

PERQUIMANS COUNTY

North Carolina

**AUDIT REPORT
JUNE 30, 2012**

PERQUIMANS COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2012

	<u>EXHIBIT</u>	<u>PAGE NUMBER</u>
Financial Section		
List of Principal Officials		
Independent Auditors' Report		1-2
Management's Discussion and Analysis		3-12
Basic Financial Statements		
Government - wide Financial Statements		
Statement of Net Assets	1	13
Statement of Activities	2	14
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	4	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	5	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	6	18-19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Project Reserve Fund	6	20
Statement of Fund Net Assets - Proprietary Funds	7	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	8	22
Statement of Cash Flows - Proprietary Funds	9	23
Statement of Fiduciary Net Assets - Fiduciary Funds	10	24
Notes to the Financial Statements		25-49

PERQUIMANS COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2012

	<u>EXHIBIT</u>	<u>PAGE</u> <u>NUMBER</u>
Required Supplemental Financial Data		
Other Postemployment Benefits - Schedule of Funding Progress		50
Other Postemployment Benefits - Schedule of Employer Contributions		51
Combining and Individual Fund Statements and Schedules		
Statement of Revenue, Expenditures and Changes in Fund Balance - General Fund - Budget and Actual		52-60
Statement of Revenue, Expenditures and Changes in Fund Balance - Revaluation Reserve Fund - Budget and Actual		61
Statement of Revenue, Expenditures and Changes in Fund Balance - USDA Reserve Fund - Budget and Actual		62
Combining Balance Sheet - Nonmajor Governmental Funds		63
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds		64
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual		
Emergency Telephone System Fund		65
Single Family Rehabilitation Fund		66
County Construction Capital Project Fund		67
School Construction Capital Project Fund		68
Enterprise Funds: Statement of Revenue and Expenditures - Budget and Actual (NON-GAAP)		
Solid Waste Fund		69
Water Fund		70-71
Winfall Water Plant Upgrade Capital Project Fund		72
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds		73-74

PERQUIMANS COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2012

	<u>EXHIBIT</u>	<u>PAGE</u> <u>NUMBER</u>
Other Statements		
Schedule of Ad Valorem Taxes Receivable		75
Analysis of Current Tax Levy - County wide Levy		76
Ten Largest Taxpayers		77
Emergency Telephone System Reconciliation		78
Compliance Section		
Report on Internal Control Over Financial Reporting And On Compliance and Other Matter Based On An Audit Of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>		A-1
Report on Compliance with Requirements Applicable to each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act		A-3
Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act		A-5
Schedule of Findings and Questioned Costs		A-7
Corrective Action Plan		A-9
Schedule of Prior Year Audit Findings		A-10
Schedule of Expenditures of Federal and State Awards		A-11

FINANCIAL SECTION

**PERQUIMANS COUNTY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
June 30, 2012**

BOARD OF COMMISSIONERS

Benjamin C. Hobbs, Chairman

Janice McKenzie Cole, Vice Chair
Tammy Miller-White
Edward R. Muzzulin

Mack E. Nixon
Sue Weimar

Mary P. Hunnicutt, Clerk to the Board
Hackney High, Jr., County Attorney

Office of the County Manager

W. Frank Heath III, County Manager
Sharon S. Ward, Finance Officer
Mary P. Hunnicutt, Secretary

Deborah Reed, Register of Deeds
William F. Jennings, Tax Supervisor
Paul Smith, Jr., Elections Chairman
Homeria Jennette, Communications
Larry Chappell, EMS Coordinator
Howard Williams, Recreation Director
Janet Stallings, Soil Conservation
Donna Godfrey, County Planner
Eric Tilley, Sheriff

Richard Copeland, Water Plant Superintendent
William Felton, Bldg. & Grounds Supervisor
Virgil Parrish, Chief Building Inspector
Preston Spear, Veterans Services Coordinator
Lewis Smith, Jr., Chairman Extension Services
Susan Chaney, Director Social Services
Stephen Chappell, Animal Control Officer
Jarvis Winslow, Emer. Mgmt Coordinator
Russ Chappell, Water Distribution Supervisor



DOUGLAS A. HOLLOWELL P.C.

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

1880 WEST CITY DRIVE
P.O. BOX 1387
ELIZABETH CITY, NORTH CAROLINA 27906
TELEPHONE: (252) 338-8021
1-888-825-8059
FAX (252) 338-4148

102 WEST EDEN STREET
P.O. BOX 567
EDENTON, NORTH CAROLINA 27932
TELEPHONE: (252) 482-8461
FAX (252) 482-4921

Independent Auditors' Report

To the Board of County Commissioners
Perquimans County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perquimans County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Perquimans County, North Carolina as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the capital projects reserve fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

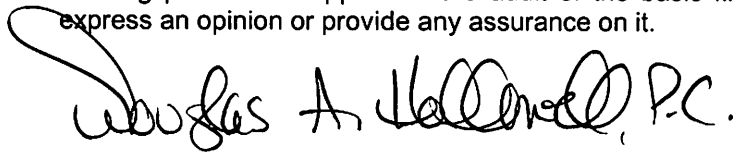
In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2012 on our consideration of Perquimans County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

DOUGLAS A. HOLLOWELL, C.P.A.
DONNA HOLLOWELL WINBORNE, C.P.A.

MEMBERS OF:
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Accounting principles and generally accepted in the United States of America require that Management's Discussion and Analysis and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 3 through 12 and 49 and 50, respectively, 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires 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 any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perquimans County's basic financial statements as a whole. The statistical section, combining and individual nonmajor fund statements, and budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules and other schedules, and the schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Elizabeth City, North Carolina
September 19, 2012

Perquimans County Management's Discussion and Analysis

As management of Perquimans County, we offer readers of Perquimans County's financial statements this narrative overview and analysis of the financial activities of Perquimans County for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

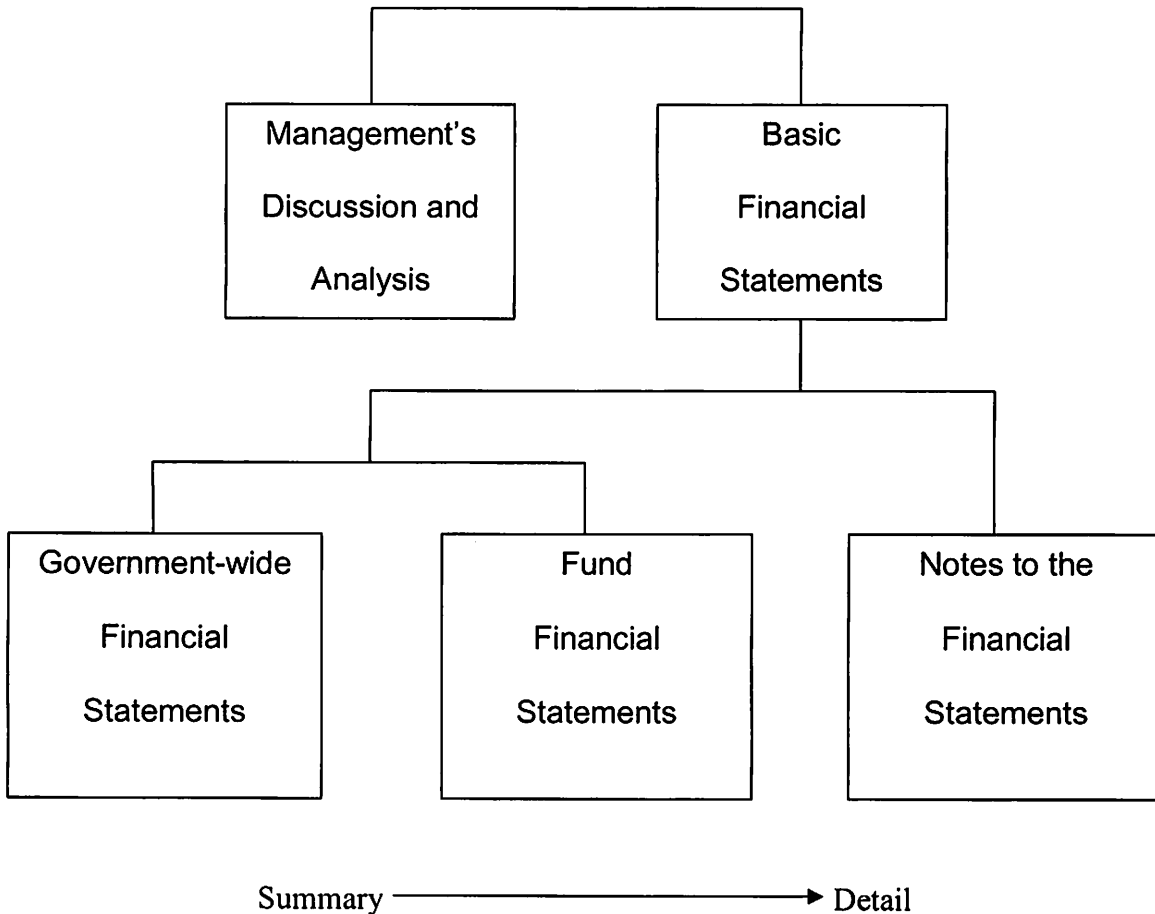
- The assets of Perquimans County exceeded its liabilities at the close of the fiscal year by \$10,854,890 (*net assets*).
- The government's total net assets increased by \$1,027,378, primarily due to revenue collections and reduced expenses in the General Fund.
- As of the close of the current fiscal year, Perquimans County's governmental funds reported combined ending fund balances of \$5,753,123, an increase of \$757,350 in comparison with the prior year. Approximately 70 percent of this total amount, or \$4,699,179, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,422,388 or 28.4 percent of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$4,055,097 or 32.5%.
- Perquimans County's total debt increased by \$466,059 (3.3%) during the current fiscal year.
- Perquimans County has a North Carolina Municipal Council rating of 77, which is considered investment grade.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-

major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and solid waste services offered by Perquimans County.

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

Fund Financial Statements

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

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

programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Perquimans County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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 – Perquimans County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Perquimans County uses enterprise funds to account for its water activity and for its solid waste operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 24 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Perquimans County exceeded liabilities by \$10,854,890 as of June 30, 2012. The County's net assets increased by \$1,027,378 for the fiscal year ended June 30, 2012. One of the largest portions reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Perquimans County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Perquimans County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to

liquidate these liabilities. An additional portion of Perquimans County's net assets, \$973,344, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,105,557 is unrestricted.

Perquimans County's Net Assets

Figure 2

	Governmental Activities		Business - Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current & Other Assets	\$6,780,088	\$6,171,411	\$2,422,885	\$2,976,876	\$9,202,973	\$9,148,287
Capital Assets	7,405,329	6,224,484	9,744,324	9,956,443	17,149,653	16,180,927
Total Assets	14,185,417	12,395,895	12,167,209	12,933,319	26,352,626	25,329,214
Long-term Liabilities	11,159,205	10,529,322	2,974,660	3,236,596	14,133,865	13,765,918
Other Liabilities	819,270	798,832	544,601	422,751	1,363,871	1,221,583
Total Liabilities	11,978,475	11,328,154	3,519,261	3,659,347	15,497,736	14,987,500
Net Assets:						
Net of Related Debt	6,463,844	6,203,774	6,523,259	6,478,461	12,987,103	12,682,235
Restricted	973,344	968,893	-	-	973,344	968,893
Unrestricted	(5,230,246)	(6,104,926)	2,124,689	2,281,310	(3,105,557)	(3,823,616)
Total Net Assets:	\$2,206,942	\$1,067,741	\$8,647,948	\$8,759,771	\$10,854,890	\$9,827,512

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.06%, lower than the 2010-2011 statewide average of 97.91% but higher than the average for counties with a population less than 25,000 of 95.23%.
- Reduction of General Fund Expenditures.
- Continued low cost of debt due to the County's low total indebtedness. The North Carolina Municipal Council has rated Perquimans County at 77, which is considered to be eligible for investment by banks.

Perquimans County's Changes in Net Assets

Figure 3

	Governmental Activities		Business - Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	1,090,541	1,126,879	2,511,890	2,705,168	3,602,431	3,832,047
Operating Grants & Contributions	2,272,544	2,038,384	8,100	21,735	2,280,644	2,060,119
Capital Grants & Contributions	400,000	57,581		314,272	400,000	371,853
General Revenue:					0	0
Property Taxes	7,757,110	7,247,480			7,757,110	7,247,480
Other Taxes	2,155,310	1,840,272			2,155,310	1,840,272
Other	145,052	85,168	5,908	8,472	150,960	93,640
Total Revenue	13,820,557	12,395,764	2,525,898	3,049,647	16,346,455	15,445,411
Expenses:						
General Government	1,935,889	2,155,626			1,935,889	2,155,626
Public Safety	4,398,420	3,667,693			4,398,420	3,667,693
Transportation					0	0
Economic/Physical Development	107,525	201,770			107,525	201,770
Environmental Protection	256,199	264,497			256,199	264,497
Human Services	2,516,664	2,493,998			2,516,664	2,493,998
Cultural & Recreation	589,740	588,211			589,740	588,211
Education	2,385,512	2,411,549			2,385,512	2,411,549
Interest on Long-term Debt	491,407	488,024			491,407	488,024
Solid Waste Operations			831,169	735,420	831,169	735,420
Water Operations			1,806,552	1,795,038	1,806,552	1,795,038
Total Expenses	12,681,356	12,271,368	2,637,721	2,530,458	15,319,077	14,800,396
Increase in Net Assets	1,139,201	124,396	(111,823)	519,189	1,027,378	643,585
Net Assets, July 1	1,067,741	943,345	8,759,771	8,240,582	9,827,512	9,183,927
Net Assets, June 30	2,206,942	1,067,741	8,647,948	8,759,771	10,854,890	9,827,512

Governmental activities. Governmental activities increased the County's net assets by \$1,139,201. Key elements of this increase are as follows:

- Reduction of General Fund Expenditures and increase in property and sales tax revenues.

Business-type activities: Business-type activities decreased Perquimans County's net assets by \$111,823. Key elements of this decrease are as follows:

- Increased operational costs for the water department.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Perquimans County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Perquimans 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.

The General Fund is the chief operating fund of Perquimans County. At the end of the current fiscal year, Perquimans County's fund balance available in the General Fund was \$3,422,388, while total fund balance reached \$4,055,097. The County currently has an available fund balance of 28.4% of general fund expenditures, while total fund balance represents 32.50% of that same amount.

At June 30, 2012, the governmental funds of Perquimans County reported a combined fund balance of \$5,753,123, a 15.16% increase over last year.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$1,042,509.

Proprietary Funds. Perquimans County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year amounted to \$400,281, and those for the Water Fund equaled \$1,724,408. The total growth in net assets for the Solid Waste fund was \$6,851. The total decrease in the Water fund was \$163,472. Other factors concerning the finances of these funds have already been addressed in the discussion of Perquimans County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Perquimans County's capital assets for its governmental and business – type activities as of June 30, 2012, totals \$17,149,653 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, recreational facilities, and vehicles.

Major capital asset transactions during the year include:

- Acquisition and renovation of new Emergency Services Building
- Acquisition of the Perquimans 20/20 economic incubator building for the purpose of a Senior Center.

**Perquimans County's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business - Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	1,062,407	771,926	133,810	133,810	1,196,217	905,736
Buildings & System	5,003,538	4,290,228	9,532,105	9,736,924	14,535,643	14,027,152
Machinery, Equipment & Vehicles	1,339,384	1,162,330	78,409	85,709	1,417,793	1,248,039
Total	7,405,329	6,224,484	9,744,324	9,956,443	17,149,653	16,180,927

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

Long-term Debt. As of June 30, 2012, Perquimans County had no total bonded debt outstanding for the General Fund.

Installment Obligation Debt. As of June 30, 2012 Perquimans County had \$11,375,566 in installment purchases outstanding for the General Fund.

Perquimans County's Outstanding Debt

Figure 5

	Governmental Activities		Business - Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Installment Agreement Indebtedness	11,375,566	10,651,792	3,227,842	3,485,557	14,603,408	14,137,349
Total	11,375,566	10,651,792	3,227,842	3,485,557	14,603,408	14,137,349

Perquimans County's total debt increased by \$466,059 (3.3%) during the past fiscal year. This increase is due to the new loan for the Emergency Services Building.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Perquimans County is \$127,615,250.

Additional information regarding Perquimans County's long-term debt can be found in note III.B.6 beginning on page 42 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the challenges of the County for next year's budget.

- The County's unemployment rate of 10.3 is more than the state average of 9.8% (July, 2012)
- Continued suppressed Sales Tax Revenues
- Continued suppressed economy-based revenues (Land Transfer Tax, Building Inspection Fees, and Registrar of Deed Fees)
- Continued challenges in property tax collection rate due to economic conditions

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: Perquimans County maintained the Ad-valorem tax rate at \$0.44/\$100 value. Property tax revenues are expected to increase by about 1.0% as a result of new real estate construction. This will offset some of the economy-based revenue losses and provide funding for planned capital projects. Permit and fee revenues are expected to be the same as the FY 2011-2012 levels based on housing starts and real estate transactions. Sales taxes are expected to increase by 2-3% over FY 2011-12 levels.

Budgeted expenditures in the General Fund are expected to increase by approximately 1.0% to \$12.575 million. Due to the continued suppressed revenues, most departments and agency contributions had no increase in county appropriations. In order to reduce expenditures, capital purchases have been delayed, travel expenses remain at a reduced level, and many departments and agencies received less funds than requested.

The County will set aside approximately \$250,000 for renovation of a new Senior Center, implement a 2% COLA, and invest \$75,000 in communications equipment for the narrow banding conversion required by the federal government.

Business – type Activities: The County continued seasonal water conservation rates in 2012. These rates are in effect May through October in hopes of encouraging water conservation during peak demand periods. Perquimans County borrowed approximately \$1.5 million dollars for the plant connection and pipeline construction to connect to the Pasquotank County reverse osmosis plant. Within FY 13-14, Perquimans will pay for and begin to receive 150,000 gallons of treated water per day from Pasquotank County. Rates for solid waste services will remain at \$120 per year.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the County Manager, Perquimans County, P.O. Box 45, Hertford, NC 27944.

BASIC FINANCIAL STATEMENTS

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit 1

	Governmental Activities	Business-type Activities	Total
Assets			
Cash & cash equivalents	\$ 5,510,912	\$ 1,801,730	\$ 7,312,642
Taxes Receivable (net)	679,578	-	679,578
Accrued interest receivable on taxes	51,507	-	51,507
Accounts receivable (net)	1,437	294,882	296,319
Due from other governments	536,654	21,541	558,195
Inventory	-	51,410	51,410
Restricted cash and cash equivalents	-	246,545	246,545
Other assets (net)	-	6,777	6,777
Capital assets:			
Land and construction in progress	1,062,407	288,810	1,351,217
Other capital assets, net of depreciation	6,342,922	9,455,514	15,798,436
Total capital assets	<u>7,405,329</u>	<u>9,744,324</u>	<u>17,149,653</u>
Total assets	<u>14,185,417</u>	<u>12,167,209</u>	<u>26,352,626</u>
Liabilities			
Accounts payable and accrued expenses	229,057	194,706	423,763
Customer deposits	-	62,272	62,272
Unearned revenue	66,823	-	66,823
Compensated absences	209,038	24,958	233,996
Current portion of long-term liabilities	314,352	262,665	577,017
Long-term liabilities:			
Due in more than one year	<u>11,159,205</u>	<u>2,974,660</u>	<u>14,133,865</u>
Total liabilities	<u>11,978,475</u>	<u>3,519,261</u>	<u>15,497,736</u>
Net Assets			
Invested in capital assets, net of related debt	6,463,844	6,523,259	12,987,103
Restricted for:			
Stabilization by State Statute	498,172	-	498,172
Cultural and Recreation	53,937	-	53,937
Education	227,274	-	227,274
Public Safety	193,961	-	193,961
Unrestricted	<u>(5,230,246)</u>	<u>2,124,689</u>	<u>(3,105,557)</u>
Total net assets	<u>\$ 2,206,942</u>	<u>\$ 8,647,948</u>	<u>10,854,890</u>

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
JUNE 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges For Services	Operating Grants and	Capital Grants and	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 1,935,889	\$ 356,687	\$ 17,633	\$ -	\$ (1,561,569)	\$ -	\$ (1,561,569)
Public safety	4,398,420	663,509	484,363	-	(3,250,548)	-	(3,250,548)
Economic and physical development	107,525	-	43,616	-	(63,909)	-	(63,909)
Environmental protection	256,199	-	8,642	-	(247,557)	-	(247,557)
Human Services	2,516,664	-	1,711,275	-	(805,389)	-	(805,389)
Cultural and recreational	589,740	17,130	7,015	-	(565,595)	-	(565,595)
Education	2,385,512	53,215	-	400,000	(1,932,297)	-	(1,932,297)
Interest on long term debt	491,407	-	-	-	(491,407)	-	(491,407)
Total governmental activities	12,681,356	1,090,541	2,272,544	400,000	(8,918,271)	-	(8,918,271)
Business - type activities:							
Solid waste	831,169	837,649	-	-	-	6,480	6,480
Water	1,806,552	1,674,241	8,100	-	-	(124,211)	(124,211)
Total business - type activities	2,637,721	2,511,890	8,100	-	-	(117,731)	(117,731)
Total Perquimans County:	\$ 15,319,077	\$ 3,602,431	\$ 2,280,644	\$ 400,000	(8,918,271)	(117,731)	(9,036,002)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					7,757,110	-	7,757,110
Local option sales tax					1,811,953	-	1,811,953
Other taxes and licenses					343,357	-	343,357
Unrestricted intergovernmental					46,385	-	46,385
Miscellaneous, unrestricted					80,792	-	80,792
Investment earnings, unrestricted					17,875	5,908	23,783
Total general revenues					10,057,472	5,908	10,063,380
Change in net assets					1,139,201	(111,823)	1,027,378
Net assets, beginning July 1					1,067,741	8,759,771	9,827,512
Net assets, ending June 30					\$ 2,206,942	\$ 8,647,948	\$ 10,854,890

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

**PERQUIMANS COUNTY, NORTH CAROLINA
BALANCE SHEET: GOVERNMENTAL FUNDS
JUNE 30, 2012**

Exhibit 3

	Major		Non-Major	Total
	General Fund	Capital Projects Reserve Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents	\$ 4,212,165	\$ 1,095,902	\$ 202,845	\$ 5,510,912
Receivables, net				
Taxes	679,578	-	-	679,578
Accounts	1,437	-	-	1,437
Due from other governments	496,735	-	39,919	536,654
Total assets:	<u>\$ 5,389,915</u>	<u>\$ 1,095,902</u>	<u>\$ 242,764</u>	<u>\$ 6,728,581</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 191,836	\$ -	\$ 37,221	\$ 229,057
Unearned revenue	66,823	-	-	66,823
Deferred revenue	679,578	-	-	679,578
Total liabilities	<u>938,237</u>	<u>-</u>	<u>37,221</u>	<u>975,458</u>
Fund balances:				
Restricted:				
Stabilization by State Statute	498,172	-	108,785	606,957
Grants	53,937	-	-	53,937
Department of Justice Forfeiture Program	15,885	-	-	15,885
USDA Restriction	202,620	-	-	202,620
School Capital	-	-	24,654	24,654
Committed:				
Tax Revaluation	193,961	-	-	193,961
Assigned:				
County capital outlay	-	1,095,902	72,104	1,168,006
Subsequent year's expenditures	64,715	-	-	64,715
Unassigned:	3,422,388	-	-	3,422,388
Total fund balances	<u>4,451,678</u>	<u>1,095,902</u>	<u>205,543</u>	<u>5,753,123</u>
Total liabilities and fund balance	<u>\$ 5,389,915</u>	<u>\$ 1,095,902</u>	<u>\$ 242,764</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,405,329
Liabilities for earned but deferred revenue in fund statements.	679,578
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	51,507
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(11,682,595)</u>
Net assets of governmental activities	<u>\$ 2,206,942</u>

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

PERQUIMANS COUNTY, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

Exhibit 4

	Major		Non-Major	Total
	General Fund	Capital Projects Reserve Fund	Other Governmental Funds	
Revenue:				
Ad valorem taxes	\$ 7,821,592	\$ -	\$ -	\$ 7,821,592
Local option sales taxes	1,811,953	-	-	1,811,953
Other taxes and licenses	22,518	-	-	22,518
Unrestricted intergovernmental	46,385	-	-	46,385
Restricted intergovernmental	2,335,654	-	382,357	2,718,011
Permits and fees	297,055	341,779	-	638,834
Sales and services	693,967	-	-	693,967
Investment earnings	13,303	3,165	1,407	17,875
Miscellaneous	109,862	-	4,042	113,904
Total revenue	<u>13,152,289</u>	<u>344,944</u>	<u>387,806</u>	<u>13,885,039</u>
Expenditures:				
Current:				
General government	1,814,728	-	-	1,814,728
Public safety	4,049,196	-	198,956	4,248,152
Economic and physical development	40,371	-	-	40,371
Environmental protection	255,387	-	-	255,387
Human services	2,500,665	-	-	2,500,665
Cultural and recreational	529,700	-	-	529,700
Intergovernmental:				
Education	2,384,707	-	805	2,385,512
Capital outlay	145,570	-	1,439,971	1,585,541
Debt service:				
Principal	256,226	-	-	256,226
Interest	491,407	-	-	491,407
Total expenditures	<u>12,467,957</u>	<u>-</u>	<u>1,639,732</u>	<u>14,107,689</u>
Excess (deficiency) of revenue over expenditures:	<u>684,332</u>	<u>344,944</u>	<u>(1,251,926)</u>	<u>(222,650)</u>
Other financing sources (uses):				
Long-term loan proceeds	-	-	980,000	980,000
Transfers (to) from other funds	(153,100)	-	153,100	-
Total other financing sources (uses)	<u>(153,100)</u>	<u>-</u>	<u>1,133,100</u>	<u>980,000</u>
Net change in fund balance	531,232	344,944	(118,826)	757,350
Fund balance, July 1	3,920,446	750,958	324,369	4,995,773
Fund balance, June 30	<u>\$ 4,451,678</u>	<u>\$ 1,095,902</u>	<u>\$ 205,543</u>	<u>\$ 5,753,123</u>

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

**PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 757,350
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	1,196,209
Loss on disposal of asset	(15,364)
The issuance of long-term debt provides financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(723,774)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(10,738)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements	
Increase in accrued taxes receivable at end of year	14,051
Decrease in deferred tax revenue at end of year	<u>(78,533)</u>
Total changes in net assets of governmental activities	<u>\$ 1,139,201</u>

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit 6

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue:				
Ad valorem taxes	\$ 7,497,862	\$ 7,497,862	\$ 7,821,592	\$ 323,730
Local option sales taxes	1,481,000	1,552,672	1,811,953	259,281
Other taxes and licenses	22,000	22,000	22,518	518
Unrestricted intergovernmental	45,000	45,000	46,385	1,385
Restricted intergovernmental	2,173,359	2,481,259	2,335,654	(145,605)
Permits and fees	286,450	289,722	297,055	7,333
Sales and services	700,400	700,400	693,967	(6,433)
Investment earnings	12,575	12,575	12,942	367
Miscellaneous	71,400	87,715	109,862	22,147
Total Revenue	12,290,046	12,689,205	13,151,928	462,723
Expenditures:				
Current:				
General government	1,939,294	1,957,345	1,814,728	142,617
Public Safety	3,483,539	4,134,199	4,049,196	85,003
Economic and physical development	50,248	50,248	40,371	9,877
Environmental protection	288,779	287,421	255,387	32,034
Human services	2,539,080	2,780,651	2,500,665	279,986
Cultural and recreational	535,069	546,419	529,700	16,719
Intergovernmental:				
Education	2,367,040	2,387,540	2,384,707	2,833
Capital outlay	156,339	196,839	145,570	51,269
Debt service:				
Principal retirement	207,226	256,226	256,226	-
Interest and other charges	479,174	491,409	491,407	2
Total expenditures:	12,045,788	13,088,297	12,467,957	620,340
Revenue over (under) expenditures:	244,258	(399,092)	683,971	1,083,063
Other financing sources (uses):				
Transfers from other funds	11,900	11,900	11,900	-
Transfers to other funds	(266,540)	(266,540)	(266,540)	-
Fund balance appropriated	10,382	653,732	-	(653,732)
Total other financing sources (uses)	(244,258)	399,092	(254,640)	(653,732)
Net change in fund balance	\$ -	\$ -	429,331	\$ 429,331
Fund balance, July 1			3,625,766	
Fund balance, June 30			\$ 4,055,097	

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit 6

<u>General Fund</u>			
<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:			
Interest earnings		361	
Transfer-in from General Fund		34,000	
Fund balance, beginning		159,600	
A legally budgeted USDA Reserve fund is consolidated into the General Fund for reporting purposes:			
Transfer-in from General Fund		67,540	
Fund balance, beginning		<u>135,080</u>	
Fund balance, ending (Exhibit 4)		<u>\$ 4,451,678</u>	

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit 6

	<u>Capital Projects Reserve Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue:				
Land transfer tax	\$ 250,000	\$ 250,000	\$ 341,779	\$ 91,779
Investment earnings	3,000	3,000	3,165	165
Total Revenue	<u>253,000</u>	<u>253,000</u>	<u>344,944</u>	<u>91,944</u>
Other financing sources (uses):				
Transfers (to) from other funds	<u>(253,000)</u>	<u>(253,000)</u>	-	<u>253,000</u>
Total other financing sources (uses)	<u>(253,000)</u>	<u>(253,000)</u>	-	<u>253,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	344,944	<u>\$ 344,944</u>
Fund balance, July 1			<u>750,958</u>	
Fund balance, June 30			<u>\$ 1,095,902</u>	

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

Exhibit 7

	Major		Total
	Water Fund	Solid Waste Fund	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,565,268	\$ 236,462	\$ 1,801,730
Accounts receivable (net)	109,871	185,011	294,882
Due from other governments	19,508	2,033	21,541
Inventory	51,410	-	51,410
Total current assets:	<u>1,746,057</u>	<u>423,506</u>	<u>2,169,563</u>
Noncurrent assets:			
Restricted cash and cash equivalents	246,545	-	246,545
Capital assets:			
Land and construction in progress	288,810	-	288,810
Other capital assets, net of depreciation	9,455,514	-	9,455,514
Other assets (net)	6,777	-	6,777
Total noncurrent assets:	<u>9,997,646</u>	<u>-</u>	<u>9,997,646</u>
Total assets	<u>11,743,703</u>	<u>423,506</u>	<u>12,167,209</u>
Liabilities			
Current liabilities:			
Accounts payable	171,481	23,225	194,706
Customer deposits	62,272	-	62,272
Compensated absences payable	24,958	-	24,958
Installment notes payable	262,665	-	262,665
Total current liabilities	<u>521,376</u>	<u>23,225</u>	<u>544,601</u>
Noncurrent liabilities:			
Other postemployment benefits	9,483	-	9,483
Installment notes payable	2,965,177	-	2,965,177
Total noncurrent liabilities	<u>2,974,660</u>	<u>-</u>	<u>2,974,660</u>
Total liabilities	<u>3,496,036</u>	<u>23,225</u>	<u>3,519,261</u>
Net Assets			
Invested in capital assets, net of related debt	6,523,259	-	6,523,259
Unrestricted	1,724,408	400,281	2,124,689
Total net assets:	<u>\$ 8,247,667</u>	<u>\$ 400,281</u>	<u>\$ 8,647,948</u>

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit 8

	Major		Total
	Water Fund	Solid Waste Fund	
Operating revenue:			
Charges for service	\$ 1,551,071	\$ 828,848	\$ 2,379,919
Tap and reconnection fees	56,575	-	56,575
Penalties	41,644	-	41,644
Other operating revenue	24,951	8,801	33,752
Total operating revenue	<u>1,674,241</u>	<u>837,649</u>	<u>2,511,890</u>
Operating expenses:			
Administration	553,006	-	553,006
Water distribution and treatment	702,383	-	702,383
Solid waste operations	-	831,169	831,169
Depreciation/amortization	412,082	-	412,082
Total operating expenses	<u>1,667,471</u>	<u>831,169</u>	<u>2,498,640</u>
Operating income (loss)	<u>6,770</u>	<u>6,480</u>	<u>13,250</u>
Non-operating revenue (expenses):			
Interest income	5,538	370	5,908
Rent	8,100	-	8,100
Other postemployment	(1,778)	-	(1,778)
Capital outlay	(62,003)	-	(62,003)
Interest on long-term debt	(75,300)	-	(75,300)
Total non-operating revenue (expenses)	<u>(125,443)</u>	<u>370</u>	<u>(125,073)</u>
Change in net assets	(118,673)	6,850	(111,823)
Total net assets, beginning July 1	<u>8,366,340</u>	<u>393,431</u>	<u>8,759,771</u>
Total net assets, ending June 30	<u>\$ 8,247,667</u>	<u>\$ 400,281</u>	<u>\$ 8,647,948</u>

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

**PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Exhibit 9

	Major		Total
	Water Fund	Solid Waste Fund	
Cash flows from operating activities:			
Cash received from customers	\$ 1,891,072	\$ 809,795	\$ 2,700,867
Cash paid for goods and services	(816,998)	(807,943)	(1,624,941)
Cash paid to employees for services	(363,030)	-	(363,030)
Customer deposits	3,502	-	3,502
Other operating revenue	-	8,801	8,801
Net cash provided by (used in) operating activities	<u>714,546</u>	<u>10,653</u>	<u>725,199</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(261,169)	-	(261,169)
Principal paid on bond maturities	(257,714)	-	(257,714)
Interest paid on bond maturities	(75,300)	-	(75,300)
Proceeds from rental	8,100	-	8,100
Net cash used for capital and related financing activities	<u>(586,083)</u>	<u>-</u>	<u>(586,083)</u>
Cash flows from investing activities:			
Interest on investments	<u>5,538</u>	<u>370</u>	<u>5,908</u>
Net increase (decrease) in cash and cash equivalents	134,001	11,023	145,024
Cash and cash equivalents, July 1	<u>1,677,812</u>	<u>225,439</u>	<u>1,903,251</u>
(Water fund includes restricted cash of \$377,589)			
Cash and cash equivalents, June 30	<u>\$ 1,811,813</u>	<u>\$ 236,462</u>	<u>\$ 2,048,275</u>
(Water fund included restricted cash of \$246,545)			
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	<u>\$ 6,770</u>	<u>\$ 6,480</u>	<u>\$ 13,250</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	412,082	-	412,082
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	216,831	(19,053)	197,778
(Increase) decrease in inventory	(13,762)	-	(13,762)
Increase (decrease) in accounts payable and accrued liabilities	87,945	23,226	111,171
Increase (decrease) in customer deposits	3,502	-	3,502
Increase (decrease) in accrued vacation pay	1,178	-	1,178
Total adjustments	<u>707,776</u>	<u>4,173</u>	<u>711,949</u>
Net cash provided/(used) by operating activities	<u>\$ 714,546</u>	<u>\$ 10,653</u>	<u>\$ 725,199</u>

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

**PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Exhibit 10

	<u>Agency Funds</u>
Assets	
Cash & cash equivalents	<u>\$ 47,302</u>
Liabilities and Net Assets	
Miscellaneous liabilities	<u>\$ 47,302</u>
Net Assets	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Notes are provided in the Financial Section and are considered essential to fair presentation and adequate disclosure for this financial report. The notes include the Summary of Significant Accounting Policies for the County and other necessary disclosure of important matters relating to the financial position of the County. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

I - Summary of Significant Accounting Policies

The accounting policies of Perquimans County conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a six-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the all funds of the County.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about Perquimans County. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

The County reports the following major governmental funds:

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

Capital Reserve Project Fund – This fund is used to account for the accumulation of resources to be used for capital projects.

The County reports the following major enterprise funds:

Solid Waste Fund – This fund is used to account for the operations of the County's solid waste activities.

Water Fund - This fund is used to account for the operations of the Water System within the County.

The County reports the following fund type:

Agency Funds - Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains eight agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Soil and Water Conservation Fund, which accounts for money held by the County for the use in soil and water conservation projects; the 4-H Fund, which accounts for money held by the County for the use in the 4-H program; the Sheriff's Fund, which accounts for money held by the Sheriff for community benevolent uses; the Babe Ruth Fund, which accounts for money held by the County for the Babe Ruth baseball leagues; the Farm Service Fund, which accounts for money held by the County for the Farm Service Agency; the State Treasurer-Motor Vehicle Interest Fund, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

Nonmajor Funds. The County maintains six legally budgeted funds. The Emergency Telephone System, Revaluation Reserve, Single Family Rehabilitation, and USDA Reserve Funds are reported as nonmajor special revenue funds. The County Construction and the School Capital Projects Fund are reported as capital projects funds.

Measurement Focus, Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

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

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

Proprietary funds distinguish operating revenues and expenses from 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 County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Perquimans County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Revaluation Reserve, Economic Development, E-911 Reserve and Capital Projects Reserve Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Project Funds, and the Enterprise Capital Projects Fund, which is consolidated with the enterprise operating fund for reporting purposes.

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, at the object level for the multi-year funds. The Budget Officer may transfer amounts between objects of expenditures within a department except salary amounts without limitation. The Budget Officer may not transfer any amount between funds. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate as an official depository, any bank or savings association whose principal office is located in North

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

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

2. Cash and Cash Equivalents

The County pools moneys from all 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.

3. Restricted Assets

The unexpected note proceeds of the County's Water System Fund are classified as restricted assets within the enterprise fund because their use is completely restricted to the purpose for which the notes were originally obtained. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

4. 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, 2005. Perquimans County does not use a discount schedule, which is permitted by State law.

5. 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.

6. Inventory and Prepaid Items

Inventories are not maintained in the governmental funds of the County. The governmental funds recognize materials and supplies as expenditures at the time of purchase. The inventory of the Enterprise Funds consists of materials and supplies held for consumption. The cost is recorded as an expenditure when the inventory is 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.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at the estimated fair value at the date of donation. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

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

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

	<u>Years</u>
Buildings	50
Improvements	25
Furniture and equipment	10
Vehicles	5
Computer equipment	5

8. Long-Term Obligations

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

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

9. Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

In the governmental fund financial statements, 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:

Nonspendable 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.

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

Restricted for Stabilization of State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Register of Deeds-portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for grants – portion of fund balance that is restricted by revenue source to pay for senior center capital assets.

Restricted by Department of Justice Forfeiture Program – portion of fund balance that is restricted to pay for specific items for the sheriff department.

Restricted for USDA Reserve – portion of fund balance that is restricted by the USDA loan covenant.

Restricted for School Capital – portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority of Perquimans County's governing body (highest level of

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Tax Revaluation – portion of fund balance that can only be used for Tax Revaluation.

Assigned Fund Balance – portion of the fund balance that the Perquimans County governing board has budgeted.

Subsequent years expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the Budget Officer may transfer amounts between objects of expenditures within a department except salary amounts without limitation. The Budget Officer may not transfer amounts between funds.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

E. Reconciliation of Government-wide and fund financial statements

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

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$(3,546,181) consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 10,709,878
Less - Accumulated Depreciation	(3,304,549)
	7,405,329
Accrued interest receivable less the amount claimed as unearned revenue in the government-side statements as these funds are not available and therefore are deferred in the fund statements	51,507
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	679,578
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Compensated absences	(209,038)
Other postemployment benefits	(97,991)
Bonds and installment financings	(11,375,566)
Total adjustment	\$ (3,546,181)

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$381,851 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,585,541
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(389,332)
Loss on disposal of asset	(15,364)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(980,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net assets in the government-wide statements	256,226
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	2,497
Other postemployment benefits	(13,235)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in accrued taxes receivable at year end	14,051
Reversal of deferred tax revenue recorded at July 1	(758,111)
Recording of tax receipts deferred in the funds statements at June 30	679,578
	\$ 381,851

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

II - Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by its agent in the entity's names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for 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 relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County does not have a formal policy regarding custodial credit risk for deposits.

At June 30, 2012, the County's deposits had a carrying amount of \$7,605,539 and a bank balance of \$7,801,309. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$7,301,309 was covered by collateral held under the Pooling Method.

At June 30, 2012, Perquimans County had \$950 cash on hand.

2. 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 property taxes that could become due if present use-value eligibility is lost at June 30, 2012 were not available. These amounts have not been recorded in the financial statements.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

3. Receivables

Receivables at the government-wide level at June 30, 2012 were as follows:

	Accounts	Taxes and related accrued	Due from other governments	Other	Total
Governmental activities:					
General	\$ -	\$ 716,578	\$ 496,735	\$ 1,437	\$ 1,214,750
Other governmental	-	-	39,919	-	39,919
	-	716,578	536,654	1,437	1,254,669
Allowance for doubtful accounts	-	(37,000)	-	-	(37,000)
Total governmental activities	<u>\$ -</u>	<u>\$ 679,578</u>	<u>\$ 536,654</u>	<u>\$ 1,437</u>	<u>\$ 1,217,669</u>
Business type activities:					
Water Fund	\$ 112,128	\$ -	\$ 19,508	\$ -	\$ 131,636
Solid Waste	195,272	-	2,033	-	197,305
	307,400	-	21,541	-	328,941
Allowance for doubtful accounts	(12,518)	-	-	-	(12,518)
Total business type activities	<u>\$ 294,882</u>	<u>\$ -</u>	<u>\$ 21,541</u>	<u>\$ -</u>	<u>\$ 316,423</u>

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

Federal grant funds	\$ 81,592
State grant funds	32,742
Other grant funds	13,580
Local option sales tax	208,255
Sales tax reimbursements	71,762
Scrap tire tax	4,524
Franchise tax	5,692
White goods disposal tax	1,069
Social services reimbursements	130,774
State 911 funds	8,205
Total	<u>\$ 558,195</u>

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 771,926	\$ 290,481	\$ -	\$ 1,062,407
Total capital assets not being depreciated	<u>771,926</u>	<u>290,481</u>	<u>-</u>	<u>1,062,407</u>
Capital assets being depreciated:				
Buildings	5,538,052	871,443	-	6,409,495
Equipment	1,347,610	303,047	138,255	1,512,402
Land improvements	295,877	6,585	-	302,462
Vehicles and motor equipment	1,309,127	113,985	-	1,423,112
Total capital assets being depreciated	<u>8,490,666</u>	<u>1,295,060</u>	<u>138,255</u>	<u>9,647,471</u>
Less accumulated depreciation for:				
Buildings	1,247,824	158,133	-	1,405,957
Equipment	765,096	103,993	122,891	746,198
Land improvements	14,259	14,014	-	28,273
Vehicles and motor equipment	1,010,929	113,192	-	1,124,121
Total accumulated depreciation	<u>3,038,108</u>	<u>389,332</u>	<u>122,891</u>	<u>3,304,549</u>
Total capital assets being depreciated, net	<u>5,452,558</u>			<u>6,342,922</u>
Governmental activity capital assets, net	<u>\$ 6,224,484</u>			<u>\$ 7,405,329</u>

Cultural and recreation	\$ 58,252
Economic and physical development	62,719
General government	89,273
Human services	4,065
Public Safety	<u>175,023</u>
Total depreciation expense	<u>\$ 389,332</u>

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund:				
Capital assets not being depreciated:				
Land	\$ 133,810	\$ -	\$ -	\$ 133,810
Total capital assets not being depreciated	133,810	-	-	133,810
Capital assets being depreciated:				
Plant and distribution systems	16,440,415	177,818	-	16,618,233
Furniture and maintenance equipment	252,592	-	-	252,592
Vehicles	276,623	21,348	-	297,971
Total capital assets being depreciated	16,969,630	199,166	-	17,168,796
Less accumulated depreciation for:				
Plant and distribution systems	6,703,491	382,637	-	7,086,128
Furniture and maintenance equipment	218,123	9,474	-	227,597
Vehicles	225,383	19,174	-	244,557
Total accumulated depreciation	7,146,997	\$ 411,285	\$ -	7,558,282
Total capital assets being depreciated, net	9,822,633			9,610,514
Business-type activity capital assets, net	\$ 9,956,443			\$ 9,744,324

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2012, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 94,475	\$ 97,361	\$ 191,836
Other governmental	37,221	-	37,221
Total governmental activities	\$ 131,696	\$ 97,361	\$ 229,057
Business type activities:			
Water Fund	\$ 171,481	\$ -	\$ 171,481
Solid Waste	23,225	-	23,225
Total business type activities	\$ 194,706	\$ -	\$ 194,706

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.99% and 7.05%, respectively, of annual covered payroll. The contribution requirements of members and of Perquimans County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$205,395, \$185,714, and \$141,877, respectively. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description.*

Perquimans 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 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	12
Total	12

Funding Policy. 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. Accordingly, no amounts have been reflected in these financial statements. As of June 30, 2012, no officers have retired who qualify for the separation allowance. There were no contributions made by employees. The County's obligation to contribute to this plan is established by and may be amended by the North Carolina General Assembly.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2012 were \$23,848 which consisted of \$22,068 from the County and \$1,780 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Perquimans County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$1,172.

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a County resolution, the County administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan). The plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty consecutive years of creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers, until the retiree reaches the age of 65. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The County may amend the benefit provisions. A separate report was not issued for the plan.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

Funding Policy. By County resolution, the County pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The County has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment 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. In fiscal year ended June 30, 2012, the County's total contributions were \$1,968.

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The County has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. 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 current year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 76,087
Interest on net OPEB obligation	388
Adjustment to annual required contribution	<u>(59,494)</u>
Annual OPEB cost (expense)	16,981
Contributions made	<u>(1,968)</u>
Increase (decrease) in net OPEB obligation	15,013
Net OPEB obligation, beginning of year	<u>92,461</u>
Net OPEB obligation, end of year	<u><u>\$ 107,474</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2012	\$ 16,981	11.6%	\$ 107,474
2011	\$ 25,038	37.4%	\$ 92,461
2010	\$ 87,591	12.3%	\$ 76,791

Funded Status and Funding Progress. As of December 31, 2011, the actuarial accrued liability for benefits was \$861,628, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,248,586, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 38.3 percent.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

The projection of future benefit payments for an ongoing plan involves 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 actuarial accrued liabilities for benefits.

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

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 4.0 percent was used.

Health insurance premiums – 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.0 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount rate of 0.50 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is not being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was thirty years.

f. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government 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 these 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 benefits 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. All death benefits are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions.

3. Deferred/Unearned Revenues

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

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 61,082
Taxes receivable, net (General)	679,578	-
Wetlands Mitigation (General)	-	5,741
	\$ 679,578	\$ 66,823

4. 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 three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property insurance coverage equal to replacement cost values of owned property subject to a limit of \$13,788,600 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 pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrences losses of \$350,000 for workers' compensation. The County does not have any property in a flood zone and does not carry flood insurance. In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The finance officer, tax collector, and register of deeds are individually bonded for \$100,000, \$100,000, and \$100,000 respectively.

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.

5. Long-term Obligations

a. Installment Agreement Indebtedness

On April 15, 2008, the County entered into an installment agreement pursuant to N.C. General Statute 160A-20 for the purchase of imaging equipment to be used in the Register of Deeds office. Total indebtedness under the agreement was \$49,358. The Agreement has a five year term, at an interest rate of 3.72%. Payments will be \$11,000 annually including interest. Principal payment and interest of 3.72% resulted in the following obligation at June 30, 2012:

Total installment obligation indebtedness	\$ 10,880
Less: amount representing interest	395
Net principal amount of obligation	\$ 10,485

As authorized by State law [G.S. 160A-20 and 153A-158.1], the County financed various property acquisitions for use by the Perquimans County Board of Education by installment purchase. The installment purchase was issued pursuant to a deed of trust which requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with the Perquimans County Board of Education which transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transactions, the fixed assets associated with the installment purchase obligation are recorded by the Board of Education.

The County entered into an agreement with RBC Centura, pursuant to N.C. General Statute 160 A-20, to finance the Perquimans High School Construction and Renovation Project. Total indebtedness under the agreement was \$11,000,000, at an annual interest rate of 3.65%. This loan was refinanced on December 18, 2008 with USDA as follows:

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

- I. Seven million (\$7,000,000) with a term of thirty (30) years at 4.50%, entered into on December 18, 2008. The County will make thirty (30) payments of \$429,800 each. Principal and interest at 4.50% resulted in the following obligation at June 30, 2012:

Total installment obligation indebtedness	\$ 11,667,280
Less: amount representing interest	<u>4,989,468</u>
Net principal amount of obligation	<u><u>\$ 6,677,812</u></u>

- II. Four million (\$4,000,000) with a term of thirty (30) years at 4.50%, entered into on December 18, 2008. The County will make thirty (30) payments of \$245,600 each. Principal and interest at 4.50% resulted in the following obligation at June 30, 2012:

Total installment obligation indebtedness	\$ 6,562,845
Less: amount representing interest	<u>2,806,576</u>
Net principal amount of obligation	<u><u>\$ 3,756,269</u></u>

During the 2011-12 fiscal year, the County made interest payments of \$491,407.

On September 30, 2011, the County entered into an installment purchase agreement pursuant to N.C. General Statute 160A-20 for the purchase of a building to be used by Emergency Services. Total indebtedness under the agreement was \$1,108,181. The agreement has a twenty-year term at an interest rate of 2.49%. Payments will be \$49,000 annually plus accrued interest. Principal payment and interest of 2.49% resulted in the following obligation at June 30, 2012:

Total installment obligation indebtedness	\$ 1,047,013
Less: amount representing interest	<u>116,013</u>
Net principal amount of obligation	<u><u>\$ 931,000</u></u>

Installment agreement indebtedness – business type activities

As authorized by State law [G.S. 160A-20] the County is financing a new water and 12" pipeline through an installment financing agreement with the East Carolina Bank. The total amount financed is \$3,000,000 at a fixed rate of 3.74% for 15 years. The agreement was executed on December 29, 2005 and requires 30 semi-annual payments of \$131,567, with the first payment due June 29, 2006.

Principal payment and interest at 3.74% resulted in the following obligation at June 30, 2012:

Total installment obligation indebtedness	\$ 2,235,820
Less: amount representing interest	<u>335,708</u>
Net principal amount of obligation	<u><u>\$ 1,900,112</u></u>

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

On January 27, 2011, the County entered into an agreement with the State of North Carolina, Department of Environment and Natural Resources, to receive a Federal Revolving Loan in the amount of \$2,795,220, as part of the American Recovery and Reinvestment Act of 2009, for the purpose of making improvements to the County's water supply system. One half of the amount borrowed is immediately forgiven. The remaining principal is to be repaid at an interest rate of 0% over 20 years at an annual amount of \$69,881 per year. Principal and interest at 0.00% resulted in the following obligation at June 30, 2012:

Total installment obligation indebtedness	\$ 1,327,730
Less: amount representing interest	-
Net principal amount of obligation	\$ 1,327,730

For Perquimans County, the combined future minimum payments as of June 30, 2012 including interest are:

Year ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 314,352	\$ 492,505	\$ 262,665	\$ 69,299
2014	313,130	480,406	271,033	61,982
2015	322,811	468,285	278,626	54,389
2016	332,928	455,769	286,506	46,509
2017	343,499	442,717	294,684	38,331
2018-2022	1,844,494	2,000,997	1,205,403	65,198
2023-2027	1,749,009	1,627,991	349,403	-
2028-2032	2,179,583	1,197,417	279,522	-
2033-2037	2,716,157	660,843	-	-
2038-2042	1,259,603	85,522	-	-
Total	\$ 11,375,566	\$ 7,912,452	\$ 3,227,842	\$ 335,708

At June 30, 2012, Perquimans County had a legal debt margin of \$127,615,250.

b. Long-term Obligation Activity

The following is a summary of changes in the County's long term obligations for the fiscal year June 30, 2012:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 10,651,792	\$ 980,000	\$ 256,226	\$ 11,375,566	\$ 314,352
Unfunded post employment benefits	84,756	13,235	-	97,991	-
Compensated absences	211,535	-	2,497	209,038	209,038
Total	\$ 10,948,083	\$ 993,235	\$ 258,723	\$ 11,682,595	\$ 523,390
Business-type activities:					
Installment purchases	\$ 3,485,557	\$ -	\$ 257,715	\$ 3,227,842	\$ 262,665
Unfunded post employment benefits	7,705	1,778	-	9,483	-
Compensated absences	23,780	1,178	-	24,958	24,958
Total	\$ 3,517,042	\$ 2,956	\$ 257,715	\$ 3,262,283	\$ 287,623

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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

C. Interfund Balance and Activity

Transfers to/from other funds at June 30, 2012 consist of the following:

	Amount
From the General Fund to the Revaluation Fund to accumulate resources for octennial revaluation of real property	\$ 34,000
From the General Fund to the USDA Reserve Fund to reserve required amount for USDA loan	67,540
From the General Fund to the County Construction Fund to supplement other funding sources	165,000
From the E-911 Fund to the General Fund to move remaining fund balance of the local wireless 911 tax as a result of a state statutes change	11,900
Total	\$ 278,440

D. Fund Balance

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

Total Fund Balance-General Fund	\$ 4,055,097
Less:	
Stabilization for State Statute	498,172
Grants	53,937
Dept of Justice Forfeiture Program	15,885
Appropriation for 2012-2013 budget	64,715
Remaining Fund Balance	3,422,388

IV. Joint Ventures

Pettigrew Regional Library

The County participates in a joint venture to operate the Pettigrew Library with three other counties: Chowan, Tyrrell, and Washington. Perquimans County does not appoint anyone to the Board, but may make recommendations for appointments. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on participating governments' continued funding. Perquimans County owns the library building and provides for the maintenance of that building. During the 2011-2012 fiscal year, the County contributed \$149,368 towards the operating expenses of the Library. Complete financial statements can be obtained from the Library's office at 110 West Academy Street, Hertford, North Carolina 27944.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

Albemarle District Jail Commission

The County in conjunction with Camden and Pasquotank Counties, participates in the Albemarle District Jail Commission. Each participating government appoints one member to the four member board. The Jail Commission is a joint venture established to provide incarceration facilities for the participating counties. The intergovernmental agreement between the participating counties stipulates that each county make an annual contribution towards the operating expenses of the Commission. The contribution amount is based on a per capita assessment based on the most recent census figures available. During the fiscal year ended June 30, 2012, the County contributed \$1,413,572 to the Commission. None of the participating governments have an equity interest in the Commission. Complete financial statements for the Jail can be obtained from the Albemarle District Jail Commission, 320 South Hughes Blvd., Elizabeth City, North Carolina 27909.

V. Jointly Governed Organization

Perquimans, Chowan, Gates Solid Waste Commission

Perquimans County, in conjunction with two other counties, established the Perquimans, Chowan, Gates County Solid Waste Commission to coordinate solid waste disposal for the counties. Each participating government appoints two members to the Commission's governing board.

Perquimans, Pasquotank, Camden, Chowan, Currituck Health Department

The Perquimans, Pasquotank, Camden, Chowan, Currituck (PPCCC) Health Department is a jointly governed organization. Each participating government appoints three members to the PPCCC Board.

VI. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Adoption assistance	\$ 25,591	\$ 6,850
Adult assistance	-	178,608
Food stamp program	4,034,023	-
Medicaid	10,158,674	5,940,438
Temporary assistance to needy families	89,916	-
WIC	152,329	-
Total	<u>\$ 14,460,533</u>	<u>\$ 6,125,896</u>

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

VII. Summary Disclosure of Significant Contingencies and Commitments

Federal and State Assisted Programs

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

REQUIRED SUPPLEMENTAL FINANCIAL DATA

- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits

**PERQUIMANS COUNTY, NORTH CAROLINA
 OTHER POSTEMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 717,568	\$ 717,568	0.0%	\$ 1,934,403	37.1%
12/31/2010	\$ -	\$ 700,847	\$ 700,847	0.0%	\$ 2,002,731	35.0%
12/31/2011	\$ -	\$ 861,628	\$ 861,628	0.0%	\$ 2,248,586	38.3%

**PERQUIMANS COUNTY, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ending June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2012	1,968	11.6%
2011	9,368	37.4%
2010	10,800	12.3%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Ad valorem taxes:			
Taxes	\$ 7,437,862	\$ 7,718,342	\$ 280,480
Penalties and interest	60,000	103,250	43,250
Total	<u>7,497,862</u>	<u>7,821,592</u>	<u>323,730</u>
Local option sales taxes:			
Article 39 and 44	260,000	298,680	38,680
Article 40 one - half of one percent	630,500	668,891	38,391
Article 42 one - half of one percent	240,000	259,050	19,050
Article 46 one - quarter of one percent	-	5,098	5,098
Utilities franchise distribution	21,000	21,214	214
Medicaid Hold Harmless payment	401,172	559,020	157,848
Total	<u>1,552,672</u>	<u>1,811,953</u>	<u>259,281</u>
Other taxes and licenses:			
Scrap tire disposal tax	16,500	17,889	1,389
White goods disposal tax	5,000	4,214	(786)
Beer and wine licenses	500	415	(85)
Total	<u>22,000</u>	<u>22,518</u>	<u>518</u>
Unrestricted intergovernmental:			
Beer and wine tax	<u>45,000</u>	<u>46,385</u>	<u>1,385</u>
Restricted intergovernmental:			
State grants	1,968,657	1,808,713	(159,944)
Federal grants	10,725	31,239	20,514
Court facility fees	50,000	47,467	(2,533)
ABC bottle tax (rehab)	2,825	2,803	(22)
Public School Building Capital Fund-Lottery	400,000	400,000	-
Other grants	49,052	45,432	(3,620)
Total	<u>2,481,259</u>	<u>2,335,654</u>	<u>(145,605)</u>
Permits and fees:			
Officer and Sheriff fees	41,272	46,848	5,576
Building permits and inspection fees	110,000	95,925	(14,075)
Register of deeds	135,450	150,309	14,859
DMV license revocation fees	1,000	1,163	163
Subdivision and zoning fees	2,000	2,810	810
Total	<u>289,722</u>	<u>297,055</u>	<u>7,333</u>

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Sales and services:			
Ambulance fees	398,000	403,127	5,127
Administrative services	110,000	100,000	(10,000)
Dispatch services	68,000	64,625	(3,375)
Jail fees	4,500	5,517	1,017
Municipal tax collection fees	14,000	14,332	332
Recreation fees	17,000	17,130	130
Rents	88,900	89,236	336
Total	<u>700,400</u>	<u>693,967</u>	<u>(6,433)</u>
Investment earnings	<u>12,575</u>	<u>12,942</u>	<u>367</u>
Miscellaneous:			
School security	50,000	53,215	3,215
Other	37,715	56,647	18,932
Total	<u>87,715</u>	<u>109,862</u>	<u>22,147</u>
Total revenue	<u>12,689,205</u>	<u>13,151,928</u>	<u>462,723</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	40,910	37,946	2,964
Other operating expenses	23,225	18,500	4,725
Land use plan update	1,000	-	1,000
Total	<u>65,135</u>	<u>56,446</u>	<u>8,689</u>
Administrative and finance:			
Salaries and employee benefits	284,030	282,462	1,568
Other operating expenses	30,764	29,287	1,477
Professional services	44,375	44,375	-
Total	<u>359,169</u>	<u>356,124</u>	<u>3,045</u>
Elections:			
Salaries and employee benefits	81,988	68,506	13,482
Other operating expenses	22,837	21,552	1,285
Total	<u>104,825</u>	<u>90,058</u>	<u>14,767</u>

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Tax administration:			
Salaries and employee benefits	358,216	326,174	32,042
Other operating expenses	91,800	65,352	26,448
Professional services	12,900	10,547	2,353
Mapping	6,000	5,527	473
Total	<u>468,916</u>	<u>407,600</u>	<u>61,316</u>
Legal:			
Contracted services	<u>23,500</u>	<u>22,865</u>	<u>635</u>
Register of Deeds:			
Salaries and employee benefits	145,630	142,880	2,750
Other operating expenses	65,150	62,016	3,134
Professional services	16,750	16,750	-
Total	<u>227,530</u>	<u>221,646</u>	<u>5,884</u>
Public Buildings:			
Salaries and employee benefits	190,727	190,545	182
Other operating expenses	105,700	96,817	8,883
Insurance and bonds	176,145	175,285	860
Utilities	148,000	119,007	28,993
Professional services and contracts	32,198	32,827	(629)
Capital outlay	4,000	3,471	529
Total	<u>656,770</u>	<u>617,952</u>	<u>38,818</u>
Court Facilities:			
Other operating expenses	<u>50,400</u>	<u>41,187</u>	<u>9,213</u>
Jury commission:			
Other operating expenses	<u>1,100</u>	<u>850</u>	<u>250</u>
Total general government:	<u>1,957,345</u>	<u>1,814,728</u>	<u>142,617</u>
Public safety:			
Sheriff:			
Salaries and employee benefits	729,705	728,651	1,054
Other operating expenses	176,824	154,934	21,890
Capital outlay	81,339	81,024	315
Total	<u>987,868</u>	<u>964,609</u>	<u>23,259</u>
Jail:			
Contracted services	606,145	605,506	639
Contracted services - debt service	256,817	256,816	1
Settlement	551,250	551,250	-
Total	<u>1,414,212</u>	<u>1,413,572</u>	<u>640</u>

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Rescue squad:			
Salaries and employee benefits	610,245	609,849	396
Other operating expenses	128,850	119,088	9,762
Total	739,095	728,937	10,158
Dispatch:			
Salaries and employee benefits	364,527	363,592	935
Other operating expenses	66,512	37,225	29,287
Total	431,039	400,817	30,222
Fire:			
Salaries and employee benefits	30,437	30,434	3
Other operating expenses	47,700	32,260	15,440
Capital outlay	33,000	32,961	39
Assistance to local fire departments	330,000	330,000	-
Total	441,137	425,655	15,482
Inspection:			
Salaries and employee benefits	152,680	150,788	1,892
Other operating expenses	22,000	16,668	5,332
Total	174,680	167,456	7,224
Animal control:			
Contribution to regional animal shelter	53,007	55,235	(2,228)
Medical examiner:			
Professional services	7,500	6,900	600
Total public safety:	4,248,538	4,163,181	85,357
Economic and physical development:			
Tourism Development Authority:			
Other operating expenses	24,450	21,840	2,610
Capital outlay	7,500	6,585	915
Total	31,950	28,425	3,525

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Other:			
Albemarle Regional Planning Organization	1,831	1,831	-
Albemarle Commission	8,437	8,437	-
Skills, Inc.	500	500	-
R C and D	1,200	1,200	-
Other	13,830	6,563	7,267
Total	<u>25,798</u>	<u>18,531</u>	<u>7,267</u>
Total economic and physical development:	<u>57,748</u>	<u>46,956</u>	<u>10,792</u>
Environmental protection:			
Conservation - soil and forest service:			
Salaries and employee benefits	29,985	29,976	9
Other operating expenditures	12,095	10,778	1,317
Cost share programs	13,525	13,525	-
Forestry service	50,960	43,190	7,770
Total	<u>106,565</u>	<u>97,469</u>	<u>9,096</u>
Beaver Management	4,000	4,000	-
Agricultural Extension:			
Salaries and employee benefits	119,110	118,402	708
Other operating expenditures	37,746	33,925	3,821
Total	<u>156,856</u>	<u>152,327</u>	<u>4,529</u>
Drainage Study	20,000	1,591	18,409
Total environmental protection:	<u>287,421</u>	<u>255,387</u>	<u>32,034</u>
Human services:			
Health:			
Administration - contracted services	51,310	51,355	(45)
Rodent and mosquito control	850	723	127
Transportation	146,454	28,081	118,373
Total	<u>198,614</u>	<u>80,159</u>	<u>118,455</u>
Mental health:			
Administration - contracted services	26,602	26,602	-
Alcoholism:			
Operating - rehabilitation	2,825	2,803	22

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Social services:			
Administration:			
Salaries and employee benefits	1,074,263	1,044,661	29,602
Other operating expenses	70,171	56,753	13,418
Professional services	172,800	175,883	(3,083)
Total	<u>1,317,234</u>	<u>1,277,297</u>	<u>39,937</u>
Special assistance for adults:			
Aid for the aged	107,000	101,092	5,908
Aid for the permanently and totally disabled	78,000	77,516	484
Total	<u>185,000</u>	<u>178,608</u>	<u>6,392</u>
Medical assistance program:			
Assistance payments	<u>1,500</u>	<u>624</u>	<u>876</u>
Welfare-to-work program:			
Transportation	1,500	115	1,385
Other operating expenditures	3,741	701	3,040
Total	<u>5,241</u>	<u>816</u>	<u>4,425</u>
OJJ program:			
Perquimans County 20/20	<u>40,452</u>	<u>41,176</u>	<u>(724)</u>
Other assistance:			
Links	4,750	-	4,750
Adoption subsidy/enhancement	13,911	7,043	6,868
Nutrition program for the aged	40,403	40,403	-
Aid to the blind	1,717	1,808	(91)
IV E Foster Care Clothing	2,400	2,166	234
Foster care program	60,000	54,792	5,208
Smart Start day care	83,433	83,381	52
Crisis intervention	124,435	99,361	25,074
Day care program	373,455	332,115	41,340
Emergency assistance	25,000	24,832	168
TANF domestic violence	8,436	8,079	357
Humanitarian needs	5,000	2,844	2,156
DOT travel	17,134	8,423	8,711

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Other assistance (contd):			
Adult home case management	8,340	8,339	1
Food stamp issuance	7,000	5,372	1,628
Recovery food and nutrition	28,378	28,200	178
Contracted transportation	97,000	83,637	13,363
Total	900,792	790,795	109,997
Total social services:	2,450,219	2,289,316	160,903
Other:			
Albemarle Hospital	1,000	1,000	-
Food Bank of the Albemarle	500	500	-
NC Coalition	1,346	1,345	1
Kids First, Inc.	4,000	4,000	-
Albemarle Hopeline	2,000	2,000	-
Veterans service officer:			
Salaries and employee benefits	6,880	6,645	235
Other operating expenses	1,200	1,140	60
Total	8,080	7,785	295
Governor's One-on-One Program:			
Salaries and employee benefits	10,800	10,800	-
Other operating expenses	10,408	10,408	-
Professional services	2,500	2,500	-
Total	23,708	23,708	-
Mentoring Focus Group:			
Other operating expenses	61,757	61,447	310
Total human services:	2,780,651	2,500,665	279,986
Cultural and Recreational:			
Recreation:			
Salaries and employee benefits	176,055	167,128	8,927
Other operating expenses	93,919	94,132	(213)
Capital outlay	4,000	3,900	100
Total	273,974	265,160	8,814
Senior Citizens:			
Salaries and employee benefits	86,290	85,768	522
Other operating expenses	17,312	9,929	7,383
Capital outlay	75,000	25,000	50,000
Total	178,602	120,697	57,905

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Library:			
Contribution to regional library	149,368	149,368	-
Other:			
Chamber of Commerce	5,000	5,000	-
Newbold White House	11,000	11,000	-
Perquimans Arts League	500	500	-
Perquimans County Trail blazers	1,475	1,475	-
Perquimans County Fireworks	1,500	1,500	-
Total cultural and recreational:	621,419	554,700	66,719
Debt service:			
Principal retirement	256,226	256,226	-
Interest and other charges	491,409	491,407	2
Total	747,635	747,633	2
Total debt service:	747,635	747,633	2
Education:			
Public schools - current expense	2,137,040	2,137,040	-
Public schools - capital outlay	220,500	217,667	2,833
College of the Albemarle	30,000	30,000	-
Total	2,387,540	2,384,707	2,833
Total education:	2,387,540	2,384,707	2,833
Total expenditures:	13,088,297	12,467,957	620,340
Revenue over (under) expenditures:	(399,092)	683,971	1,083,064

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfer from other funds:			
Emergency Telephone System Fund	11,900	11,900	-
Transfers to other funds:			
Capital Construction Capital Project Fund	(165,000)	(165,000)	-
Revaluation Reserve Fund	(34,000)	(34,000)	-
USDA Reserve Fund	(67,540)	(67,540)	-
Fund balance appropriated	<u>653,732</u>	<u>-</u>	<u>(653,732)</u>
Total other financing sources (uses)	<u>399,092</u>	<u>(254,640)</u>	<u>(653,732)</u>
 Revenue and other financing sources (uses) over (under) expenditures and other financing uses	 <u>\$ -</u>	 429,331	 <u>\$ 429,331</u>
 Fund balance, beginning of the year, July 1		 <u>3,625,766</u>	
 Fund balance, end of the year, June 30		 <u>\$ 4,055,097</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
REVALUATION RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ 250	\$ 361	\$ 111
Expenditures:			
General government	34,250	-	34,250
Revenues over (under) expenditures	34,000	361	34,361
Other financing sources (uses):			
Transfer from General Fund	34,000	34,000	-
Total other financing sources (uses)	34,000	34,000	-
Revenue and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	34,361	<u>\$ 34,361</u>
Fund balance, beginning of the year, July 1		<u>159,600</u>	
Fund balance, end of the year, June 30		<u>\$ 193,961</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
USDA RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Expenditures:			
Reserve for USDA loan	\$ 67,540	\$ -	\$ 67,540
Revenues over (under) expenditures	<u>67,540</u>	<u>-</u>	<u>67,540</u>
Other financing sources (uses):			
Transfer from General Fund	<u>67,540</u>	<u>67,540</u>	<u>-</u>
Total other financing sources (uses)	<u>67,540</u>	<u>67,540</u>	<u>-</u>
Revenue and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	67,540	<u>\$ 67,540</u>
Fund balance, beginning of the year, July 1		<u>135,080</u>	
Fund balance, end of the year, June 30		<u>\$ 202,620</u>	

COMBINING STATEMENTS – NON-MAJOR FUNDS

Special Revenue Funds

- **Emergency Telephone System Fund:** accounts for the 911 revenue collected by the telephone industry to fund the County's 911 Emergency System
- **Single Family Rehabilitation Fund:** accounts for the grant funds obtained to rehabilitate single family housing units in Perquimans County

Capital Projects Funds

- **County Construction Capital Projects Fund:** accounts for construction throughout the County
- **School Construction Capital Project Fund:** accounts for capital improvements in Perquimans County schools

**PERQUIMANS COUNTY, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012**

	Special Revenue Funds			Capital Project Funds			Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	Single Family Rehabilitation Grant Fund	Total Special Revenue Funds	County Construction Capital Projects Fund	School Construction Capital Projects Fund	Total Capital Project Funds	
Assets:							
Cash and cash equivalents	\$ 93,290	\$ -	\$ 93,290	\$ 84,901	\$ 24,654	\$ 109,555	\$ 202,845
Due from other governments	26,876	-	26,876	13,043	-	13,043	39,919
Total assets	<u>\$ 120,166</u>	<u>\$ -</u>	<u>\$ 120,166</u>	<u>\$ 97,944</u>	<u>\$ 24,654</u>	<u>\$ 122,598</u>	<u>\$ 242,764</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ 11,381	\$ -	\$ 11,381	\$ 25,840	\$ -	\$ 25,840	\$ 37,221
Total liabilities	<u>11,381</u>	<u>-</u>	<u>11,381</u>	<u>25,840</u>	<u>-</u>	<u>25,840</u>	<u>37,221</u>
Fund balances:							
Restricted:							
State Stabilization	108,785	-	108,785	-	-	-	108,785
School Capital	-	-	-	-	24,654	24,654	24,654
Assigned:							
County Capital Outlay	-	-	-	72,104	-	72,104	72,104
Total fund balances	<u>108,785</u>	<u>-</u>	<u>108,785</u>	<u>72,104</u>	<u>24,654</u>	<u>96,758</u>	<u>205,543</u>
Total liabilities and fund balances	<u>\$ 120,166</u>	<u>\$ -</u>	<u>\$ 120,166</u>	<u>\$ 97,944</u>	<u>\$ 24,654</u>	<u>\$ 122,598</u>	<u>\$ 242,764</u>

**PERQUIMANS COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			Capital Project Funds			Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	Single Family Rehabilitation Grant Fund	Total Special Revenue Funds	County Construction Capital Project Fund	School Construction Capital Project Fund	Total Capital Project Funds	
Revenue:							
Federal grant no. SFR-LP2011	\$ -	\$ 4,435	\$ 4,435	\$ -	\$ -	\$ -	\$ 4,435
911 State grant	279,460	-	279,460	-	-	-	279,460
Restricted intergovernmental	98,462	-	98,462	-	-	-	98,462
Investment earnings	531	-	531	777	99	876	1,407
Miscellaneous income	-	-	-	4,042	-	4,042	4,042
Total revenue	378,453	4,435	382,888	4,819	99	4,918	387,806
Expenditures:							
Public safety	551,777	-	551,777	-	-	-	551,777
Economic development	-	4,435	4,435	1,082,715	-	1,082,715	1,087,150
Intergovernmental:							
Education	-	-	-	-	805	805	805
Total expenditures	551,777	4,435	556,212	1,082,715	805	1,083,520	1,639,732
Excess (deficiency) of revenue over expenditures	(173,324)	-	(173,324)	(1,077,896)	(706)	(1,078,602)	(1,251,926)
Other financing sources (uses):							
Transfer from other funds	-	-	-	165,000	-	165,000	165,000
Transfer to other funds	(11,900)	-	(11,900)	-	-	-	(11,900)
Long-Term loan proceeds	-	-	-	980,000	-	980,000	980,000
Total other financing sources (uses)	(11,900)	-	(11,900)	1,145,000	-	1,145,000	1,133,100
Net change in fund balances	(185,224)	-	(185,224)	67,104	(706)	66,398	(118,826)
Fund balance, beginning	294,009	-	294,009	5,000	25,360	30,360	324,369
Fund balance, ending	\$ 108,785	\$ -	\$ 108,785	\$ 72,104	\$ 24,654	\$ 96,758	\$ 205,543

**PERQUIMANS COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
911 State grant	\$ 322,619	\$ 279,460	\$ (43,159)
Restricted intergovernmental	98,462	98,462	-
Investment earnings	1,200	531	(669)
Total revenue	<u>422,281</u>	<u>378,453</u>	<u>(43,828)</u>
Expenditures:			
Telephone	-	4,876	-
Software maintenance	-	48,036	-
Hardware maintenance	-	28,610	-
Training	-	1,307	-
Capital outlay	-	323,874	-
S.L. 2010-158 Expenditures	-	145,074	-
Total expenditures	<u>595,632</u>	<u>551,777</u>	<u>43,855</u>
Revenues over (under) expenditures	<u>(173,351)</u>	<u>(173,324)</u>	<u>27</u>
Other financing sources (uses):			
Fund balance appropriated	185,251	-	(185,251)
Transfer to general fund	(11,900)	(11,900)	-
Total other financing sources (uses)	<u>173,351</u>	<u>(11,900)</u>	<u>(185,251)</u>
Revenue and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(185,224)</u>	<u>\$ (185,224)</u>
Fund balance, beginning of the year, July 1		<u>294,009</u>	
Fund balance, end of the year, June 30		<u>\$ 108,785</u>	

**PERQUIMANS COUNTY, NORTH CAROLINA
SINGLE FAMILY REHABILITATION GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue:					
Federal grant no. SFR-LP2011	\$ 160,000	\$ 192,468	\$ 4,435	\$ 196,903	\$ (36,903)
Total revenue	<u>160,000</u>	<u>192,468</u>	<u>4,435</u>	<u>196,903</u>	<u>(36,903)</u>
Expenditures:					
Administration	14,500	16,346	4,435	20,781	(6,281)
Rehabilitation	127,500	165,243	-	165,243	(37,743)
Program costs	18,000	10,879	-	10,879	7,121
Total expenditures	<u>160,000</u>	<u>192,468</u>	<u>4,435</u>	<u>196,903</u>	<u>(36,903)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of the year, July 1			-		
Fund balance, end of the year, June 30			<u>\$ -</u>		

**PERQUIMANS COUNTY, NORTH CAROLINA
 CAPITAL PROJECTS RESERVE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 -- BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ 3,000	\$ 3,165	\$ 165
Land transfer tax	250,000	341,779	91,779
Total revenues	<u>253,000</u>	<u>344,944</u>	<u>91,944</u>
 Other financing sources (uses):			
Reserve for capital projects	<u>(253,000)</u>	-	<u>(253,000)</u>
Total other financing sources (uses)	<u>(253,000)</u>	<u>-</u>	<u>(253,000)</u>
 Revenue and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	344,944	<u>\$ 344,944</u>
 Fund balance, beginning of the year, July 1		<u>750,958</u>	
 Fund balance, end of the year, June 30		<u>\$ 1,095,902</u>	

**PERQUIMANS COUNTY, NORTH CAROLINA
SCHOOL CONSTRUCTION CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment Earnings	\$ -	\$ 99	\$ 99
Total revenue	<u>-</u>	<u>99</u>	<u>99</u>
Expenditures:			
Professional Services	<u>805</u>	<u>805</u>	<u>-</u>
Total expenditures	<u>805</u>	<u>805</u>	<u>-</u>
Revenue over (under) expenditures	<u>(805)</u>	<u>(706)</u>	<u>(99)</u>
Other financing sources (uses):			
Fund balance appropriated	<u>805</u>	<u>-</u>	<u>805</u>
Total other financing sources (uses)	<u>805</u>	<u>-</u>	<u>805</u>
Revenue and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(706)</u>	<u>\$ (706)</u>
Fund balance, beginning of the year, July 1		<u>25,360</u>	
Fund balance, end of the year, June 30		<u>\$ 24,654</u>	

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of the net income is appropriate for accountability purposes.

Solid Waste Fund – This fund is used to account for the County’s solid waste activities

Water Fund – This fund is used to account for the County’s water operations

Winfall Water Plant Upgrade Capital Project Fund – This fund is used to account for the County’s Winfall Water Plant Upgrade Project

**PERQUIMANS COUNTY, NORTH CAROLINA
SOLID WASTE FUND
STATEMENT OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Operating revenue:			
Charges for services			
Solid waste fees	\$ 802,000	\$ 828,848	\$ 26,848
Other revenue	6,575	8,801	2,226
Non-operating revenue			
Investment earnings	<u>360</u>	<u>370</u>	<u>10</u>
Total revenue	<u>808,935</u>	<u>838,019</u>	<u>29,084</u>
Expenditures:			
Landfill operations:			
Solid waste operations	<u>813,935</u>	<u>831,169</u>	<u>(17,234)</u>
Total	<u>813,935</u>	<u>831,169</u>	<u>(17,234)</u>
Revenues over (under) expenditures	(5,000)	6,850	1,850
Other financing sources (uses)			
Fund balance appropriated	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	6,850	<u>\$ (6,850)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Change in net assets:		<u>\$ 6,850</u>	

**PERQUIMANS COUNTY, NORTH CAROLINA
WATER FUND
STATEMENT OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Charges for services:			
Water sales	\$ 1,650,000	\$ 1,551,071	\$ (98,929)
Tap and reconnection fees	61,200	56,575	(4,625)
Penalties	35,000	41,644	6,644
Other operating revenue	20,730	24,951	4,221
Total operating revenue	<u>1,766,930</u>	<u>1,674,241</u>	<u>(92,689)</u>
Non-operating revenue			
Rent	4,500	8,100	3,600
Investment earnings	7,500	5,538	(1,962)
Federal reimbursement-waterline relocation	29,150	-	(29,150)
Total non-operating revenue	<u>41,150</u>	<u>13,638</u>	<u>(27,512)</u>
Total revenue	<u>1,808,080</u>	<u>1,687,879</u>	<u>(120,201)</u>
Expenditures:			
Administration:			
Salaries and employee benefits	253,830	254,341	(511)
Professional services	83,875	83,872	3
Indirect costs	100,000	100,000	-
Other department expenses	152,422	114,793	37,629
Total	<u>590,127</u>	<u>553,006</u>	<u>37,121</u>
Water distribution and treatment:			
Salaries and employee benefits	109,765	109,867	(102)
Travel	1,000	220	780
Professional services	111,300	110,225	1,075
Salt and chemical supplies	188,000	203,766	(15,766)
Insurance and bonds	20,000	19,352	649
Utilities	103,400	103,368	32
Water sample tests	33,000	30,276	2,724
Sedimentation control	50,400	50,400	-
Other departmental expenses	88,030	74,909	13,121
Total	<u>704,895</u>	<u>702,383</u>	<u>2,513</u>

**PERQUIMANS COUNTY, NORTH CAROLINA
WATER FUND
STATEMENT OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and fees	78,074	75,300	2,774
Debt Principal	<u>254,962</u>	<u>257,715</u>	<u>(2,753)</u>
Total debt service	<u>333,036</u>	<u>333,015</u>	<u>21</u>
Capital outlay:			
Equipment	249,322	-	249,322
Water lines	<u>421,969</u>	<u>261,169</u>	<u>160,800</u>
Total capital outlay	<u>671,291</u>	<u>261,169</u>	<u>410,122</u>
Total expenditures	<u>2,299,349</u>	<u>1,849,573</u>	<u>449,776</u>
Revenues over (under) expenditures	<u>(491,269)</u>	<u>(161,694)</u>	<u>329,575</u>
Other financing sources (uses)			
Fund balance appropriated	<u>491,269</u>	<u>-</u>	<u>(491,269)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(161,694)</u>	<u>\$ 329,575</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Amortization		(797)	
Debt principal		257,715	
Capital outlay		199,166	
Increase in other postemployment benefits		(1,778)	
Depreciation		<u>(411,285)</u>	
Total reconciling items		<u>43,021</u>	
Change in net assets:		<u>\$ (118,673)</u>	

**PERQUIMANS COUNTY, NORTH CAROLINA
WINFALL WATER PLANT UPGRADE CAPITAL PROJECT FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL --
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Sales tax refund	\$ -	\$ 75,725	\$ -	\$ 75,725	\$ 75,725
Expenditures:					
Professional services	199,477	172,173	-	172,173	27,304
County administrative fee	52,232	-	-	-	52,232
State loan fee	60,000	60,000	-	60,000	-
Wetlands mitigation	12,000	12,000	-	12,000	-
Capital outlay	2,611,606	2,620,383	-	2,620,383	(8,777)
Contingency	130,580	-	-	-	130,580
Total expenditures	<u>3,065,895</u>	<u>2,864,556</u>	<u>-</u>	<u>2,864,556</u>	<u>201,339</u>
Revenues over (under) expenditures	<u>(3,065,895)</u>	<u>(2,788,831)</u>	<u>-</u>	<u>(2,788,831)</u>	<u>(277,064)</u>
Other financing sources (uses)					
Loan proceeds	1,500,000	1,397,610	-	1,397,610	102,390
Forgiveness of Debt - Drinking Water State Revolving Fund (ARRA)	1,500,000	1,397,610	-	1,397,610	102,390
Transfer from Water Construction Fund	65,895	65,895	-	65,895	-
Transfer to Water Fund	-	-	(72,284)	(72,284)	72,284
Total other financing sources (uses)	<u>3,065,895</u>	<u>2,861,115</u>	<u>(72,284)</u>	<u>2,788,831</u>	<u>277,064</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 72,284</u>	<u>(72,284)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of the year, July 1			<u>72,284</u>		
Fund balance, end of the year, June 30			<u>\$ -</u>		

TRUST AND AGENCY FUNDS

Trust Funds are used to account for assets held by the county in a trustee capacity. Agency Funds are used to account for assets held by the county as an agent for individual and or other governments.

Agency Funds

Social Services Fund – This fund accounts for moneys held by the Social Services Department for the benefits of certain individuals in the County.

Soil and Water Conservation Fund – This fund accounts for the moneys held by the County for the use in soil and water conservation projects.

4H Fund – This fund accounts for moneys held by the County for the use in the 4H program.

Sheriff's Fund – This fund accounts for moneys held by the County's Sheriff's Department for community uses.

Babe Ruth Fund – this fund accounts for moneys held by the County for the Babe Ruth baseball leagues.

Farm Service Fund – This fund accounts for moneys held by the County for the Perquimans Farm Service agency.

State Treasurer – Motor Vehicle Interest Fund – This fund accounts for the three percent interest in the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

Deed of Trust Fee Fund – This fund accounts for the five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

PERQUIMANS COUNTY, NORTH CAROLINA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Social Services				
Assets:				
Cash and cash equivalents	\$ 22,097	\$ 78,280	\$ 77,703	\$ 22,674
Liabilities:				
Miscellaneous liabilities	\$ 22,097	\$ 78,280	\$ 77,703	\$ 22,674
Soil and Water Conservation				
Assets:				
Cash and cash equivalents	\$ 8,954	\$ 5,243	\$ 6,636	\$ 7,561
Liabilities:				
Miscellaneous liabilities	\$ 8,954	\$ 5,243	\$ 6,636	\$ 7,561
4-H Fund				
Assets:				
Cash and cash equivalents	\$ 3,217	\$ 13,322	\$ 8,550	\$ 7,989
Liabilities:				
Miscellaneous liabilities	\$ 3,217	\$ 13,322	\$ 8,550	\$ 7,989
Sheriff's Fund				
Assets:				
Cash and cash equivalents	\$ 1,843	\$ 900	\$ 1,451	\$ 1,292
Liabilities:				
Miscellaneous liabilities	\$ 1,843	\$ 900	\$ 1,451	\$ 1,292
Babe Ruth Fund				
Assets:				
Cash and cash equivalents	\$ 538	\$ 20,559	\$ 20,545	\$ 552
Liabilities:				
Miscellaneous liabilities	\$ 538	\$ 20,559	\$ 20,545	\$ 552
Farm Service Fund				
Assets:				
Cash and cash equivalents	\$ 4,575	\$ 10,537	\$ 7,878	\$ 7,234
Liabilities:				
Miscellaneous liabilities	\$ 4,575	\$ 10,537	\$ 7,878	\$ 7,234

PERQUIMANS COUNTY, NORTH CAROLINA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
State Treasurer - Motor Vehicle Interest Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 3,922	\$ 3,922	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 3,922	\$ 3,922	\$ -
Deed of Trust Fee Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 2,295	\$ 2,295	\$ -
Liabilities:				
Intergovernmental payable-State North Carolina	\$ -	\$ 2,295	\$ 2,295	\$ -
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 41,224	\$ 135,058	\$ 128,980	\$ 47,302
Liabilities:				
Miscellaneous liabilities	\$ 41,224	\$ 135,058	\$ 128,980	\$ 47,302

OTHER SCHEDULES

This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Schedule of Ten Largest Taxpayers
- Emergency Telephone System Reconciliation

**PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2012**

Fiscal Year	Uncollected Balance July 1, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 7,530,067	\$ 7,233,114	\$ 296,953
2010-2011	288,191		163,011	125,180
2009-2010	154,849		79,901	74,948
2008-2009	110,239		55,707	54,532
2007-2008	74,134		33,475	40,659
2006-2007	43,363		7,714	35,649
2005-2006	32,197		4,284	27,913
2004-2005	26,066		3,760	22,306
2003-2004	22,220		2,712	19,508
2002-2003	21,534		2,604	18,930
2001-2002	22,318		22,318	-
	<u>\$ 795,111</u>	<u>\$ 7,530,067</u>	<u>\$ 7,608,600</u>	<u>\$ 716,578</u>
Less allowance for uncollected accounts: General Fund				<u>37,000</u>
Ad valorm taxes receivable - net: General Fund				<u>\$ 679,578</u>
<u>Reconciliation with revenue:</u>				
Ad valorem taxes - General Fund				\$ 7,718,342
Interest collected on ad valorem taxes - General Fund				101,412
Reconciling items:				
Interest collected				(101,412)
Taxes written off				22,318
Adjustments				(132,060)
Total reconciling items				<u>(211,154)</u>
Total collection and credits				<u>\$ 7,608,600</u>

**PERQUIMANS COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,693,798,007	0.44	\$ 7,335,760	\$ 6,900,036	\$ 435,724
Penalties			2,322	2,322	
Total:			7,338,082	6,902,358	435,724
Discoveries:					
Current year taxes	43,632,955	0.44	191,985	191,985	
Total property valuation:	<u>\$ 1,737,685,193</u>				
Net levy			<u>\$ 7,530,067</u>	<u>\$ 7,094,343</u>	<u>\$ 435,724</u>
Uncollected taxes at June 30, 2012			<u>\$ 296,953</u>	<u>\$ 244,615</u>	<u>\$ 52,338</u>
Current year's taxes collected			<u>\$ 7,233,114</u>	<u>\$ 6,849,728</u>	<u>\$ 383,386</u>
Current levy collection percentage			<u>96.06%</u>	<u>96.55%</u>	<u>87.99%</u>

**PERQUIMANS COUNTY, NORTH CAROLINA
TEN LARGEST TAXPAYERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2011 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Albemarle Plantation Holdings	Real Estate Development	\$ 27,881,180	1.60%
Albemarle Electric	Electric Company	16,935,301	0.97%
Dominion N. C. Power	Electric Company	12,933,980	0.74%
Weyerhaeuser	Lumber Company	12,216,000	0.70%
Blue Water Land Development Company	Real Estate Development	9,872,000	0.57%
NC Virginia Railroad	Railroad Company	5,661,133	0.33%
Carolina Telephone	Telephone Company	5,550,124	0.32%
Brown Development of NC	Real Estate Development	4,253,800	0.24%
Clark and Elizabeth Harris	Real Estate Development	3,433,700	0.20%
SMV Hertford, LLC	Retirement Home	2,026,700	0.12%
		<u>\$ 100,763,918</u>	<u>5.80%</u>
	Total assessed valuation:	<u>\$ 1,737,685,193</u>	

**PERQUIMANS COUNTY, NORTH CAROLINA
 EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE
 PSAP RECONCILIATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Amounts reported on the Emergency Telephone System Fund budget to actual (pg 62) are different from the PSAP Revenue-Expenditure Report because:

Net change in Fund Balance, reported on Budget to Actual	\$ (185,224)
Sales Tax refund accrued but not reported on budget to actual	693
Expenditures accrued in prior year, expensed in current year	(1,429)
Beginning Balance, PSAP Revenue-Expenditure Report	<u>293,914</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 107,954</u>

COMPLIANCE SECTION



DOUGLAS A. HOLLOWELL P.C.
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

1880 WEST CITY DRIVE
P.O. BOX 1387
ELIZABETH CITY, NORTH CAROLINA 27906
TELEPHONE: (252) 338-8021
1-888-825-8059
FAX (252) 338-4148

102 WEST EDEN STREET
P.O. BOX 567
EDENTON, NORTH CAROLINA 27932
TELEPHONE: (252) 482-8461
FAX (252) 482-4921

DOUGLAS A. HOLLOWELL, C.P.A.
DONNA HOLLOWELL WINBORNE, C.P.A.

**Report On Internal Control Over Financial Reporting And On Compliance
and Other Matters Based On An Audit Of Financial Statements Performed
In Accordance With Government Auditing Standards**

To the Board of County Commissioners
Perquimans County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of Perquimans County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise Perquimans County's basic financial statements, and have issued our report thereon dated September 19, 2012. 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.

Internal Control Over Financial Reporting

Management of Perquimans County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Perquimans County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Perquimans County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Perquimans County's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEMBERS OF:

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

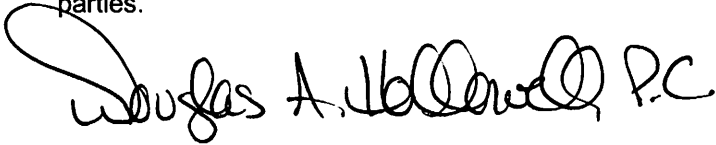
THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Douglas A. Hollenbeck P.C." The signature is written in a cursive style with a large, looping initial 'D'.

Elizabeth City, North Carolina
September 19, 2012



DOUGLAS A. HOLLOWELL P.C.

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

1880 WEST CITY DRIVE
P.O. BOX 1387
ELIZABETH CITY, NORTH CAROLINA 27906
TELEPHONE: (252) 338-8021
1-888-825-8059
FAX (252) 338-4148

102 WEST EDEN STREET
P.O. BOX 567
EDENTON, NORTH CAROLINA 27932
TELEPHONE: (252) 482-8461
FAX (252) 482-4921

DOUGLAS A. HOLLOWELL, C.P.A.
DONNA HOLLOWELL WINBORNE, C.P.A.

**Independent Auditors' Report On Compliance With Requirements that
Could Have a Direct and Material Effect on Each Major Federal Program
And on Internal Control Over Compliance In Accordance With OMB Circular
A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners
Perquimans County, North Carolina

Compliance

We have audited the compliance of Perquimans 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 Perquimans County's major federal programs for the year ended June 30, 2012. Perquimans County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Perquimans County's management. Our responsibility is to express an opinion on Perquimans County's compliance based on our audit.

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

In our opinion, Perquimans County complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of Perquimans County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Perquimans County's

MEMBERS OF:

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

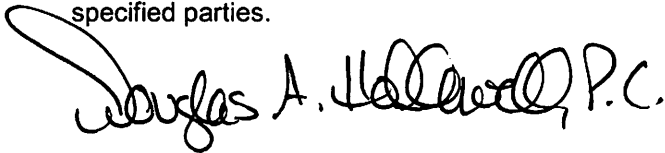
THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the 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, noncompliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Douglas A. Holladay, P.C." The signature is written in a cursive style with a large, sweeping initial "D".

Elizabeth City, North Carolina
September 19, 2012



DOUGLAS A. HOLLOWELL P.C.

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

1880 WEST CITY DRIVE
P.O. BOX 1387
ELIZABETH CITY, NORTH CAROLINA 27906
TELEPHONE: (252) 338-8021
1-888-825-8059
FAX (252) 338-4148

102 WEST EDEN STREET
P.O. BOX 567
EDENTON, NORTH CAROLINA 27932
TELEPHONE: (252) 482-8461
FAX (252) 482-4921

DOUGLAS A. HOLLOWELL, C.P.A.
DONNA HOLLOWELL WINBORNE, C.P.A.

**Independent Auditors' Report On Compliance With Requirements that
Could Have a Direct and Material Effect on Each Major Federal Program
And on Internal Control Over Compliance In Accordance With OMB Circular
A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners
Perquimans County, North Carolina

Compliance

We have audited the compliance of Perquimans County, North Carolina with the types of compliance requirements described in the applicable sections of *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 Perquimans County's major State programs for the year ended June 30, 2012. Perquimans County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of Perquimans County's management. Our responsibility is to express an opinion on Perquimans County's compliance based on our audit.

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

In our opinion, Perquimans County complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of Perquimans County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In

MEMBERS OF:

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

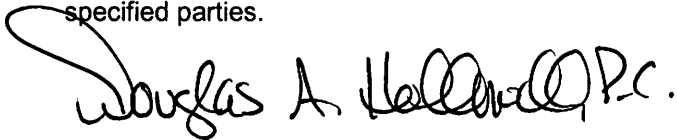
THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

planning and performing our audit, we considered Perquimans 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 the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 Perquimans County's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance 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 noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Douglas A. Holland, P.C." The signature is written in a cursive style with a large, looping initial 'D'.

Elizabeth City, North Carolina
September 19, 2012

PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

Section I. Summary of Auditors' Results
--

Financial Statements

Type of auditors' report issued: Unqualified X yes no

Internal control over financial reporting:

Material weakness(es) identified? yes X none reported

Significant Deficiency(ies) identified that are not considered to be material weaknesses yes X no

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes X none reported

Significant Deficiency(ies) identified that are not considered to be material weaknesses yes X no

Noncompliance material to federal awards yes X no

Type of auditors' report issued on compliance for major federal programs: Unqualified

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
93.778	Title XIX - Medicaid
93.558, 93.575, 93.596, 93.658, 93.667, & 93.714	Child Care Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$354,795

Auditee qualified as low-risk auditee? X yes no

PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2012

Section I. Summary of Auditors' Results (contd.)

State Awards

Internal control over major state programs:

Material weakness(es) identified? yes X none reported

Significant Deficiency(ies) identified
 that are not considered to be
 material weaknesses yes X no

Noncompliance material to state awards yes X no

Type of auditors' report issued on compliance for major state programs: Unqualified

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

Identification of major State programs:

<u>CFDA /Grant Numbers</u>	<u>Names of State Program</u>
93.778	Title XIX - Medicaid Public School Building Capital Fund - ADM (Lottery)

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

PERQUIMANS COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

No matters to report.

PERQUIMANS COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

No matters to report.

PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
<u>Food and Nutrition Services</u>					
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Supplemental Nutrition Assistance Program Cluster</u>					
State administrative matching grants for the Supplemental Nutrition Assistance Program	10.561		\$ 124,754	\$ -	\$ 124,754
			124,754	-	124,754
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		152,329	-	-
Total U.S. Department of Agriculture			277,083	-	124,754
<u>U.S. Department of Housing and Urban Development</u>					
Passed through N.C. Housing Finance Agency:					
Single Family Rehabilitation	14.239	SFR0819	4,435	-	-
Total U.S. Department of Housing and Urban Development			4,435	-	-

PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Gantor/Pass-through Gantor/ Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>U.S Department of Health and Human Services</u>					
<u>Administration for Children and Families</u>					
Passed through the N.C. Dept. Of Health and Human Services:					
<u>Division of Social Services:</u>					
<u>Foster care and adoption cluster</u>					
Title IV-E Foster care - Administration	93.658		41,147	-	30,676
Title IV-E Foster Child Protective Services	93.658		6,278	3,139	3,139
Title IV-E Foster Child Protective Services (in Excess)	93.658		26,673	7,127	7,127
Title IV-E Foster Care	93.658		6,146	1,643	1,643
Title IV-E Foster Care Maximization	93.658		425	-	232
Adoption Assistance - Direct Benefit Payments	93.659		25,592	6,850	6,850
State Foster Home	93.659		-	1,165	1,165
Foster Care - Special Provision	93.659		-	1,941	-
Total foster care and adoption cluster			106,261	21,865	50,832
Work First/Temporary Assistance for Needy Families (TANF)	93.558		91,405	-	91,193
Work First/TANF - Direct Benefit Payments	93.558		89,916	(119)	-
Work First/TANF - UP	93.558		(816)	-	-
Work First/TANF Domestic Violence	93.558		8,079	-	-
Foster Care	93.558		5,150	-	-
N.C. Child Support Enforcement Section	93.563		123,554	-	79,267

PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Gantor/Pass-through Grantor/ Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Low Income Home Energy Assistance Block Grant:</u>					
Administration	93.568		13,399	-	7,844
Energy Assistance payments - direct benefit payments	93.568		(198)	-	198
Crisis Intervention Program	93.568		98,775	-	-
LIHEAP Payments	93.568		28,200	-	-
Permanency planning	93.645		4,310	-	1,437
Social Services Block Grant - Other services and training	93.667		54,072	4,532	25,063
Case Management 60 & up	93.667		209	-	30
<u>Administration on Aging</u>					
Division of Aging and Adult Services					
Passed through the N.C. Dept. Of Health and Human Services:					
SSBG - In Home Service Fund	96.667		2,438	-	348
Links	93.674		(2,923)	-	-
<u>Division of Child Development:</u>					
Subsidized Child Care					
<u>Child Care Development Fund Cluster</u>					
Division of Social Services					
Child Care Development Fund-Administration	93.596		75,031	-	-
Division of Child Development:					
Child Care and Development Fund - Discretionary	93.575		136,595	-	-
Child Care and Development Fund - Mandatory	93.596		45,398	-	-
Child Care and Development Fund - Match	93.596		56,345	22,595	-
Total Child Care Fund Cluster			313,369	22,595	-
Temporary Assistance for Needy Families	93.558		58,707	-	-

PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Gantor/Pass-through Grantor/ Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs	93.714		5,689	-	-
Foster Care Title IV-E	93.658		2,375	-	-
Smart Start			-	1,475	-
State Appropriations			-	9,622	-
TANF-MOE			-	68,538	-
Total Subsidized Child Care Cluster			380,140	102,230	-
<u>Centers for Medicare and Medicaid Services</u>					
Passed through the NC Department of Health & Human Services:					
<u>Division of medical assistance:</u>					
Direct benefit payments:					
Medical assistance program	93.778		10,158,674	5,940,438	410
<u>Division of Social Services:</u>					
Administration:					
Medical assistance program	93.778		244,739	-	244,739
Medical assistance expansion	93.778		9,589	9,585	4
Medical transportation	93.778		11,536	-	11,536
State Children's Insurance Program-N.C. Health Choice	93.767		12,693	563	4,276
Adult Home Special Services	93.778		5,477	2,739	2,739
Total U.S. Department of Health & Human Services			11,444,679	6,081,833	519,916
<u>U.S. Department of Homeland Security</u>					
Passed through the NC Department of Public Safety					
Division of Emergency Management					
Emergency Management Performance Grant	97.067		35,261	-	-
Public Assistance Grant Program for Infrastructure Support (FEMA)	97.036		46,850	-	-
Total U.S. Department of Homeland Security			82,111	-	-
Total Federal awards			11,808,308	6,081,833	644,670

PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
State awards:					
<u>N.C. Department of Health & Human Services</u>					
Division of Aging and Adult Services					
Division of Social Service					
State/County Special Assistance for Adults				101,092	-
State/County Special Assistance for the Disabled				77,516	-
State Adult Protective Services				-	14,060
Division of Social Services					
DCD Smart Start				6,675	-
Total N.C. Department of Health & Human Services				<u>185,283</u>	<u>14,060</u>
<u>N.C. Department of Juvenile Justice & Delinquency Prevention</u>					
Juvenile Crime Prevention Programs: Passed through to Perquimans 20/20 a not-for-profit organization				94,883	-
Total N.C. Department of Juvenile Justice & Delinquency Prevention				<u>94,883</u>	<u>-</u>
<u>N. C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
White Goods Management Program				4,214	-
Scrap Tire Program				17,889	-
Soil conservation - Technical Assistance/operation				15,978	-
Soil conservation - Operations				3,600	-
Solid Waste Management Trust Fund - Community Waste Reduction Grant				8,801	-
Total Division of Waste Management				<u>50,482</u>	<u>-</u>
Total N.C. Department of Environment and Natural Resources				<u>50,482</u>	<u>-</u>

PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Gantor/Pass-through Grantor/ Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C.Department of Insurance</u>					
Division of Seniors' Health Insurance Information				3,850	-
Total N.C. Department of Insurance				<u>3,850</u>	<u>-</u>
<u>N.C.Department of Public Instruction</u>					
Public School Building Capital Fund - Lottery				400,000	-
Total N.C. Department of Public Instruction				<u>400,000</u>	<u>-</u>
<u>N.C. Department of Crime Control and Public Safety</u>					
Division of Emergency Management					
Hazardous Materials Grant				10,487	-
Total N.C. Department of Crime Control and Public Safety				<u>10,487</u>	<u>-</u>
Total State awards				<u>744,985</u>	<u>14,060</u>
Total Federal & State Award			<u>\$ 11,808,308</u>	<u>\$ 6,826,818</u>	<u>\$ 658,730</u>

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

1. Basis of Presentation

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

2. N.C. Department of Health and Human Services Clusters

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.