

**CHOWAN COUNTY  
NORTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**



# CHOWAN COUNTY, NORTH CAROLINA

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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, 2015, 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, 2015, 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, the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County 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, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of 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 10, 2015, 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 10, 2015

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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, 2015. 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.

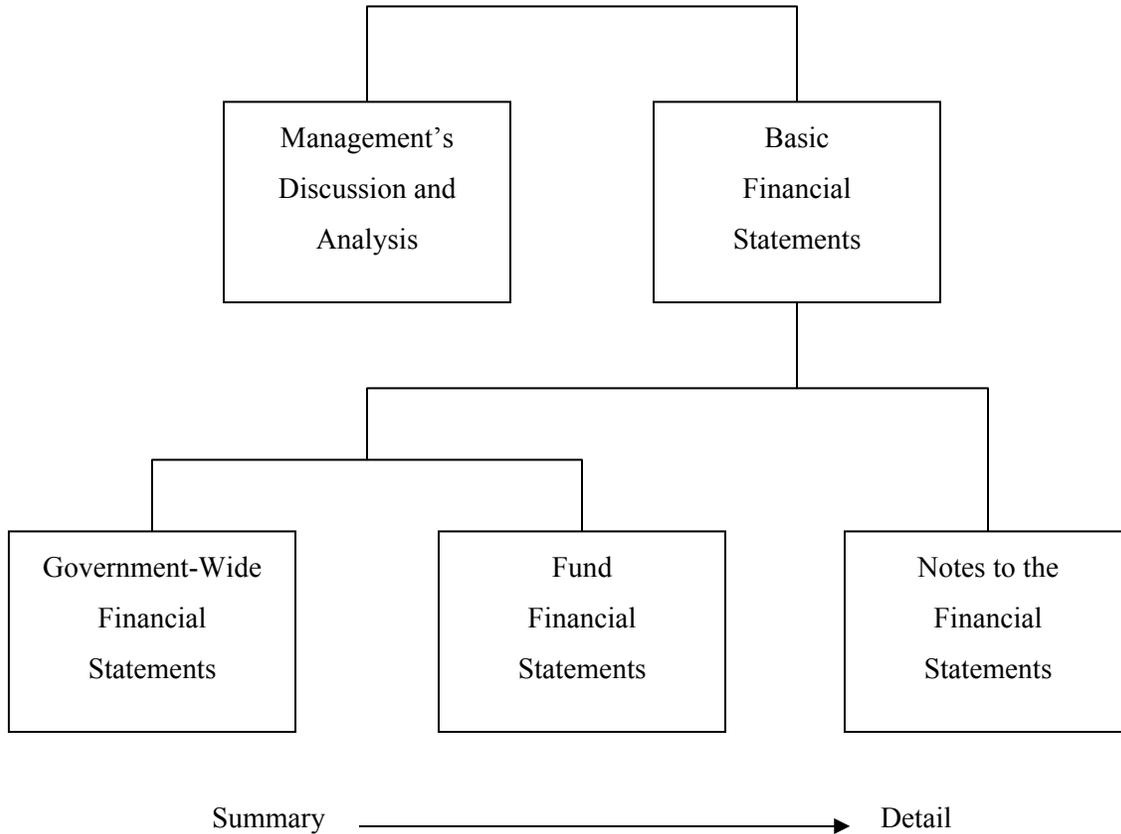
### **Financial Highlights**

- The assets and deferred outflows of resources of Chowan County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$31,110,349 (net position).
- The government's total net position increased by \$1,334,789 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 \$8,956,889, after a net increase in fund balance of \$1,121,989. Approximately 25% of this total amount, or \$2,194,055, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the consolidated General Fund was \$6,909,958, or 39% of total General Fund expenditures and transfers to other funds for the fiscal year.
- Chowan County's total debt decreased by \$1,960,972 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 next 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.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

### **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 government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

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).

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. 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. Chowan County uses enterprise funds to account for its water and sewer activity, solid waste operations, and emergency medical services activity.

These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Assets:</b>						
Current and other assets	\$ 9,839,045	\$ 8,298,866	\$ 2,473,367	\$ 2,461,633	\$12,312,412	\$10,760,499
Capital assets	<u>34,297,411</u>	<u>35,589,924</u>	<u>5,162,654</u>	<u>5,501,136</u>	<u>39,460,065</u>	<u>41,091,060</u>
Total assets	<u>44,136,456</u>	<u>43,888,790</u>	<u>7,636,021</u>	<u>7,962,769</u>	<u>51,772,477</u>	<u>51,851,559</u>
<b>Deferred Outflows of Resources:</b>						
Contributions to the pension plan in the current fiscal year	315,678	303,827	47,032	45,479	362,710	349,306
Pension deferrals	<u>29,178</u>	<u>-</u>	<u>4,336</u>	<u>-</u>	<u>33,514</u>	<u>-</u>
Total deferred outflows of resources	<u>344,856</u>	<u>303,827</u>	<u>51,368</u>	<u>45,479</u>	<u>396,224</u>	<u>349,306</u>
<b>Liabilities:</b>						
Long-term liabilities, outstanding	16,962,460	19,519,521	459,202	563,453	17,421,662	20,082,974
Other liabilities	<u>2,157,959</u>	<u>2,135,929</u>	<u>140,944</u>	<u>160,564</u>	<u>2,298,903</u>	<u>2,296,493</u>
Total liabilities	<u>19,120,419</u>	<u>21,655,450</u>	<u>600,146</u>	<u>724,017</u>	<u>19,720,565</u>	<u>22,379,467</u>
<b>Deferred Inflows of Resources:</b>						
Pension deferrals	1,115,907	-	167,536	-	1,283,443	-
Prepaid taxes	<u>54,344</u>	<u>45,838</u>	<u>-</u>	<u>-</u>	<u>54,344</u>	<u>45,838</u>
Total deferred inflows of resources	<u>1,170,251</u>	<u>45,838</u>	<u>167,536</u>	<u>-</u>	<u>1,337,787</u>	<u>45,838</u>
<b>Net Position:</b>						
Net investment in capital assets	18,275,904	17,607,445	5,162,654	5,501,136	23,438,558	23,108,581
Restricted	2,170,805	1,839,679	-	-	2,170,805	1,839,679
Unrestricted	<u>3,743,933</u>	<u>3,044,205</u>	<u>1,757,053</u>	<u>1,783,095</u>	<u>5,500,986</u>	<u>4,827,300</u>
Total net position	<u>\$24,190,642</u>	<u>\$22,491,329</u>	<u>\$ 6,919,707</u>	<u>\$ 7,284,231</u>	<u>\$31,110,349</u>	<u>\$29,775,560</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 \$31,110,349 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 \$5,500,986 for the government as a whole.

**Chowan County's Changes in Net Position**  
**Figure 3**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
Charges for services	\$ 3,755,296	\$ 3,598,948	\$ 3,523,898	\$ 3,465,829	\$ 7,279,194	\$ 7,064,777
Operating grants and contributions	871,209	858,986	-	-	871,209	858,986
Capital grants and contributions	242,897	65,365	-	-	242,897	65,365
General revenues:						
Property taxes	10,235,766	11,184,729	-	-	10,235,766	11,184,729
Other taxes	3,462,065	3,170,644	-	-	3,462,065	3,170,644
Other	8,012	11,579	1,997	2,074	10,009	13,653
Total revenues	<u>18,575,245</u>	<u>18,890,251</u>	<u>3,525,895</u>	<u>3,467,903</u>	<u>22,101,140</u>	<u>22,358,154</u>
<b>Expenses:</b>						
General government	4,309,746	4,778,925	-	-	4,309,746	4,778,925
Public safety	3,595,625	3,759,025	-	-	3,595,625	3,759,025
Economic and physical development	177,427	156,930	-	-	177,427	156,930
Environmental protection	182,686	133,686	-	-	182,686	133,686
Human services	3,286,520	3,330,782	-	-	3,286,520	3,330,782
Cultural and recreation	1,019,041	902,347	-	-	1,019,041	902,347
Education	3,870,549	3,917,198	-	-	3,870,549	3,917,198
Interest on long-term debt	349,585	401,512	-	-	349,585	401,512
Water Fund	-	-	1,454,037	1,401,009	1,454,037	1,401,009
Solid Waste Fund	-	-	971,171	1,005,184	971,171	1,005,184
Water Development Fund	-	-	-	59,386	-	59,386
Emergency Management Fund	-	-	1,549,964	1,544,555	1,549,964	1,544,555
Total expenses	<u>16,791,179</u>	<u>17,380,404</u>	<u>3,975,172</u>	<u>4,010,134</u>	<u>20,766,351</u>	<u>21,390,538</u>
Increase (decrease) in net assets before transfers	1,784,066	1,509,847	(449,277)	(542,231)	1,334,789	967,616
Transfers	<u>(84,753)</u>	<u>(365,311)</u>	<u>84,753</u>	<u>365,311</u>	<u>-</u>	<u>-</u>
Change in net position	<u>1,699,313</u>	<u>1,144,536</u>	<u>(364,524)</u>	<u>(176,920)</u>	<u>1,334,789</u>	<u>967,616</u>
<b>Net Position:</b>						
Beginning of year - July 1	23,049,143	21,904,607	7,373,295	7,550,215	30,422,438	29,454,822
Restatement	<u>(557,814)</u>	<u>-</u>	<u>(89,064)</u>	<u>-</u>	<u>(646,878)</u>	<u>-</u>
Beginning of year - July 1, as restated	<u>22,491,329</u>	<u>21,904,607</u>	<u>7,284,231</u>	<u>7,550,215</u>	<u>29,775,560</u>	<u>29,454,822</u>
End of year - June 30	<u>\$ 24,190,642</u>	<u>\$ 23,049,143</u>	<u>\$ 6,919,707</u>	<u>\$ 7,373,295</u>	<u>\$ 31,110,349</u>	<u>\$ 30,422,438</u>

**Governmental Activities.** Of total net position, governmental activities accounted for \$24,190,642 (77.76%). Property taxes provided 55.1% of funding at \$10,235,766. Charges for services funded \$3,755,296, and operating grants funded \$871,209 of Chowan County's governmental activities. The increase in governmental activities net position of \$1,699,313 was primarily due to an increase from General Fund activities of \$1,179,267. The increase in the General Fund was primarily due to a decrease in expenses and transfers out of \$404,597 from 2014.

**Business-Type Activities.** Business-type activities decreased Chowan County's net position by \$364,524. 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 \$8,956,889, an increase of \$1,121,989 from 2014. The increase is primarily due to an increase of \$1,179,267 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 \$6,909,958, while total fund balance reached \$8,222,327. The Governing Body of Chowan County has determined that the county should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 40.91% of consolidated General Fund expenditures and transfers to other funds, while total fund balance represents 48.68% 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 \$1,407,790. 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 \$675,441, the Solid Waste Fund totaled \$745,196, the Water Development Fund totaled \$617,463, and the Emergency Management Fund had negative unrestricted net position of \$281,047.

**Capital Asset and Debt Administration**

**Capital Assets.** Chowan County’s capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$39,460,065 (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 4.0% (a 3.6% decrease for governmental activities).

**Chowan County’s Capital Assets  
Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 3,329,162	\$ 3,329,162	\$ 140,847	\$ 140,847	\$ 3,470,009	\$ 3,470,009
Plant and systems	-	-	4,091,754	4,365,948	4,091,754	4,365,948
Buildings	30,366,042	31,483,331	689,157	627,935	31,055,199	32,111,266
Equipment	602,207	777,431	240,896	366,406	843,103	1,143,837
Governmental activities capital assets, net	<u>\$ 34,297,411</u>	<u>\$35,589,924</u>	<u>\$ 5,162,654</u>	<u>\$ 5,501,136</u>	<u>\$ 39,460,065</u>	<u>\$ 41,091,060</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>June 30, 2014</u>	<u>June 30, 2015</u>
<b>Governmental Activities:</b>		
Qualified Zone Academy Bonds	\$ 1,171,416	\$ 1,067,843
Notes payable	16,811,063	14,953,664
Total governmental activities	<u>\$ 17,982,479</u>	<u>\$ 16,021,507</u>

Chowan County’s total governmental debt decreased by \$1,960,972 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 NC DMV taking over the collections of MV taxes, the increase in the county's collection rate allowed for budgeting additional revenues.
- Ongoing concerns of maintaining an acceptable Fund Balance, the Chowan County Board of Commissioners increase the property tax rate 2.5 cent.

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, 2016**

**Governmental Activities.** 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 \$16,270,470. A large portion increase was due to EMS operational cost.

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

**Business-Type Activities.** In EMS, additional monies were needed from the General Fund, to offset declining emergency services calls and loss of dialysis patients. 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 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. You can also call (252) 482-8334, visit our website [www.chowancounty-nc.gov](http://www.chowancounty-nc.gov) or send an email to [info@chowancounty-nc.gov](mailto:info@chowancounty-nc.gov) for more information.

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## CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-Type Activities	Total	Chowan County Tourism Development Authority	Chowan County ABC Board
<b>Assets:</b>					
Cash and cash equivalents	\$ 7,301,497	\$ 2,013,509	\$ 9,315,006	\$ 53,910	\$ 213,628
Restricted cash	461,122	33,827	494,949	-	-
Taxes receivable, net	247,884	-	247,884	-	-
Accounts receivable, net	8,048	569,010	577,058	-	-
Due from other governments	1,079,232	-	1,079,232	-	-
Due from component unit	1,452	-	1,452	-	-
Internal balances	221,946	(221,946)	-	-	-
Inventories	-	10,227	10,227	-	141,851
Prepaid items	23,250	-	23,250	-	3,636
Net pension asset	494,614	68,740	563,354	-	4,246
Capital assets:					
Non-depreciable capital assets	3,329,162	140,847	3,470,009	-	-
Capital assets, net	30,968,249	5,021,807	35,990,056	-	381,152
Total capital assets	34,297,411	5,162,654	39,460,065	-	381,152
Total assets	44,136,456	7,636,021	51,772,477	53,910	744,513
<b>Deferred Outflows of Resources:</b>					
Contributions to the pension plan in the current fiscal year	315,678	47,032	362,710	-	4,525
Pension deferrals	29,178	4,336	33,514	-	3,678
Total deferred outflows of resources	344,856	51,368	396,224	-	8,203
<b>Liabilities:</b>					
Accounts payable and accrued expenses	85,314	88,865	174,179	-	185,159
Long-term liabilities:					
Due to primary government	-	-	-	1,452	-
Due within one year	2,072,645	18,252	2,090,897	-	-
Due in more than one year	16,962,460	459,202	17,421,662	-	128,581
Liabilities to be paid from restricted assets:					
Customer deposits	-	33,827	33,827	-	-
Total liabilities	19,120,419	600,146	19,720,565	1,452	313,740
<b>Deferred Inflows of Resources:</b>					
Pension deferrals	1,115,907	167,536	1,283,443	-	10,348
Prepaid taxes	54,344	-	54,344	-	-
Total deferred inflows of resources	1,170,251	167,536	1,337,787	-	10,348
<b>Net Position:</b>					
Net investment in capital assets	18,275,904	5,162,654	23,438,558	-	381,152
Restricted for:					
Stabilization for State statute	1,312,072	-	1,312,072	-	-
Register of Deeds	27,543	-	27,543	-	-
Public Safety	385,176	-	385,176	-	-
Economic Development	-	-	-	52,458	-
Working Capital	-	-	-	-	40,437
School Capital	446,014	-	446,014	-	-
Unrestricted	3,743,933	1,757,053	5,500,986	-	7,039
Total net position	\$ 24,190,642	\$ 6,919,707	\$ 31,110,349	\$ 52,458	\$ 428,628

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

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 4,309,746	\$ 471,786	\$ 11,413	\$ -
Public safety	3,595,625	516,299	643,414	38,220
Environmental protection	182,686	122,997	92,334	125,894
Economic and physical development	177,427	39,668	-	-
Human services	3,286,520	2,505,166	6,413	-
Cultural and recreational	1,019,041	99,380	14,062	-
Education	3,870,549	-	103,573	78,783
Interest on long-term debt	349,585	-	-	-
Total governmental activities	<u>16,791,179</u>	<u>3,755,296</u>	<u>871,209</u>	<u>242,897</u>
<b>Business-Type Activities:</b>				
Water Fund	1,454,037	1,181,791	-	-
Solid Waste Fund	971,171	1,169,734	-	-
Emergency Medical Services Fund	1,549,964	1,134,634	-	-
Water Development Fund	-	37,739	-	-
Total business-type activities	<u>3,975,172</u>	<u>3,523,898</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 20,766,351</u>	<u>\$ 7,279,194</u>	<u>\$ 871,209</u>	<u>\$ 242,897</u>
<b>Component Units:</b>				
Chowan County Tourism Development Authority	<u>\$ 256,497</u>	<u>\$ 226,032</u>	<u>\$ -</u>	<u>\$ -</u>
Chowan County ABC Board	<u>\$ 1,363,049</u>	<u>\$ 1,362,797</u>	<u>\$ -</u>	<u>\$ -</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, 2015

	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
<b>Functions/Programs:</b>					
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ (3,826,547)	\$ -	\$ (3,826,547)	\$ -	\$ -
Public safety	(2,397,692)	-	(2,397,692)	-	-
Environmental protection	158,539	-	158,539	-	-
Economic and physical development	(137,759)	-	(137,759)	-	-
Human services	(774,941)	-	(774,941)	-	-
Cultural and recreational	(905,599)	-	(905,599)	-	-
Education	(3,688,193)	-	(3,688,193)	-	-
Interest on long-term debt	(349,585)	-	(349,585)	-	-
Total governmental activities	<u>(11,921,777)</u>	<u>-</u>	<u>(11,921,777)</u>	<u>-</u>	<u>-</u>
<b>Business-Type Activities:</b>					
Water Fund	-	(272,246)	(272,246)	-	-
Solid Waste Fund	-	198,563	198,563	-	-
Emergency Medical Services Fund	-	(415,330)	(415,330)	-	-
Water Development Fund	-	37,739	37,739	-	-
Total business-type activities	<u>-</u>	<u>(451,274)</u>	<u>(451,274)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>(11,921,777)</u>	<u>(451,274)</u>	<u>(12,373,051)</u>	<u>-</u>	<u>-</u>
<b>Component Units:</b>					
Chowan County Tourism Development Authority				(30,465)	-
Chowan County ABC Board				-	(252)
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purpose	10,235,766	-	10,235,766	-	-
Local option sales tax	2,776,308	-	2,776,308	-	-
Other taxes and licenses	685,757	-	685,757	-	-
Investment earnings	8,012	1,997	10,009	114	252
Total general revenues	<u>13,705,843</u>	<u>1,997</u>	<u>13,707,840</u>	<u>114</u>	<u>252</u>
Transfers	(84,753)	84,753	-	-	-
Total general revenues and transfers	<u>13,621,090</u>	<u>86,750</u>	<u>13,707,840</u>	<u>114</u>	<u>252</u>
Change in net position	<u>1,699,313</u>	<u>(364,524)</u>	<u>1,334,789</u>	<u>(30,351)</u>	<u>-</u>
<b>Net Position:</b>					
Beginning of year - July 1	23,049,143	7,373,295	30,422,438	82,809	429,865
Restatement	(557,814)	(89,064)	(646,878)	-	(1,237)
Beginning of year, restated	<u>22,491,329</u>	<u>7,284,231</u>	<u>29,775,560</u>	<u>82,809</u>	<u>428,628</u>
End of year - June 30	<u>\$ 24,190,642</u>	<u>\$ 6,919,707</u>	<u>\$ 31,110,349</u>	<u>\$ 52,458</u>	<u>\$ 428,628</u>

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

## CHOWAN COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	Major		Nonmajor	Total Governmental Funds
	General	Debt Service Fund	Other Governmental Funds	
<b>Assets:</b>				
Cash and cash equivalents	\$ 6,578,055	\$ -	\$ 723,442	\$ 7,301,497
Restricted cash	461,122	-	-	461,122
Taxes receivable, net	233,764	-	14,120	247,884
Due from other funds	223,340	-	-	223,340
Due from other governments	1,064,327	-	14,905	1,079,232
Due from component unit	1,452	-	-	1,452
Accounts receivable, net	-	-	8,048	8,048
Prepaid items	23,250	-	-	23,250
Total assets	<u>\$ 8,585,310</u>	<u>\$ -</u>	<u>\$ 760,515</u>	<u>\$ 9,345,825</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 74,875	\$ -	\$ 10,439	\$ 85,314
Due to other funds	-	-	1,394	1,394
Total liabilities	<u>74,875</u>	<u>-</u>	<u>11,833</u>	<u>86,708</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable taxes	233,764	-	14,120	247,884
Prepaid taxes	54,344	-	-	54,344
Total deferred inflows of resources	<u>288,108</u>	<u>-</u>	<u>14,120</u>	<u>302,228</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepays	23,250	-	-	23,250
Restricted:				
Stabilization for State statute	1,289,119	-	22,953	1,312,072
Restricted, all other	473,557	-	385,176	858,733
Committed	584,200	-	-	584,200
Assigned	954,046	-	327,827	1,281,873
Unassigned	4,898,155	-	(1,394)	4,896,761
Total fund balances	<u>8,222,327</u>	<u>-</u>	<u>734,562</u>	<u>8,956,889</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,585,310</u>	<u>\$ -</u>	<u>\$ 760,515</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.	34,297,411
Net pension asset	494,614
Deferred outflows of resources related to pension	344,856
Deferred inflows of resources	247,884
Pension related deferrals	(1,115,907)
Long-term debt	(16,021,507)
Accrued vacation and other post-employment benefits	(3,013,598)
Net position of governmental activities	<u>\$ 24,190,642</u>

The accompanying notes are in 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, 2015

	Major		Nonmajor	Total Governmental Funds
	General	Debt Service Fund	Other Governmental Funds	
<b>Revenues:</b>				
Ad valorem taxes	\$ 9,846,183	\$ -	\$ 466,396	\$ 10,312,579
Local option sales taxes	2,737,641	-	38,667	2,776,308
Other taxes and licenses	513,204	-	88,591	601,795
Unrestricted intergovernmental revenues	83,962	-	-	83,962
Restricted intergovernmental revenues	2,803,925	-	78,783	2,882,708
Permits and fees	360,824	-	-	360,824
Sales and services	903,687	-	-	903,687
Investment earnings	7,148	-	864	8,012
Miscellaneous	722,047	-	136	722,183
Total revenues	<u>17,978,621</u>	<u>-</u>	<u>673,437</u>	<u>18,652,058</u>
<b>Expenditures:</b>				
Current:				
General government	3,146,115	-	-	3,146,115
Public safety	2,912,223	-	593,777	3,506,000
Environmental protection	182,686	-	-	182,686
Economic and physical development	182,816	-	-	182,816
Human services	3,273,337	-	-	3,273,337
Cultural and recreational	973,256	-	-	973,256
Education	3,791,766	-	78,783	3,870,549
Debt service	-	2,310,557	-	2,310,557
Total expenditures	<u>14,462,199</u>	<u>2,310,557</u>	<u>672,560</u>	<u>17,445,316</u>
Revenues over (under) expenditures	<u>3,516,422</u>	<u>(2,310,557)</u>	<u>877</u>	<u>1,206,742</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	89,500	2,310,557	-	2,400,057
Transfers (out)	<u>(2,426,655)</u>	<u>-</u>	<u>(58,155)</u>	<u>(2,484,810)</u>
Total other financing sources (uses)	<u>(2,337,155)</u>	<u>2,310,557</u>	<u>(58,155)</u>	<u>(84,753)</u>
Net change in fund balances	1,179,267	-	(57,278)	1,121,989
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>7,043,060</u>	<u>-</u>	<u>791,840</u>	<u>7,834,900</u>
End of year - June 30	<u>\$ 8,222,327</u>	<u>\$ -</u>	<u>\$ 734,562</u>	<u>\$ 8,956,889</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, 2015**

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	\$ 1,121,989
<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	(76,813)
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.	(295,700)
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.	78,870
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	315,678
Pension expense	(34,300)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,371,383)
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>1,960,972</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 1,699,313</u>

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

## CHOWAN COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund			Variance from Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 9,618,996	\$ 9,619,002	\$ 9,846,183	\$ 227,181
Local option sales taxes	1,890,000	1,890,000	2,015,250	125,250
Other taxes and licenses	82,250	97,197	118,556	21,359
Unrestricted intergovernmental revenues	81,500	81,500	83,962	2,462
Restricted intergovernmental revenues	2,406,279	2,695,788	2,700,352	4,564
Permits and fees	362,490	376,040	360,824	(15,216)
Sales and services	705,785	837,588	903,687	66,099
Investment earnings	6,250	6,250	6,834	584
Miscellaneous	34,500	88,658	98,624	9,966
Total revenues	<u>15,188,050</u>	<u>15,692,023</u>	<u>16,134,272</u>	<u>442,249</u>
<b>Expenditures:</b>				
Current:				
General government	2,810,528	2,852,551	2,712,163	140,388
Public safety	2,907,850	3,133,536	2,912,223	221,313
Environmental protection	176,921	213,000	182,686	30,314
Economic and physical development	180,714	287,455	182,816	104,639
Human services	3,502,843	3,562,307	3,273,337	288,970
Cultural and recreational	787,421	1,059,599	973,256	86,343
Education	3,866,929	4,074,776	3,714,342	360,434
Total expenditures	<u>14,233,206</u>	<u>15,183,224</u>	<u>13,950,823</u>	<u>1,232,401</u>
Revenues over (under) expenditures	<u>954,844</u>	<u>508,799</u>	<u>2,183,449</u>	<u>1,674,650</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,106,417	1,125,294	108,377	(1,016,917)
Transfers to other funds	(2,536,509)	(2,994,281)	(1,738,218)	1,256,063
Appropriated fund balance	475,248	1,360,188	-	(1,360,188)
Total other financing sources (uses)	<u>(954,844)</u>	<u>(508,799)</u>	<u>(1,629,841)</u>	<u>(1,121,042)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	553,608	<u>\$ 553,608</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>6,393,161</u>	
End of year - June 30			<u>\$ 6,946,769</u>	

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

## CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Water Fund	Solid Waste Fund	Emergency Medical Services Fund	Water Development Fund	Total
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 687,145	\$ 708,901	\$ -	\$ 617,463	\$ 2,013,509
Receivables, net	168,194	106,849	293,967	-	569,010
Restricted cash	33,827	-	-	-	33,827
Inventories	10,227	-	-	-	10,227
Total current assets	<u>899,393</u>	<u>815,750</u>	<u>293,967</u>	<u>617,463</u>	<u>2,626,573</u>
Non-current assets:					
Net pension asset	24,824	-	43,916	-	68,740
Non-depreciable capital assets	140,847	-	-	-	140,847
Capital assets, net	4,757,035	-	264,772	-	5,021,807
Total non-current assets	<u>4,922,706</u>	<u>-</u>	<u>308,688</u>	<u>-</u>	<u>5,231,394</u>
Total assets	<u>5,822,099</u>	<u>815,750</u>	<u>602,655</u>	<u>617,463</u>	<u>7,857,967</u>
<b>Deferred Outflows of Resources:</b>					
Contributions to pension plan in current fiscal year	16,985	-	30,047	-	47,032
Pension deferrals	1,566	-	2,770	-	4,336
Total deferred outflows of resources	<u>18,551</u>	<u>-</u>	<u>32,817</u>	<u>-</u>	<u>51,368</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	4,926	70,554	13,385	-	88,865
Due to other funds	-	-	221,946	-	221,946
Current portion of long-term debt	5,521	-	12,731	-	18,252
Liabilities to be paid from restricted assets:					
Customer deposits	33,827	-	-	-	33,827
Total current liabilities	<u>44,274</u>	<u>70,554</u>	<u>248,062</u>	<u>-</u>	<u>362,890</u>
Non-current liabilities:					
Non-current portion of long-term debt	162,550	-	296,652	-	459,202
Total non-current liabilities	<u>162,550</u>	<u>-</u>	<u>296,652</u>	<u>-</u>	<u>459,202</u>
Total liabilities	<u>206,824</u>	<u>70,554</u>	<u>544,714</u>	<u>-</u>	<u>822,092</u>
<b>Deferred Inflows of Resources:</b>					
Pension deferrals	60,503	-	107,033	-	167,536
<b>Net Position:</b>					
Net investment in capital assets	4,897,882	-	264,772	-	5,162,654
Unrestricted (deficit)	675,441	745,196	(281,047)	617,463	1,757,053
Total net position	<u>\$ 5,573,323</u>	<u>\$ 745,196</u>	<u>\$ (16,275)</u>	<u>\$ 617,463</u>	<u>\$ 6,919,707</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, 2015

	<u>Water Fund</u>	<u>Solid Waste Fund</u>	<u>Emergency Medical Services Fund</u>	<u>Water Development Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>					
Charges for services	\$ 1,095,680	\$ 1,071,359	\$ 1,028,810	\$ -	\$ 3,195,849
Other taxes and licenses	-	7,672	-	37,739	45,411
Other operating revenues	86,111	90,703	105,824	-	282,638
Total operating revenues	<u>1,181,791</u>	<u>1,169,734</u>	<u>1,134,634</u>	<u>37,739</u>	<u>3,523,898</u>
<b>Operating Expenses:</b>					
Salaries and employee benefits	374,105	-	1,176,015	-	1,550,120
Other operating expenses	743,602	971,171	270,864	-	1,985,637
Depreciation	336,330	-	103,085	-	439,415
Total operating expenses	<u>1,454,037</u>	<u>971,171</u>	<u>1,549,964</u>	<u>-</u>	<u>3,975,172</u>
Operating income (loss)	<u>(272,246)</u>	<u>198,563</u>	<u>(415,330)</u>	<u>37,739</u>	<u>(451,274)</u>
<b>Non-Operating Revenues (Expenses):</b>					
Interest earned on investments	764	687	-	546	1,997
Total non-operating revenues (expenses)	<u>764</u>	<u>687</u>	<u>-</u>	<u>546</u>	<u>1,997</u>
Net income (loss) before transfers	<u>(271,482)</u>	<u>199,250</u>	<u>(415,330)</u>	<u>38,285</u>	<u>(449,277)</u>
Transfers in	-	-	322,097	-	322,097
Transfers (out)	(80,000)	(157,344)	-	-	(237,344)
Total other transfers in (out)	<u>(80,000)</u>	<u>(157,344)</u>	<u>322,097</u>	<u>-</u>	<u>84,753</u>
Change in net position	<u>(351,482)</u>	<u>41,906</u>	<u>(93,233)</u>	<u>38,285</u>	<u>(364,524)</u>
<b>Net Position:</b>					
Beginning of year - July 1	5,956,969	703,290	133,858	579,178	7,373,295
Restatement	(32,164)	-	(56,900)	-	(89,064)
Beginning of year, as restated - July 1	<u>5,924,805</u>	<u>703,290</u>	<u>76,958</u>	<u>579,178</u>	<u>7,284,231</u>
End of year - June 30	<u>\$ 5,573,323</u>	<u>\$ 745,196</u>	<u>\$ (16,275)</u>	<u>\$ 617,463</u>	<u>\$ 6,919,707</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, 2015

	Water Fund	Solid Waste Fund	Emergency Medical Services Fund	Water Development Fund	Total
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 1,186,000	\$ 1,169,176	\$ 1,140,458	\$ 37,739	\$ 3,533,373
Cash paid for goods and services	(752,575)	(982,335)	(271,646)	-	(2,006,556)
Cash paid to employees for services	(377,025)	-	(1,185,867)	-	(1,562,892)
Net cash provided (used) by operating activities	<u>56,400</u>	<u>186,841</u>	<u>(317,055)</u>	<u>37,739</u>	<u>(36,075)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Advances from other funds	-	-	(5,042)	-	(5,042)
Transfers in (out)	(80,000)	(157,344)	322,097	-	84,753
Net cash provided (used) by non-capital financing activities	<u>(80,000)</u>	<u>(157,344)</u>	<u>317,055</u>	<u>-</u>	<u>79,711</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(100,933)	-	-	-	(100,933)
Net cash provided (used) by capital and related financing activities	<u>(100,933)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,933)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	764	687	-	546	1,997
Net increase (decrease) in cash and cash equivalents	(123,769)	30,184	-	38,285	(55,300)
<b>Cash and Cash Equivalents:</b>					
Beginning of year - July 1	844,741	678,717	-	579,178	2,102,636
End of year - June 30	<u>\$ 720,972</u>	<u>\$ 708,901</u>	<u>\$ -</u>	<u>\$ 617,463</u>	<u>\$ 2,047,336</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ (272,246)	\$ 198,563	\$ (415,330)	\$ 37,739	\$ (451,274)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	336,330	-	103,085	-	439,415
Pension expense	1,949	-	3,447	-	5,396
<b>Changes in Assets and Liabilities:</b>					
(Increase) decrease in accounts receivable	1,482	(558)	5,824	-	6,748
Increase (decrease) in accounts payable and accrued liabilities	(8,973)	(11,164)	(782)	-	(20,919)
Increase (decrease) in customer deposits	2,727	-	-	-	2,727
(Increase) decrease in deferred outflows of resources for pensions	(16,985)	-	(30,047)	-	(47,032)
Increase (decrease) in accrued vacation pay and OPEB	<u>12,116</u>	<u>-</u>	<u>16,748</u>	<u>-</u>	<u>28,864</u>
Net cash provided (used) by operating activities	<u>\$ 56,400</u>	<u>\$ 186,841</u>	<u>\$ (317,055)</u>	<u>\$ 37,739</u>	<u>\$ (36,075)</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, 2015**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 5,200
Total assets	<u>\$ 5,200</u>
<b>Liabilities:</b>	
Due to others	\$ 5,200
Total liabilities	<u>\$ 5,200</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, 2015

### 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, 2015

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. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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, 2015:

**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 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, 2015

**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. This fund will be consolidated into the Water Fund in fiscal year 2016.

**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. In accordance with North Carolina General Statutes, 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, 2015. 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, 2015

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. Likewise, general revenues include all taxes.

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, 2015

### 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, 2015

**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, 2015

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. Money in the School Capital Reserve Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 159-18 through 22. 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:	
Revaluation	\$ 15,108
School Capital Reserve Fund	446,014
Total governmental activities	<u>461,122</u>

#### Business-Type Activities:

Water Fund:	
Customer deposits	<u>33,827</u>
Total business-type activities	<u>33,827</u>
 Total restricted cash	 <u>\$ 494,949</u>

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **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, 2014. 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.

### **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.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

### 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. The County has two items that meet this criterion – contributions made to the pension plan in the current fiscal year and pension deferrals. 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 three items that meet this criterion for this category – prepaid taxes, taxes receivable, and other pension related deferrals.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **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.

### **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 intact.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

*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.

*Restricted for School Capital* – portion of fund balance restricted by State statute for School Capital Reserve Fund.

Restricted fund balance at June 30, 2015 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>
<b>Restricted, All Other:</b>		
Register of Deeds	\$ 27,543	\$ -
School Capital	446,014	-
Public safety	-	385,176
Total	\$ 473,557	\$ 385,176

**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 Revaluation* – portion of fund balance that can only be used for tax revaluation.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

<b>Purpose</b>	<b>General Fund</b>
<b>Committed, All Other:</b>	
Revaluation	\$ 15,108
Debt service	569,092
Total	\$ 584,200

**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.

*Subsequent year’s expenditures* - portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>
<b>Assigned, All Other:</b>		
Subsequent year's expenditures	\$ 954,046	\$ 327,827
Total	\$ 954,046	\$ 327,827

**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 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.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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	\$	8,222,327
<b>Less:</b>		
Prepays		23,250
Stabilization by State statute		<u>1,289,119</u>
Total available fund balance	\$	<u><u>6,909,958</u></u>

### Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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 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:

<b>Fund Balance - Ending (Exhibit F)</b>	\$ 6,946,769
<b>Tax Revaluation Fund:</b>	
Investment earnings	12
General government	(59,687)
Transfer in - General Fund	50,000
Fund balance - beginning	24,783
<b>School Capital Reserve Fund:</b>	
Local option sales tax	722,391
Restricted intergovernmental	103,573
Investment earnings	302
Education	(77,424)
Transfer in	200,000
Transfer (out)	(738,437)
Fund balance - beginning	358,687
<b>General Capital Reserve Fund:</b>	
Miscellaneous	623,423
Other taxes and licenses	394,648
General government	(374,265)
Transfer (out)	(218,877)
Fund balance - beginning	266,429
<b>Fund Balance - Ending (Exhibit D)</b>	<u>\$ 8,222,327</u>

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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, 2015, the County's deposits had a carrying amount of \$9,225,945 and a bank balance of \$9,731,680. Of the bank balance, \$2,165,986 was covered by federal depository insurance and \$7,565,694 was covered by collateral held by the State Treasurer under the pooling method. At June 30, 2015, Chowan County had \$350 cash on hand.

At June 30, 2015, the Chowan County Tourism Development Authority's deposits had a carrying amount of \$53,910 and a bank balance of \$53,910. 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, 2015

### Investments

At June 30, 2015, 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	\$ 6,360	\$ 6,360
NC Capital Management Trust - Term Portfolio	582,500	582,500
Total investments	<u>\$ 588,860</u>	<u>\$ 588,860</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, 2015. 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>
2012	\$ 475,764	\$ 112,994	\$ 588,758
2013	474,801	70,033	544,834
2014	713,978	41,043	755,021
2015	729,096	-	729,096
Total	<u>\$ 2,393,639</u>	<u>\$ 224,070</u>	<u>\$ 2,617,709</u>

**CHOWAN COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**4. Accounts Receivables - Disaggregate Information**

**Receivables at the Government-Wide Level at June 30, 2015:**

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Accounts Receivable:</b>			
Water Fund fees, net	\$ -	\$ 168,194	\$ 168,194
Solid Waste Fund, net	-	106,849	106,849
Emergency Medical Services Fund fees, net	-	293,967	293,967
Other receivables	8,048	-	8,048
<b>Total</b>	<u>\$ 8,048</u>	<u>\$ 569,010</u>	<u>\$ 577,058</u>
<b>Due from Other Governments:</b>			
Sales tax	<u>\$ 1,079,232</u>	<u>\$ -</u>	<u>\$ 1,079,232</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>
<b>General Fund:</b>	
Property taxes	\$ 350,000
Fire district taxes	15,000
<b>Total</b>	<u>\$ 365,000</u>
<b>Enterprise Funds:</b>	
Water Fund	\$ 109,097
Solid Waste Fund	68,903
<b>Total</b>	<u>\$ 178,000</u>

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
<b>Non-Depreciable Assets:</b>				
Land	\$ 3,329,162	\$ -	\$ -	\$ 3,329,162
<b>Depreciable Assets:</b>				
Buildings	45,315,657	-	-	45,315,657
Equipment	6,576,599	78,870	(262,646)	6,392,823
Total depreciable assets	51,892,256	78,870	(262,646)	51,708,480
<b>Less Accumulated Depreciation:</b>				
Buildings	13,832,326	1,117,289	-	14,949,615
Equipment	5,799,168	254,094	(262,646)	5,790,616
Total accumulated depreciation	19,631,494	\$ 1,371,383	\$ (262,646)	20,740,231
Total depreciable capital assets, net	32,260,762			30,968,249
Governmental activities capital assets, net	\$ 35,589,924			\$ 34,297,411

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

<b>Governmental Activities:</b>	<b>Amount</b>
General government	\$ 1,170,379
Public safety	153,995
Economic and physical development	150
Human services	8,490
Cultural and recreational	38,369
Total	\$ 1,371,383

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2015 are as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
<b>Water Fund:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 140,847	\$ -	\$ -	\$ 140,847
 <b>Depreciable Assets:</b>				
Plant and systems	10,383,029	-	-	10,383,029
Building and improvements	1,554,760	100,933	-	1,655,693
Equipment	434,799	-	-	434,799
Total	<u>12,372,588</u>	<u>100,933</u>	<u>-</u>	<u>12,473,521</u>
 <b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	6,017,081	274,194	-	6,291,275
Buildings and improvements	978,250	35,036	-	1,013,286
Equipment	384,825	27,100	-	411,925
Total accumulated depreciation	<u>7,380,156</u>	<u>\$ 336,330</u>	<u>\$ -</u>	<u>7,716,486</u>
Depreciable capital assets, net	<u>4,992,432</u>			<u>4,757,035</u>
Water Fund capital assets, net	<u>5,133,279</u>			<u>4,897,882</u>
 <b>Emergency Medical Services Fund:</b>				
<b>Depreciable Assets:</b>				
Building	217,000	\$ -	\$ -	217,000
Equipment	1,054,073	-	-	1,054,073
Total	<u>1,271,073</u>	<u>-</u>	<u>-</u>	<u>1,271,073</u>
 <b>Less Accumulated Depreciation:</b>				
Building	165,575	4,675	-	170,250
Equipment	737,641	98,410	-	836,051
Total accumulated depreciation	<u>903,216</u>	<u>\$ 103,085</u>	<u>\$ -</u>	<u>1,006,301</u>
Depreciable capital assets, net	<u>367,857</u>			<u>264,772</u>
Emergency Medical Services Fund capital assets, net	<u>367,857</u>			<u>264,772</u>
Business-type activities capital assets, net	<u>\$ 5,501,136</u>			<u>\$ 5,162,654</u>

**CHOWAN COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 34,297,411	\$ 5,162,654
Long-term debt	(16,021,507)	-
Net investment in capital assets	<u>\$ 18,275,904</u>	<u>\$ 5,162,654</u>

**6. Accounts Payable - Disaggregate Information**

Payables at the Government-Wide level at June 30, 2015 consisted of:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
<b>Governmental Activities:</b>			
General	\$ 16,245	\$ 58,630	\$ 74,875
Other governmental	5,104	5,335	10,439
Total governmental activities	<u>\$ 21,349</u>	<u>\$ 63,965</u>	<u>\$ 85,314</u>
<b>Business-Type Activities:</b>			
Water Fund	\$ 1,220	\$ 3,706	\$ 4,926
Solid Waste Fund	70,554	-	70,554
Emergency Medical Services Fund	7,458	5,927	13,385
Total business-type activities	<u>\$ 79,232</u>	<u>\$ 9,633</u>	<u>\$ 88,865</u>

**7. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plans in current fiscal year	\$ 362,710
Pension deferrals	33,514
Total	<u>\$ 396,224</u>

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Deferred inflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$ 1,283,443
Prepaid property taxes (GF)	54,344
Taxes receivable (GF)	233,764
Taxes receivable (SRF)	14,120
Total	<u>\$ 1,585,671</u>

### 8. Pension Plan Obligation

#### A. Local Governmental Employees' Retirement System

##### Plan Description

The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

##### Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

### **Contributions**

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$359,849 for the year ended June 30, 2015.

### **Refunds of Contributions**

County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

**CHOWAN COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the County reported an asset of \$525,937 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was .089%, which was an increase of .004% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$41,287. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 57,468
Net difference between projected and actual earnings on pension plan investments	-	1,224,366
Changes in proportion and differences between County contributions and proportionate share of contributions	33,171	-
County contributions subsequent to the measurement date	359,849	-
Total	\$ 393,020	\$ 1,281,834

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

\$359,849 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2016	\$ (312,181)
2017	(312,181)
2018	(312,181)
2019	(312,120)
Total	<u>\$ (1,248,663)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County’s Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.* The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 1,785,253	\$ (525,937)	\$ (2,471,882)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

### **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. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **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, 2015.

### **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, 2015 were \$40,341, which consisted of \$40,341 from the County and \$0 from the law enforcement officers.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### C. Registers of Deeds' Supplemental Pension Fund

#### Plan Description

Chowan County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

#### Benefits Provided

An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

#### Contributions

Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$2,861 for the year ended June 30, 2015.

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported an asset of \$37,417 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement

**CHOWAN COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was .17%, which was a decrease of .01% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of (\$1,591). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 343	\$ -
Net difference between projected and actual earnings on pension plan investments	-	201
Changes in proportion and differences between County contributions and proportionate share of contributions	-	1,408
County contributions subsequent to the measurement date	2,861	-
Total	<u>\$ 3,204</u>	<u>\$ 1,609</u>

\$2,861 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2016	\$ (534)
2017	(534)
2018	(147)
2019	<u>(51)</u>
Total	<u>\$ (1,266)</u>

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

*Discount Rate.* The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (33,599)	\$ (37,417)	\$ (40,699)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

### 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, 2015

### 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, 2015, the County paid healthcare related claims of \$105,985 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:

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

#### 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, 2015

The current ARC rate is 9.29% of annual covered payroll. For the current year, the County contributed \$105,985, or 2.26%, 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	110,467
Adjustments to annual required contribution	<u>(105,530)</u>
Annual OPEB cost (expense)	439,669
Contributions made	<u>(105,985)</u>
Increase (decrease) in net OPEB obligation	333,684
<b>Net OPEB Obligation:</b>	
Beginning of year - July 1	<u>2,761,668</u>
End of year - June 30	<u><u>\$ 3,095,352</u></u>

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2015	\$ 439,669	24.11%	\$ 3,095,352
2014	439,058	22.17%	2,761,668
2013	582,188	19.98%	2,419,943

### 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.

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.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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, 2015:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
<b>Governmental Activities:</b>					
Qualified Zone Academy Bonds	\$ 1,171,416	\$ -	\$ (103,573)	\$ 1,067,843	\$ 103,573
Notes payable	16,811,063	-	(1,857,399)	14,953,664	1,888,399
Unfunded OPEB	2,391,798	389,747	(90,637)	2,690,908	-
Net pension liability (LGERS)	894,856	-	(894,856)	-	-
Compensated absences	326,100	140,540	(143,950)	322,690	80,673
Total governmental activities	<u>\$ 21,595,233</u>	<u>\$ 530,287</u>	<u>\$ (3,090,415)</u>	<u>\$ 19,035,105</u>	<u>\$ 2,072,645</u>

The General Fund is typically used to liquidate the compensated absences on a FIFO basis and pension liabilities.

At June 30, 2015, Chowan County had no bonds authorized, but unissued, and a legal debt-margin of \$96,000,000.

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

#### 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, 2015, the outstanding balance was \$1,067,843. In the event the sinking fund is insufficient to retire the bonds in 2025, the County is obligated to fund the deficiency in 2025.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 June 30	Principal	Interest
2016	\$ 103,573	\$ -
2017	103,573	-
2018	103,573	-
2019	103,573	-
2020	103,573	-
2021-2025	549,978	-
Total	\$ 1,067,843	\$ -

### 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	\$ 2,858,726
1.96% note, payable in annual installments of \$186,656, plus interest; secured by Adult Day Health Center and Chowan Community Center	1,119,938
2.20% note, payable in annual installments of \$1,009,177, including interest; secured by Public Safety Building; ending in 2024	8,094,000
1.96% note, payable in annual installments of \$120,000, including interest; secured by Public Safety Building; ending in 2022	782,000
2.20% note, payable in annual installments of \$80,000, including interest; secured by Shepard-Pruden Library; ending in 2024	626,000
1.96% note, payable in annual installments of \$90,000, plus interest; secured by Shepard-Pruden Library; ending in 2022	1,264,000
1.84% note, payable in annual installments of \$49,000, including interest; secured by vehicles ending in 2020	209,000
Total installment purchase contracts	\$ 14,953,664

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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
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	2,005,410	153,653	2,159,063
2021-2024	5,182,658	278,972	5,461,630
Total	<u>\$ 14,953,664</u>	<u>\$ 1,446,785</u>	<u>\$ 16,400,449</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, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
<b>Business-Type Activities:</b>					
<b>Water Fund:</b>					
Unfunded pension obligation - OPEB	\$ 131,495	\$ 29,839	\$ (15,348)	\$ 145,986	\$ -
Net pension liability (LGERS)	48,588	-	(48,588)	-	-
Compensated absences	24,460	8,160	(10,535)	22,085	5,521
Total Water Fund	<u>204,543</u>	<u>37,999</u>	<u>(74,471)</u>	<u>168,071</u>	<u>5,521</u>
<b>Emergency Medical Fund:</b>					
Unfunded pension obligation - OPEB	238,375	20,083	-	258,458	-
Net pension liability (LGERS)	85,955	-	(85,955)	-	-
Compensated absences	54,260	17,760	(21,095)	50,925	12,731
Total Emergency Medical Fund	<u>378,590</u>	<u>37,843</u>	<u>(107,050)</u>	<u>309,383</u>	<u>12,731</u>
Total business-type activities	<u>\$ 583,133</u>	<u>\$ 75,842</u>	<u>\$ (181,521)</u>	<u>\$ 477,454</u>	<u>\$ 18,252</u>

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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, 2015, 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.

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

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**

In the opinion of the County's management and the County attorney, there are no legal matters that will 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, 2015. The participating governments provide the library facilities. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$200,176 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 \$77,367 to the organization during the fiscal year ended June 30, 2015. 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.

# **CHOWAN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015**

### **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 \$971,171 for solid waste disposal during the current year.

### **Perquimans-Chowan-Gates Landfill Commission**

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

### **Chowan County Satellite Campus of the College of the Albemarle**

The County, in conjunction with College of the Albemarle, Elizabeth City, 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, 2015 total facilities cost was \$252,745.

### **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 \$12,128 to the Commission during the fiscal year ended June 30, 2015.

### **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, 2015

### 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	\$ 15,006,092	\$ 8,365,205
NC Health Choice (CHIPS)	144,911	46,021
Temporary Assistance to Needy Families	121,724	-
State Foster Care	-	372
Women, Infants, and Children	305,776	-
IV-E Adoption Subsidy	30,368	7,869
IV-E Foster Care	6,072	1,509
Chafee Foster Care Independence Program	75	-
Family Support Payments to States	(229)	(63)
SFHF Maximization	-	2,200
CWS Adoption Subsidy	-	7,131
SC/SA Domiciliary Care	-	200,423
Total	<u>\$ 15,614,789</u>	<u>\$ 8,630,667</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, 2015**

**17. Interfund Balances and Activity**

**A. Transfers to/from Other Funds:**

Transfers in (out) for the year ended June 30, 2015 are summarized below:

<u>Fund</u>	<u>To</u>	<u>From</u>	<u>Purpose</u>
Debt Service Fund	\$ 1,366,121	\$ -	
General Fund	-	1,366,121	Service outstanding debt
Debt Service Fund	738,437	-	
School Capital Reserve Fund	-	738,437	Service outstanding debt
Debt Service Fund	48,655	-	
Fire District Fund	-	48,655	Service outstanding debt
Debt Service Fund	157,344	-	
Solid Waste Fund	-	157,344	Service outstanding debt
Fire District Fund	-	9,500	
General Fund	9,500	-	Annual contribution
Emergency Medical Services Fund	322,097	-	
General Fund	-	322,097	Annual contribution
General Fund	80,000	-	
Water Fund	-	80,000	Annual contribution
Total	<u>\$ 2,722,154</u>	<u>\$ 2,722,154</u>	

**B. Interfund Balances**

The composition of internal balances as of June 30, 2015 is as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>
	<u>General Fund</u>
Lottery Project Fund	\$ 1,394
Emergency Medical Services Fund	221,946
Total	<u>\$ 223,340</u>

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

# CHOWAN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **18. Component Unit Transactions**

In fiscal year 2015, the County received \$20,000 in profit distributions from its component unit, Chowan County ABC Board.

### **19. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$557,814 and \$89,064, respectively.

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## CHOWAN COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - HEALTHCARE FOR RETIREES  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**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%
6/30/2015	434,732	24.38%

**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****COUNTY'S PROPORTIONATE SHARE OF NET  
PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS\***

	<b>Local Government Employees' Retirement System</b>	
	<u>2015</u>	<u>2014</u>
Chowan County's proportion of the net pension liability (asset) (%)	0.08540%	0.08918%
Chowan County's proportion of the net pension liability (asset) (\$)	\$ (525,937)	\$ 1,029,399
Chowan County's covered-employee payroll	\$ 4,852,635	\$ 4,609,153
Chowan County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	( 10.84%)	22.33%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**CHOWAN COUNTY, NORTH CAROLINA****COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS**

	<b>Local Government Employees' Retirement System</b>	
	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 359,849	\$ 347,958
Contributions in relation to the contractually required contribution	<u>359,849</u>	<u>347,958</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Chowan's covered-employee payroll	\$ 4,952,004	\$ 4,852,635
Contributions as a percentage of covered-employee payroll	7.27%	7.17%

**CHOWAN COUNTY, NORTH CAROLINA****COUNTY'S PROPORTIONATE SHARE OF NET  
PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS\***

<b>Register of Deeds' Supplemental Pension Fund</b>		
	<u>2015</u>	<u>2014</u>
Chowan County's proportion of the net pension liability (asset) (%)	-0.16508%	-0.15549%
Chowan County's proportion of the net pension liability (asset) (\$)	\$ (37,417)	\$ (33,213)
Chowan County's covered-employee payroll	\$ 46,216	\$ 45,414
Chowan County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	( 80.96%)	( 73.13%)
Plan fiduciary net position as a percentage of the total pension liability	193.88%	190.50%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**CHOWAN COUNTY, NORTH CAROLINA**

**COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS**

**Register of Deeds' Supplemental Pension Fund**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,861	\$ 1,348
Contributions in relation to the contractually required contribution	<u>2,861</u>	<u>1,348</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Chowan's covered-employee payroll	\$ 40,466	\$ 46,216
Contributions as a percentage of covered-employee payroll	7.07%	2.92%

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - ACTUAL - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Revaluation Fund</u>	<u>General Capital Reserve Fund</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 9,846,183	\$ -	\$ -
Local option sales taxes	2,015,250	-	-
Other taxes and licenses	118,556	-	394,648
Unrestricted intergovernmental revenues	83,962	-	-
Restricted intergovernmental revenues	2,700,352	-	-
Permits and fees	360,824	-	-
Sales and services	903,687	-	-
Investment earnings	6,834	12	-
Miscellaneous	98,624	-	623,423
Total revenues	<u>16,134,272</u>	<u>12</u>	<u>1,018,071</u>
<b>Expenditures:</b>			
Current:			
General government	2,712,163	59,687	374,265
Public safety	2,912,223	-	-
Environmental protection	182,686	-	-
Economic and physical development	182,816	-	-
Human services	3,273,337	-	-
Cultural and recreational	973,256	-	-
Education	3,714,342	-	-
Total expenditures	<u>13,950,823</u>	<u>59,687</u>	<u>374,265</u>
Revenues over (under) expenditures	<u>2,183,449</u>	<u>(59,675)</u>	<u>643,806</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	108,377	50,000	-
Transfers out	<u>(1,738,218)</u>	<u>-</u>	<u>(218,877)</u>
Total other financing sources (uses)	<u>(1,629,841)</u>	<u>50,000</u>	<u>(218,877)</u>
Net change in fund balances	553,608	(9,675)	424,929
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>6,393,161</u>	<u>24,783</u>	<u>266,429</u>
End of year - June 30	<u>\$ 6,946,769</u>	<u>\$ 15,108</u>	<u>\$ 691,358</u>

CHOWAN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - ACTUAL - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>School Capital Reserve Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ -	\$ -	\$ 9,846,183
Local option sales taxes	722,391	-	2,737,641
Other taxes and licenses	-	-	513,204
Unrestricted intergovernmental revenues	-	-	83,962
Restricted intergovernmental revenues	103,573	-	2,803,925
Permits and fees	-	-	360,824
Sales and services	-	-	903,687
Investment earnings	302	-	7,148
Miscellaneous	-	-	722,047
Total revenues	<u>826,266</u>	<u>-</u>	<u>17,978,621</u>
<b>Expenditures:</b>			
Current:			
General government	-	-	3,146,115
Public safety	-	-	2,912,223
Environmental protection	-	-	182,686
Economic and physical development	-	-	182,816
Human services	-	-	3,273,337
Cultural and recreational	-	-	973,256
Education	77,424	-	3,791,766
Total expenditures	<u>77,424</u>	<u>-</u>	<u>14,462,199</u>
Revenues over (under) expenditures	<u>748,842</u>	<u>-</u>	<u>3,516,422</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	200,000	(268,877)	89,500
Transfers out	(738,437)	268,877	(2,426,655)
Total other financing sources (uses)	<u>(538,437)</u>	<u>-</u>	<u>(2,337,155)</u>
Net change in fund balances	210,405	-	1,179,267
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>358,687</u>	<u>-</u>	<u>7,043,060</u>
End of year - June 30	<u>\$ 569,092</u>	<u>\$ -</u>	<u>\$ 8,222,327</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 9,519,002	\$ 9,768,037	\$ 249,035	\$ 10,655,347
Penalties and interest	100,000	78,146	(21,854)	97,297
Total	9,619,002	9,846,183	227,181	10,752,644
<b>Local Option Sales Taxes:</b>				
Article 39 and 44	955,000	927,989	(27,011)	927,236
Article 40 one-half of one percent	630,000	673,451	43,451	620,742
Article 42 one-half of one percent	105,000	65,276	(39,724)	98,314
Medicaid hold-harmless payment	200,000	348,534	148,534	216,911
Total	1,890,000	2,015,250	125,250	1,863,203
<b>Other Taxes and Licenses:</b>				
Deed stamp excise tax	79,697	101,614	21,917	66,173
Cable TV	17,500	16,942	(558)	16,961
Total	97,197	118,556	21,359	83,134
<b>Unrestricted Intergovernmental Revenues:</b>				
Payments in lieu of taxes	2,000	5,251	3,251	2,311
Beer and wine tax	45,000	46,892	1,892	43,135
ABC profit distribution	34,500	24,909	(9,591)	22,137
Tax refunds	-	77	77	2,186
TDA contribution	-	3,000	3,000	-
Gross receipts tax	-	3,833	3,833	-
Total	81,500	83,962	2,462	69,769
<b>Restricted Intergovernmental Revenues:</b>				
State grants	2,592,244	2,596,529	4,285	2,364,192
Local grants	103,544	103,823	279	29,132
Total	2,695,788	2,700,352	4,564	2,393,324
<b>Permits and Fees:</b>				
Building permits and inspection fees	101,500	96,267	(5,233)	109,309
Register of Deeds	95,904	85,819	(10,085)	89,856
Sheriff and court fees	178,636	178,738	102	173,687
Total	376,040	360,824	(15,216)	372,852

CHOWAN COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Sales and Services:</b>				
Rents, concessions and fees	345,723	356,429	10,706	353,792
Jail fees	26,100	43,788	17,688	10,962
Recreation fees	65,593	57,569	(8,024)	60,740
Fees from local governments	391,720	444,304	52,584	389,156
Sale of capital assets	8,452	1,597	(6,855)	54,841
Total	<u>837,588</u>	<u>903,687</u>	<u>66,099</u>	<u>869,491</u>
<b>Investment Earnings</b>	<u>6,250</u>	<u>6,834</u>	<u>584</u>	<u>10,575</u>
<b>Miscellaneous</b>	<u>88,658</u>	<u>98,624</u>	<u>9,966</u>	<u>53,687</u>
Total revenues	<u>15,692,023</u>	<u>16,134,272</u>	<u>442,249</u>	<u>16,468,679</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	46,505	46,505	-	46,505
Operating expenditures	46,437	53,053	-	47,339
Capital outlay	363	363	-	-
Total	<u>93,305</u>	<u>99,921</u>	<u>(6,616)</u>	<u>93,844</u>
<b>Administration:</b>				
Salaries and employee benefits	383,239	382,511	-	395,473
Operating expenditures	16,536	15,001	-	16,219
Contingency	909	-	-	-
Total	<u>400,684</u>	<u>397,512</u>	<u>3,172</u>	<u>411,692</u>
<b>Tax Collection:</b>				
Salaries and employee benefits	229,785	225,861	-	229,887
Operating expenditures	98,150	91,944	-	86,109
Capital outlay	63,596	61,319	-	61,319
Total	<u>391,531</u>	<u>379,124</u>	<u>12,407</u>	<u>377,315</u>
<b>Legal:</b>				
Operating expenditures	<u>34,545</u>	<u>34,545</u>	<u>-</u>	<u>17,931</u>
Total	<u>34,545</u>	<u>34,545</u>	<u>-</u>	<u>17,931</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Court Facilities:</b>				
Salaries and employee benefits	489	-	-	489
Operating expenditures	8,096	5,182	-	5,174
Capital outlay	1,883	-	-	-
Total	10,468	5,182	5,286	5,663
<b>Elections:</b>				
Salaries and employee benefits	72,287	65,904	-	67,075
Operating expenditures	35,200	33,516	-	36,204
Capital outlay	5,600	-	-	-
Total	113,087	99,420	13,667	103,279
<b>Register of Deeds:</b>				
Salaries and employee benefits	125,174	124,235	-	127,873
Operating expenditures	114,355	91,747	-	76,643
Capital outlay	11,727	-	-	-
Total	251,256	215,982	35,274	204,516
<b>Land Records:</b>				
Salaries and employee benefits	50,623	50,387	-	49,336
Operating expenditures	19,495	11,906	-	15,018
Total	70,118	62,293	7,825	64,354
<b>Data Processing:</b>				
Salaries and employee benefits	79,660	73,428	-	78,155
Operating expenditures	104,114	98,518	-	105,817
Capital outlay	-	-	-	4,605
Total	183,774	171,946	11,828	188,577
<b>Central Maintenance:</b>				
Salaries and employee benefits	238,713	235,178	-	226,821
Operating expenditures	79,033	72,128	-	64,847
Total	317,746	307,306	10,440	291,668
<b>Public Buildings:</b>				
Operating expenditures	347,214	320,039	-	331,001
Total	347,214	320,039	27,175	331,001

**CHOWAN COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
<b>Inspection:</b>				
Salaries and employee benefits	180,895	180,108	-	176,364
Operating expenditures	13,600	9,275	-	10,106
Total	194,495	189,383	5,112	186,470
<b>Other General Government:</b>				
Central services	388,056	373,238	-	377,366
Special appropriations	56,272	56,272	-	56,239
Total	444,328	429,510	14,818	433,605
Total general government	2,852,551	2,712,163	140,388	2,709,915
<b>Public Safety:</b>				
<b>Central Communications:</b>				
Salaries and employee benefits	442,811	431,657	-	436,326
Operating expenditures	38,197	33,534	-	21,291
Total	481,008	465,191	15,817	457,617
<b>Sheriff:</b>				
Salaries and employee benefits	1,000,728	996,097	-	986,703
Operating expenditures	308,636	230,242	-	243,425
Capital outlay	50,184	50,148	-	73,058
Total	1,359,548	1,276,487	83,061	1,303,186
<b>School Resource Officer:</b>				
Salaries and employee benefits	168,427	164,583	-	157,168
Total	168,427	164,583	3,844	157,168
<b>Jail:</b>				
Salaries and employee benefits	480,864	447,015	-	443,939
Operating expenditures	239,100	224,228	-	221,405
Capital outlay	-	-	-	25,160
Total	719,964	671,243	48,721	690,504
<b>Emergency Management:</b>				
Salaries and employee benefits	35,235	34,494	-	33,648
Operating expenditures	19,567	17,178	-	10,057
Total	54,802	51,672	3,130	43,705

**CHOWAN COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Medical Examiner:</b>				
Operating expenditures	5,000	3,600	-	9,750
Total	5,000	3,600	1,400	9,750
<b>Animal Control:</b>				
Salaries and employee benefits	161,343	141,042	-	102,471
Operating expenditures	136,571	91,570	-	102,335
Capital outlay	22,399	22,399	-	-
Total	320,313	255,011	65,302	204,806
<b>Juvenile Justice:</b>				
Salaries and employee benefits	13,565	13,564	-	15,490
Operating expenditures	10,909	10,872	-	21,089
Total	24,474	24,436	38	36,579
Total public safety	3,133,536	2,912,223	221,313	2,903,315
<b>Environmental Protection:</b>				
<b>Solid Waste:</b>				
Operating expenditures	4,000	3,361	639	3,050
<b>Soil Conservation:</b>				
Salaries and employee benefits	83,872	83,438	-	81,697
Operating expenditures	125,128	95,887	-	48,639
Total	209,000	179,325	29,675	130,336
Total environmental protection	213,000	182,686	30,314	133,386
<b>Economic and Physical Development:</b>				
<b>Economic Development:</b>				
Salaries and employee benefits	5,154	2,257	-	-
Operating expenditures	31,670	31,581	-	31,812
Total	36,824	33,838	2,986	31,812
<b>Agricultural Extension:</b>				
Salaries and employee benefits	134,981	103,659	-	89,885
Operating expenditures	115,650	45,319	-	35,233
Total	250,631	148,978	101,653	125,118
Total economic and physical development	287,455	182,816	104,639	156,930

**CHOWAN COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Human Services:</b>				
Public health - operating expenditures	79,688	79,460	228	89,688
Mental health - operating expenditures	85,820	85,812	8	85,859
<b>Social Services:</b>				
<b>Public Assistance:</b>				
Salaries and employee benefits	1,443,843	1,422,249	21,594	1,380,603
Operating expenditures	1,907,939	1,645,178	262,761	1,598,108
Capital outlay	28,000	27,480	520	-
Total	3,379,782	3,094,907	284,875	2,978,711
<b>Veterans Services:</b>				
Salaries and employee benefits	15,467	12,309	-	11,913
Operating expenditures	1,550	849	-	835
Total	17,017	13,158	3,859	12,748
Total human services	3,562,307	3,273,337	288,970	3,167,006
<b>Cultural and Recreational:</b>				
<b>Libraries:</b>				
Operating expenditures	203,129	200,175	-	187,895
Total	203,129	200,175	2,954	187,895
<b>Recreation:</b>				
Salaries and employee benefits	349,553	312,630	-	351,102
Operating expenditures	237,188	222,047	-	110,382
Capital outlay	7,657	7,550	-	15,000
Total	594,398	542,227	52,171	476,484
<b>Senior Center:</b>				
Salaries and employee benefits	106,512	106,492	-	102,429
Operating expenditures	149,565	118,367	-	91,369
Capital outlay	5,995	5,995	-	-
Total	262,072	230,854	31,218	193,798
Total cultural and recreational	1,059,599	973,256	86,343	858,177

**CHOWAN COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Education:</b>				
<b>Public Schools:</b>				
Fine and forfeitures	45,000	39,668	-	34,769
Current expense	3,421,929	3,421,929	-	3,421,929
Total public schools	<u>3,466,929</u>	<u>3,461,597</u>	<u>5,332</u>	<u>3,456,698</u>
<b>Community Colleges:</b>				
Current expense	<u>607,847</u>	<u>252,745</u>	<u>355,102</u>	<u>276,743</u>
Total education	<u>4,074,776</u>	<u>3,714,342</u>	<u>360,434</u>	<u>3,733,441</u>
Total expenditures	<u>15,183,224</u>	<u>13,950,823</u>	<u>1,232,401</u>	<u>13,662,170</u>
Revenues over (under) expenditures	<u>508,799</u>	<u>2,183,449</u>	<u>1,674,650</u>	<u>2,806,509</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from other funds	1,125,294	108,377	(1,016,917)	89,500
Transfers to other funds	(2,994,281)	(1,738,218)	1,256,063	(2,179,390)
Appropriated fund balance	<u>1,360,188</u>	<u>-</u>	<u>(1,360,188)</u>	<u>-</u>
Total other financing sources (uses)	<u>(508,799)</u>	<u>(1,629,841)</u>	<u>(1,121,042)</u>	<u>(2,089,890)</u>
Net change in fund balance	<u>\$ -</u>	<u>553,608</u>	<u>\$ 553,608</u>	<u>716,619</u>
<b>Fund Balance:</b>				
Beginning of year, - July 1		<u>6,393,161</u>		<u>5,676,542</u>
End of year - June 30		<u>\$ 6,946,769</u>		<u>\$ 6,393,161</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, 2015

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 12	\$ 12	\$ 32
Total revenues	-	12	12	32
<b>Expenditures:</b>				
General government:				
Contracted services	68,622	59,687	8,935	117,842
Total expenditures	68,622	59,687	8,935	117,842
Revenues over (under) expenditures	(68,622)	(59,675)	(8,947)	(117,810)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	18,622	-	18,622	-
Transfers in (out)	50,000	50,000	-	50,000
Total other financing sources (uses)	68,622	50,000	18,622	50,000
Net change in fund balance	\$ -	(9,675)	\$ (9,675)	(67,810)
<b>Fund Balance:</b>				
Beginning of year - July 1		24,783		92,593
End of year - June 30		\$ 15,108		\$ 24,783

## 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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Restricted intergovernmental	\$ 103,573	\$ 103,573	\$ -	\$ 103,573
Local option sales tax	671,875	722,391	50,516	660,004
Investment earnings	-	302	302	72
Total revenues	<u>775,448</u>	<u>826,266</u>	<u>50,818</u>	<u>763,649</u>
<b>Expenditures:</b>				
Education:				
Capital outlay	237,011	77,424	159,587	153,709
Total expenditures	<u>237,011</u>	<u>77,424</u>	<u>159,587</u>	<u>153,709</u>
Revenues over (under) expenditures	<u>538,437</u>	<u>748,842</u>	<u>(108,769)</u>	<u>609,940</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	200,000	200,000	-	200,000
Transfer in (out)	<u>(738,437)</u>	<u>(738,437)</u>	<u>-</u>	<u>(748,957)</u>
Total other financing sources (uses)	<u>(538,437)</u>	<u>(538,437)</u>	<u>-</u>	<u>(548,957)</u>
Net change in fund balance	<u>\$ -</u>	<u>210,405</u>	<u>\$ 210,405</u>	<u>60,983</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>358,687</u>		<u>297,704</u>
End of year - June 30		<u>\$ 569,092</u>		<u>\$ 358,687</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Other taxes and licenses	\$ 230,817	\$ 394,648	\$ 163,831	\$ 248,177
Miscellaneous	623,423	623,423	-	692,850
Total revenues	<u>854,240</u>	<u>1,018,071</u>	<u>163,831</u>	<u>941,027</u>
<b>Expenditures:</b>				
General government:				
Operating expenditures	<u>693,135</u>	<u>374,265</u>	<u>318,870</u>	<u>620,946</u>
Revenues over (under) expenditures	<u>161,105</u>	<u>643,806</u>	<u>(155,039)</u>	<u>320,081</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	57,772	-	(57,772)	139,563
Transfers (out)	<u>(218,877)</u>	<u>(218,877)</u>	<u>-</u>	<u>(200,000)</u>
Total other financing sources (uses)	<u>(161,105)</u>	<u>(218,877)</u>	<u>-</u>	<u>(60,437)</u>
Net change in fund balance	<u>\$ -</u>	<u>424,929</u>	<u>\$ 424,929</u>	<u>259,644</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>266,429</u>		<u>6,785</u>
End of year - June 30		<u>\$ 691,358</u>		<u>\$ 266,429</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, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Expenditures:</b>				
Principal retirement	\$ 1,960,972	\$ 1,960,972	\$ -	\$ 1,940,972
Interest and fees	349,585	349,585	-	401,512
Total expenditures	<u>2,310,557</u>	<u>2,310,557</u>	<u>-</u>	<u>2,342,484</u>
Revenues over (under) expenditures	<u>(2,310,557)</u>	<u>(2,310,557)</u>	<u>-</u>	<u>(2,342,484)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	<u>2,310,557</u>	<u>2,310,557</u>	<u>-</u>	<u>2,342,484</u>
Total other financing sources (uses)	<u>2,310,557</u>	<u>2,310,557</u>	<u>-</u>	<u>2,342,484</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, 2015

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 723,442	\$ -	\$ 723,442
Accounts receivable, net	8,048	-	8,048
Taxes receivable, net	14,120	-	14,120
Due from other governments	13,511	1,394	14,905
Total assets	<u>\$ 759,121</u>	<u>\$ 1,394</u>	<u>\$ 760,515</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 10,439	\$ -	\$ 10,439
Due to other funds	-	1,394	1,394
Total liabilities	<u>10,439</u>	<u>1,394</u>	<u>11,833</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable taxes	<u>14,120</u>	<u>-</u>	<u>14,120</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization for State statute	21,559	1,394	22,953
Restricted, all other	385,176	-	385,176
Assigned	327,827	-	327,827
Unassigned	-	(1,394)	(1,394)
Total fund balances	<u>734,562</u>	<u>-</u>	<u>734,562</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 759,121</u>	<u>\$ 1,394</u>	<u>\$ 760,515</u>

## CHOWAN COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 466,396	\$ -	\$ 466,396
Local option sales taxes	38,667	-	38,667
Other taxes and licenses	88,591	-	88,591
Restricted intergovernmental revenues	-	78,783	78,783
Miscellaneous revenues	136	-	136
Investment earnings	864	-	864
Total revenues	<u>594,654</u>	<u>78,783</u>	<u>673,437</u>
<b>Expenditures:</b>			
Current:			
Public safety	593,777	-	593,777
Education	-	78,783	78,783
Total expenditures	<u>593,777</u>	<u>78,783</u>	<u>672,560</u>
Revenues over (under) expenditures	<u>877</u>	<u>-</u>	<u>877</u>
<b>Other Financing Sources (Uses):</b>			
Transfers (out)	<u>(58,155)</u>	<u>-</u>	<u>(58,155)</u>
Total other financing sources (uses)	<u>(58,155)</u>	<u>-</u>	<u>(58,155)</u>
Net change in fund balances	(57,278)	-	(57,278)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>791,840</u>	<u>-</u>	<u>791,840</u>
End of year - June 30	<u>\$ 734,562</u>	<u>\$ -</u>	<u>\$ 734,562</u>

## CHOWAN COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<b>Fire District Fund</b>	<b>Emergency Telephone System Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 432,638	\$ 290,804	\$ 723,442
Accounts receivable, net	-	8,048	8,048
Due from other governments	13,511	-	13,511
Taxes receivable, net	14,120	-	14,120
Total assets	<u>\$ 460,269</u>	<u>\$ 298,852</u>	<u>\$ 759,121</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>\$ 10,439</u>	<u>\$ -</u>	<u>\$ 10,439</u>
Total liabilities	<u>10,439</u>	<u>-</u>	<u>10,439</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable taxes	<u>14,120</u>	<u>-</u>	<u>14,120</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization for State statute	13,511	8,048	21,559
Restricted for public safety	339,272	45,904	385,176
Assigned	82,927	244,900	327,827
Total fund balances	<u>435,710</u>	<u>298,852</u>	<u>734,562</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 460,269</u>	<u>\$ 298,852</u>	<u>\$ 759,121</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, 2015**

	<b>Fire Districts Fund</b>	<b>Emergency Telephone System Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 466,396	\$ -	\$ 466,396
Local option sales taxes	38,667	-	38,667
Other taxes and licenses	-	88,591	88,591
Miscellaneous revenues	136	-	136
Investment earnings	585	279	864
Total revenues	<u>505,784</u>	<u>88,870</u>	<u>594,654</u>
<b>Expenditures:</b>			
Current:			
Public safety	<u>504,850</u>	<u>88,927</u>	<u>593,777</u>
Total expenditures	<u>504,850</u>	<u>88,927</u>	<u>593,777</u>
Revenues over (under) expenditures	<u>934</u>	<u>(57)</u>	<u>877</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(58,155)</u>	<u>-</u>	<u>(58,155)</u>
Total other financing sources (uses)	<u>(58,155)</u>	<u>-</u>	<u>(58,155)</u>
Net change in fund balances	(57,221)	(57)	(57,278)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>492,931</u>	<u>298,909</u>	<u>791,840</u>
End of year - June 30	<u>\$ 435,710</u>	<u>\$ 298,852</u>	<u>\$ 734,562</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Other taxes and licenses:				
911 system subscriber fees	\$ 88,591	\$ 88,591	\$ -	\$ 207,722
Investment earnings	-	279	279	374
Total revenues	<u>88,591</u>	<u>88,870</u>	<u>279</u>	<u>208,096</u>
<b>Expenditures:</b>				
Public safety:				
Telephone	-	33,712	-	47,807
Furniture	-	-	-	44,174
Software maintenance	-	46,257	-	30,894
Hardware maintenance	-	8,258	-	214,342
Training	-	700	-	321
Total expenditures	<u>207,722</u>	<u>88,927</u>	<u>118,795</u>	<u>337,538</u>
Revenues over (under) expenditures	<u>(119,131)</u>	<u>(57)</u>	<u>119,074</u>	<u>(129,442)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>119,131</u>	-	<u>(119,131)</u>	-
Total other financing sources (uses)	<u>119,131</u>	-	<u>(119,131)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>(57)</u>	<u>\$ (57)</u>	<u>(129,442)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>298,909</u>		<u>428,351</u>
End of year - June 30		<u>\$ 298,852</u>		<u>\$ 298,909</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, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 443,117	\$ 466,396	\$ 23,279	\$ 516,377
Local option sales tax	35,000	38,667	3,667	38,635
Miscellaneous revenue	-	136	136	7,474
Investment earnings	476	585	109	526
Total revenues	<u>478,593</u>	<u>505,784</u>	<u>27,191</u>	<u>563,012</u>
<b>Expenditures:</b>				
Public safety:				
Town of Edenton	296,920	296,920	-	282,432
Salaries and benefits	82,820	68,758	14,062	78,006
Telephone and postage	3,400	2,878	522	17,944
Utilities	12,000	10,103	1,897	10,414
Maintenance and repair	33,250	31,447	1,803	16,839
Capital outlay	52,951	52,633	318	29,213
Other operating expenses	47,050	42,111	4,939	38,278
Total expenditures	<u>528,391</u>	<u>504,850</u>	<u>23,541</u>	<u>473,126</u>
Revenues over (under) expenditures	<u>(49,798)</u>	<u>934</u>	<u>50,732</u>	<u>89,886</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	(58,155)	(58,155)	-	(58,511)
Appropriated fund balance	107,953	-	(107,953)	-
Total other financing sources (uses)	<u>49,798</u>	<u>(58,155)</u>	<u>(107,953)</u>	<u>(58,511)</u>
Net change in fund balance	<u>\$ -</u>	<u>(57,221)</u>	<u>\$ (57,221)</u>	<u>31,375</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>492,931</u>		<u>461,556</u>
End of year - June 30		<u>\$ 435,710</u>		<u>\$ 492,931</u>

**CHOWAN COUNTY, NORTH CAROLINA**

**LOTTERY PROJECT  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	
			<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Lottery proceeds	\$ 118,126	\$ 30,048	\$ 78,783	\$ 108,831
<b>Expenditures:</b>				
Education:				
Capital outlay:				
School projects	118,126	30,048	78,783	108,831
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales	\$ 1,075,000	\$ 1,095,680	\$ (20,680)	\$ 1,124,919
Reconnection fees	45,000	47,193	(2,193)	46,053
Miscellaneous revenue	16,400	18,314	(1,914)	22,212
Sales tax and other refunds	-	250	(250)	8
Taps and connection fees	12,000	20,354	(8,354)	17,750
Total operating revenues	<u>1,148,400</u>	<u>1,181,791</u>	<u>33,391</u>	<u>1,210,942</u>
Non-operating revenues:				
Investment earnings	<u>500</u>	<u>764</u>	<u>(264)</u>	<u>780</u>
Total non-operating revenues	<u>500</u>	<u>764</u>	<u>(264)</u>	<u>780</u>
Total revenues	<u>1,148,900</u>	<u>1,182,555</u>	<u>33,127</u>	<u>1,211,722</u>
<b>Expenditures:</b>				
Operating expenditures:				
Salaries and employee benefits	378,133	377,025		350,308
Utilities	105,352	96,699		96,848
Repairs and maintenance	100,155	95,738		69,956
Supplies and materials	137,333	128,720		113,306
Administrative services	305,575	270,984		273,686
Meters and minor improvements	25,000	-		(1,437)
Total operating expenditures	<u>1,051,548</u>	<u>969,166</u>	<u>82,382</u>	<u>902,667</u>
Capital outlay	<u>253,346</u>	<u>252,394</u>	<u>952</u>	<u>230,173</u>
Total expenditures	<u>1,304,894</u>	<u>1,221,560</u>	<u>83,334</u>	<u>1,132,840</u>
Revenues over (under) expenditures	<u>(155,994)</u>	<u>(39,005)</u>	<u>116,461</u>	<u>78,882</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(80,000)	(80,000)	-	(80,000)
Appropriated fund balance	<u>235,994</u>	<u>-</u>	<u>(235,994)</u>	<u>-</u>
Total other financing sources (uses)	<u>155,994</u>	<u>(80,000)</u>	<u>(235,994)</u>	<u>(80,000)</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(119,005)	\$ (119,005)	\$ (1,118)
 <b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
Capital outlay		100,933		
Depreciation		(336,330)		
Contributions made to the pension plan in the current fiscal year		16,985		
Change in accrued vacation		2,375		
Pension expense		(1,949)		
Change in other post-employment benefits liability		<u>(14,491)</u>		
Total reconciling items		<u>(232,477)</u>		
 Change in net position		 <u>\$ (351,482)</u>		

## CHOWAN COUNTY, NORTH CAROLINA

**SOLID WASTE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Tipping fees	\$ 1,036,141	\$ 1,071,359	\$ (35,218)	\$ 1,102,935
Restricted intergovernmental	90,703	90,703	-	54,415
Other taxes and licenses	8,000	7,672	328	4,920
Total operating revenues	<u>1,134,844</u>	<u>1,169,734</u>	<u>34,890</u>	<u>1,162,270</u>
Non-operating revenues:				
Investment earnings	-	687	(687)	648
Total non-operating revenues	-	687	(687)	648
Total revenues	<u>1,134,844</u>	<u>1,170,421</u>	<u>34,203</u>	<u>1,162,918</u>
<b>Expenditures:</b>				
Operating expenditure:	<u>1,034,844</u>	<u>971,171</u>	-	<u>1,005,184</u>
Total operating expenditures	<u>1,034,844</u>	<u>971,171</u>	<u>63,673</u>	<u>1,005,184</u>
Total expenditures	<u>1,034,844</u>	<u>971,171</u>	<u>63,673</u>	<u>1,005,184</u>
Revenues over (under) expenditures	<u>100,000</u>	<u>199,250</u>	<u>97,876</u>	<u>157,734</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	57,344	-	(57,344)	-
Transfers out	(157,344)	(157,344)	-	(157,344)
Total other financing sources (uses)	<u>(100,000)</u>	<u>(157,344)</u>	<u>(57,344)</u>	<u>(157,344)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 41,906</u>	<u>\$ 41,906</u>	<u>\$ 390</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Ambulance fees	\$ 1,000,000	\$ 1,028,810	\$ 28,810	\$ 928,154
Miscellaneous revenue	75,310	105,824	30,514	131,916
Total operating revenues	<u>1,075,310</u>	<u>1,134,634</u>	<u>59,324</u>	<u>1,060,070</u>
Non-operating revenues:				
Investment earnings	50	-	(50)	28
Total non-operating revenues	<u>50</u>	<u>-</u>	<u>(50)</u>	<u>28</u>
Total revenues	<u>1,075,360</u>	<u>1,134,634</u>	<u>59,274</u>	<u>1,060,098</u>
<b>Expenditures:</b>				
Administration and operating:				
Salaries and employee benefits	1,294,720	1,185,867	-	1,166,644
Utilities	18,000	16,929	-	18,363
Maintenance and repairs	45,009	45,006	-	47,273
Automotive supplies	42,500	41,280	-	48,364
Supplies and materials	71,463	67,486	-	41,772
Contracted services	64,000	58,378	-	54,418
Administrative services	56,716	41,785	-	39,473
Total	<u>1,592,408</u>	<u>1,456,731</u>	<u>135,677</u>	<u>1,416,307</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,564</u>
Total expenditures	<u>1,592,408</u>	<u>1,456,731</u>	<u>135,677</u>	<u>1,664,871</u>
Revenues over (under) expenditures	<u>(517,048)</u>	<u>(322,097)</u>	<u>194,951</u>	<u>(604,773)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	13,578	-	(13,578)	-
Transfers in	503,470	322,097	(181,373)	602,655
Total other financing sources (uses)	<u>517,048</u>	<u>322,097</u>	<u>(194,951)</u>	<u>602,655</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	-	\$ -	\$ (2,118)
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
Depreciation		(103,085)		
Contributions made to the pension plan in the current fiscal year		32,817		
Other pension deferrals		(2,770)		
Change in accrued vacation		3,335		
Pension expense		(3,447)		
Change in other post-employment benefits liability		(20,083)		
Change in net position		\$ (93,233)		

## CHOWAN COUNTY, NORTH CAROLINA

WATER DEVELOPMENT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2015  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Water development fees	\$ 25,000	\$ 37,739	\$ 12,739	\$ 32,547
Investment earnings	750	546	(204)	618
Total revenues	<u>25,750</u>	<u>38,285</u>	<u>12,535</u>	<u>33,165</u>
<b>Expenditures:</b>				
Capital outlay	-	-	-	59,386
Total expenditures	-	-	-	<u>59,386</u>
Revenues over (under) expenditures	<u>25,750</u>	<u>38,285</u>	<u>12,535</u>	<u>(26,221)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	<u>(25,750)</u>	-	<u>25,750</u>	-
Total other financing sources (uses)	<u>(25,750)</u>	-	<u>25,750</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 38,285</u>	<u>\$ 38,285</u>	<u>\$ (26,221)</u>

## CHOWAN COUNTY, NORTH CAROLINA

AGENCY FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2015

	<b>Social Services Protective Payee Fund</b>	<b>Drainage Districts</b>	<b>Edenton Tax Collections</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 5,200	\$ -	\$ -	\$ 5,200
Total assets	<u>\$ 5,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,200</u>
<b>Liabilities:</b>				
Due to others	\$ 5,200	\$ -	\$ -	\$ 5,200
Total liabilities	<u>\$ 5,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,200</u>

## CHOWAN COUNTY, NORTH CAROLINA

## AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b><u>Social Services - Protective Payees:</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,788	\$ 39,559	\$ (38,147)	\$ 5,200
<b>Liabilities:</b>				
Payables	\$ 3,788	\$ 39,559	\$ 38,147	\$ 5,200
<b><u>Drainage Districts:</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 15,891	\$ (15,891)	\$ -
<b>Liabilities:</b>				
Payables	\$ -	\$ 15,891	\$ (15,891)	\$ -
<b><u>Edenton Tax Collections:</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 8	\$ 1,841,666	\$ (1,841,674)	\$ -
<b>Liabilities:</b>				
Payables	\$ 8	\$ 1,841,666	\$ (1,841,674)	\$ -
<b><u>Totals - All Agency Funds:</u></b>				
<b>Assets:</b>				
Cash, cash equivalents, and accounts payable	\$ 3,796	\$ 1,897,116	\$ (1,895,712)	\$ 5,200
<b>Liabilities:</b>				
Payables	\$ 3,796	\$ 1,897,116	\$ (1,895,712)	\$ 5,200

## CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND  
JUNE 30, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 9,801,611	\$ 9,626,320	\$ 175,291
2013-2014	273,718	-	149,824	123,894
2012-2013	124,176	-	39,610	84,566
2011-2012	76,696	-	16,516	60,180
2010-2011	46,724	-	8,395	38,329
2009-2010	36,925	-	4,978	31,947
2008-2009	27,775	-	4,729	23,046
2007-2008	16,809	-	607	16,202
2006-2007	15,784	-	1,537	14,247
2005-2006	16,678	-	616	16,062
2004-2005	9,961	-	9,961	-
Total	<u>\$ 645,246</u>	<u>\$ 9,801,611</u>	<u>\$ 9,863,093</u>	583,764
Less allowance for uncollectible ad valorem taxes receivable				<u>(350,000)</u>
Ad valorem taxes receivable - net				<u>\$ 233,764</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 9,846,183
Reconciling items:				
Interest and penalties				(78,146)
Refunds and other adjustments				85,095
Amounts written off per Statute of Limitations				<u>9,961</u>
Total collections and credits				<u>\$ 9,863,093</u>

## CHOWAN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2015

	County-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 1,281,159,889	\$ 0.700	\$ 8,968,119	\$ 8,968,119	\$ -
Motor vehicles taxed at current year's rate	122,890,429	0.700	860,233	-	860,233
Total	<u>1,404,050,317</u>		<u>9,828,352</u>	<u>8,968,119</u>	<u>860,233</u>
<b>Discoveries:</b>					
Less releases and adjustments	<u>(3,820,217)</u>		<u>(26,742)</u>	<u>(26,739)</u>	<u>(2)</u>
Total property valuation	<u>\$ 1,400,230,100</u>				
<b>Net Levy</b>			9,801,611	8,941,380	860,231
Uncollected taxes at June 30, 2015			<u>(175,291)</u>	<u>(169,380)</u>	<u>(5,911)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 9,626,320</u>	<u>\$ 8,772,000</u>	<u>\$ 854,320</u>
<b>Current Levy Collection Percentage</b>			<u>98.21%</u>	<u>98.11%</u>	<u>99.31%</u>
<b>Secondary Market Disclosures:</b>					
Assessed valuation:					
Assessment ratio					100.00%
Real property					\$ 1,253,880,435
Personal property					122,890,429
Public service companies					<u>23,459,236</u>
Total assessed valuation					<u>\$ 1,400,230,100</u>
Tax rate per \$100					<u>\$ 0.700</u>
Levy (includes discoveries, releases, and abatements)					<u>\$ 9,801,611</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, 2015.					<u>\$ 404,005</u>

**CHOWAN COUNTY, NORTH CAROLINA**

**BALANCE SHEET**

**CHOWAN COUNTY TOURISM DEVELOPMENT AUTHORITY**

**JUNE 30, 2015**

	<b><u>Tourism Development Authority</u></b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 53,910
Total assets	<u>\$ 53,910</u>
<b>Liabilities and Fund Balances:</b>	
<b>Liabilities:</b>	
Due to primary government	\$ 1,452
Total liabilities	<u>1,452</u>
<b>Fund Balances:</b>	
Restricted:	
Restricted for economic development	<u>52,458</u>
Total fund balance	<u>52,458</u>
Total liabilities and fund balances	<u>\$ 53,910</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, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Sales and service	\$ 11,290	\$ 11,290	\$ -	\$ 2,250
Other taxes and licenses	123,113	123,959	846	122,855
Restricted intergovernmental revenues	96,199	90,000	(6,199)	30,000
Miscellaneous revenues	262	783	521	1,043
Investment earnings	100	114	14	96
Total revenues	<u>230,964</u>	<u>226,146</u>	<u>(4,818)</u>	<u>156,244</u>
<b>Expenditures:</b>				
Economic development:				
Contracted services	775	525	250	600
Reimbursements	28,749	25,354	3,395	12,060
Miscellaneous expenses	229,140	221,618	7,522	142,164
Contribution to primary government	-	3,000	(3,000)	-
Capital outlay	6,000	6,000	-	-
Total expenditures	<u>264,664</u>	<u>256,497</u>	<u>8,167</u>	<u>154,824</u>
Revenues over (under) expenditures	<u>(33,700)</u>	<u>(30,351)</u>	<u>3,349</u>	<u>1,420</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>33,700</u>	<u>-</u>	<u>(33,700)</u>	<u>-</u>
Total other financing sources (uses)	<u>33,700</u>	<u>-</u>	<u>(33,700)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(30,351)</u>	<u>\$ (30,351)</u>	<u>1,420</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>82,809</u>		<u>81,389</u>
End of year - June 30		<u>\$ 52,458</u>		<u>\$ 82,809</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)	\$ 298,852
Eligible 911 expenditures reported in General Fund (interfund transfer to be recorded in subsequent year):	
Other expenditures	<u>(9,450)</u>
Ending balance, PSAP Revenue - Expenditure Report	<u>\$ 289,402</u>

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

"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, 2015, 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 10, 2015. 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be material weaknesses.

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324  
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085  
Toll Free Both Locations 1-800-948-0585 ♦ Website: [www.martinstarnes.com](http://www.martinstarnes.com)

## **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 Response to Finding**

Chowan County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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, NC  
December 10, 2015

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

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

## **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 the County's major federal programs for the year ended June 30, 2015. 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.

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324  
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085  
Toll Free Both Locations 1-800-948-0585 ♦ Website: [www.martinstarnes.com](http://www.martinstarnes.com)

### ***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, 2015.

### **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 types of 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, NC  
December 10, 2015

# 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, 2015. 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, 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, 2015.

### **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 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, NC  
December 10, 2015

**CHOWAN COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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:

Federal Program/Cluster Name	CFDA#
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   \$533,268  

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, 2015**

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

**2015-001**

**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, 2015**

**3. Federal Award Findings and Questioned Costs**

None reported.

**4. State Award Findings and Questioned Costs**

None reported.

**CHOWAN COUNTY, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Finding:** 2014-001

**Status:** Corrected

**Finding:** 2014-002

**Status:** Corrected

**Finding:** 2014-003

**Status:** Repeated as 2015-001

## CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
<b>Federal Awards:</b>			
<b>U.S. Department of Agriculture:</b>			
<b>Food and Nutrition Service</b>			
Passed-through N.C. Department of Health & Human Services			
<b>Division of Social Services:</b>			
Administration			
Supplemental Nutrition Assist. Program Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561	\$ 241,498	\$ 627
Passed-through N.C. Department of Health & Human Services			
<b>Division of Public Health:</b>			
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infant, & Children			
	10.557	305,776	-
<b>Total U.S. Department of Agriculture</b>		<u>547,274</u>	<u>627</u>
<b>Administration for Children and Families:</b>			
Passed-through the N.C. Department of Health and Human Services			
<b>Division of Social Services:</b>			
Foster Care and Adoption Cluster			
Title IV-E Foster Care - Administration			
	93.658	22,558	4,418
Administration			
	93.658	1,939	-
Foster Care - Direct Benefit Payments			
	93.658	6,072	1,509
Adoption Assistance - Administration			
	93.659	342	-
Adoption Assistance - Direct Benefit Payments			
	93.659	30,368	7,869
<b>Total Foster Care and Adoption Cluster</b>		<u>61,279</u>	<u>13,796</u>
<u>Temporary Assistance for Needy Families Cluster</u>			
Temporary Assistance for Needy Families (TANF) / Work First - Administration			
	93.558	203,912	-
TANF / Work First - Direct Benefit Payments			
	93.558	121,724	-
<b>Total TANF Cluster</b>		325,636	-
NC Child Support Enforcement Section:			
IV-D Administration / CSE Incentive Recovery			
	93.563	199,757	-
IV-D Offset Fees - ESC			
	93.563	33	-
IV-D Offset Fees - Federal			
	93.563	1,037	-
Low-Income Home Energy Assistance Block Grant:			
Administration			
	93.568	208,561	-
Stephanie Tubbs Jones Child Welfare Services Program:			
- Permanency Planning - Families for Kids			
	93.645	3,438	-
SSBG - Other Service and Training - Administration			
	93.667	73,825	14,828
Chafee Foster Care Independence Program - Administration			
	93.674	140	35
Chafee Foster Care Independence Program - Direct Benefit Payments			
	93.674	75	-
Promoting Safe and Stable Families			
	93.556	2,183	-
Family Support Payments to States - Assistance Programs - Direct Benefit Payments			
	93.560	(229)	(63)

## CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
<b>Division of Child Development:</b>			
Subsidized Child Care (Note 2)			
Child Care Development Fund Cluster:			
<b>Division of Social Services:</b>			
Child Care Development Fund - Administration	93.596	80,251	-
<b>Division of Child Development:</b>			
Child Care and Development Fund - Discretionary	93.575	327,749	-
Child Care and Development Fund - Mandatory	93.596	113,758	-
Child Care and Development Fund - Match	93.596	33,897	-
Total Childcare Development Fund Cluster		555,655	-
TANF	93.558	91,079	-
Foster Care Title IV-E	93.658	7,280	3,771
TANF - MOE		-	3,740
State Appropriations		-	11,312
Total Subsidized Child Care Cluster		654,014	18,823
<b>Centers for Medicare and Medicaid Services:</b>			
Passed-through the N.C. Department of Health and Human Services			
<b>Division of Medical Assistance:</b>			
Direct Benefit Payments:			
Medical Assistance Program	93.778	15,006,092	8,365,205
<b>Division of Social Services:</b>			
Administration:			
Medical Assistance Program	93.778	501,617	1,495
Total Medicaid Cluster:		15,507,709	8,366,700
Direct Benefit Payments:			
State Children's Insurance Program - N.C. Health Choice	93.767	144,911	46,021
Administration:			
State Children's Insurance Program - N.C. Health Choice	93.767	7,724	586
Total Centers for Medicare and Medicaid Services		15,660,344	8,413,307
<b>Department of Homeland Security</b>			
Passed-through the N.C. Department of Crime Control and Public Safety:			
Emergency Management	14.239	38,220	-
<b>Total Federal Awards</b>		<u>\$ 17,775,587</u>	<u>\$ 8,461,353</u>
<b>State Awards:</b>			
<b>N.C. Department of Health and Human Services:</b>			
<b>Division of Aging and Adult Services:</b>			
<b>Division of Social Services:</b>			
State/County Special Assistance for Adults - Direct Benefit Payment			200,423
<b>Division of Social Services:</b>			
Administration:			
AFDC Incentive/Program Integrity			927
Energy Assist Private Grants			121
Direct Benefits:			
CWS Adoption Subsidy			7,131
State Foster Home			372
SFHF Maximization			2,200
Total Division of Social Services			<u>211,174</u>

## CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
<b>N.C. Department of Environmental &amp; Natural Resources:</b>			
<b>Division of Soil &amp; Water Conservation</b>			
Recreation - NC Coastal Management			103,676
Cooperative Extension - Pesticide			787
Soil & Water - Clear and Snag			22,218
Soil & Water - Agricultural Cost Share			23,886
Soil & Water Conservation - Admin			<u>3,600</u>
Total N.C. Department of Environmental & Natural Resources			<u>154,167</u>
<b>N.C. Department of Insurance:</b>			
SHIIP Mini Grant			<u>4,638</u>
<b>N.C. Department of Public Instruction</b>			
Public School Building Capital Fund			<u>182,356</u>
<b>N.C. Department of Crime Control and Public Safety</b>			
Emergency Management - Training and Exercise			404
Emergency Management - LEPC - HAZMAT Planning			<u>7,704</u>
Total N.C. Department of Crime Control and Public Safety			<u>8,108</u>
<b>Total State Awards</b>			<u>560,443</u>
<b>Total Federal and State Awards</b>		<u>\$17,775,587</u>	<u>\$ 9,021,796</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 (SEFSA) includes the federal and State grant activity of Chowan County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Chowan County, it is not intended to and does not present the financial position, changes in net position or cash flows of Chowan County.

**2. Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

**3. Subrecipients**

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

<u>Program Title</u>	State <u>Expenditures</u>
Public School Building Capital Fund	\$ 182,356

**4. Cluster of Programs**

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

Subsidized Child Care and Foster Care and Adoption