
Prepaid items	21,750	-	-	21,750
Total assets	<u>\$ 7,486,886</u>	<u>\$ -</u>	<u>\$ 813,665</u>	<u>\$ 8,300,551</u>
Liabilities, Deferred Inflows of Resources, and				
Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 91,025	\$ -	\$ 2,407	\$ 93,432
Due to other funds	-	-	1,685	1,685
Total liabilities	<u>91,025</u>	<u>-</u>	<u>4,092</u>	<u>95,117</u>
Deferred Inflows of Resources:				
Unavailable taxes	306,963	-	17,734	324,697
Prepaid taxes	45,838	-	-	45,838
Total deferred inflows of resources	<u>352,801</u>	<u>-</u>	<u>17,734</u>	<u>370,535</u>
Fund Balances:				
Non-spendable:				
Prepays	21,750	-	-	21,750
Restricted:				
Stabilization for State statute	1,018,419	-	45,559	1,063,978
Restricted, all other	27,736	-	747,965	775,701
Committed	383,470	-	-	383,470
Unassigned	5,591,685	-	(1,685)	5,590,000
Total fund balances	<u>7,043,060</u>	<u>-</u>	<u>791,839</u>	<u>7,834,899</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,486,886</u>	<u>\$ -</u>	<u>\$ 813,665</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	35,589,924
Deferred inflows of resources	324,697
Long-term debt	(17,982,479)
Accrued vacation and other post-employment benefits	<u>(2,717,898)</u>
Net position of governmental activities	<u>\$ 23,049,143</u>

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

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Major		Nonmajor	Total Governmental Funds
	General	Debt Service Fund	Other Governmental Funds	
Revenues:				
Ad valorem taxes	\$ 10,752,644	\$ -	\$ 516,377	\$ 11,269,021
Local option sales taxes	2,523,207	-	38,635	2,561,842
Other taxes and licenses	331,311	-	207,722	539,033
Unrestricted intergovernmental revenues	69,769	-	-	69,769
Restricted intergovernmental revenues	2,496,897	-	30,048	2,526,945
Permits and fees	372,852	-	-	372,852
Sales and services	869,491	-	-	869,491
Investment earnings	10,679	-	900	11,579
Miscellaneous	746,537	-	7,474	754,011
Total revenues	<u>18,173,387</u>	<u>-</u>	<u>801,156</u>	<u>18,974,543</u>
Expenditures:				
Current:				
General government	3,448,703	-	-	3,448,703
Public safety	2,903,315	-	810,664	3,713,979
Environmental protection	133,386	-	-	133,386
Economic and physical development	156,930	-	-	156,930
Human services	3,167,006	-	-	3,167,006
Cultural and recreational	858,177	-	-	858,177
Education	3,887,150	-	30,048	3,917,198
Debt service	-	2,342,484	-	2,342,484
Total expenditures	<u>14,554,667</u>	<u>2,342,484</u>	<u>840,712</u>	<u>17,737,863</u>
Revenues over (under) expenditures	<u>3,618,720</u>	<u>(2,342,484)</u>	<u>(39,556)</u>	<u>1,236,680</u>
Other Financing Sources (Uses):				
Transfers in	89,500	2,342,484	-	2,431,984
Transfers (out)	<u>(2,738,784)</u>	<u>-</u>	<u>(58,511)</u>	<u>(2,797,295)</u>
Total other financing sources (uses)	<u>(2,649,284)</u>	<u>2,342,484</u>	<u>(58,511)</u>	<u>(365,311)</u>
Net change in fund balances	969,436	-	(98,067)	871,369
Fund Balances:				
Beginning of year - July 1	<u>6,073,624</u>	<u>-</u>	<u>889,906</u>	<u>6,963,530</u>
End of year - June 30	<u>\$ 7,043,060</u>	<u>\$ -</u>	<u>\$ 791,839</u>	<u>\$ 7,834,899</u>

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

CHOWAN COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

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

Net change in fund balances - total governmental funds	\$ 871,369
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 60 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenues types:</p>	
Property taxes	(84,292)
Change in liabilities for other post-employment benefits for retirees and compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(496,722)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	336,117
Gain/(loss) on disposal of capital assets is reported in the Statement of Activities; however, proceeds from the sale of assets are not effected by gain/(loss) in the fund statements.	(5,695)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,417,213)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>1,940,972</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 1,144,536</u>

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

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CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 10,413,177	\$ 10,413,177	\$ 10,752,644	\$ 339,467
Local option sales taxes	1,825,000	1,825,000	1,863,203	38,203
Other taxes and licenses	77,500	82,250	83,134	884
Unrestricted intergovernmental revenues	79,600	79,600	69,769	(9,831)
Restricted intergovernmental revenues	2,449,140	2,628,731	2,393,324	(235,407)
Permits and fees	353,561	360,012	372,852	12,840
Sales and services	831,288	918,696	869,491	(49,205)
Investment earnings	6,500	6,500	10,575	4,075
Miscellaneous	14,000	38,755	53,687	14,932
Total revenues	<u>16,049,766</u>	<u>16,352,721</u>	<u>16,468,679</u>	<u>115,958</u>
Expenditures:				
Current:				
General government	2,847,928	2,861,445	2,709,915	151,530
Public safety	2,970,182	3,107,442	2,903,315	204,127
Environmental protection	160,516	174,345	133,386	40,959
Economic and physical development	189,617	216,523	156,930	59,593
Human services	3,503,228	3,513,262	3,167,006	346,256
Cultural and recreational	805,614	1,057,137	858,177	198,960
Education	3,866,929	3,951,519	3,733,441	218,078
Debt service	-	-	-	-
Total expenditures	<u>14,344,014</u>	<u>14,881,673</u>	<u>13,662,170</u>	<u>1,219,503</u>
Revenues over (under) expenditures	<u>1,705,752</u>	<u>1,471,048</u>	<u>2,806,509</u>	<u>1,335,461</u>
Other Financing Sources (Uses):				
Transfers from other funds	89,500	89,500	89,500	-
Transfers to other funds	(1,790,252)	(2,179,393)	(2,179,390)	3
Contingency	(20,000)	(540)	-	540
Appropriated fund balance	15,000	619,385	-	(619,385)
Total other financing sources (uses)	<u>(1,705,752)</u>	<u>(1,471,048)</u>	<u>(2,089,890)</u>	<u>(618,842)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	716,619	<u>\$ 716,619</u>
Fund Balance:				
Beginning of year - July 1			<u>5,676,542</u>	
End of year - June 30			<u>\$ 6,393,161</u>	

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

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Water Fund</u>	<u>Solid Waste Fund</u>	<u>Emergency Medical Services Fund</u>	<u>Water Development Fund</u>	<u>Total</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 813,641	\$ 678,717	\$ -	\$ 579,178	\$ 2,071,536
Receivables, net	169,676	106,291	299,801	-	575,768
Restricted cash	31,100	-	-	-	31,100
Inventories	10,227	-	-	-	10,227
Total current assets	<u>1,024,644</u>	<u>785,008</u>	<u>299,801</u>	<u>579,178</u>	<u>2,688,631</u>
Non-current assets:					
Non-depreciable capital assets	140,847	-	-	-	140,847
Capital assets, net	4,992,432	-	367,857	-	5,360,289
Total non-current assets	<u>5,133,279</u>	<u>-</u>	<u>367,857</u>	<u>-</u>	<u>5,501,136</u>
Total assets	<u>6,157,923</u>	<u>785,008</u>	<u>667,658</u>	<u>579,178</u>	<u>8,189,767</u>
Liabilities:					
Current liabilities:					
Accounts payable	13,899	81,718	14,167	-	109,784
Due to other funds	-	-	226,998	-	226,998
Current portion of long-term debt	6,115	-	13,565	-	19,680
Liabilities to be paid from restricted assets:					
Customer deposits	31,100	-	-	-	31,100
Total current liabilities	<u>51,114</u>	<u>81,718</u>	<u>254,730</u>	<u>-</u>	<u>387,562</u>
Non-current liabilities:					
Non-current portion of long-term debt	149,840	-	279,070	-	428,910
Total non-current liabilities	<u>149,840</u>	<u>-</u>	<u>279,070</u>	<u>-</u>	<u>428,910</u>
Total liabilities	<u>200,954</u>	<u>81,718</u>	<u>533,800</u>	<u>-</u>	<u>816,472</u>
Net Position:					
Net investment in capital assets	5,133,279	-	367,857	-	5,501,136
Unrestricted (deficit)	823,690	703,290	(233,999)	579,178	1,872,159
Total net position	<u>\$ 5,956,969</u>	<u>\$ 703,290</u>	<u>\$ 133,858</u>	<u>\$ 579,178</u>	<u>\$ 7,373,295</u>

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

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Water Fund</u>	<u>Solid Waste Fund</u>	<u>Emergency Medical Services Fund</u>	<u>Water Development Fund</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 1,124,919	\$ 1,102,935	\$ 928,154	\$ -	\$ 3,156,008
Other taxes and licenses	-	4,920	-	32,547	37,467
Other operating revenues	<u>86,023</u>	<u>54,415</u>	<u>131,916</u>	<u>-</u>	<u>272,354</u>
Total operating revenues	<u>1,210,942</u>	<u>1,162,270</u>	<u>1,060,070</u>	<u>32,547</u>	<u>3,465,829</u>
Operating Expenses:					
Salaries and employee benefits	369,456	-	1,193,539	-	1,562,995
Other operating expenses	702,528	1,005,184	268,211	59,386	2,035,309
Depreciation	<u>329,025</u>	<u>-</u>	<u>82,805</u>	<u>-</u>	<u>411,830</u>
Total operating expenses	<u>1,401,009</u>	<u>1,005,184</u>	<u>1,544,555</u>	<u>59,386</u>	<u>4,010,134</u>
Operating income (loss)	<u>(190,067)</u>	<u>157,086</u>	<u>(484,485)</u>	<u>(26,839)</u>	<u>(544,305)</u>
Non-Operating Revenues (Expenses):					
Interest earned on investments	<u>780</u>	<u>648</u>	<u>28</u>	<u>618</u>	<u>2,074</u>
Total non-operating revenues (expenses)	<u>780</u>	<u>648</u>	<u>28</u>	<u>618</u>	<u>2,074</u>
Net income (loss) before transfers	<u>(189,287)</u>	<u>157,734</u>	<u>(484,457)</u>	<u>(26,221)</u>	<u>(542,231)</u>
Transfers in	-	-	602,655	-	602,655
Transfers (out)	<u>(80,000)</u>	<u>(157,344)</u>	<u>-</u>	<u>-</u>	<u>(237,344)</u>
Total other transfers in (out)	<u>(80,000)</u>	<u>(157,344)</u>	<u>602,655</u>	<u>-</u>	<u>365,311</u>
Change in net position	(269,287)	390	118,198	(26,221)	(176,920)
Net Position:					
Beginning of year - July 1	<u>6,226,256</u>	<u>702,900</u>	<u>15,660</u>	<u>605,399</u>	<u>7,550,215</u>
End of year - June 30	<u>\$ 5,956,969</u>	<u>\$ 703,290</u>	<u>\$ 133,858</u>	<u>\$ 579,178</u>	<u>\$ 7,373,295</u>

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

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Water Fund	Solid Waste Fund	Emergency Medical Services Fund	Water Development Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 1,208,557	\$ 1,165,768	\$ 1,056,557	\$ 32,547	\$ 3,463,429
Cash paid for goods and services	(702,796)	(984,608)	(275,301)	(59,386)	(2,022,091)
Cash paid to employees for services	(350,308)	-	(1,166,644)	-	(1,516,952)
Net cash provided (used) by operating activities	<u>155,453</u>	<u>181,160</u>	<u>(385,388)</u>	<u>(26,839)</u>	<u>(75,614)</u>
Cash Flows from Non-Capital Financing Activities:					
Loans from other funds	-	-	12,721	-	12,721
Transfers in (out)	(80,000)	(157,344)	602,655	-	365,311
Net cash provided (used) by non-capital financing activities	<u>(80,000)</u>	<u>(157,344)</u>	<u>615,376</u>	<u>-</u>	<u>378,032</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(80,004)	-	(230,016)	-	(310,020)
Net cash provided (used) by capital and related financing activities	<u>(80,004)</u>	<u>-</u>	<u>(230,016)</u>	<u>-</u>	<u>(310,020)</u>
Cash Flows from Investing Activities:					
Interest on investments	780	648	28	618	2,074
Net increase (decrease) in cash and cash equivalents	(3,771)	24,464	-	(26,221)	(5,528)
Cash and Cash Equivalents:					
Beginning of year - July 1	848,512	654,253	-	605,399	2,108,164
End of Year - June 30	<u>\$ 844,741</u>	<u>\$ 678,717</u>	<u>\$ -</u>	<u>\$ 579,178</u>	<u>\$ 2,102,636</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (190,067)	\$ 157,086	\$ (484,485)	\$ (26,839)	\$ (544,305)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	329,025	-	82,805	-	411,830
Changes in Assets and Liabilities:					
(Increase) decrease in accounts receivable	7,826	3,498	(3,513)	-	7,811
Increase (decrease) in accounts payable and accrued liabilities	(268)	20,576	(7,090)	-	13,218
Increase (decrease) in customer deposits	(10,211)	-	-	-	(10,211)
Increase (decrease) in accrued vacation pay and OPEB	19,148	-	26,895	-	46,043
Net cash provided (used) by operating activities	<u>\$ 155,453</u>	<u>\$ 181,160</u>	<u>\$ (385,388)</u>	<u>\$ (26,839)</u>	<u>\$ (75,614)</u>

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

CHOWAN COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 3,796
Total assets	<u>\$ 3,796</u>
Liabilities:	
Accounts payable	\$ 8
Due to others	3,788
Total liabilities	<u>\$ 3,796</u>

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

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CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Significant Accounting Policies

A. Reporting Entity

Chowan County, North Carolina (the "County"), governed by a seven-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. The County's seat is located in Edenton, North Carolina. The County operates under a council-manager form of government.

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

Chowan County Alcoholic Beverage Control Board

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

Chowan County Tourism Development Authority

The twelve members of this Board are appointed by Chowan County. The County is authorized by State statute to collect an occupancy tax of 5% on gross revenues from hotel/motel room occupancy within the corporate limits. Collections are remitted to the Chowan County Tourism Development Authority (the "Authority"), less a 3% administration charge, on a quarterly basis. Chowan County Tourism Development Authority, which has a June 30 year-end, is presented as if it were a governmental fund type. The County is financially accountable for Chowan County Tourism Development Authority, which is reported as a discrete component unit separate from the financial information of the primary government. The Authority did not issue separate financial statements.

B. Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide financial statements (Exhibit A - Statement of Net Position and Exhibit B - Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements in all material areas. Governmental activities, which normally

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements. The fund financial statements provide information about the County's funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The County reports the following major governmental funds for the year ended June 30, 2014:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund, General Capital Reserve Fund, and School Capital Reserve Fund are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 they are consolidated in the General Fund.

Debt Service Fund. This fund is used to account for all debt service payments made by the County.

The County reports the following major enterprise funds:

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

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of June 30, 2014. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

For modified accrual basis of accounting purposes, ad valorem property taxes are not accrued as a revenue, because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County, are recognized as revenue on both the government-wide financial statements and the fund financial statements. Intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues; therefore, all taxes are reported as general revenues.

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

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

D. Basis of Presentation – Fund Accounting

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

The County has the following fund categories:

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

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

Debt Service Fund. The Debt Service Fund is used to account for the payments of all debt service requirements of the County.

Special Revenue Funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to specified purposes. The Fire District Fund and Emergency Telephone System Fund are the special revenue funds of the County. The Revaluation Fund, General Capital Reserve Fund, and the School Capital Reserve Fund are consolidated in the General Fund in accordance with GASB Statement 54.

Capital Projects Funds. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The County's capital project fund is: Lottery Capital Project Fund.

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

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

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Agency Funds. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds are used to account for assets the County holds on behalf of others. The agency funds maintained by the County account for money deposited with the County through social services, drainage districts and Edenton tax collections.

E. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, General Capital Reserve Fund, Debt Service Fund, Fire District Fund, Emergency Telephone System Fund, Revaluation Fund, School Capital Reserve Fund, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for 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.

F. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

Deposits and Investments

All deposits of the County and Chowan County Tourism Development Authority are made in Board-designated official depositories and are secured as required by G.S. 159-31, except as noted in Note 2. The County and Chowan County Tourism Development Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and Chowan County Tourism Development Authority 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 Chowan County Tourism Development Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The County's investments are carried at fair value as determined by quoted market prices. The NCCMT's Cash Portfolio is stated at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

Cash and Cash Equivalents

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

Restricted Assets

Money in the Tax Revaluation Fund is classified as restricted assets, because its use is restricted per North Carolina General Statute 153A-150. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected.

Governmental Activities:

General Fund:

Tax revaluation	\$	<u>24,666</u>
Total governmental activities		<u>24,666</u>

Business-Type Activities:

Water Fund:

Customer deposits	\$	<u>31,100</u>
Total business-type activities		<u>31,100</u>

Total restricted cash	\$	<u><u>55,766</u></u>
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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, 2013. 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.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (including infrastructure assets purchased prior to implementing GASB 34), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost greater than \$5,000 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The County capitalizes buildings and land, purchased or constructed, for the Chowan County Board of Education in all instances where the County retains title to the property. The County transfers title of school property to the Board of Education after all installment debt collateralized by the property has been retired. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized. The County capitalizes interest costs which are incurred during the construction period of capital assets.

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings and wells	40 years
Lighting	15 years
Furniture and firearms	7 years
Vehicles	5 years
Office equipment	5 years

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Compensated Absences

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only two items that meet the criterion for this category - prepaid taxes and unavailable taxes.

Long-Term Obligations

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

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

Interfund Transactions

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

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Use of Estimates

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

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represents 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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance. This classification includes amounts that cannot be spent, because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in tact.

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

Restricted Fund Balance. This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Stabilization by State Statute - portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

Restricted for Register of Deeds - portion of fund balance restricted by State statute for automation enhancement (software) improvements.

Restricted for Public Safety - portion of fund balance restricted by revenue source for public safety related activities, such as E-911 and fire.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Restricted fund balance at June 30, 2014 is as follows:

Purpose	General Fund	Other Governmental Funds
Restricted, All Other:		
Register of Deeds	\$ 27,736	\$ -
Public safety	-	747,965
Total	\$ 27,736	\$ 747,965

Committed Fund Balance. This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Chowan County's governing body (highest level of decision making authority, the Board of Commissioners). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

Committed for Tax Revaluation - portion of fund balance that can only be used for tax revaluation.

Committed for Debt Service - portion of fund balance committed by the Board to be used to service outstanding debt.

Purpose	General Fund
Committed, all other:	
Tax revaluation	\$ 24,783
Debt service	358,687
Total	\$ 383,470

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that Chowan County intends to use for specific purposes. The County's governing body has the authority to assign fund balance. The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Unassigned Fund Balance. Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Chowan County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-county funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County or when required by grant or other contractual agreements.

The County has not officially adopted a fund balance policy.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

Total fund balance - General Fund	\$	7,043,060
Less:		
Prepays		21,750
Stabilization by State statute		<u>1,018,419</u>
Total available fund balance	\$	<u><u>6,002,891</u></u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund to the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

A legally budgeted Tax Revaluation Fund, School Capital Reserve Fund, and General Capital Reserve Fund are consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (Exhibit D). Fund balance for the General Fund is reconciled as follows:

Fund Balance - Ending (Exhibit F)		\$ 6,393,161
Tax Revaluation Fund:		
Investment earnings		32
General government		(117,842)
Transfer in - General Fund		50,000
Fund balance - beginning		92,593
School Capital Reserve Fund:		
Local option sales tax		660,004
Restricted intergovernmental		103,573
Investment earnings		72
Education		(153,709)
Transfer in		200,000
Transfer (out)		(748,957)
Fund balance - beginning		297,704
General Capital Reserve Fund:		
Miscellaneous		692,850
Other taxes and licenses		248,177
General government		(620,946)
Transfer in		139,563
Transfer (out)		(200,000)
Fund balance - beginning		6,785
Fund Balance - Ending (Exhibit D)		<u>\$ 7,043,060</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

2. Cash, Cash Equivalents, and Investments

All of the County's and Chowan County Tourism Development Authority (the "TDA") deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with the securities held by the County's or the TDA's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the TDA, these deposits are considered to be held by the County and the TDA's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the Tourism Development Authority, or with the escrow agent.

Because of the inability to measure the exact amount of collateral pledged for the County or the TDA under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County and TDA rely on the State Treasurer to monitor those financial institutions. The County and the TDA analyze the financial soundness on any other financial institution used by the County and the TDA.

The County and the Tourism Development Authority comply with the provisions, G.S. 159-31, when designating official depositories and verifying that deposits are properly secured. The County and the Tourism Development Authority do not have a formal policy regarding custodial credit risk for deposits.

At June 30, 2014, the County's deposits had a carrying amount of \$8,407,878 and a bank balance of \$8,936,504. Of the bank balance, \$2,164,917 was covered by federal depository insurance and \$6,771,587 was covered by collateral held by the State Treasurer under the pooling method. At June 30, 2014, Chowan County had \$350 cash on hand.

At June 30, 2014, the Chowan County Tourism Development Authority's deposits had a carrying amount of \$82,403 and a bank balance of \$82,403. All of the bank balance was covered by federal depository insurance.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Investments

At June 30, 2014, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
NC Capital Management Trust - Cash Portfolio	\$ 6,359	\$ 6,359
NC Capital Management Trust - Term Portfolio	581,971	581,971
Total investments	<u>\$ 588,330</u>	<u>\$ 588,330</u>

Interest Rate Risk. The County and the Tourism Development Authority do not have a formal investment policy regarding interest rate risk.

Credit Risk. The County and the Tourism Development Authority do not have a 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, 2014. 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.

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.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 477,153	\$ 113,324	\$ 590,477
2012	475,764	70,175	545,939
2013	474,801	27,301	502,102
2014	713,798	-	713,798
Total	<u>\$ 2,141,516</u>	<u>\$ 210,800</u>	<u>\$ 2,352,316</u>

CHOWAN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

4. Accounts Receivables - Disaggregate Information

Receivables at the Government-Wide Level at June 30, 2014:

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable:			
Water Fund fees, net	\$ -	\$ 169,676	\$ 169,676
Solid Waste Fund, net	-	106,291	106,291
Emergency Medical Services Fund fees, net	-	299,801	299,801
Other receivables	31,874	-	31,874
Total	<u>\$ 31,874</u>	<u>\$ 575,768</u>	<u>\$ 607,642</u>
Due from Other Governments:			
Sales tax	<u>\$ 803,421</u>	<u>\$ -</u>	<u>\$ 803,421</u>

Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>Allowance</u>
General Fund:	
Property taxes	\$ 340,000
Fire district taxes	15,000
Total	<u>\$ 355,000</u>
Enterprise Funds:	
Water Fund	\$ 113,542
Solid Waste Fund	61,458
Total	<u>\$ 175,000</u>

CHOWAN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

5. Capital Assets

Governmental Activities Capital Assets

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

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Non-Depreciable Assets:				
Land	\$ 3,329,162	\$ -	\$ -	\$ 3,329,162
Depreciable Assets:				
Buildings	45,284,457	31,200	-	45,315,657
Equipment	<u>6,664,892</u>	<u>304,917</u>	<u>(393,210)</u>	<u>6,576,599</u>
Total depreciable assets	<u>51,949,349</u>	<u>336,117</u>	<u>(393,210)</u>	<u>51,892,256</u>
Less Accumulated Depreciation:				
Buildings	12,715,362	1,116,964	-	13,832,326
Equipment	<u>5,886,434</u>	<u>300,249</u>	<u>(387,515)</u>	<u>5,799,168</u>
Total accumulated depreciation	<u>18,601,796</u>	<u>\$ 1,417,213</u>	<u>\$ (387,515)</u>	<u>19,631,494</u>
Total depreciable capital assets, net	<u>33,347,553</u>			<u>32,260,762</u>
Governmental activities capital assets, net	<u>\$ 36,676,715</u>			<u>\$ 35,589,924</u>

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

Governmental Activities:	<u>Amount</u>
General government	\$ 1,200,346
Public safety	167,474
Environmental protection	300
Human services	39,595
Cultural and recreational	<u>9,498</u>
Total	<u>\$ 1,417,213</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2014 are as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Water Fund:				
Non-Depreciable Assets:				
Land	\$ 140,847	\$ -	\$ -	\$ 140,847
 Depreciable Assets:				
Plant and systems	10,303,025	80,004	-	10,383,029
Building and improvements	1,554,760	-	-	1,554,760
Equipment	434,799	-	-	434,799
Total	12,292,584	80,004	-	12,372,588
 Less Accumulated Depreciation:				
Plant and distribution systems	5,750,244	266,837	-	6,017,081
Buildings and improvements	942,486	35,764	-	978,250
Equipment	358,401	26,424	-	384,825
Total accumulated depreciation	7,051,131	\$ 329,025	\$ -	7,380,156
Depreciable capital assets, net	5,241,453			4,992,432
Water Fund capital assets, net	5,382,300			5,133,279
 Emergency Medical Service Fund:				
Depreciable Assets:				
Building	217,000	\$ -	\$ -	217,000
Equipment	1,055,804	230,016	(231,747)	1,054,073
Total	1,272,804	230,016	(231,747)	1,271,073
 Less Accumulated Depreciation:				
Building	160,897	4,678	-	165,575
Equipment	891,261	78,127	(231,747)	737,641
Total accumulated depreciation	1,052,158	\$ 82,805	\$ (231,747)	903,216
Depreciable capital assets, net	220,646			367,857
Emergency Management Fund capital assets, net	220,646			367,857
Business-type activities capital assets, net	\$ 5,602,946			\$ 5,501,136

CHOWAN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2014 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 35,589,924	\$ 5,501,136
Long-term debt	<u>(17,982,479)</u>	<u>-</u>
Net investment in capital assets	<u>\$ 17,607,445</u>	<u>\$ 5,501,136</u>

6. Accounts Payable - Disaggregate Information

Payables at the Government-Wide level at June 30, 2014 consisted of :

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 20,715	\$ 70,310	\$ 91,025
Other governmental	<u>372</u>	<u>2,035</u>	<u>2,407</u>
Total governmental activities	<u>\$ 21,087</u>	<u>\$ 72,345</u>	<u>\$ 93,432</u>
Business-Type Activities:			
Water Fund	\$ 10,010	\$ 3,889	\$ 13,899
Solid Waste Fund	81,718	-	81,718
Emergency Medical Services Fund	<u>5,902</u>	<u>8,265</u>	<u>14,167</u>
Total business-type activities	<u>\$ 97,630</u>	<u>\$ 12,154</u>	<u>\$ 109,784</u>

7. Deferred Outflows and Inflows of Resources

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

	<u>Unavailable Revenues</u>	<u>Unearned Revenues</u>	<u>Total</u>
Prepaid property taxes (GF)	\$ -	\$ 45,838	\$ 45,838
Taxes receivable (GF)	306,963	-	306,963
Taxes receivable (SRF)	<u>17,734</u>	<u>-</u>	<u>17,734</u>
Total	<u>\$ 324,697</u>	<u>\$ 45,838</u>	<u>\$ 370,535</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

8. Pension Plan Obligation

A. Local Governmental Employees' Retirement System

Plan Description

Chowan County contributes to the State-wide 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 LGERS 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 6.0% of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.84% and 6.88%, respectively, of annual covered payroll. The contribution requirements of members and of Chowan County are established and may be amended by the North Carolina General Assembly. The County's contributions, including the members' contributions to LGERS for the years ended June 30, 2014, 2013, and 2012, were \$344,697, \$492,817, and \$572,092 respectively. The contributions made by the County equaled the required contributions for each year.

B. Law Enforcement Officers' Special Separation Allowance

Plan Description

Chowan County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Summary of Significant Accounting Policies

The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. Due to the immateriality of the liability to the County, an actuarial valuation was not obtained at June 30, 2014.

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 5.0% 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, 2014 were \$131,658, which consisted of \$87,204 from the County and \$44,454 from the law enforcement officers.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

C. Registers of Deeds' Supplemental Pension Fund

Plan Description

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

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. The County's contributions, including the members' contributions for the fiscal year ended June 30, 2014, were \$3,267. The contributions made by the County equaled the required contributions for 2014.

D. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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. The County considers these contributions to be immaterial.

CHOWAN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

E. Other Post-Employment Benefits - Healthcare Benefits

Plan Description

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

Retirees can purchase coverage for their dependents at the County's group rates until the retiree reaches age sixty-five and then Medicare assumes coverage. Currently, 20 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2014, the County paid healthcare related claims of \$97,333 for retirees. A separate report was not issued for the Plan.

Membership of the Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	20	-
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	<u>115</u>	<u>15</u>
Total	<u><u>135</u></u>	<u><u>15</u></u>

Funding Policy

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

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The current ARC rate is 9.29% of annual covered payroll. For the current year, the County contributed \$97,333, or 2.08%, of annual covered payroll. The County obtains healthcare coverage through private insurers.

There were no contributions made by employees. The County's obligation to contribute to the plan is established and may be amended by the County Board.

Summary of Significant Accounting Policies

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

Annual OPEB Cost and Net Obligation

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

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 434,732
Interest on net OPEB obligation	96,798
Adjustments to annual required contribution	<u>(92,472)</u>
Annual OPEB cost (expense)	439,058
Contributions made	<u>(97,333)</u>
Increase (decrease) in net OPEB obligation	341,725
Net OPEB Obligation:	
Beginning of year - July 1	<u>2,419,943</u>
End of year - June 30	<u><u>\$ 2,761,668</u></u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 439,058	22.17%	\$ 2,761,668
2013	439,058	19.98%	2,419,943
2012	582,188	17.32%	1,954,050

Fund Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$5,531,089. The covered payroll (annual payroll of active employees covered by the plan) was \$4,681,196, and the ratio of the UAAL to the covered payroll was 118.16%.

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

Actuarial Methods and Assumptions

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

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

In the December 31, 2013, actuarial valuation, the projected unit credit actuarial cost method, was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75% to 5.00% annually. Both rates included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 was 30 years.

9. Long-Term Obligations

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

A. Changes in Long-Term Debt

The following is a summary of changes in the County's governmental activities long-term obligations for the year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental Activities:					
Qualified Zone Academy Bonds	\$ 1,274,989	\$ -	\$ (103,573)	\$ 1,171,416	\$ 103,573
Notes payable	18,648,462	-	(1,837,399)	16,811,063	1,857,399
Unfunded OPEB	2,085,256	389,206	(82,664)	2,391,798	-
Compensated absences	135,920	279,540	(89,360)	326,100	81,525
Total governmental activities	<u>\$ 22,144,627</u>	<u>\$ 668,746</u>	<u>\$ (2,112,996)</u>	<u>\$ 20,700,377</u>	<u>\$ 2,042,497</u>

The General Fund is typically used to liquidate the compensated absences and pension liabilities.

At June 30, 2014, Chowan County had no bonds authorized, but unissued, and a legal debt-margin of \$106,000,000.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

B. Notes Payable - Qualified Zone Academy Bonds

On July 20, 2005, the County financed the renovation of John A. Holmes High School by issuing \$2,000,000 of Qualified Zone Academy Bonds, with a coupon rate of 0%. The bonds are secured by the real estate and require the County to make annual contributions of \$103,573 to a bond sinking fund, which is held in trust by a bank. The bonds mature in 2025, at which time the sinking fund balance is designed to be sufficient to retire the bonds based on the accumulation of the annual contributions and the earnings of the sinking fund. As of June 30, 2014, the outstanding balance was \$1,171,416. In the event the sinking fund is insufficient to retire the bonds in 2025, the County is obligated to fund the deficiency in 2025.

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

Year Ending	Principal	Interest
June 30		
2015	\$ 103,573	\$ -
2016	103,573	-
2017	103,573	-
2018	103,573	-
2019	103,573	-
2020-2024	517,865	-
2025	135,686	-
Total	\$ 1,171,416	\$ -

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

C. Notes Payable - Governmental Activities

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

1.84% note, payable in annual installments of \$571,743, plus interest, secured by D.F. Walker Elementary School	\$ 3,430,469
1.96% note, payable in annual installments of \$186,656, plus interest; secured by Adult Day Health Center and Chowan Community Center	1,306,594
2.20% note, payable in annual installments of \$1,009,177, including interest; secured by Public Safety Building; ending in 2024	8,908,000
1.96% note, payable in annual installments of \$120,000, including interest; secured by public safety building; ending in 2022	885,000
2.20% note, payable in annual installments of \$80,000, including interest; secured by Shepard-Pruden Library; ending in 2024	724,000
1.96% note, payable in annual installments of \$90,000, plus interest; secured by Shepard-Pruden Library; ending in 2022	1,304,000
1.84% note, payable in annual installments of \$49,000, including interest; secured by vehicles ending in 2020	<u>253,000</u>
Total installment purchase contracts	<u>\$ 16,811,063</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2015	\$ 1,857,399	\$ 349,585	\$ 2,206,984
2016	1,888,399	311,871	2,200,270
2017	1,920,399	273,475	2,193,874
2018	1,959,399	234,381	2,193,780
2019	1,997,399	194,433	2,191,832
2020-2024	7,188,068	432,625	7,620,693
Total	<u>\$ 16,811,063</u>	<u>\$ 1,796,370</u>	<u>\$ 18,607,433</u>

D. Proprietary Fund Debt

The following is a summary of the changes in the County's business-type activities long-term obligations for the year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Business-Type Activities:					
Water Fund:					
Unfunded pension obligation - OPEB	\$ 116,367	\$ 29,797	\$ (14,669)	\$ 131,495	\$ -
Compensated absences	20,440	7,920	(3,900)	24,460	6,115
Total Water Fund	<u>136,807</u>	<u>37,717</u>	<u>(18,569)</u>	<u>155,955</u>	<u>6,115</u>
Emergency Medical Fund:					
Unfunded pension obligation - OPEB	218,320	20,055	-	238,375	-
Compensated absences	47,420	23,680	(16,840)	54,260	13,565
Total Emergency Medical Fund	<u>265,740</u>	<u>43,735</u>	<u>(16,840)</u>	<u>292,635</u>	<u>13,565</u>
Total business-type activities	<u>\$ 402,547</u>	<u>\$ 81,452</u>	<u>\$ (35,409)</u>	<u>\$ 448,590</u>	<u>\$ 19,680</u>

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

10. Landfill Closure and Post-Closure Care Costs

Federal and State laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. As discussed in the “Jointly Governed Organizations” note herein, the County participates in two jointly governed organizations in connection with handling solid waste disposal: Perquimans-Chowan-Gates Waste Management and Albemarle Regional Solid Waste Authority. The landfill under the Albemarle Regional Solid Waste Authority in which the County participates is under contract with a private contractor to maintain the landfill to meet environmental regulations. The private contractor has established adequate reserves to provide for closure and post-closure costs. The County did not recognize any additional costs and/or liability for the year ended June 30, 2014, related to closure and post-closure care cost.

11. 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 two self-funded risk financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$37.6 million for any one occurrence; general, auto, professional, and employment practices liability coverage of \$2 million per occurrence; auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence; and workers’ compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, and auto physical damage. For workers compensation there is a per occurrence retention of \$750,000.

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

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

In accordance with G.S. 159-29, the Director of Finance, who is responsible for accounting for Chowan County Tourism Development Authority, is individually bonded through a commercial surety bond in the amount of \$50,000.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

12. **Contingent Liabilities**

At June 30, 2014, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

13. **Joint Ventures**

Pettigrew Regional Library

The County participates in a joint venture to operate Pettigrew Regional Library with four other local governments. Each participating government appoints three Board members to the twelve-member Board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library; therefore, no equity interest has been reflected in the financial statements at June 30, 2014. The participating governments provide the library facilities. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$187,895 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, North Carolina 27962.

14. **Jointly Governed Organizations**

Albemarle Regional Health Services

The County, in conjunction with six other counties participates in Albemarle Regional Health Services. The County appoints two members to the ten-member Board. The County contributed \$87,504 to the organization during the fiscal year ended June 30, 2014. Complete financial statements for District Health can be obtained from the District Health offices at Albemarle Regional Health Services, P.O. Box 189, Elizabeth City, North Carolina 27909.

Albemarle Regional Solid Waste Authority

The County is one of eight counties participating in the Albemarle Regional Solid Waste Authority. This Authority contracts with a private contractor to maintain a landfill to meet environmental regulations for household solid waste and other regulated wastes. The Authority has a 20-year contract with the private contractor. The County spent \$1,162,529 for solid waste disposal during the current year.

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Perquimans-Chowan-Gates Landfill Commission

The County is one of three counties involved in the Perquimans-Chowan-Gates Landfill Commission. The Commission maintains a landfill for waste products other than household waste. It also contracts with a private contractor to maintain dumpster sites and haul the trash in the three participating counties.

Chowan County Satellite Campus of the College of the Albemarle

The County, in conjunction with College of the Albemarle, Elizabeth City, North Carolina, participates in a joint venture to operate the Chowan County Satellite Campus of the College of the Albemarle. The County has the responsibility to provide funding for the satellite facilities in Chowan County. During the fiscal year ended June 30, 2014 total facilities cost totaled \$276,743.

Albemarle Commission

The County, in conjunction with ten other counties and fourteen other municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints three members to the Commission's governing board. The County paid membership fees of \$9,617 to the Commission during the fiscal year ended June 30, 2014.

Northeast Economic Development Committee

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

CHOWAN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

15. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 14,522,864	\$ 8,235,340
NC Health Choice (CHIPS)	222,141	70,034
Temporary Assistance to Needy Families	112,935	-
State Foster Care	-	1,821
Women, Infants, and Children	357,147	-
IV-E Adoption Subsidy	26,873	7,003
IV-E Foster Care	(495)	2,489
LINKS	1,316	-
AFDC	(197)	(54)
CWS, Adoption Subsidy	-	10,935
Total	<u>\$ 15,242,584</u>	<u>\$ 8,327,568</u>

16. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

CHOWAN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

17. Interfund Balances and Activity

A. Transfers to/from Other Funds:

Transfers in (out) for the year ended June 30, 2014 are summarized below:

<u>Fund</u>	<u>To</u>	<u>From</u>	<u>Purpose</u>
Debt Service Fund	\$ 1,387,172	\$ -	
General Fund	-	1,387,172	Service outstanding debt
Fire District Fund	-	49,011	
Debt Service Fund	49,011	-	Service outstanding debt
Fire District Fund	-	9,500	
General Fund	9,500	-	Annual contribution
Debt Service Fund	157,344	-	
Solid Waste Fund	-	157,344	Service outstanding debt
Debt Service Fund	748,957	-	
School Capital Reserve Fund	-	748,957	Service outstanding debt
Emergency Medical Services Fund	602,655	-	
General Fund	-	602,655	Annual contribution
Revaluation Special Revenue Fund	50,000	-	
General Fund	-	50,000	Annual contribution
General Capital Reserve Fund	-	200,000	
School Capital Reserve Fund	200,000	-	Annual contribution
General Fund	-	139,563	
General Capital Reserve Fund	139,563	-	Annual contribution
General Fund	80,000	-	
Water Fund	-	80,000	Annual contribution
Total	<u>\$ 2,037,030</u>	<u>\$ 2,037,030</u>	

CHOWAN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

B. Interfund Balances

The composition of internal balances as of June 30, 2014 is as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>
	<u>General Fund</u>
Lottery Project Fund	\$ 1,685
Emergency Medical Services Fund	226,998
Total	<u>\$ 228,683</u>

The amounts due to the General Fund represent short-term cash advances.

18. Component Unit Transactions

In fiscal year 2014, the County received \$17,500 in profit distributions from its component unit, Chowan County ABC Board.

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CHOWAN COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - HEALTHCARE FOR RETIREES
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)			
12/31/1991	\$ -	\$ 32,741	\$ 32,741	0.00%	\$ 497,308	6.58%
12/31/1992	-	38,324	38,324	0.00%	494,258	7.75%
12/31/1993	-	36,784	36,784	0.00%	485,510	7.58%
12/31/1995	-	42,778	42,778	0.00%	525,920	8.13%
12/31/1996	-	52,668	52,668	0.00%	614,852	8.57%
12/31/2008	-	5,838,284	5,838,284	0.00%	5,237,209	111.5%
12/31/2010	-	7,071,068	7,071,068	0.00%	4,320,329	163.67%
12/31/2013	-	5,531,089	5,531,089	0.00%	4,681,196	118.16%

Schedule of Employer Contributions

Year Ending	Annual Required Contribution	Percentage Contributed
6/30/2009	\$ 551,095	0.00%
6/30/2010	551,095	0.00%
6/30/2011	580,666	36.10%
6/30/2012	578,695	17.40%
6/30/2013	578,695	20.10%
6/30/2014	434,732	22.39%

Notes to the Required Schedules:

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

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increases	7.75 - 5.00%
Year of ultimate trend rate	2019
Includes inflation at	3.00%
Cost of living adjustments	NA

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ACTUAL - GENERAL FUND CONSOLIDATED FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Revaluation Fund</u>	<u>General Capital Reserve Fund</u>
Revenues:			
Ad valorem taxes	\$ 10,752,644	\$ -	\$ -
Local option sales taxes	1,863,203	-	-
Other taxes and licenses	83,134	-	248,177
Unrestricted intergovernmental revenues	69,769	-	-
Restricted intergovernmental revenues	2,393,324	-	-
Permits and fees	372,852	-	-
Sales and services	869,491	-	-
Investment earnings	10,575	32	-
Miscellaneous	53,687	-	692,850
Total revenues	<u>16,468,679</u>	<u>32</u>	<u>941,027</u>
Expenditures:			
Current:			
General government	2,709,915	117,842	620,946
Public safety	2,903,315	-	-
Environmental protection	133,386	-	-
Economic and physical development	156,930	-	-
Human services	3,167,006	-	-
Cultural and recreational	858,177	-	-
Education	3,733,441	-	-
Total expenditures	<u>13,662,170</u>	<u>117,842</u>	<u>620,946</u>
Revenues over (under) expenditures	<u>2,806,509</u>	<u>(117,810)</u>	<u>320,081</u>
Other Financing Sources (Uses):			
Transfers in	89,500	50,000	139,563
Transfers out	(2,179,390)	-	(200,000)
Total other financing sources (uses)	<u>(2,089,890)</u>	<u>50,000</u>	<u>(60,437)</u>
Net change in fund balances	716,619	(67,810)	259,644
Fund Balances:			
Beginning of year - July 1	<u>5,676,542</u>	<u>92,593</u>	<u>6,785</u>
End of year - June 30	<u>\$ 6,393,161</u>	<u>\$ 24,783</u>	<u>\$ 266,429</u>

Schedule B-1

<u>School Capital Reserve Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
\$ -	\$ -	\$ 10,752,644
660,004	-	2,523,207
-	-	331,311
-	-	69,769
103,573	-	2,496,897
-	-	372,852
-	-	869,491
72	-	10,679
-	-	746,537
<u>763,649</u>	<u>-</u>	<u>18,173,387</u>
-	-	3,448,703
-	-	2,903,315
-	-	133,386
-	-	156,930
-	-	3,167,006
-	-	858,177
<u>153,709</u>	<u>-</u>	<u>3,887,150</u>
<u>153,709</u>	<u>-</u>	<u>14,554,667</u>
<u>609,940</u>	<u>-</u>	<u>3,618,720</u>
200,000	(389,563)	89,500
<u>(748,957)</u>	<u>389,563</u>	<u>(2,738,784)</u>
<u>(548,957)</u>	<u>-</u>	<u>(2,649,284)</u>
60,983	-	969,436
<u>297,704</u>	<u>-</u>	<u>6,073,624</u>
<u>\$ 358,687</u>	<u>\$ -</u>	<u>\$ 7,043,060</u>

CHOWAN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 10,313,177	\$ 10,655,347	\$ 342,170	\$ 10,473,393
Penalties and interest	100,000	97,297	(2,703)	123,178
Total	10,413,177	10,752,644	339,467	10,596,571
Local Option Sales Taxes:				
Article 39 and 44	925,000	927,236	2,236	900,908
Article 40 one-half of one percent	625,000	620,742	(4,258)	605,708
Article 42 one-half of one percent	100,000	98,314	(1,686)	104,110
Medicaid hold-harmless payment	175,000	216,911	41,911	302,787
Total	1,825,000	1,863,203	38,203	1,913,513
Other Taxes and Licenses:				
Deed stamp excise tax	64,750	66,173	1,423	71,411
Cable TV	17,500	16,961	(539)	17,338
Total	82,250	83,134	884	88,749
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	2,500	2,311	(189)	2,459
Beer and wine tax	42,500	43,135	635	39,523
ABC profit distribution	34,500	22,137	(12,363)	29,476
Tax refunds	100	2,186	2,086	3,362
Total	79,600	69,769	(9,831)	74,820
Restricted Intergovernmental Revenues:				
State grants	2,599,598	2,364,192	(235,406)	2,219,299
Local grants	29,133	29,132	(1)	43,290
Total	2,628,731	2,393,324	(235,407)	2,262,589
Permits and Fees:				
Building permits and inspection fees	77,842	109,309	31,467	70,971
Register of Deeds	96,009	89,856	(6,153)	97,208
Sheriff and court fees	186,161	173,687	(12,474)	188,155
Total	360,012	372,852	12,840	356,334

CHOWAN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Rents, concessions and fees	350,214	353,792	3,578	331,055
Jail fees	20,000	10,962	(9,038)	45,963
Recreation fees	72,421	60,740	(11,681)	64,140
Fees from local governments	446,310	389,156	(57,154)	426,832
Sale of capital assets	29,751	54,841	25,090	5,950
Total	<u>918,696</u>	<u>869,491</u>	<u>(49,205)</u>	<u>873,940</u>
Investment Earnings	<u>6,500</u>	<u>10,575</u>	<u>4,075</u>	<u>7,460</u>
Miscellaneous	<u>38,755</u>	<u>53,687</u>	<u>14,932</u>	<u>33,651</u>
Total revenues	<u>16,352,721</u>	<u>16,468,679</u>	<u>115,958</u>	<u>16,207,627</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	46,505	46,505	-	47,689
Operating expenditures	50,438	47,339	-	53,572
Total	<u>96,943</u>	<u>93,844</u>	<u>3,099</u>	<u>101,261</u>
Administration:				
Salaries and employee benefits	422,709	395,473	-	415,707
Operating expenditures	20,175	16,219	-	13,567
Total	<u>442,884</u>	<u>411,692</u>	<u>31,192</u>	<u>429,274</u>
Tax Collection:				
Salaries and employee benefits	229,958	229,887	-	220,226
Operating expenditures	126,850	86,109	-	102,652
Capital outlay	61,319	61,319	-	45,210
Total	<u>418,127</u>	<u>377,315</u>	<u>40,812</u>	<u>368,088</u>
Legal:				
Operating expenditures	25,000	17,931	-	18,188
Total	<u>25,000</u>	<u>17,931</u>	<u>7,069</u>	<u>18,188</u>

CHOWAN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Court Facilities:				
Salaries and employee benefits	499	489	-	-
Operating expenditures	8,096	5,174	-	16,885
Total	8,595	5,663	2,932	16,885
Elections:				
Salaries and employee benefits	71,273	67,075	-	75,608
Operating expenditures	38,926	36,204	-	33,453
Total	110,199	103,279	6,920	109,061
Register of Deeds:				
Salaries and employee benefits	131,077	127,873	-	136,586
Operating expenditures	90,692	76,643	-	60,452
Capital outlay	11,251	-	-	25,000
Total	233,020	204,516	28,504	222,038
Land Records:				
Salaries and employee benefits	49,345	49,336	-	50,169
Operating expenditures	21,993	15,018	-	16,674
Total	71,338	64,354	6,984	66,843
Data Processing:				
Salaries and employee benefits	78,195	78,155	-	76,601
Operating expenditures	117,343	105,817	-	93,132
Capital outlay	4,605	4,605	-	-
Total	200,143	188,577	11,566	169,733
Central Maintenance:				
Salaries and employee benefits	226,825	226,821	-	222,700
Operating expenditures	64,851	64,847	-	48,846
Total	291,676	291,668	8	271,546
Public Buildings:				
Operating expenditures	331,109	331,001	-	319,152
Capital outlay	2,444	-	-	-
Total	333,553	331,001	2,552	319,152

CHOWAN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Inspection:				
Salaries and employee benefits	176,396	176,364	-	178,499
Operating expenditures	14,209	10,106	-	14,760
Total	190,605	186,470	4,135	193,259
Other General Government:				
Central services	383,123	377,366	-	346,266
Special appropriations	56,239	56,239	-	55,922
Total	439,362	433,605	5,757	402,188
Total general government	2,861,445	2,709,915	151,530	2,687,516
Public Safety:				
Central Communications:				
Salaries and employee benefits	448,478	436,326	-	420,941
Operating expenditures	35,715	21,291	-	70,350
Capital outlay	-	-	-	21,661
Total	484,193	457,617	26,576	512,952
Sheriff:				
Salaries and employee benefits	1,005,352	986,703	-	988,023
Operating expenditures	315,048	243,425	-	227,825
Capital outlay	73,200	73,058	-	56,310
Total	1,393,600	1,303,186	90,414	1,272,158
School Resource Officer:				
Salaries and employee benefits	160,543	157,168	-	158,593
Total	160,543	157,168	3,375	158,593
Jail:				
Salaries and employee benefits	454,470	443,939	-	410,322
Operating expenditures	230,405	221,405	-	259,370
Capital outlay	25,160	25,160	-	4,650
Total	710,035	690,504	19,531	674,342
Emergency Management:				
Salaries and employee benefits	33,762	33,648	-	31,178
Operating expenditures	23,771	10,057	-	9,527
Total	57,533	43,705	13,828	40,705

CHOWAN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Public Safety Office:				
Operating expenditures	-	-	-	1,708
Total	-	-	-	1,708
Medical Examiner:				
Operating expenditures	9,750	9,750	-	5,300
Total	9,750	9,750	-	5,300
Animal Control:				
Salaries and employee benefits	110,634	102,471	-	107,389
Operating expenditures	134,490	102,335	-	65,721
Capital outlay	10,000	-	-	-
Total	255,124	204,806	50,318	173,110
Juvenile Justice:				
Salaries and employee benefits	15,490	15,490	-	13,034
Operating expenditures	21,174	21,089	-	12,034
Total	36,664	36,579	85	25,068
Total public safety	3,107,442	2,903,315	204,127	2,863,936
Environmental Protection:				
Solid Waste:				
Operating expenditures	3,051	3,050	1	2,798
Soil Conservation:				
Salaries and employee benefits	81,731	81,697	-	83,383
Operating expenditures	89,563	48,639	-	58,048
Total	171,294	130,336	40,958	141,431
Total environmental protection	174,345	133,386	40,959	144,229
Economic and Physical Development:				
Economic Development:				
Operating expenditures	31,953	31,812	-	33,793
Total	31,953	31,812	141	33,793

CHOWAN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Agricultural Extension:				
Salaries and employee benefits	128,492	89,885	-	95,474
Operating expenditures	56,078	35,233	-	43,268
Total	184,570	125,118	59,452	138,742
Total economic and physical development	216,523	156,930	59,593	172,535
Human Services:				
Public health - operating expenditures	89,775	89,688	87	93,061
Mental health - operating expenditures	85,860	85,859	1	86,265
Social Services:				
Public Assistance:				
Salaries and employee benefits	1,426,411	1,380,603	45,808	-
Operating expenditures	1,894,501	1,598,108	296,393	-
Salaries and employee benefits	-	-	-	1,423,228
Operating expenditures	-	-	-	1,582,453
Total	3,320,912	2,978,711	342,201	3,005,681
Veterans Services:				
Salaries and employee benefits	15,165	11,913	-	13,320
Operating expenditures	1,550	835	-	1,144
Total	16,715	12,748	3,967	14,464
Total human services	3,513,262	3,167,006	346,256	3,199,471
Cultural and Recreational:				
Libraries:				
Operating expenditures	187,897	187,895	-	162,287
Total	187,897	187,895	2	162,287
Recreation:				
Salaries and employee benefits	351,109	351,102	-	355,204
Operating expenditures	279,095	110,382	-	94,050
Capital outlay	15,000	15,000	-	9,829
Total	645,204	476,484	168,720	459,083

CHOWAN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Senior Center:				
Salaries and employee benefits	104,291	102,429	-	98,223
Operating expenditures	119,745	91,369	-	87,600
Capital outlay	-	-	-	20,774
Total	<u>224,036</u>	<u>193,798</u>	<u>30,238</u>	<u>206,597</u>
Total cultural and recreational	<u>1,057,137</u>	<u>858,177</u>	<u>198,960</u>	<u>827,967</u>
Education:				
Public Schools:				
Fine and forfeitures	45,000	34,769	-	40,813
Current expense	<u>3,421,929</u>	<u>3,421,929</u>	-	<u>3,421,929</u>
Total public schools	<u>3,466,929</u>	<u>3,456,698</u>	<u>10,231</u>	<u>3,462,742</u>
Community Colleges:				
Current expense	<u>484,590</u>	<u>276,743</u>	<u>207,847</u>	<u>315,410</u>
Total education	<u>3,951,519</u>	<u>3,733,441</u>	<u>218,078</u>	<u>3,778,152</u>
Debt Service:				
Interest and fees	-	-	-	97,376
Total debt service	-	-	-	<u>97,376</u>
Total expenditures	<u>14,881,673</u>	<u>13,662,170</u>	<u>1,219,503</u>	<u>13,771,182</u>
Revenues over (under) expenditures	<u>1,471,048</u>	<u>2,806,509</u>	<u>1,335,461</u>	<u>2,436,445</u>
Other Financing Sources (Uses):				
Transfer from other funds	89,500	89,500	-	265,247
Transfers to other funds	(2,179,393)	(2,179,390)	3	(1,849,069)
Payment to refunded bond escrow agent	-	-	-	(13,143,200)
Refunding bonds issued	-	-	-	13,153,000
Contingency	(540)	-	540	-
Appropriated fund balance	<u>619,385</u>	-	<u>(619,385)</u>	-
Total other financing sources (uses)	<u>(1,471,048)</u>	<u>(2,089,890)</u>	<u>(618,842)</u>	<u>(1,574,022)</u>
Net change in fund balance	<u>\$ -</u>	<u>716,619</u>	<u>\$ 716,619</u>	<u>862,423</u>
Fund Balance:				
Beginning of year, - July 1		<u>5,676,542</u>		<u>4,814,119</u>
End of year - June 30		<u>\$ 6,393,161</u>		<u>\$ 5,676,542</u>

CHOWAN COUNTY, NORTH CAROLINA

REVALUATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ -	\$ 32	\$ 32	\$ 146
Total revenues	-	32	32	146
Expenditures:				
General government:				
Contracted services	140,000	117,842	22,158	78,313
Total expenditures	140,000	117,842	22,158	78,313
Revenues over (under) expenditures	(140,000)	(117,810)	(22,190)	(78,167)
Other Financing Sources (Uses):				
Appropriated fund balance	90,000	-	90,000	-
Transfers in (out)	50,000	50,000	-	25,000
Total other financing sources (uses)	140,000	50,000	90,000	25,000
Net change in fund balance	\$ -	(67,810)	\$ (67,810)	(53,167)
Fund Balance:				
Beginning of year - July 1		92,593		145,760
End of year - June 30		\$ 24,783		\$ 92,593

CHOWAN COUNTY, NORTH CAROLINA

**SCHOOL CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 103,573	\$ 103,573	\$ -	\$ 103,573
Other taxes and licenses	-	-	-	264,341
Local option sales tax	657,280	660,004	2,724	631,189
Investment earnings	-	72	72	293
Total revenues	<u>760,853</u>	<u>763,649</u>	<u>2,796</u>	<u>999,396</u>
Expenditures:				
Education:				
Capital outlay	<u>218,980</u>	<u>153,709</u>	<u>65,271</u>	<u>91,922</u>
Total expenditures	<u>218,980</u>	<u>153,709</u>	<u>65,271</u>	<u>91,922</u>
Revenues over (under) expenditures	<u>541,873</u>	<u>609,940</u>	<u>(62,475)</u>	<u>907,474</u>
Other Financing Sources (Uses):				
Transfers in	200,000	200,000	-	-
Transfer in (out)	(748,957)	(748,957)	-	(818,723)
Appropriated fund balance	<u>7,084</u>	<u>-</u>	<u>(7,084)</u>	<u>-</u>
Total other financing sources (uses)	<u>(541,873)</u>	<u>(548,957)</u>	<u>(7,084)</u>	<u>(818,723)</u>
Net change in fund balance	<u>\$ -</u>	<u>60,983</u>	<u>\$ 60,983</u>	<u>88,751</u>
Fund Balance:				
Beginning of year - July 1		<u>297,704</u>		<u>208,953</u>
End of year - June 30		<u>\$ 358,687</u>		<u>\$ 297,704</u>

CHOWAN COUNTY, NORTH CAROLINA

**GENERAL CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes and licenses	\$ 225,000	\$ 248,177	\$ 23,177	\$ -
Miscellaneous	692,850	692,850	-	-
Total revenues	<u>917,850</u>	<u>941,027</u>	<u>23,177</u>	<u>-</u>
Expenditures:				
General government:				
Operating expenditures	<u>825,815</u>	<u>620,946</u>	<u>204,869</u>	<u>-</u>
Revenues over (under) expenditures	<u>92,035</u>	<u>320,081</u>	<u>(181,692)</u>	<u>-</u>
Other Financing Sources (Uses):				
Contingency	(31,598)	-	(31,598)	-
Transfers in	139,563	139,563	-	209,129
Transfers (out)	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(202,344)</u>
Total other financing sources (uses)	<u>(92,035)</u>	<u>(60,437)</u>	<u>-</u>	<u>6,785</u>
Net change in fund balance	<u>\$ -</u>	<u>259,644</u>	<u>\$ 259,644</u>	<u>6,785</u>
Fund Balance:				
Beginning of year - July 1		<u>6,785</u>		<u>-</u>
End of year - June 30		<u>\$ 266,429</u>		<u>\$ 6,785</u>

CHOWAN COUNTY, NORTH CAROLINA

MAJOR FUND - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Expenditures:				
Principal retirement	\$ 1,940,972	\$ 1,940,972	\$ -	\$ 1,516,302
Interest and fees	401,516	401,512	4	850,745
Total expenditures	<u>2,342,488</u>	<u>2,342,484</u>	<u>4</u>	<u>2,367,047</u>
Revenues over (under) expenditures	<u>(2,342,488)</u>	<u>(2,342,484)</u>	<u>(4)</u>	<u>(2,367,047)</u>
Other Financing Sources (Uses):				
Transfers in (out)	<u>2,342,488</u>	<u>2,342,484</u>	<u>(4)</u>	<u>2,367,047</u>
Total other financing sources (uses)	<u>2,342,488</u>	<u>2,342,484</u>	<u>(4)</u>	<u>2,367,047</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHOWAN COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2014

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 750,372	\$ -	\$ 750,372
Accounts receivable, net	31,874	-	31,874
Taxes receivable, net	17,734	-	17,734
Due from other governments	12,000	1,685	13,685
Total assets	<u>\$ 811,980</u>	<u>\$ 1,685</u>	<u>\$ 813,665</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,407	\$ -	\$ 2,407
Due to other funds	<u>-</u>	<u>1,685</u>	<u>1,685</u>
Total liabilities	<u>2,407</u>	<u>1,685</u>	<u>4,092</u>
Deferred Inflows of Resources:			
Unavailable taxes	<u>17,734</u>	<u>-</u>	<u>17,734</u>
Fund Balances:			
Restricted:			
Stabilization for State statute	43,874	1,685	45,559
Restricted, all other	747,965	-	747,965
Unassigned	<u>-</u>	<u>(1,685)</u>	<u>(1,685)</u>
Total fund balances	<u>791,839</u>	<u>-</u>	<u>791,839</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 811,980</u>	<u>\$ 1,685</u>	<u>\$ 813,665</u>

CHOWAN COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2014**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
Revenues:			
Ad valorem taxes	\$ 516,377	\$ -	\$ 516,377
Local option sales taxes	38,635	-	38,635
Other taxes and licenses	207,722	-	207,722
Restricted intergovernmental revenues	-	30,048	30,048
Miscellaneous revenues	7,474	-	7,474
Investment earnings	900	-	900
Total revenues	<u>771,108</u>	<u>30,048</u>	<u>801,156</u>
Expenditures:			
Current:			
Public safety	810,664	-	810,664
Education	-	30,048	30,048
Total expenditures	<u>810,664</u>	<u>30,048</u>	<u>840,712</u>
Revenues over (under) expenditures	<u>(39,556)</u>	<u>-</u>	<u>(39,556)</u>
Other Financing Sources (Uses):			
Transfers (out)	<u>(58,511)</u>	<u>-</u>	<u>(58,511)</u>
Total other financing sources (uses)	<u>(58,511)</u>	<u>-</u>	<u>(58,511)</u>
Net change in fund balances	(98,067)	-	(98,067)
Fund Balances:			
Beginning of year - July 1	<u>889,906</u>	<u>-</u>	<u>889,906</u>
End of year - June 30	<u>\$ 791,839</u>	<u>\$ -</u>	<u>\$ 791,839</u>

CHOWAN COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Fire District Fund	Emergency Telephone System Fund	Total
Assets:			
Cash and cash equivalents	\$ 483,338	\$ 267,034	\$ 750,372
Accounts receivable, net	-	31,874	31,874
Due from other governments	12,000	-	12,000
Taxes receivable, net	17,734	-	17,734
Total assets	<u>\$ 513,072</u>	<u>\$ 298,908</u>	<u>\$ 811,980</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,407	\$ -	\$ 2,407
Total liabilities	<u>2,407</u>	<u>-</u>	<u>2,407</u>
Deferred Inflows of Resources:			
Unavailable taxes	<u>17,734</u>	<u>-</u>	<u>17,734</u>
Fund Balances:			
Restricted:			
Stabilization for State statute	12,000	31,874	43,874
Restricted for public safety	<u>480,931</u>	<u>267,034</u>	<u>747,965</u>
Total fund balances	<u>492,931</u>	<u>298,908</u>	<u>791,839</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 513,072</u>	<u>\$ 298,908</u>	<u>\$ 811,980</u>

CHOWAN COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2014**

	Fire Districts Fund	Emergency Telephone System Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Ad valorem taxes	\$ 516,377	\$ -	\$ 516,377
Local option sales taxes	38,635	-	38,635
Other taxes and licenses	-	207,722	207,722
Miscellaneous revenues	7,474	-	7,474
Investment earnings	526	374	900
Total revenues	<u>563,012</u>	<u>208,096</u>	<u>771,108</u>
Expenditures:			
Current:			
Public safety	<u>473,126</u>	<u>337,538</u>	<u>810,664</u>
Total expenditures	<u>473,126</u>	<u>337,538</u>	<u>810,664</u>
Revenues over (under) expenditures	<u>89,886</u>	<u>(129,442)</u>	<u>(39,556)</u>
Other Financing Sources (Uses):			
Transfers out	<u>(58,511)</u>	<u>-</u>	<u>(58,511)</u>
Total other financing sources (uses)	<u>(58,511)</u>	<u>-</u>	<u>(58,511)</u>
Net change in fund balances	31,375	(129,442)	(98,067)
Fund Balances:			
Beginning of year - July 1	<u>461,556</u>	<u>428,350</u>	<u>889,906</u>
End of year - June 30	<u>\$ 492,931</u>	<u>\$ 298,908</u>	<u>\$ 791,839</u>

CHOWAN COUNTY, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Other taxes and licenses:				
911 system subscriber fees	\$ 207,722	\$ 207,722	\$ -	\$ 222,947
Investment earnings	-	374	374	386
Total revenues	<u>207,722</u>	<u>208,096</u>	<u>374</u>	<u>223,333</u>
Expenditures:				
Public safety:				
Telephone	-	47,807	-	36,542
Furniture	-	44,174	-	-
Software maintenance	-	30,894	-	(4,642)
Hardware maintenance	-	214,342	-	64,215
Training	-	321	-	-
Total expenditures	<u>406,985</u>	<u>337,538</u>	<u>69,447</u>	<u>96,115</u>
Revenues over (under) expenditures	<u>(199,263)</u>	<u>(129,442)</u>	<u>69,821</u>	<u>127,218</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	-	21,032
Appropriated fund balance	<u>199,263</u>	<u>-</u>	<u>(199,263)</u>	<u>-</u>
Total other financing sources (uses)	<u>199,263</u>	<u>-</u>	<u>(199,263)</u>	<u>21,032</u>
Net change in fund balance	<u>\$ -</u>	<u>(129,442)</u>	<u>\$ (129,442)</u>	<u>148,250</u>
Fund Balance:				
Beginning of year - July 1		<u>428,350</u>		<u>280,100</u>
End of year - June 30		<u>\$ 298,908</u>		<u>\$ 428,350</u>

CHOWAN COUNTY, NORTH CAROLINA

FIRE DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad valorem taxes	\$ 497,317	\$ 516,377	\$ 19,060	\$ 511,256
Local option sales tax	40,000	38,635	(1,365)	37,538
Miscellaneous revenue	7,542	7,474	(68)	367
Investment earnings	400	526	126	550
Total revenues	<u>545,259</u>	<u>563,012</u>	<u>17,753</u>	<u>549,711</u>
Expenditures:				
Public safety:				
Town of Edenton	287,000	282,432	4,568	278,642
Salaries and benefits	83,683	78,006	5,677	47,381
Telephone and postage	18,000	17,944	56	2,496
Utilities	12,000	10,414	1,586	10,271
Maintenance and repair	24,000	16,839	7,161	26,498
Capital outlay	36,455	29,213	7,242	16,051
Other operating expenses	46,809	38,278	8,531	38,087
Total public safety	<u>507,947</u>	<u>473,126</u>	<u>34,821</u>	<u>419,426</u>
Total expenditures	<u>507,947</u>	<u>473,126</u>	<u>34,821</u>	<u>419,426</u>
Revenues over (under) expenditures	<u>37,312</u>	<u>89,886</u>	<u>52,574</u>	<u>130,285</u>
Other Financing Sources (Uses):				
Transfers in (out)	(58,512)	(58,511)	1	(66,917)
Appropriated fund balance	<u>21,200</u>	<u>-</u>	<u>(21,200)</u>	<u>-</u>
Total other financing sources (uses)	<u>(37,312)</u>	<u>(58,511)</u>	<u>(21,199)</u>	<u>(66,917)</u>
Net change in fund balance	<u>\$ -</u>	<u>31,375</u>	<u>\$ 31,375</u>	<u>63,368</u>
Fund Balance:				
Beginning of year - July 1		<u>461,556</u>		<u>398,188</u>
End of year - June 30		<u>\$ 492,931</u>		<u>\$ 461,556</u>

CHOWAN COUNTY, NORTH CAROLINA

**LOTTERY PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Lottery proceeds	\$ 30,048	\$ -	\$ 30,048	\$ 30,048
Expenditures:				
Education:				
Capital outlay:				
School projects	30,048	-	30,048	30,048
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

CHOWAN COUNTY, NORTH CAROLINA

WATER FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Water sales	\$ 1,163,170	\$ 1,124,919	\$ 38,251	\$ 1,087,847
Reconnection fees	50,000	46,053	3,947	51,356
Miscellaneous revenue	16,400	22,212	(5,812)	35,498
Sales tax and other refunds	-	8	(8)	331
Taps and connection fees	7,000	17,750	(10,750)	14,625
Total operating revenues	<u>1,236,570</u>	<u>1,210,942</u>	<u>(25,628)</u>	<u>1,189,657</u>
Non-operating revenues:				
Investment earnings	500	780	(280)	980
Total non-operating revenues	<u>500</u>	<u>780</u>	<u>(280)</u>	<u>980</u>
Total revenues	<u>1,237,070</u>	<u>1,211,722</u>	<u>(25,908)</u>	<u>1,190,637</u>
Expenditures:				
Operating expenditures:				
Salaries and employee benefits	353,370	350,308		338,921
Utilities	99,607	96,848		105,493
Repairs and maintenance	79,099	69,956		75,947
Supplies and materials	113,418	113,306		111,458
Administrative services	435,512	273,686		283,236
Meters and minor improvements	15,235	(1,437)		-
Total operating expenditures	<u>1,096,241</u>	<u>902,667</u>	<u>193,574</u>	<u>915,055</u>
Capital outlay	<u>224,404</u>	<u>230,173</u>	<u>(5,769)</u>	<u>213,952</u>
Total expenditures	<u>1,320,645</u>	<u>1,132,840</u>	<u>187,805</u>	<u>1,129,007</u>

CHOWAN COUNTY, NORTH CAROLINA

WATER FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	<u>(83,575)</u>	<u>78,882</u>	<u>161,897</u>	<u>61,630</u>
Other Financing Sources (Uses):				
Transfers out	(80,000)	(80,000)	-	(80,000)
Appropriated fund balance	<u>163,575</u>	<u>-</u>	<u>(163,575)</u>	<u>-</u>
Total other financing sources (uses)	<u>83,575</u>	<u>(80,000)</u>	<u>(163,575)</u>	<u>(80,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(1,118)</u>	<u>\$ (1,118)</u>	<u>\$ (18,370)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Capital outlay		80,004		
Depreciation		(329,025)		
Change in accrued vacation		(4,020)		
Change in other post-employment benefits liability		<u>(15,128)</u>		
Total reconciling items		<u>(268,169)</u>		
Change in net position		<u>\$ (269,287)</u>		

CHOWAN COUNTY, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Tipping fees	\$ 1,092,822	\$ 1,102,935	\$ (10,113)	\$ 1,155,506
Restricted intergovernmental	54,415	54,415	-	68,193
Other taxes and licenses	8,000	4,920	3,080	7,425
Total operating revenues	<u>1,155,237</u>	<u>1,162,270</u>	<u>7,033</u>	<u>1,231,124</u>
Non-operating revenues:				
Investment earnings	-	648	(648)	607
Total non-operating revenues	<u>-</u>	<u>648</u>	<u>(648)</u>	<u>607</u>
Total revenues	<u>1,155,237</u>	<u>1,162,918</u>	<u>6,385</u>	<u>1,231,731</u>
Expenditures:				
Operating expenditure:				
Total operating expenditures	<u>1,008,833</u>	<u>1,005,184</u>	<u>-</u>	<u>888,635</u>
Capital outlay	<u>25,060</u>	<u>-</u>	<u>25,060</u>	<u>-</u>
Total expenditures	<u>1,033,893</u>	<u>1,005,184</u>	<u>28,709</u>	<u>888,635</u>
Revenues over (under) expenditures	<u>121,344</u>	<u>157,734</u>	<u>35,094</u>	<u>343,096</u>
Other Financing Sources (Uses):				
Appropriated fund balance	36,000	-	(36,000)	-
Transfers out	<u>(157,344)</u>	<u>(157,344)</u>	<u>-</u>	<u>(157,344)</u>
Total other financing sources (uses)	<u>(121,344)</u>	<u>(157,344)</u>	<u>(36,000)</u>	<u>(157,344)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 390</u>	<u>\$ 390</u>	<u>\$ 185,752</u>

CHOWAN COUNTY, NORTH CAROLINA

EMERGENCY MEDICAL SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Ambulance fees	\$ 928,000	\$ 928,154	\$ 154	\$ 959,931
Miscellaneous revenue	145,194	131,916	(13,278)	106,118
Total operating revenues	<u>1,073,194</u>	<u>1,060,070</u>	<u>(13,124)</u>	<u>1,066,049</u>
Non-operating revenues:				
Investment earnings	-	28	28	74
Total non-operating revenues	<u>-</u>	<u>28</u>	<u>28</u>	<u>74</u>
Total revenues	<u>1,073,194</u>	<u>1,060,098</u>	<u>(13,096)</u>	<u>1,066,123</u>
Expenditures:				
Administration and operating:				
Salaries and employee benefits	1,167,575	1,166,644	-	1,104,978
Utilities	18,363	18,363	-	15,435
Maintenance and repairs	47,676	47,273	-	38,283
Automotive supplies	48,364	48,364	-	38,122
Supplies and materials	41,941	41,772	-	46,219
Contracted services	54,418	54,418	-	70,563
Administrative services	50,427	39,473	-	31,076
Total	<u>1,428,764</u>	<u>1,416,307</u>	<u>12,457</u>	<u>1,344,676</u>
Debt service:				
Debt principal	-	-	-	3,251
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,251</u>
Capital outlay	<u>255,733</u>	<u>248,564</u>	<u>7,169</u>	<u>-</u>
Total expenditures	<u>1,684,497</u>	<u>1,664,871</u>	<u>19,626</u>	<u>1,347,927</u>

CHOWAN COUNTY, NORTH CAROLINA

EMERGENCY MEDICAL SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(611,303)	(604,773)	6,530	(281,804)
Other Financing Sources (Uses):				
Appropriated fund balance	8,648	-	(8,648)	-
Transfers in	602,655	602,655	-	267,363
Total other financing sources (uses)	611,303	602,655	(8,648)	267,363
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(2,118)	\$ (2,118)	\$ (14,441)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Capital outlay		230,016		
Depreciation		(82,805)		
Change in accrued vacation		(6,840)		
Change in other post-employment benefits liability		(20,055)		
Change in net position		\$ 118,198		

CHOWAN COUNTY, NORTH CAROLINA

WATER DEVELOPMENT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Water development fees	\$ 15,000	\$ 32,547	\$ 17,547	\$ 29,950
Investment earnings	1,000	618	(382)	1,078
Total revenues	<u>16,000</u>	<u>33,165</u>	<u>17,165</u>	<u>31,028</u>
Expenditures:				
Capital outlay	59,386	59,386	-	-
Total expenditures	<u>59,386</u>	<u>59,386</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(43,386)</u>	<u>(26,221)</u>	<u>17,165</u>	<u>31,028</u>
Other Financing Sources (Uses):				
Transfers in (out)	(16,000)	-	16,000	-
Appropriated fund balance	59,386	-	(59,386)	-
Total other financing sources (uses)	<u>43,386</u>	<u>-</u>	<u>(43,386)</u>	<u>-</u>
Revenues and other financing sources (uses)	<u>\$ -</u>	<u>\$ (26,221)</u>	<u>\$ (26,221)</u>	<u>\$ 31,028</u>

CHOWAN COUNTY, NORTH CAROLINA

AGENCY FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2014

	Social Services Protective Payee Fund	Drainage Districts	Edenton Tax Collections	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash and cash equivalents	\$ 3,788	\$ -	\$ 8	\$ 3,796
Total assets	<u>\$ 3,788</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 3,796</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 8	\$ 8
Due to others	<u>3,788</u>	<u>-</u>	<u>-</u>	<u>3,788</u>
Total liabilities	<u>\$ 3,788</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 3,796</u>

CHOWAN COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Social Services - Protective Payees:</u>				
Assets:				
Cash and cash equivalents	\$ 10,602	\$ 25,894	\$ (32,708)	\$ 3,788
Liabilities:				
Payables	\$ 10,602	\$ 25,894	\$ 32,708	\$ 3,788
<u>Drainage Districts:</u>				
Assets:				
Cash and cash equivalents	\$ 4,212	\$ 15,581	\$ (19,793)	\$ -
Liabilities:				
Payables	\$ 4,212	\$ 15,581	\$ (19,793)	\$ -
<u>Edenton Tax Collections:</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,653,272	\$ (1,653,264)	\$ 8
Liabilities:				
Payables	\$ -	\$ 1,653,272	\$ (1,653,264)	\$ 8
<u>Totals - All Agency Funds:</u>				
Assets:				
Cash, cash equivalents, and accounts payable	\$ 14,814	\$ 1,694,747	\$ (1,705,765)	\$ 3,796
Liabilities:				
Payables	\$ 14,814	\$ 1,694,747	\$ (1,705,765)	\$ 3,796

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 10,637,593	\$ 10,363,875	\$ 273,718
2012-2013	286,612	-	162,436	124,176
2011-2012	119,392	-	42,696	76,696
2010-2011	62,036	-	15,312	46,724
2009-2010	48,846	-	11,921	36,925
2008-2009	32,651	-	4,876	27,775
2007-2008	18,281	-	1,472	16,809
2006-2007	16,740	-	956	15,784
2005-2006	17,510	-	832	16,678
2004-2005	11,103	-	1,142	9,961
2003-2004	10,021	-	10,021	-
Total	<u>\$ 623,192</u>	<u>\$ 10,637,593</u>	<u>\$ 10,615,539</u>	645,246
Plus uncollected 2013-2014 ad valorem taxes receivable - motor vehicles				1,717
Less allowance for uncollectible ad valorem taxes receivable				<u>(340,000)</u>
Ad valorem taxes receivable - net				<u>\$ 306,963</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 10,752,644
Reconciling items:				
Interest and penalties				(97,297)
Refunds and other adjustments				(49,829)
Amounts written off per statute of limitations				<u>10,021</u>
Total collections and credits				<u>\$ 10,615,539</u>

CHOWAN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,414,176,496	\$ 0.685	\$ 9,687,109	\$ 9,687,109	\$ -
Motor vehicles taxed at current year's rate	148,145,547	0.685	1,014,797	-	1,014,797
Total	<u>1,562,322,044</u>		<u>10,701,906</u>	<u>9,687,109</u>	<u>1,014,797</u>
Discoveries:					
Less releases and adjustments	<u>(9,388,759)</u>		<u>(64,313)</u>	<u>(49,193)</u>	<u>(15,120)</u>
Total property valuation	<u>\$ 1,552,933,285</u>				
Net Levy			10,637,593	9,637,916	999,677
Uncollected taxes at June 30, 2014			<u>(273,718)</u>	<u>(227,406)</u>	<u>(46,312)</u>
Current Year's Taxes Collected			<u>\$ 10,363,875</u>	<u>\$ 9,410,510</u>	<u>\$ 953,365</u>
Current Levy Collection Percentage			<u>97.43%</u>	<u>97.64%</u>	<u>95.37%</u>
Secondary Market Disclosures:					
Assessed valuation:					
Assessment ratio					100.00%
Real property					\$ 1,379,441,535
Personal property					148,145,547
Public service companies					<u>25,346,202</u>
Total assessed valuation					<u>\$ 1,552,933,285</u>
Tax rate per \$100					<u>\$ 0.685</u>
Levy (includes discoveries, releases, and abatements)					<u>\$ 10,637,593</u>
In addition to the County-wide rate, the County had the following levy on behalf of fire protection districts for the fiscal year ended June 30, 2014.					<u>\$ 484,645</u>

CHOWAN COUNTY, NORTH CAROLINA

BALANCE SHEET

**CHOWAN COUNTY TOURISM DEVELOPMENT AUTHORITY
JUNE 30, 2014**

	Tourism Development Authority
Assets:	
Cash and cash equivalents	\$ 82,403
Accounts receivable, net	505
Total assets	<u>\$ 82,908</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances:	
Liabilities:	
Accounts payable and accrued liabilities	\$ 99
Total liabilities	<u>99</u>
 Fund Balances:	
Restricted:	
Stabilization for State statute	505
Restricted for economic development	<u>82,304</u>
Total fund balance	<u>82,809</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 82,908</u>

CHOWAN COUNTY, NORTH CAROLINA

**CHOWAN COUNTY TOURISM DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Sales and service	\$ -	\$ 2,250	\$ 2,250	\$ 3,100
Other taxes and licenses	113,000	122,855	9,855	121,446
Restricted intergovernmental revenues	100,000	30,000	(70,000)	-
Miscellaneous revenues	-	1,043	1,043	3,382
Investment earnings	-	96	96	80
Total revenues	<u>213,000</u>	<u>156,244</u>	<u>(56,756)</u>	<u>128,008</u>
Expenditures:				
Economic development:				
Contracted services	850	600	250	6,327
Reimbursements	18,384	12,060	6,324	16,150
Miscellaneous expenses	191,016	142,164	48,852	96,993
Capital outlay	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Total expenditures	<u>213,250</u>	<u>154,824</u>	<u>58,426</u>	<u>119,470</u>
Revenues over (under) expenditures	<u>(250)</u>	<u>1,420</u>	<u>1,670</u>	<u>8,538</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>250</u>	<u>-</u>	<u>(250)</u>	<u>-</u>
Total other financing sources (uses)	<u>250</u>	<u>-</u>	<u>(250)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>1,420</u>	<u>\$ 1,420</u>	<u>8,538</u>
Fund Balance:				
Beginning of year - July 1		<u>81,389</u>		<u>72,851</u>
End of year - June 30		<u>\$ 82,809</u>		<u>\$ 81,389</u>

CHOWAN COUNTY, NORTH CAROLINA**EMERGENCY TELEPHONE SYSTEM FUND UNSPENT BALANCE****PSAP RECONCILIATION****JUNE 30, 2014**

Amounts reported on the Emergency Telephone System Fund budget to actual (Schedule D-3) are different from the PSAP Revenue - Expenditure Report because:

Ending fund balance, reported on budget to actual (Schedule D-3)	\$ 298,908
Eligible 911 expenditures reported in General Fund (interfund transfer to be recorded in subsequent year):	
Other expenditures	<u>(9,448)</u>
Ending balance, PSAP Revenue - Expenditure Report	<u>\$ 289,460</u>

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

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*

Independent Auditor's Report

To the Board of Commissioners
Chowan County
Edenton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, (the County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 9, 2014. 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 of the financial statements, we considered Chowan County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chowan County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies, 2014-001, 2014-002, and 2014-003, described in the accompanying Schedule of Findings and Questioned Costs 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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Chowan County's Responses to Findings

Chowan County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 9, 2014

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Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Chowan County
Edenton, North Carolina

Report On Compliance for Each Major Federal Program

We have audited the compliance of Chowan County, North Carolina, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Chowan County's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 non-compliance 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 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Chowan County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Chowan County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report On Internal Control Over Compliance

Management of Chowan County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Chowan County's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chowan County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 9, 2014

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

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Chowan County
Edenton, North Carolina

Report On Compliance for Each Major State Program

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 could have a direct and material effect on each of Chowan County's major State programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Chowan County's major State programs based on our audit of the types of compliance requirements referred to above. 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; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations* 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 non-compliance 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 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 on compliance for each major State program. However, our audit does not provide a legal determination of Chowan County's compliance.

Opinion on Each Major State Program

In our opinion, Chowan County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

Report On Internal Control Over Compliance

Management of Chowan County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Chowan County's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chowan County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on our requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 9, 2014

CHOWAN COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget, Circular A-133, Audits of States, Local Governments, and Non Profit Organizations, section .510(a)? Yes X No

Identification of major Federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.775, 93.777, 93.778
Child Care Development Fund Cluster	93.575, 93.596

Dollar threshold used to distinguish between Type A and Type B Programs \$515,186

Auditee qualified as low-risk auditee? Yes X No

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Findings Related to the Audit of the Basic Financial Statements

2014-001

Criteria: Management should design a system of internal controls that limits the same personnel from having access to assets and having access to the general ledger.

Condition: Due to the limited number of personnel in the County's office, there are inherent limitations to segregation of duties among County personnel.

Context: While performing documentation and testing of major systems of internal controls, we noted the condition described above.

Effect: Adequate segregation of duties is not in place.

Cause: There are a limited number of personnel for certain functions.

Recommendation: Access to the books and records of the County should be separated from access to the assets of the County as much as possible. Alternative controls should be used to compensate for any lack of segregation of duties.

Contact Person: Kevin Howard, County Manager

Management's Response: Management acknowledges the existence of the weakness, concurs with the finding.

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Findings Related to the Audit of the Basic Financial Statements (continued)

2014-002

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicated that the County's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Context: The external auditor identified significant audit adjustments as defined above.

Effect: Internal financial statements, provided to management during the year, may report results that are significantly different than the audited results provided after year-end.

Cause: Insufficient monthly reconciliations and inherent limitations due to the size of the finance staff.

Recommendation: Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the County's available resources.

Contact Person: Kevin Howard, County Manager

Management's Response: Management is aware that year-end audit adjustments are typically required. Management will examine controls in place to see if they can be strengthened, given available resources, thus, reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function.

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Findings Related to the Audit of the Basic Financial Statements (continued)

2014-003

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board (GASB) requires a level of technical expertise not possessed by the County's personnel with regards to drafting full accrual, full disclosure GAAP financial statements.

Context: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules.

Effect: Errors in full accrual, full disclosure, financial reporting could occur.

Cause: Limited County resources as it relates to the preparation of full accrual, full disclosure, year-end financial statements.

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears prohibitive. Therefore, the County should exercise due care in reviewing the financial statements drafted by the external auditor as the County is responsible for the accuracy of the audited financial statements.

Contact Person: Kevin Howard, County Manager

Management Response: Management in the future will exercise due care in reviewing the financial statements drafted by the external auditor, as the County is responsible for the accuracy of the audited financial statements.

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

3. Federal Award Findings, Responses, and Questioned Costs

None reported.

4. State Award Findings, Responses, and Questioned Costs

None reported.

CHOWAN COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Finding: 2013-001

Status: Repeated as 2014-001

Finding: 2013-002

Status: Repeated as 2014-002

Finding: 2013-003

Status: Repeated as 2014-003

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
Federal Awards:			
U.S. Department of Agriculture:			
Food and Nutrition Service			
Passed-through N.C. Department of Health & Human Services			
Division of Social Services:			
Administration			
Supplemental Nutrition Assist. Program Cluster			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561	\$ 241,430	\$ -
Passed-through N.C. Department of Health & Human Services			
Division of Public Health:			
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infant, and Children	10.557	357,147	-
Total U.S. Department of Agriculture		<u>598,577</u>	<u>-</u>
Administration for Children and Families:			
Passed-through the N.C. Department of Health and Human Services			
Division of Social Services:			
Title IV-E Foster Care - Administration	93.658	30,833	7,327
Administration	93.658	2,645	3,000
Foster Care - Direct Benefit Payments	93.658	(495)	2,489
Adoption Assistance - Administration	93.659	139	-
Adoption Assistance - Direct Benefit Payments	93.659	26,872	7,003
Total Foster Care and Adoption Cluster (Note 2)		<u>59,994</u>	<u>19,819</u>
<u>Temporary Assistance for Needy Families Cluster</u>			
Temporary Assistance for Needy Families (TANF) /			
Work First - Administration	93.558	175,485	-
TANF / Work First - Direct Benefit Payments	93.558	112,935	-
Total TANF Cluster		288,420	-
NC Child Support Enforcement Section:			
IV-D Administration / CSE Incentive Recovery	93.563	129,037	-
IV-D Offset Fees - ESC	93.563	62	-
IV-D Offset Fees - Federal	93.563	962	-
Low-Income Home Energy Assistance Block Grant:			
Administration	93.568	201,111	-
Child Welfare Services - State Grants			
- Permanency Planning - Families for Kids	93.645	8,955	-
SSBG - Other Service and Training	93.667	59,616	13,178
LINKS - Administration	93.674	1,495	374
LINKS - Direct Benefit Payments	93.674	1,316	-
Family Preservation	93.556	542	-
AFDC Payments- Direct Benefit Payments	93.560	(197)	(54)

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
Division of Child Development:			
Subsidized Child Care (Note 2)			
Child Care Development Fund Cluster:			
Division of Social Services:			
Child Care Development Fund - Administration	93.596	78,248	-
Division of Child Development:			
Child Care and Development Block Grant	93.575	247,448	-
Child Care and Development Fund - Mandatory	93.596	160,442	-
Child Care and Development Fund - Match	93.596	34,842	-
Total Childcare Development Fund Cluster		520,980	-
TANF	93.558	137,312	-
Foster Care Title IV-E	93.658	7,086	3,709
TANF - MOE		-	22,858
State Appropriations		-	7,050
Total Subsidized Child Care Cluster		665,378	33,617
Centers for Medicare and Medicaid Services:			
Passed-through the N.C. Department of Health and Human Services			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medical Assistance Program	93.778	14,522,864	8,235,340
Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	368,488	8,546
Total Medicaid Cluster:		14,891,352	8,243,886
Direct Benefit Payments:			
State Children's Insurance Program - N.C. Health Choice	93.767	222,141	70,034
Administration:			
State Children's Insurance Program - N.C. Health Choice	93.767	8,795	356
Total Centers for Medicare and Medicaid Services		15,122,288	8,314,276
Department of Homeland Security			
Passed-through the N.C. Department of Crime Control and Public Safety:			
Emergency Management	14.239	35,317	-
Total Federal Awards		<u>\$ 17,172,873</u>	<u>8,381,210</u>
State Awards:			
N.C. Department of Health and Human Services:			
Division of Aging and Adult Services:			
Division of Social Services:			
State/County Special Assistance for Adults - DBP			200,119
Division of Social Services:			
Administration:			
AFDC Incentive/Program Integrity			1,146
Direct Benefits:			
CWS Adoption Subsidy			10,935
State Foster Home			1,821
Total Division of Social Services			<u>214,021</u>

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
N.C. Department of Environmental & Natural Resources:			
Division of Soil & Water Conservation			
Soil & Water - Agricultural Cost Share			23,709
Soil & Water Conservation-Admin			3,600
Total N.C. Department of Environmental & Natural Resources			<u>27,309</u>
N.C. Department of Administration:			
Veterans Service Officer			<u>1,452</u>
N.C. Department of Insurance:			
SHIIP Mini Grant			<u>4,392</u>
N.C. Department of Public Instruction			
Public School Building Capital Fund			<u>133,621</u>
N.C. Department of Crime Control and Public Safety			
CERT Grant			<u>1,607</u>
Total State Awards			<u>382,402</u>
Total Federal and State Awards		<u>\$ 17,172,873</u>	<u>\$ 8,763,612</u>

Notes to the Schedule of Expenditures of Federal and State 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, Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered Federal awards to the County and are included on this schedule.

2 The following are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes:

 Subsidized Child Care and Foster Care and Adoption