

PERQUIMANS COUNTY

North Carolina

**AUDIT REPORT
JUNE 30, 2013**

PERQUIMANS COUNTY, NORTH CAROLINA
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PERQUIMANS COUNTY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
June 30, 2013

BOARD OF COMMISSIONERS

Janice McKenzie Cole, Chairman

Edward R. Muzzulin, Vice Chair
Benjamin C. Hobbs
Kyle Jones

Matthew Peeler
Tammy Miller-White

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

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

Independent Auditors' Report

To the Board of County Commissioners
Perquimans County, North Carolina

Report on the Financial Statements

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, 2013 and the related notes to the financial statements, which collectively comprise Perquimans County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perquimans County as of June 30, 2013, and the respective changes in financial position, and cash flows, thereof and the respective budgetary comparison for the General Fund and the Capital Project Reserve Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Other Post Employment Benefit's Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 50 and 51, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perquimans County's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

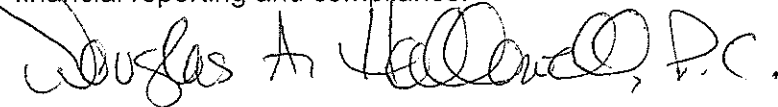
The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to

the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013 on our consideration of the Perquimans County's internal control over financial reporting and on 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* in considering Perquimans County's internal control over financial reporting and compliance.



Elizabeth City, North Carolina
October 28, 2013

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, 2013. 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

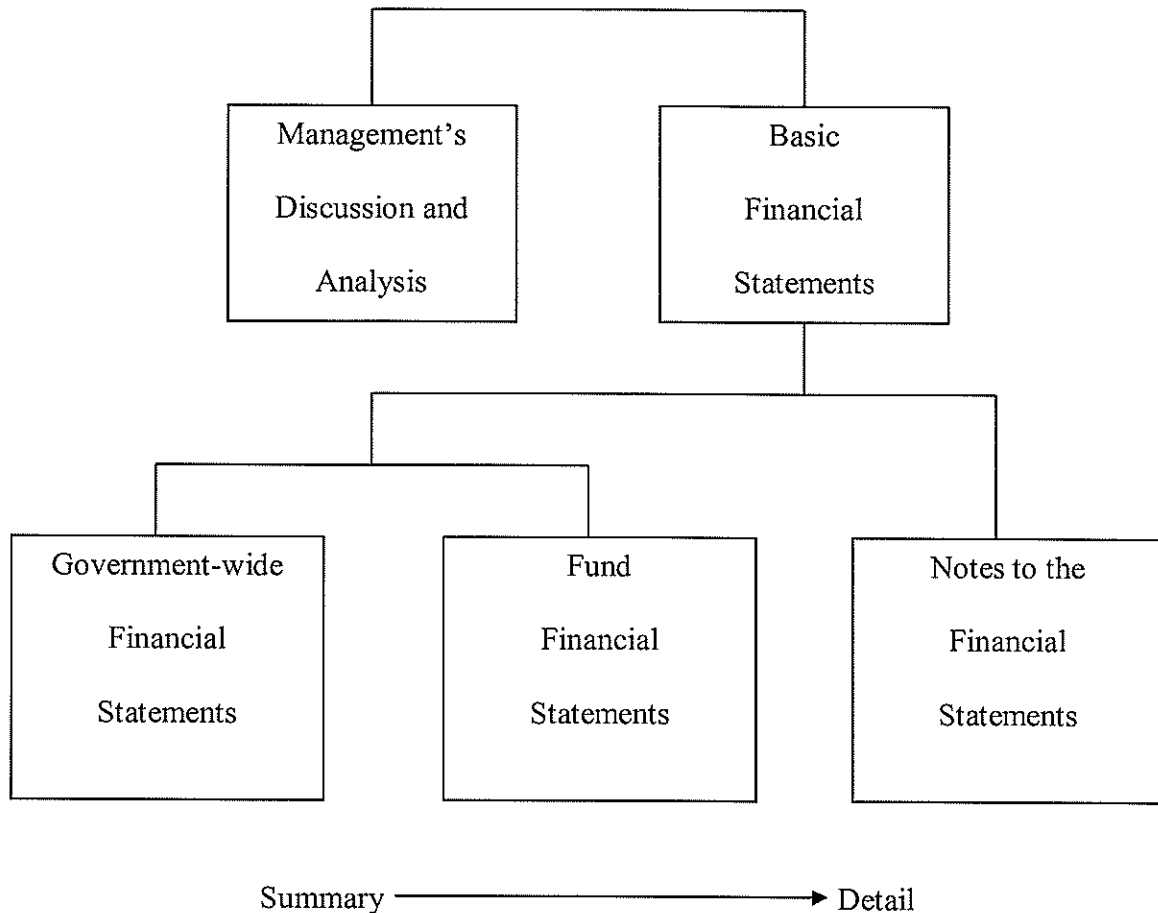
- The assets and deferred outflows of resources of Perquimans County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,483,976 (*net position*).
- The government's total net position increased by \$629,082, primarily due to revenue collections and reduced 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 \$5,997,008, an increase of \$243,882 in comparison with the prior year. Approximately 30 percent of this total amount, or \$1,827,412, is restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,169,596 or 34.02 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 \$4,855,779 or 39.61 percent of total general fund expenditures for the fiscal year. The total fund balance minus funds reserved by State statute was \$4,466,387, or 36.44 percent of total general fund expenditures for the fiscal year.
- Perquimans County's total debt increased by \$836,285 (5.7%) 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 11) 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 position and how they have changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position 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 Position 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 Position and the Statement of Activities.

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Perquimans County exceeded liabilities and deferred inflows of resources by \$11,483,976 as of June 30, 2013. The County's net position increased by \$629,082 for the fiscal year ended June 30, 2013. One of the largest portions reflects the County's net 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 position, \$1,543,970, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$2,883,393) is unrestricted.

Perquimans County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current & Other Assets	\$ 7,165,636	\$ 6,780,088	\$ 2,665,117	\$ 2,422,885	\$ 9,830,753	\$ 9,202,973
Capital Assets	7,457,145	7,405,329	10,600,278	9,744,324	18,057,423	17,149,653
Total Assets	14,622,781	14,185,417	13,265,395	12,167,209	27,888,176	26,352,626
Long-term Liabilities	10,528,001	11,159,205	4,035,502	2,974,660	14,563,503	14,133,865
Other Liabilities	1,125,114	819,270	573,388	544,601	1,698,502	1,363,871
Total Liabilities	11,653,115	11,978,475	4,608,890	3,519,261	16,262,005	15,497,736
Total deferred inflows of resources	85,298	-	56,897	-	142,195	-
Net Position						
Net Investment in capital assets	6,624,145	6,463,844	6,199,254	6,523,259	12,823,399	12,987,103
Restricted	1,543,970	973,344	-	-	1,543,970	973,344
Unrestricted	(5,283,747)	(5,230,246)	2,400,354	2,124,689	(2,883,393)	(3,785,135)
Total Net Position:	\$ 2,884,368	\$ 2,206,942	\$ 8,599,608	\$ 8,647,948	\$ 11,483,976	\$ 10,854,890

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 95.40%, higher than the average for counties with a population less than 25,000 of 95.13%.
- 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	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,157,382	\$ 1,090,541	\$ 2,525,583	\$ 2,511,890	\$ 3,682,965	\$ 3,602,431
Operating Grants & Contributions	1,962,912	2,272,544	9,902	8,100	1,972,814	2,280,644
Capital Grants & Contributions	-	400,000	-	-	-	400,000
General Revenue:						
Property Taxes	7,752,661	7,757,110	-	-	7,752,661	7,757,110
Other Taxes	2,127,272	2,155,310	-	-	2,127,272	2,155,310
Other	133,046	145,052	5,126	5,908	138,172	150,960
Total Revenue	13,133,273	13,820,557	2,540,611	2,525,898	15,673,884	16,346,455
Expenses:						
General Government	1,934,183	1,935,889	-	-	1,934,183	1,935,889
Public Safety	4,133,156	4,398,420	-	-	4,133,156	4,398,420
Economic/Physical Development	198,456	107,525	-	-	198,456	107,525
Environmental Protection	265,918	256,199	-	-	265,918	256,199
Human Services	2,404,514	2,516,664	-	-	2,404,514	2,516,664
Cultural & Recreation	619,802	589,740	-	-	619,802	589,740
Education	2,407,060	2,385,512	-	-	2,407,060	2,385,512
Interest on Long-term Debt	492,761	491,407	-	-	492,761	491,407
Solid Waste Operations	-	-	815,807	831,169	815,807	831,169
Water Operations	-	-	1,773,145	1,806,552	1,773,145	1,806,552
Total Expenses	12,455,850	12,681,356	2,588,952	2,637,721	15,044,802	15,319,077
Increase in Net Position	677,423	1,139,201	(48,341)	(111,823)	629,082	1,027,378
Net position, beginning	2,206,945	1,067,741	8,647,949	8,759,771	10,854,894	9,827,512
Net position, ending	\$ 2,884,368	\$ 2,206,942	\$ 8,599,608	\$ 8,647,948	\$11,483,976	\$10,854,890

Governmental activities. Governmental activities increased the County's net position by \$677,426. 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 position by \$48,341. 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 \$4,169,596, while total fund balance reached \$4,855,779. The County currently has an available fund balance of 34.02% of general fund expenditures, while total fund balance represents 39.61% of that same amount.

At June 30, 2013, the governmental funds of Perquimans County reported a combined fund balance of \$5,997,008, a 4.24% 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 increase revenues by \$366,133.

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 position of the Solid Waste Fund at the end of the fiscal year amounted to \$410,554 and those for the Water Fund equaled \$1,989,800. The total growth in net position for the Solid Waste fund was \$10,273. The total decrease in the Water fund was \$58,614. 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, 2013, totals \$18,057,423 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, recreational facilities, and vehicles.

Major capital asset transactions during the year include:

- Construction of water line connection to the Pasquotank Reverse Osmosis Plant.
- Renovation 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,062,047	\$ 1,062,047	\$ 133,810	\$ 133,810	\$ 1,195,857	\$ 1,195,857
Buildings & System	5,125,349	5,003,538	10,414,413	9,532,105	15,539,762	14,535,643
Machinery, Equipment & Vehicles	1,269,389	1,339,384	52,055	78,409	1,321,444	1,417,793
Total	\$ 7,456,785	\$ 7,404,969	\$10,600,278	\$ 9,744,324	\$18,057,063	\$17,149,293

Additional information on the County's capital assets can be found in Note II.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2013, Perquimans County had no total bonded debt outstanding for the General Fund.

Installment Obligation Debt. As of June 30, 2013 Perquimans County had \$11,061,096 in installment purchases outstanding for the General Fund.

Perquimans County’s Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Installment purchases	\$ 11,061,096	\$ 11,375,566	\$ 4,378,597	\$ 3,227,842	\$ 15,439,693	\$ 14,603,408
Total	\$ 11,061,096	\$ 11,375,566	\$ 4,378,597	\$ 3,227,842	\$ 15,439,693	\$ 14,603,408

Perquimans County’s total debt increased by \$836,285 (5.7%) during the past fiscal year. This increase is due to the new loan for the Pasquotank Reverse Osmosis connection.

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 \$151,072,019.

Additional information regarding Perquimans County’s long-term debt can be found in Note II.B.5 beginning on page 44 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 9.84% is more than the state average of 8.9% (July, 2013)
- 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, 2014

Governmental Activities: Perquimans County maintained the Ad-valorem tax rate at \$0.44/\$100 value. Property tax revenues are expected to increase by less than 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 approximately the same as the FY 2012-2013 levels based on housing starts and real estate transactions. Sales taxes are expected to increase by 2-3% over FY 2012-13 levels.

Budgeted expenditures in the General Fund are expected to remain flat at \$12.76 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 \$70,000 for Phase 2 renovations of the Senior Center, implement a 2% COLA, replace three Sheriff's vehicles, grounds improvements at the Perquimans County Courthouse, and technology upgrades at the Register of Deeds.

Business – type Activities: The County continued seasonal water conservation rates in 2013. 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 2013-2014, Perquimans will pay for and begin to receive 150,000 gallons of treated water per day from Pasquotank County. As a result, effective September 1, 2013, water rates will revise to \$15 for the first 1000 gallons, and \$7.00 per thousand for each additional thousand gallons. The seasonal rates, as discussed above, will revise to \$9.00 per thousand above 800 gallons.

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.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

PERQUIMANS COUNTY, NORTH CAROLINA
 STATEMENT OF NET POSITION
 JUNE 30, 2013

Exhibit 1

	Governmental Activities	Business-type Activities	Total
Assets			
Cash & cash equivalents	\$ 5,822,090	\$ 1,877,884	\$ 7,699,974
Taxes Receivable (net)	777,069	-	777,069
Accrued interest receivable on taxes	63,304	-	63,304
Accounts receivable (net)	1,022	354,933	355,955
Due from other governments	502,151	58,090	560,241
Inventory	-	50,795	50,795
Restricted cash and cash equivalents	-	314,900	314,900
Other assets (net)	-	8,515	8,515
Capital assets:			
Land and construction in progress	1,062,407	133,810	1,196,217
Other capital assets, net of depreciation	6,394,738	10,466,468	16,861,206
Total capital assets	<u>7,457,145</u>	<u>10,600,278</u>	<u>18,057,423</u>
Total assets	<u>14,622,781</u>	<u>13,265,395</u>	<u>27,888,176</u>
Liabilities			
Accounts payable and accrued expenses	197,932	98,767	296,699
Accrued interest payable	-	30,942	30,942
Customer deposits	-	65,578	65,578
Unearned revenue	47,118	-	47,118
Compensated absences	237,561	24,418	261,979
Current portion of long-term liabilities	642,503	353,683	996,186
Long-term liabilities:			
Due in more than one year	<u>10,528,001</u>	<u>4,035,502</u>	<u>14,563,503</u>
Total liabilities	<u>11,653,115</u>	<u>4,608,890</u>	<u>16,262,005</u>
Deferred Inflows of Resources	<u>85,298</u>	<u>56,897</u>	<u>142,195</u>
Net Position			
Net investment in capital assets	6,624,145	6,199,254	12,823,399
Restricted for:			
Stabilization by State Statute	389,392	-	389,392
Capital Outlay	997,811	-	997,811
Education	24,735	-	24,735
Public Safety	132,032	-	132,032
Unrestricted	<u>(5,283,747)</u>	<u>2,400,354</u>	<u>(2,883,393)</u>
Total net position	<u>\$ 2,884,368</u>	<u>\$ 8,599,608</u>	<u>11,483,976</u>

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
JUNE 30, 2013

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 1,934,183	\$ 21,609	\$ -	\$ (1,561,473)	\$ -	\$ (1,561,473)
Public safety	4,133,156	209,851	-	(3,187,522)	-	(3,187,522)
Economic and physical development	198,456	97,832	-	(100,624)	-	(100,624)
Environmental protection	265,918	45,267	-	(220,651)	-	(220,651)
Human services	2,404,514	1,579,207	-	(825,307)	-	(825,307)
Cultural and recreational	619,802	9,146	-	(593,496)	-	(593,496)
Education	2,407,060	-	-	(2,353,722)	-	(2,353,722)
Interest on long term debt	492,761	-	-	(492,761)	-	(492,761)
Total governmental activities	12,455,850	1,962,912	-	(9,335,556)	-	(9,335,556)
Business - type activities:						
Solid waste	815,807	-	-	-	9,672	9,672
Water	1,773,145	9,902	-	-	(63,139)	(63,139)
Total business - type activities	2,588,952	9,902	-	-	(53,467)	(53,467)
Total Perquimans County:	\$ 15,044,802	\$ 1,972,814	\$ -	(9,335,556)	(53,467)	(9,389,023)
General revenues:						
Taxes:						
Property taxes, levied for general purpose				7,752,661	-	7,752,661
Local option sales tax				1,862,282	-	1,862,282
Other taxes and licenses				264,990	-	264,990
Unrestricted intergovernmental				43,516	-	43,516
Miscellaneous, unrestricted				66,462	-	66,462
Investment earnings, unrestricted				23,068	5,126	28,194
Total general revenues				10,012,979	5,126	10,018,105
Change in net position				677,423	(48,341)	629,082
Net position, beginning				2,206,945	8,647,949	10,854,894
Net position, ending				\$ 2,884,368	\$ 8,599,608	\$ 11,483,976

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

**PERQUIMANS COUNTY, NORTH CAROLINA
BALANCE SHEET: GOVERNMENTAL FUNDS
JUNE 30, 2013**

Exhibit 3

	Major		Non-Major	Total
	General Fund	Capital Projects Reserve Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents	\$ 4,691,226	\$ 956,676	\$ 174,188	\$ 5,822,090
Receivables, net				
Taxes	777,069	-	-	777,069
Accounts	1,022	-	-	1,022
Due from other governments	445,888	-	56,263	502,151
Due from other funds	16,032	-	-	16,032
Total assets:	<u>\$ 5,931,237</u>	<u>\$ 956,676</u>	<u>\$ 230,451</u>	<u>\$ 7,118,364</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 177,722	\$ -	\$ 20,210	\$ 197,932
Due to other funds	-	-	16,032	16,032
Prepayments	47,118	-	-	47,118
Total liabilities	<u>224,840</u>	<u>-</u>	<u>36,242</u>	<u>261,082</u>
Deferred inflows of resources	<u>850,618</u>	<u>-</u>	<u>9,656</u>	<u>860,274</u>
Fund balances:				
Restricted:				
Stabilization by State Statute	389,392	-	118,683	508,075
Register of Deeds	-	-	-	-
Department of Justice Forfeiture Program	13,349	-	-	13,349
School Capital	-	-	24,735	24,735
Committed:				
Tax Revaluation	219,531	-	-	219,531
Assigned:				
County capital outlay	-	956,676	41,135	997,811
Subsequent year's expenditures	63,911	-	-	63,911
Unassigned:	<u>4,169,596</u>	<u>-</u>	<u>-</u>	<u>4,169,596</u>
Total fund balances	<u>4,855,779</u>	<u>956,676</u>	<u>184,553</u>	<u>5,997,008</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,931,236</u>	<u>\$ 956,676</u>	<u>\$ 230,451</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,457,145
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	63,304
Deferred inflows of resources for taxes receivable	774,976
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(11,408,065)</u>
Net position of governmental activities	<u>\$ 2,884,368</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, 2013

Exhibit 4

	Major		Non-Major	
	General	Capital Projects	Other	
	Fund	Reserve	Governmental	Total
	Fund	Fund	Funds	
Revenue:				
Ad valorem taxes	\$ 7,645,466	\$ -	\$ -	\$ 7,645,466
Local option sales taxes	1,862,282	-	-	1,862,282
Other taxes and licenses	25,696	-	-	25,696
Unrestricted intergovernmental	43,516	-	-	43,516
Restricted intergovernmental	1,762,645	-	215,843	1,978,488
Permits and fees	293,642	257,388	-	551,030
Sales and services	776,732	-	-	776,732
Investment earnings	14,209	3,386	231	17,826
Miscellaneous	119,800	-	5,242	125,042
Total revenue	<u>12,543,988</u>	<u>260,774</u>	<u>221,316</u>	<u>13,026,078</u>
Expenditures:				
Current:				
General government	1,868,185	-	-	1,868,185
Public safety	3,763,048	-	101,280	3,864,328
Economic and physical development	42,216	-	92,917	135,133
Environmental protection	265,425	-	-	265,425
Human services	2,385,579	-	-	2,385,579
Cultural and recreational	537,370	-	30,803	568,173
Intergovernmental:				
Education	2,407,060	-	-	2,407,060
Capital outlay	180,696	-	300,386	481,082
Debt service:				
Principal	314,470	-	-	314,470
Interest	492,761	-	-	492,761
Total expenditures	<u>12,256,810</u>	<u>-</u>	<u>525,386</u>	<u>12,782,196</u>
Excess (deficiency) of revenue over expenditures:	<u>287,178</u>	<u>260,774</u>	<u>(304,070)</u>	<u>243,882</u>
Other financing sources (uses):				
Transfers (to) from other funds	<u>116,923</u>	<u>(400,000)</u>	<u>283,077</u>	<u>-</u>
Total other financing sources (uses)	<u>116,923</u>	<u>(400,000)</u>	<u>283,077</u>	<u>-</u>
Net change in fund balance	404,101	(139,226)	(20,993)	243,882
Fund balance, July 1	<u>4,451,678</u>	<u>1,095,902</u>	<u>205,546</u>	<u>5,753,126</u>
Fund balance, June 30	<u>\$ 4,855,779</u>	<u>\$ 956,676</u>	<u>\$ 184,553</u>	<u>\$ 5,997,008</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, 2013

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 243,882
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.	51,816
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	107,195
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	314,470
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(39,940)</u>
Total changes in net position of governmental activities	<u>\$ 677,423</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, 2013

Exhibit 6

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenue:				
Ad valorem taxes	\$ 7,591,020	\$ 7,595,020	\$ 7,645,466	\$ 50,446
Local option sales taxes	1,664,300	1,664,300	1,862,282	197,982
Other taxes and licenses	21,950	21,950	25,696	3,746
Unrestricted intergovernmental	45,000	45,000	43,516	(1,484)
Restricted intergovernmental	1,793,442	1,938,535	1,762,645	(175,890)
Permits and fees	283,100	285,065	293,642	8,577
Sales and services	661,760	723,320	776,732	53,412
Investment earnings	11,350	11,350	13,639	2,289
Miscellaneous	76,050	162,945	119,800	(43,145)
Total Revenue	<u>12,147,972</u>	<u>12,447,485</u>	<u>12,543,418</u>	<u>95,933</u>
Expenditures:				
Current:				
General government	1,967,045	1,972,663	1,868,186	104,477
Public Safety	3,668,901	3,838,211	3,763,047	75,164
Economic and physical development	44,933	44,933	42,216	2,717
Environmental protection	287,635	285,909	265,425	20,484
Human services	2,550,866	2,665,158	2,385,579	279,579
Cultural and recreational	548,799	548,799	537,370	11,429
Intergovernmental:				
Education	2,389,250	2,389,250	2,407,060	(17,810)
Capital outlay	212,791	217,558	180,696	36,862
Debt service:				
Principal retirement	303,865	314,470	314,470	-
Interest and other charges	503,115	492,882	492,761	121
Total expenditures:	<u>12,477,200</u>	<u>12,769,833</u>	<u>12,256,810</u>	<u>513,023</u>
Revenue over (under) expenditures:	<u>(329,228)</u>	<u>(322,348)</u>	<u>286,608</u>	<u>608,956</u>
Other financing sources (uses):				
Transfers from other funds	411,900	411,900	411,900	-
Transfers to other funds	(246,477)	(319,977)	(319,977)	-
Fund balance appropriated	163,805	230,425	-	(230,425)
Total other financing sources (uses)	<u>329,228</u>	<u>322,348</u>	<u>91,923</u>	<u>(230,425)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	378,531	<u>\$ 378,531</u>
Fund balance, July 1			4,055,097	
Fund balance, June 30			<u>\$ 4,433,628</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, 2013

Exhibit 6

General Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:			
Total fund balance, General Fund		\$ 4,433,628	
Interest earnings		570	
Transfer-in from General Fund		25,000	
Fund balance, beginning		193,961	
A legally budgeted USDA Reserve fund is consolidated into the General Fund for reporting purposes:			
Fund balance, beginning		<u>202,620</u>	
Fund balance, ending (Exhibit 4)		<u>\$ 4,855,779</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, 2013

Exhibit 6

	Capital Projects Reserve Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue:				
Land transfer tax	\$ 300,000	\$ 300,000	\$ 257,388	\$ (42,612)
Investment earnings	2,500	2,500	3,386	886
Total Revenue	<u>302,500</u>	<u>302,500</u>	<u>260,774</u>	<u>(41,726)</u>
Other financing sources (uses):				
Transfers (to) from other funds	(400,000)	(400,000)	(400,000)	-
Fund balance appropriated	97,500	97,500	-	(97,500)
Total other financing sources (uses)	<u>(302,500)</u>	<u>(302,500)</u>	<u>(400,000)</u>	<u>(97,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(139,226)	<u>\$ (139,226)</u>
Fund balance, July 1			<u>1,095,902</u>	
Fund balance, June 30			<u>\$ 956,676</u>	

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

PERQUIMANS COUNTY, NORTH CAROLINA
 STATEMENTS OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2013

Exhibit 7

	Major		Total
	Water Fund	Solid Waste Fund	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,625,590	\$ 252,294	\$ 1,877,884
Accounts receivable (net)	155,874	199,059	354,933
Due from other governments	56,897	1,193	58,090
Inventory	50,795	-	50,795
Total current assets:	<u>1,889,156</u>	<u>452,546</u>	<u>2,341,702</u>
Noncurrent assets:			
Restricted cash and cash equivalents	314,900	-	314,900
Capital assets:			
Land and construction in progress	133,810	-	133,810
Other capital assets, net of depreciation	10,466,468	-	10,466,468
Other assets (net)	8,515	-	8,515
Total noncurrent assets:	<u>10,923,693</u>	<u>-</u>	<u>10,923,693</u>
Total assets	<u>12,812,849</u>	<u>452,546</u>	<u>13,265,395</u>
Liabilities			
Current liabilities:			
Accounts payable	56,775	41,992	98,767
Customer deposits	65,578	-	65,578
Accrued interest payable	30,942	-	30,942
Compensated absences payable	24,418	-	24,418
Installment notes payable	353,683	-	353,683
Total current liabilities	<u>531,396</u>	<u>41,992</u>	<u>573,388</u>
Noncurrent liabilities:			
Other postemployment benefits	10,588	-	10,588
Installment notes payable	4,024,914	-	4,024,914
Total noncurrent liabilities	<u>4,035,502</u>	<u>-</u>	<u>4,035,502</u>
Total liabilities	<u>4,566,898</u>	<u>41,992</u>	<u>4,608,890</u>
Deferred inflows of resources	56,897	-	56,897
Net Position			
Net investment in capital assets	6,199,254	-	6,199,254
Unrestricted	1,989,800	410,554	2,400,354
Total net position	<u>\$ 8,189,054</u>	<u>\$ 410,554</u>	<u>\$ 8,599,608</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 POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 8

	Major		Total
	Water Fund	Solid Waste Fund	
Operating revenue:			
Charges for service	\$ 1,599,897	\$ 818,138	\$ 2,418,035
Tap and reconnection fees	50,000	-	50,000
Penalties	38,872	-	38,872
Other operating revenue	11,335	7,341	18,676
Total operating revenue	<u>1,700,104</u>	<u>825,479</u>	<u>2,525,583</u>
Operating expenses:			
Administration	537,360	-	537,360
Water distribution and treatment	788,795	-	788,795
Solid waste operations	-	815,807	815,807
Depreciation/amortization	387,536	-	387,536
Total operating expenses	<u>1,713,691</u>	<u>815,807</u>	<u>2,529,498</u>
Operating income (loss)	<u>(13,587)</u>	<u>9,672</u>	<u>(3,915)</u>
Non-operating revenue (expenses):			
Interest income	4,525	601	5,126
Federal reimbursement-water relocation	1,802	-	1,802
Rent	8,100	-	8,100
Other postemployment	(1,105)	-	(1,105)
Interest on long-term debt	(58,349)	-	(58,349)
Total non-operating revenue (expenses)	<u>(45,027)</u>	<u>601</u>	<u>(44,426)</u>
Change in net position	(58,614)	10,273	(48,341)
Total net position, beginning	<u>8,247,668</u>	<u>400,281</u>	<u>8,647,949</u>
Total net position, ending	<u>\$ 8,189,054</u>	<u>\$ 410,554</u>	<u>\$ 8,599,608</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, 2013

Exhibit 9

	Major		Total
	Water Fund	Solid Waste Fund	
Cash flows from operating activities:			
Cash received from customers	\$ 1,673,610	\$ 804,930	\$ 2,478,540
Cash paid for goods and services	(1,076,731)	(797,040)	(1,873,771)
Cash paid to employees for services	(364,055)	-	(364,055)
Customer deposits	3,306	-	3,306
Other operating revenue	-	7,341	7,341
Net cash provided by (used in) operating activities	<u>236,130</u>	<u>15,231</u>	<u>251,361</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,236,126)	-	(1,236,126)
Principal paid on installment payables	(199,245)	-	(199,245)
Interest paid on installment payables	(27,407)	-	(27,407)
Loan fees paid	(9,102)	-	(9,102)
Proceeds from loan proceeds	1,350,000	-	1,350,000
Proceeds from federal grant	1,802	-	1,802
Proceeds from rental	8,100	-	8,100
Net cash used for capital and related financing activities	<u>(111,978)</u>	<u>-</u>	<u>(111,978)</u>
Cash flows from investing activities:			
Interest on investments	<u>4,525</u>	<u>601</u>	<u>5,126</u>
Net increase (decrease) in cash and cash equivalents	128,677	15,832	144,509
Cash and cash equivalents, July 1	<u>1,811,813</u>	<u>236,462</u>	<u>2,048,275</u>
(Water fund includes restricted cash of \$246,545)			
Cash and cash equivalents, June 30	<u>\$ 1,940,490</u>	<u>\$ 252,294</u>	<u>\$ 2,192,784</u>
(Water fund included restricted cash of \$314,900)			
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (13,587)	\$ 9,672	\$ (3,915)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	387,536	-	387,536
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(26,495)	(13,208)	(39,703)
(Increase) decrease in inventory	615	-	615
Increase (decrease) in accounts payable and accrued liabilities	(114,705)	18,767	(95,938)
Increase (decrease) in customer deposits	3,306	-	3,306
Increase (decrease) in accrued vacation pay	(540)	-	(540)
Total adjustments	<u>249,717</u>	<u>5,559</u>	<u>255,276</u>
Net cash provided/(used) by operating activities	<u>\$ 236,130</u>	<u>\$ 15,231</u>	<u>\$ 251,361</u>

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 10

	<u>Agency Funds</u>
Assets	
Cash & cash equivalents	\$ <u>55,592</u>
Liabilities and Net Position	
Miscellaneous liabilities	\$ <u>55,592</u>
Net Position	<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, 2013

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 position and the statement of activities display information about the primary government net position (the 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, 2013

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 Projects Reserve 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 Water Capital Improvement 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 Water Fund.

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 five legally budgeted funds. The Emergency Telephone System, Single Family Rehabilitation, and Community Development Block Grant are reported as nonmajor special revenue funds. The County Construction and the School Capital Projects Funds 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.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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

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

Proprietary funds distinguish operating revenues and expenses from 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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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

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, Court Facilities, Economic Development, Tourism Development, USDA Reserve, NC Housing Finance, 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, Deferred Inflows and Outflows, 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 Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

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, 2013

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
Infrastructure	50
Improvements	25
Furniture/Equipment	10
Computer Equipment	5
Vehicles	5

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for this category - prepaid taxes, wetland mitigation, and sales tax refunds.

9. 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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position.

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

10. 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 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.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position 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 by 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.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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 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 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.

County capital outlay – portion of fund balance that has been budgeted by the board for future county construction.

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, 2013

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 position.

The governmental fund balance sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(3,112,640) consists of the following:

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)	\$ 11,190,960
Less - accumulated depreciation	<u>(3,733,815)</u>
Net capital assets	7,457,145
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	63,304
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	774,976
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:	
Bonds and installment financings	(11,061,096)
Compensated absences	(237,561)
Other postemployment benefits	<u>(109,408)</u>
Total adjustment	<u>\$ (3,112,640)</u>

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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 for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$433,541 is comprised of the following:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 481,082
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.	(429,266)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements	314,470
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	(28,523)
Other postemployment benefits	(11,417)
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	11,797
Reversal of deferred tax revenue recorded at July 1	(679,578)
Recording of tax receipts deferred in the funds statements at June 30	774,976
	\$ 433,541

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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013, the County's deposits had a carrying amount of \$8,070,466 and a bank balance of \$8,248,089. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$7,748,089 was covered by collateral held under the Pooling Method.

At June 30, 2013, 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, 2013 were not available. These amounts have not been recorded in the financial statements.

3. Receivables

Receivables at the government-wide level at June 30, 2013 were as follows:

	Accounts	Taxes and related accrued interest	Due from other governments	Other	Total
Governmental activities:					
General	\$ -	\$ 814,069	\$ 445,888	\$ 1,022	\$ 1,260,979
Other governmental	-	-	40,231	-	40,231
	-	814,069	486,119	1,022	1,301,210
Allowance for doubtful accounts	-	(37,000)	-	-	(37,000)
Total governmental activities	<u>\$ -</u>	<u>\$ 777,069</u>	<u>\$ 486,119</u>	<u>\$ 1,022</u>	<u>\$ 1,264,210</u>
Business type activities:					
Water Fund	\$ 158,131	\$ -	\$ 56,897	\$ -	\$ 215,028
Solid Waste	209,319	-	1,193	-	210,512
	367,450	-	58,090	-	425,540
Allowance for doubtful accounts	(12,517)	-	-	-	(12,517)
Total business type activities	<u>\$ 354,933</u>	<u>\$ -</u>	<u>\$ 58,090</u>	<u>\$ -</u>	<u>\$ 413,023</u>

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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

Federal grant funds	\$ 11,863
State grant funds	20,441
Other grant funds	2,447
Local option sales tax	288,177
Sales tax reimbursements	95,078
Scrap tire tax	4,475
Franchise tax	5,296
White goods disposal tax	1,053
Social services reimbursements	105,014
State 911 funds	10,365
Total	\$ 544,209

4. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,062,407	\$ -	\$ -	\$ 1,062,407
Total capital assets not being depreciated	1,062,407	-	-	1,062,407
Capital assets being depreciated:				
Buildings	6,409,495	302,995	-	6,712,490
Equipment	1,512,402	57,840	-	1,570,242
Land improvements	302,462	-	-	302,462
Vehicles and motor equipment	1,423,112	120,247	-	1,543,359
Total capital assets being depreciated	9,647,471	481,082	-	10,128,553
Less accumulated depreciation for:				
Buildings	1,405,957	181,184	-	1,587,141
Equipment	746,198	112,298	-	858,496
Land improvements	28,273	14,618	-	42,891
Vehicles and motor equipment	1,124,121	121,166	-	1,245,287
Total accumulated depreciation	3,304,549	429,266	-	3,733,815
Total capital assets being depreciated, net	6,342,922			6,394,738
Governmental activity capital assets, net	\$ 7,405,329			\$ 7,457,145

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

Cultural and recreation	\$ 52,093
Economic and physical development	63,323
General government	90,297
Public Safety	223,553
Total depreciation expense	\$ 429,266

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

	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	16,618,233	1,236,126	-	17,854,359
Furniture and maintenance equipment	252,592	-	-	252,592
Vehicles	297,971	-	-	297,971
Total capital assets being depreciated	17,168,796	1,236,126	-	18,404,922
Less accumulated depreciation for:				
Plant and distribution systems	7,086,128	353,818	-	7,439,946
Furniture and maintenance equipment	227,597	9,474	-	237,071
Vehicles	244,557	16,880	-	261,437
Total accumulated depreciation	7,558,282	\$ 380,172	\$ -	7,938,454
Total capital assets being depreciated, net	9,610,514			10,466,468
Business-type activity capital assets, net	\$ 9,744,324			\$ 10,600,278

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2013, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 80,002	\$ 20,210	\$ 100,212
Other governmental	97,720	-	97,720
Total governmental activities	\$ 177,722	\$ 20,210	\$ 197,932
Business type activities:			
Water Fund	\$ 56,775	\$ -	\$ 56,775
Solid Waste	41,992	-	41,992
Total business type activities	\$ 98,767	\$ -	\$ 98,767

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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County 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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$198,359, \$205,395, and \$185,714, 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, 2012, 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, 2013, 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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 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, 2013 were \$24,325 which consisted of \$22,155 from the County and \$2,170 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, 2013, the County's required and actual contributions were \$1,323.

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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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.

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, 2013, the County's total contributions were \$262.

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	\$ 83,740
Interest on net OPEB obligation	426
Adjustment to annual required contribution	<u>(71,382)</u>
Annual OPEB cost (expense)	12,784
Contributions made	<u>(262)</u>
Increase (decrease) in net OPEB obligation	12,522
Net OPEB obligation, beginning of year	<u>107,474</u>
Net OPEB obligation, end of year	<u><u>\$ 119,996</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

3-Year Trend Information

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2013	\$ 12,784	2.0%	\$ 119,996
2012	\$ 16,981	11.6%	\$ 107,474
2011	\$ 25,038	37.4%	\$ 92,461

Funded Status and Funding Progress. As of December 31, 2012, the actuarial accrued liability for benefits was \$995,846, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,461,014, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.0 percent.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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 – 2013 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, 2013

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, 2013, 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 Outflows and Inflows of Resources

The amount of deferred outflows and inflows of resources on the government-wide statements at year-end is composed of the following elements:

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 41,856
Taxes receivable, net (General)	777,069	-
Sales tax refunds (General)	-	28,524
Sales tax refunds (Other governmental)	-	9,656
Wetlands Mitigation (General)	-	5,262
	\$ 777,069	\$ 85,298

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

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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 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

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. This loan was refinanced with BB&T.

- i. Six million (\$6,000,000) with a term of fifteen (15) years at 2.64%, entered into on December 6, 2012. The County will make fifteen (15) payments of \$489,429 each. Principal and interest at 2.64% resulted in the following obligation at June 30, 2013:

Total installment obligation indebtedness	\$ 7,341,427
Less: amount representing interest	1,341,427
Net principal amount of obligation	<u>\$ 6,000,000</u>

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

- II. Four million, two hundred thirty thousand, nine hundred sixty-seven (\$4,230,967) with a term of fifteen (15) years at 2.64%, entered into on January 8, 2013. The County will make the first payment of \$311,492 and the subsequent fourteen (14) payments at \$347,173 each. Principal and interest at 2.64% resulted in the following obligation at June 30, 2013:

Total installment obligation indebtedness	\$ 5,171,919
Less: amount representing interest	<u>940,952</u>
Net principal amount of obligation	<u>\$ 4,230,967</u>

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, 2013:

Total installment obligation indebtedness	\$ 926,436
Less: amount representing interest	<u>93,436</u>
Net principal amount of obligation	<u>\$ 833,000</u>

During the 2012-13 fiscal year, the County made interest payments of \$492,761.

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. This loan was refinanced December 6, 2012 with BB&T. The total amount refinanced is \$1,900,000 at a fixed rate of 1.86% for 8 years. The agreement requires the first payment of \$131,510 December 29, 2012 and annual payments of \$239,927 starting December 1, 2013.

Principal payment and interest at 1.86% resulted in the following obligation at June 30, 2013:

Total installment obligation indebtedness	\$ 1,919,415
Less: amount representing interest	<u>148,667</u>
Net principal amount of obligation	<u>\$ 1,770,748</u>

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013:

Total installment obligation indebtedness	\$ 1,257,849
Less: amount representing interest	-
Net principal amount of obligation	\$ 1,257,849

As authorized by State law [G.S. 160A-20] the County is financing water supply from Pasquotank County R. O. plant through an installment financing agreement with the PNC Bank. The total amount financed is \$1,350,000 at a fixed rate of 2.69% for 15 years. The agreement was executed on August 23, 2012 and requires 15 annual payments of \$110,564, with the first payment due August 23, 2013.

Principal payment and interest at 2.69% resulted in the following obligation at June 30, 2013:

Total installment obligation indebtedness	\$ 1,658,466
Less: amount representing interest	308,466
Net principal amount of obligation	\$ 1,350,000

For Perquimans County, the combined future minimum payments as of June 30, 2013 including interest are:

Year ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 642,503	\$ 276,554	\$ 353,683	\$ 30,375
2015	678,879	273,419	357,016	29,038
2016	694,214	255,684	362,989	25,116
2017	709,954	237,463	369,091	21,120
2018	726,110	235,982	375,324	17,050
2019-2023	3,741,212	784,797	1,490,584	25,968
2024-2028	3,868,224	311,916	860,268	-
2029-2033	-	-	209,642	-
2034-2038	-	-	-	-
2039-2043	-	-	-	-
Total	\$ 11,061,096	\$ 2,375,815	\$ 4,378,597	\$ 148,667

At June 30, 2013, Perquimans County had a legal debt margin of \$ 151,072,019.

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013:

	Balance <u>June 30, 2012</u>	Increases	Decreases	Balance <u>June 30, 2013</u>	Current Portion of Balance
<i>Governmental activities:</i>					
Installment purchases	\$ 11,375,566	\$ -	\$ 314,470	\$ 11,061,096	\$ 642,503
Unfunded post employment benefits	97,991	11,417	-	109,408	-
Compensated absences	209,038	28,523	-	237,561	237,561
Total	<u>\$ 11,682,595</u>	<u>\$ 39,940</u>	<u>\$ 314,470</u>	<u>\$ 11,408,065</u>	<u>\$ 880,064</u>
<i>Business-type activities:</i>					
Installment purchases	\$ 3,227,842	\$ 1,350,000	\$ 199,245	\$ 4,378,597	\$ 353,683
Unfunded post employment benefits	9,483	1,105	-	10,588	-
Compensated absences	24,958	-	540	24,418	24,418
Total	<u>\$ 3,262,283</u>	<u>\$ 1,351,105</u>	<u>\$ 199,785</u>	<u>\$ 4,413,603</u>	<u>\$ 378,101</u>

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

C. Interfund Balance and Activity

Transfers to/from other funds at June 30, 2013 consist of the following:

	<u>Amount</u>
From the General Fund to the Revaluation Fund to accumulate resources for octennial revaluation of real property	\$ 25,000
From the General Fund to the County Construction Fund to supplement other funding sources	294,977
From the Capital Projects Reserve Fund to the General Fund to supplement other funding sources	400,000
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	<u>\$ 731,877</u>

PERQUIMANS COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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	\$ 4,855,779
Less:	
Stabilization for State Statute	389,392
Register of Deeds	-
Tax revaluation	219,531
Dept of Justice Forfeiture Program	13,349
Appropriation for 2013-2014 budget	63,911
Remaining Fund Balance	4,169,596

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 2012-2013 fiscal year, the County contributed \$155,000 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.

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, 2013, the County contributed \$899,146 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 COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2013

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.

	Federal	State
Adoption assistance	\$ 17,283	\$ 451
Adult assistance	-	170,013
Food stamp program	149,481	-
Medicaid	10,914,484	617,310
Temporary assistance to needy families	90,854	-
WIC	167,871	-
Total	\$ 11,339,973	\$ 787,774

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.

VIII. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

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) - Accrued 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)
12/31/2010	\$ -	\$ 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%
12/31/2012	\$ -	\$ 995,846	\$ 995,846	0.0%	\$ 2,461,014	40.5%

**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>
2013	262	2.0%
2012	1,968	11.6%
2011	9,368	37.4%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Ad valorem taxes:			
Taxes	\$ 7,535,020	\$ 7,570,072	\$ 35,052
Penalties and interest	60,000	75,394	15,394
Total	<u>7,595,020</u>	<u>7,645,466</u>	<u>50,446</u>
Local option sales taxes:			
Article 39 and 44	267,800	344,666	76,866
Article 40 one - half of one percent	628,300	687,665	59,365
Article 42 one - half of one percent	247,200	284,187	36,987
Article 46 one - quarter of one percent	-	(2,136)	(2,136)
Utilities franchise distribution	21,000	20,710	(290)
Medicaid Hold Harmless payment	500,000	527,190	27,190
Total	<u>1,664,300</u>	<u>1,862,282</u>	<u>197,982</u>
Other taxes and licenses:			
Scrap tire disposal tax	16,500	21,080	4,580
White goods disposal tax	5,000	4,156	(844)
Beer and wine licenses	450	460	10
Total	<u>21,950</u>	<u>25,696</u>	<u>3,747</u>
Unrestricted intergovernmental:			
Beer and wine tax	<u>45,000</u>	<u>43,516</u>	<u>(1,484)</u>
Restricted intergovernmental:			
State grants	1,828,484	1,654,034	(174,450)
Federal grants	27,416	36,527	9,111
Court facility fees	47,000	34,328	(12,672)
ABC bottle tax (rehab)	2,935	2,904	(31)
Other grants	32,700	34,852	2,152
Total	<u>1,938,535</u>	<u>1,762,645</u>	<u>(175,890)</u>
Permits and fees:			
Officer and Sheriff fees	44,000	54,364	10,364
Building permits and inspection fees	90,000	89,745	(255)
Register of deeds	148,065	146,825	(1,240)
DMV license revocation fees	1,000	658	(342)
Subdivision and zoning fees	2,000	2,050	50
Total	<u>285,065</u>	<u>293,642</u>	<u>8,577</u>

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Sales and services:			
Ambulance fees	431,560	480,543	48,983
Administrative services	105,000	100,000	(5,000)
Dispatch services	65,000	69,742	4,742
Jail fees	4,500	7,061	2,561
Municipal tax collection fees	14,000	14,435	435
Recreation fees	17,000	17,160	160
Rents	86,260	87,791	1,531
Total	<u>723,320</u>	<u>776,732</u>	<u>53,412</u>
Investment earnings	<u>11,350</u>	<u>13,639</u>	<u>2,289</u>
Miscellaneous:			
School security	50,000	53,338	3,338
Other	112,945	66,462	(46,483)
Total	<u>162,945</u>	<u>119,800</u>	<u>(43,146)</u>
Total revenue	<u>12,447,485</u>	<u>12,543,418</u>	<u>95,933</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	40,910	37,462	3,448
Other operating expenses	30,000	20,665	9,335
Land use plan update	1,000	1,000	-
Total	<u>71,910</u>	<u>59,127</u>	<u>12,784</u>
Administrative and finance:			
Salaries and employee benefits	282,404	281,283	1,121
Other operating expenses	32,550	29,292	3,258
Professional services	37,600	33,470	4,130
Total	<u>352,554</u>	<u>344,045</u>	<u>8,510</u>
Elections:			
Salaries and employee benefits	85,342	83,102	2,240
Other operating expenses	43,542	32,755	10,787
Total	<u>128,884</u>	<u>115,857</u>	<u>13,027</u>

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Tax administration:			
Salaries and employee benefits	354,742	353,076	1,666
Other operating expenses	87,800	66,507	21,293
Professional services	12,500	12,529	(29)
Mapping	2,000	1,284	716
Total	<u>457,042</u>	<u>433,396</u>	<u>23,646</u>
Legal:			
Contracted services	<u>25,000</u>	<u>23,830</u>	<u>1,170</u>
Register of Deeds:			
Salaries and employee benefits	149,277	145,912	3,365
Other operating expenses	59,475	57,452	2,023
Professional services	<u>16,750</u>	<u>16,750</u>	<u>-</u>
Total	<u>225,502</u>	<u>220,114</u>	<u>5,388</u>
Public Buildings:			
Salaries and employee benefits	196,358	195,879	479
Other operating expenses	101,300	96,259	5,041
Insurance and bonds	162,837	159,243	3,594
Utilities	155,000	134,473	20,527
Professional services and contracts	42,700	44,333	(1,633)
Capital outlay	21,195	20,567	628
Total	<u>679,390</u>	<u>650,754</u>	<u>28,636</u>
Court Facilities:			
Other operating expenses	47,276	36,947	10,329
Capital outlay	<u>77,974</u>	<u>43,965</u>	<u>34,009</u>
Total	<u>125,250</u>	<u>80,911</u>	<u>44,339</u>
Jury commission:			
Other operating expenses	<u>1,100</u>	<u>600</u>	<u>500</u>
Total general government:	<u>2,066,632</u>	<u>1,928,634</u>	<u>137,998</u>
Public safety:			
Sheriff:			
Salaries and employee benefits	744,319	740,126	4,193
Other operating expenses	177,653	153,014	24,639
Capital outlay	<u>27,578</u>	<u>27,577</u>	<u>1</u>
Total	<u>949,550</u>	<u>920,717</u>	<u>28,833</u>
Jail:			
Contracted services	646,545	645,558	987
Contracted services - debt service	<u>253,632</u>	<u>253,588</u>	<u>44</u>
Total	<u>900,177</u>	<u>899,146</u>	<u>1,031</u>

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Rescue squad:			
Salaries and employee benefits	673,489	669,702	3,787
Other operating expenses	145,990	139,519	6,471
Capital Outlay	96,011	95,915	96
Total	<u>915,490</u>	<u>905,136</u>	<u>10,354</u>
Dispatch:			
Salaries and employee benefits	375,449	374,257	1,192
Other operating expenses	158,025	144,493	13,532
Total	<u>533,474</u>	<u>518,750</u>	<u>14,724</u>
Fire/Emergency management:			
Salaries and employee benefits	30,982	30,975	7
Other operating expenses	59,510	45,626	13,884
Capital outlay	3,000	3,000	-
Assistance to local fire departments	330,000	330,000	-
Total	<u>423,492</u>	<u>409,601</u>	<u>13,891</u>
Inspection:			
Salaries and employee benefits	155,839	154,864	975
Other operating expenses	21,700	13,404	8,296
Total	<u>177,539</u>	<u>168,268</u>	<u>9,271</u>
Animal control:			
Contribution to regional animal shelter	55,078	55,077	1
Medical examiner:			
Professional services	7,000	6,600	400
Total public safety:	<u>3,961,800</u>	<u>3,883,295</u>	<u>78,505</u>
Economic and physical development:			
Tourism Development Authority:			
Other operating expenses	24,415	22,493	1,922
Total	<u>24,415</u>	<u>22,493</u>	<u>1,922</u>

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Other:			
Albemarle Regional Planning Organization	2,052	2,052	-
Albemarle Commission	8,766	8,766	-
Skills, Inc.	500	500	-
R C and D	1,200	1,200	-
Other	8,000	7,205	795
Total	<u>20,518</u>	<u>19,723</u>	<u>795</u>
Total economic and physical development:	<u>44,933</u>	<u>42,216</u>	<u>2,717</u>
Environmental protection:			
Conservation - soil and forest service:			
Salaries and employee benefits	30,509	30,509	-
Other operating expenditures	12,680	10,303	2,377
Cost share programs	12,538	12,538	-
Forestry service	52,846	52,846	-
Total	<u>108,573</u>	<u>106,196</u>	<u>2,377</u>
Beaver Management	4,000	4,000	-
Agricultural Extension:			
Salaries and employee benefits	121,339	121,313	26
Other operating expenditures	37,013	33,916	3,097
Total	<u>158,352</u>	<u>155,229</u>	<u>3,123</u>
Drainage Study	14,984	-	14,984
Total environmental protection:	<u>285,909</u>	<u>265,425</u>	<u>20,484</u>
Human services:			
Health:			
Administration - contracted services	51,310	51,087	223
Rodent and mosquito control	920	919	1
Transportation	27,478	31,215	(3,737)
Total	<u>79,708</u>	<u>83,221</u>	<u>(3,513)</u>
Mental health:			
Administration - contracted services	26,906	26,906	-
Alcoholism:			
Operating - rehabilitation	2,935	2,904	31

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Social services:			
Administration:			
Salaries and employee benefits	1,145,581	1,058,000	87,581
Other operating expenses	66,282	47,707	18,575
Professional services	169,300	150,373	18,927
Capital outlay	15,000	9,363	5,637
Total	<u>1,396,163</u>	<u>1,265,443</u>	<u>130,720</u>
Special assistance for adults:			
Aid for the aged	106,000	103,052	2,948
Aid for the permanently and totally disabled	79,000	66,961	12,039
Total	<u>185,000</u>	<u>170,013</u>	<u>14,987</u>
Medical assistance program:			
Assistance payments	<u>3,000</u>	<u>1,546</u>	<u>1,454</u>
Welfare-to-work program:			
Transportation	500	-	500
Other operating expenditures	3,454	681	2,773
Total	<u>3,954</u>	<u>681</u>	<u>3,273</u>
OJJ program:			
Perquimans County 20/20	<u>51,622</u>	<u>51,927</u>	<u>(305)</u>
Other assistance:			
Links	4,750	-	4,750
Adoption subsidy/enhancement	10,344	4,471	5,873
Nutrition program for the aged	40,403	40,403	-
Aid to the blind	1,784	1,784	-
IV E Foster Care Clothing	2,400	750	1,650
Foster care program	69,732	5,839	63,893
Smart Start day care	83,433	82,971	462
Crisis intervention	88,251	87,650	601
Day care program	332,073	305,082	26,991
Emergency assistance	25,287	25,287	1
Humanitarian needs	5,000	2,164	2,836
DOT travel	8,721	8,721	-

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Other assistance (contd):			
Adult home case management	8,340	4,595	3,745
Food stamp issuance	6,000	3,945	2,055
Recovery food and nutrition	38,982	38,800	182
Contracted transportation	102,000	82,847	19,153
Total	<u>827,500</u>	<u>695,309</u>	<u>132,191</u>
Total social services:	<u>2,467,239</u>	<u>2,184,919</u>	<u>282,320</u>
Other:			
Albemarle Hospital	1,000	1,000	-
Food Bank of the Albemarle	500	500	-
NC Coalition	1,350	1,349	1
Kids First, Inc.	4,000	4,000	-
Albemarle Hopeline	2,000	2,000	-
Veterans service officer:			
Salaries and employee benefits	6,880	6,778	102
Other operating expenses	1,225	897	328
Total	<u>8,105</u>	<u>7,675</u>	<u>430</u>
Governor's One-on-One Program:			
Salaries and employee benefits	10,800	10,800	-
Other operating expenses	4,088	4,088	-
Professional services	9,900	9,900	-
Total	<u>24,788</u>	<u>24,788</u>	<u>-</u>
Mentoring Focus Group:			
Other operating expenses	46,627	46,317	310
Total human services:	<u>2,665,158</u>	<u>2,385,579</u>	<u>279,579</u>
Cultural and Recreational:			
Recreation:			
Salaries and employee benefits	173,454	171,565	1,889
Other operating expenses	90,125	87,468	2,657
Capital outlay	6,665	6,395	270
Total	<u>270,244</u>	<u>265,428</u>	<u>4,816</u>
Senior Citizens:			
Salaries and employee benefits	90,909	89,864	1,045
Other operating expenses	15,646	10,078	5,568
Total	<u>106,555</u>	<u>99,942</u>	<u>6,613</u>

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Library:			
Contribution to regional library	155,000	155,000	-
Other:			
Chamber of Commerce	5,000	5,000	-
Newbold White House	11,000	11,000	-
Perquimans Arts League	500	500	-
Perquimans County Trail blazers	500	500	-
Total cultural and recreational:	548,799	537,370	11,429
Debt service:			
Principal retirement	314,470	314,470	-
Interest and other charges	492,882	492,761	121
Total	807,352	807,231	121
Total debt service:	807,352	807,231	121
Education:			
Public schools - current expense	2,150,000	2,150,000	-
Public schools - capital outlay	209,250	227,060	(17,810)
College of the Albemarle	30,000	30,000	-
Total	2,389,250	2,407,060	(17,810)
Total education:	2,389,250	2,407,060	(17,810)
Total expenditures:	12,769,833	12,256,810	513,023
Revenue over (under) expenditures:	(322,348)	286,608	608,956

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfer from other funds:			
Emergency Telephone System Fund	11,900	11,900	-
Capital Projects Reserve Fund	400,000	400,000	-
Transfers to other funds:			
Capital Construction Capital Project Fund	(294,977)	(294,977)	-
Revaluation Reserve Fund	(25,000)	(25,000)	-
Fund balance appropriated	<u>230,425</u>	<u>-</u>	<u>(230,425)</u>
Total other financing sources (uses)	<u>322,348</u>	<u>91,923</u>	<u>(230,425)</u>
Revenue and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	378,531	<u>\$ 378,531</u>
Fund balance, beginning		<u>4,055,097</u>	
Fund balance, ending		<u>\$ 4,433,628</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
 REVALUATION RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 -- BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ 250	\$ 570	\$ 320
Expenditures:			
General government	25,250	-	25,250
Revenues over (under) expenditures	25,000	570	25,570
Other financing sources (uses):			
Transfer from General Fund	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	-
Revenue and other financing sources (uses) over (under) expenditures	\$ -	25,570	\$ 25,570
Fund balance, beginning		193,961	
Fund balance, ending		\$ 219,531	

PERQUIMANS COUNTY, NORTH CAROLINA
 USDA RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 -- BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Reserve for UDSA loan	\$ -	\$ -	\$ -
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources (uses)			
Fund balance, beginning		<u>202,620</u>	
Fund balance, ending		<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
- North Carolina Housing Finance Fund: accounts for the grant funds obtained to rehabilitate single family housing units in Perquimans County
- Community Development Block Grant Fund: accounts for the grant funds obtained to rehabilitate housing units within 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, 2013

	Special Revenue Funds				Capital Project Funds				Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	NC Housing Finance Grant Fund	Community Development Block Grant Fund	Total Special Revenue Funds	County Construction Capital Projects Fund	School Construction Capital Projects Fund	Total Capital Project Funds	Total Nonmajor Governmental Funds	
Assets									
Cash and cash equivalents	\$ 108,318	\$ -	\$ -	\$ 108,318	\$ 41,135	\$ 24,735	\$ 65,870	\$ 174,188	
Due from other governments	12,084	27,244	8,998	48,326	7,937	-	7,937	56,263	
Total assets	\$ 120,402	\$ 27,244	\$ 8,998	\$ 156,644	\$ 49,072	\$ 24,735	\$ 73,807	\$ 230,451	
Liabilities and fund balances									
Liabilities:									
Accounts payable	\$ -	\$ 11,212	\$ 8,998	\$ 20,210	\$ -	\$ -	\$ -	\$ 20,210	
Due to other funds	-	16,032	-	16,032	-	-	-	16,032	
Total liabilities	-	27,244	8,998	36,242	-	-	-	36,242	
Deferred inflows of resources									
Sales tax refunds	1,719	-	-	1,719	7,937	-	7,937	9,656	
Fund balances:									
Restricted:									
State Stabilization	118,683	-	-	118,683	-	-	-	118,683	
School Capital	-	-	-	-	-	24,735	24,735	24,735	
Assigned:									
County Capital Outlay	-	-	-	-	41,135	-	41,135	41,135	
Total fund balances	118,683	-	-	118,683	41,135	24,735	65,870	184,553	
Total liabilities, deferred inflows of resources, and fund balances	\$ 120,402	\$ 27,244	\$ 8,998	\$ 156,644	\$ 49,072	\$ 24,735	\$ 73,807	\$ 230,451	

**PERQUIMANS COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds				Capital Project Funds				Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	NC Housing Financing Grant Fund	Community Development Block 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-LP1121	\$ -	\$ 83,919	\$ -	\$ 83,919	\$ -	\$ -	\$ -	\$ -	\$ 83,919
Restricted intergovernmental	122,926	-	8,998	131,924	-	-	-	-	131,924
Investment earnings	151	-	-	151	-	80	80	80	231
Miscellaneous income	-	-	-	-	5,242	-	5,242	5,242	5,242
Total revenue	<u>123,077</u>	<u>83,919</u>	<u>8,998</u>	<u>215,994</u>	<u>5,242</u>	<u>80</u>	<u>5,322</u>	<u>221,316</u>	
Expenditures:									
Public safety	101,280	-	-	101,280	-	-	-	-	101,280
Economic development	-	83,919	8,998	92,917	-	-	-	-	92,917
Cultural and recreational	-	-	-	-	331,189	-	331,189	331,189	331,189
Total expenditures	<u>101,280</u>	<u>83,919</u>	<u>8,998</u>	<u>194,197</u>	<u>331,189</u>	<u>-</u>	<u>331,189</u>	<u>525,386</u>	
Excess (deficiency) of revenue over expenditures	<u>21,797</u>	<u>-</u>	<u>-</u>	<u>21,797</u>	<u>(325,947)</u>	<u>80</u>	<u>(325,867)</u>	<u>(304,070)</u>	
Other financing sources (uses):									
Transfer from other funds	-	-	-	-	294,977	-	294,977	294,977	294,977
Transfer to other funds	(11,900)	-	-	(11,900)	-	-	-	(11,900)	(11,900)
Total other financing sources (uses)	<u>(11,900)</u>	<u>-</u>	<u>-</u>	<u>(11,900)</u>	<u>294,977</u>	<u>-</u>	<u>294,977</u>	<u>283,077</u>	
Net change in fund balances	9,897	-	-	9,897	(30,970)	80	(30,890)	(20,993)	(20,993)
Fund balance, beginning	108,786	-	-	108,786	72,105	24,655	96,760	205,546	205,546
Fund balance, ending	<u>\$ 118,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,683</u>	<u>\$ 41,135</u>	<u>\$ 24,735</u>	<u>\$ 65,870</u>	<u>\$ 184,553</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Restricted intergovernmental	\$ 124,377	\$ 122,926	\$ (1,451)
Investment earnings	700	151	(549)
Total revenue	<u>125,077</u>	<u>123,077</u>	<u>(2,000)</u>
Expenditures:			
Public safety	<u>120,200</u>	<u>101,280</u>	<u>18,920</u>
Revenues over (under) expenditures	<u>4,877</u>	<u>21,797</u>	<u>16,920</u>
Other financing sources (uses):			
Fund balance appropriated	7,023	-	(7,023)
Transfer to general fund	<u>(11,900)</u>	<u>(11,900)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,877)</u>	<u>(11,900)</u>	<u>(7,023)</u>
Revenue and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	9,897	<u>\$ 9,897</u>
Fund balance, beginning		<u>108,786</u>	
Fund balance, ending		<u>\$ 118,683</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
NORTH CAROLINA HOUSING FINANCE GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue:					
Federal grant no. SFR-LP1121	\$ 160,000	\$ 4,435	\$ 83,919	\$ 88,354	\$ 71,646
Total revenue	<u>160,000</u>	<u>4,435</u>	<u>83,919</u>	<u>88,354</u>	<u>71,646</u>
Expenditures:					
Administration	14,500	4,435	5,926	10,361	4,139
Rehabilitation	127,500	-	62,832	62,832	64,668
Program costs	18,000	-	15,161	15,161	2,839
Total expenditures	<u>160,000</u>	<u>4,435</u>	<u>83,919</u>	<u>88,354</u>	<u>71,646</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

PERQUIMANS COUNTY, NORTH CAROLINA
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue:					
State grant #12-C-2426	\$ 225,000	\$ -	\$ 8,998	\$ 8,998	\$ 216,002
Total revenue	<u>225,000</u>	<u>-</u>	<u>8,998</u>	<u>8,998</u>	<u>216,002</u>
Expenditures:					
Administration	22,500	-	8,998	8,998	13,502
Clearance	19,300	-	-	-	19,300
Rehabilitation construction	163,200	-	-	-	163,200
Rehabilitation	20,000	-	-	-	20,000
Total expenditures	<u>225,000</u>	<u>-</u>	<u>8,998</u>	<u>8,998</u>	<u>216,002</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

PERQUIMANS COUNTY, NORTH CAROLINA
COUNTY CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final		Variance
	Budget	Actual	Positive
	<u> </u>	<u> </u>	(Negative)
Revenue:			
Miscellaneous income	\$ -	\$ 5,242	\$ 5,242
Expenditures:			
Cultural and recreational	<u>343,535</u>	<u>331,189</u>	<u>12,346</u>
Revenues over (under) expenditures	<u>(343,535)</u>	<u>(325,947)</u>	<u>(17,588)</u>
Other financing sources (uses):			
Fund balance appropriated	48,558	-	48,558
Transfer from General Fund	<u>294,977</u>	<u>294,977</u>	<u>-</u>
Total other financing sources (uses)	343,535	294,977	48,558
Revenue and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	(30,970)	<u>\$ 30,970</u>
Fund balance, beginning		<u>72,105</u>	
Fund balance, ending		<u>\$ 41,135</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
 SCHOOL CONSTRUCTION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 -- BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment Earnings	\$ -	\$ 80	\$ 80
Total revenue	<u>-</u>	<u>80</u>	<u>80</u>
Expenditures:			
Revenue over (under) expenditures	<u>-</u>	<u>80</u>	<u>(80)</u>
Other financing sources (uses):			
Revenue and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	80	<u>\$ 80</u>
Fund balance, beginning		<u>24,655</u>	
Fund balance, ending		<u>\$ 24,735</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

Water Capital Improvement Fund – This fund is used to account for the water supply from Pasquotank County R.O. Plant Project

PERQUIMANS COUNTY, NORTH CAROLINA
SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Operating revenue:			
Charges for services			
Solid waste fees	\$ 812,000	\$ 818,138	\$ 6,138
Other revenue	9,000	7,341	(1,659)
Non-operating revenue			
Investment earnings	<u>300</u>	<u>601</u>	<u>301</u>
Total revenue	<u>821,300</u>	<u>826,080</u>	<u>4,780</u>
Expenditures:			
Landfill operations:			
Solid waste operations	<u>848,918</u>	<u>815,807</u>	<u>33,111</u>
Total	<u>848,918</u>	<u>815,807</u>	<u>33,111</u>
Revenues over (under) expenditures	(27,618)	10,273	(37,891)
Other financing sources (uses)			
Fund balance appropriated	<u>27,618</u>	<u>-</u>	<u>27,618</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	10,273	<u>\$ 10,273</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Change in net position:		<u>\$ 10,273</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Charges for services:			
Water sales	\$ 1,650,000	\$ 1,599,897	\$ (50,103)
Tap and reconnection fees	59,000	50,000	(9,000)
Penalties	36,000	38,872	2,872
Other operating revenue	7,800	11,335	3,535
Total operating revenue	<u>1,752,800</u>	<u>1,700,104</u>	<u>(52,696)</u>
Non-operating revenue			
Rent	8,000	8,100	100
Investment earnings	4,000	4,055	55
Federal reimbursement-waterline relocation	1,926	1,802	(124)
Total non-operating revenue	<u>13,926</u>	<u>13,957</u>	<u>31</u>
Total revenue	<u>1,766,726</u>	<u>1,714,061</u>	<u>(52,665)</u>
Expenditures:			
Administration:			
Salaries and employee benefits	266,296	251,453	14,843
Professional services	82,000	78,290	3,710
Indirect costs	100,000	100,000	-
Other department expenses	130,326	109,267	21,059
Total	<u>578,622</u>	<u>539,010</u>	<u>39,612</u>
Water distribution and treatment:			
Salaries and employee benefits	112,651	112,602	49
Travel	1,000	145	855
Professional services	40,000	27,438	12,562
Salt and chemical supplies	182,000	201,201	(19,201)
Insurance and bonds	32,000	31,531	469
Utilities	110,000	106,010	3,990
Water sample tests	30,000	23,468	6,532
Sedimentation control	50,000	43,320	6,680
Repairs and maintenance	118,000	110,941	7,059
Other departmental expenses	179,437	32,550	146,887
Total	<u>855,088</u>	<u>689,206</u>	<u>165,882</u>

PERQUIMANS COUNTY, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and fees	69,300	58,349	10,951
Debt Principal	<u>263,716</u>	<u>199,133</u>	<u>64,583</u>
Total debt service	<u>333,016</u>	<u>257,482</u>	<u>75,534</u>
Capital outlay:			
Total expenditures	<u>1,766,726</u>	<u>1,485,698</u>	<u>281,028</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>228,363</u>	<u>\$ 228,363</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling items:		
Debt principal		199,133
Decrease in inventory		(615)
Increase in other postemployment benefits		(1,105)
Decrease in accrued vacation pay		540
Amortization		(7,364)
Depreciation		(380,172)
Interest income from Water Capital Improvement Fund		470
Professional fees from Water Capital Improvement Fund		<u>(97,864)</u>
Total reconciling items		<u>(286,977)</u>
Change in net position		<u>\$ (58,614)</u>

**PERQUIMANS COUNTY, NORTH CAROLINA
 WATER CAPITAL IMPROVEMENT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
Revenue					
Non-operating revenue	\$ 1,500	\$ -	\$ 470	\$ 470	\$ 1,030
Investment earnings					
Expenditures					
Professional services	201,300	-	97,864	97,864	103,436
Contingency	131,549	-	-	-	131,549
Capital outlay - building	1,088,451	-	1,107,365	1,107,365	(18,914)
Capital outlay - water lines	175,233	-	128,760	128,760	46,473
Total expenditures	1,596,533	-	1,333,989	1,333,989	262,544
Revenues (under) expenditures	(1,595,033)	-	(1,333,519)	(1,333,519)	261,514
Other financing sources					
Fund balance appropriated	245,033	-	-	-	(245,033)
Long-term debt issued	1,350,000	-	1,350,000	1,350,000	-
Total other financing sources	1,595,033	-	1,350,000	1,350,000	(245,033)
Revenues and other financing sources over expenditures	\$ -	\$ -	\$ 16,481	\$ 16,481	\$ 16,481

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, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Social Services				
Assets:				
Cash and cash equivalents	\$ 22,674	\$ 92,244	\$ 84,626	\$ 30,292
Liabilities:				
Miscellaneous liabilities	\$ 22,674	\$ 92,244	\$ 84,626	\$ 30,292
Soil and Water Conservation				
Assets:				
Cash and cash equivalents	\$ 7,561	\$ 16,577	\$ 15,973	\$ 8,165
Liabilities:				
Miscellaneous liabilities	\$ 7,561	\$ 16,577	\$ 15,973	\$ 8,165
4-H Fund				
Assets:				
Cash and cash equivalents	\$ 7,989	\$ 9,946	\$ 10,403	\$ 7,532
Liabilities:				
Miscellaneous liabilities	\$ 7,989	\$ 9,946	\$ 10,403	\$ 7,532
Sheriff's Fund				
Assets:				
Cash and cash equivalents	\$ 1,292	\$ 855	\$ 525	\$ 1,622
Liabilities:				
Miscellaneous liabilities	\$ 1,292	\$ 855	\$ 525	\$ 1,622
Babe Ruth Fund				
Assets:				
Cash and cash equivalents	\$ 552	\$ 13,016	\$ 11,313	\$ 2,255
Liabilities:				
Miscellaneous liabilities	\$ 552	\$ 13,016	\$ 11,313	\$ 2,255
Farm Service Fund				
Assets:				
Cash and cash equivalents	\$ 7,234	\$ 6,996	\$ 8,504	\$ 5,726
Liabilities:				
Miscellaneous liabilities	\$ 7,234	\$ 6,996	\$ 8,504	\$ 5,726

PERQUIMANS COUNTY, NORTH CAROLINA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
State Treasurer - Motor Vehicle Interest Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 4,386	\$ 4,386	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 4,386	\$ 4,386	\$ -
Deed of Trust Fee Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 2,466	\$ 2,466	\$ -
Liabilities:				
Intergovernmental payable-State North Carolina	\$ -	\$ 2,466	\$ 2,466	\$ -
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 47,302	\$ 146,486	\$ 138,196	\$ 55,592
Liabilities:				
Miscellaneous liabilities	\$ 47,302	\$ 146,486	\$ 138,196	\$ 55,592

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, 2013**

Fiscal Year	Uncollected Balance July 1, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 7,571,397	\$ 7,223,284	\$ 348,113
2011-2012	296,953		154,297	142,656
2010-2011	125,180		43,333	81,847
2009-2010	74,948		19,190	55,758
2008-2009	54,532		9,162	45,370
2007-2008	40,659		2,046	38,613
2006-2007	35,649		1,653	33,996
2005-2006	27,913		930	26,983
2004-2005	22,306		467	21,839
2003-2004	19,508		569	18,939
2002-2003	18,930		18,930	-
	<u>\$ 716,578</u>	<u>\$ 7,571,397</u>	<u>\$ 7,473,861</u>	<u>\$ 814,114</u>
Less allowance for uncollected accounts: General Fund				<u>37,000</u>
Ad valorm taxes receivable - net: General Fund				<u>\$ 777,114</u>
<u>Reconcilement with revenue:</u>				
Ad valorem taxes - General Fund				\$ 7,611,927
Interest collected on ad valorem taxes - General Fund				79,780
Reconciling items:				
Interest collected				(79,780)
Taxes written off				18,930
Adjustments				(156,996)
Total reconciling items				<u>(217,846)</u>
Total collection and credits				<u>\$ 7,473,861</u>

PERQUIMANS COUNTY, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 COUNTY-WIDE LEVY
 FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 1,702,581,231	0.44	\$ 7,359,310	\$ 6,882,801	\$ 476,509
Penalties			2,689	2,689	-
Total:			7,361,999	6,885,490	476,509
Discoveries:					
Current year taxes	47,590,455	0.44	209,398	209,398	
Total property valuation:	<u>\$ 1,750,171,686</u>				
Net levy			<u>\$ 7,571,397</u>	<u>\$ 7,094,888</u>	<u>\$ 476,509</u>
Uncollected taxes at June 30, 2012			<u>\$ 348,113</u>	<u>\$ 288,408</u>	<u>\$ 59,705</u>
Current year's taxes collected			<u>\$ 7,223,284</u>	<u>\$ 6,806,480</u>	<u>\$ 416,804</u>
Current levy collection percentage			<u>95.40%</u>	<u>95.93%</u>	<u>87.47%</u>

PERQUIMANS COUNTY, NORTH CAROLINA
 TEN LARGEST TAXPAYERS
 FOR THE YEAR ENDED JUNE 30, 2013

Taxpayer	Type of Business	2012 Assessed Valuation	Percentage of Total Assessed Valuation
Albemarle Electric	Electric Company	\$ 17,929,849	1.02%
Dominion N. C. Power	Electric Company	15,926,796	0.91%
Weyerhaeuser	Lumber Company	12,216,000	0.70%
Albemarle Plantation II	Real Estate Development	10,412,300	0.59%
Albemarle Plantation Holdings	Real Estate Development	6,004,400	0.34%
NC Virginia Railroad	Railroad Company	5,826,620	0.33%
Carolina Telephone	Telephone Company	5,273,474	0.30%
Brown Development of NC	Real Estate Development	4,253,800	0.24%
Blue Water Land Development Company	Real Estate Development	4,220,300	0.24%
Clark and Elizabeth Harris	Real Estate Development	2,941,600	0.17%
		<u>\$ 85,005,139</u>	<u>4.86%</u>
	Total assessed valuation:	<u>\$ 1,750,171,686</u>	

**PERQUIMANS COUNTY, NORTH CAROLINA
 EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE
 PSAP RECONCILIATION
 FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported on the Emergency Telephone System Fund budget to actual (pg 65) are different from the PSAP Revenue-Expenditure Report because:

Net change in Fund Balance, reported on Budget to Actual	\$ 9,897
Sales Tax refund accrued but not reported on budget to actual	1,719
Expenditures accrued in prior year, expensed in current year	(693)
Beginning Balance, PSAP Revenue-Expenditure Report	<u>107,954</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 118,877</u>

COMPLIANCE SECTION

DOUGLAS A. HOLLOWELL P.C.

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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 Standard*

Independent Auditors' Report

To the Board of County Commissioners
Perquimans County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Perquimans County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Perquimans County's basic financial statements, and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Perquimans County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Perquimans County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material

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weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Perquimans County's financial statements are free from 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 one instance of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-1.

Perquimans County's Response to Findings

Perquimans County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Elizabeth City, North Carolina
October 28, 2013

DOUGLAS A. HOLLOWELL P.C.

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

**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**

Independent Auditors' Report

To the Board of County Commissioners
Perquimans County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Perquimans County, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Perquimans County's major federal programs for the year ended June 30, 2013. The 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Perquimans County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Perquimans County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Perquimans County's compliance.

Opinion on Each Major Federal Program

In our opinion, the Perquimans County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1. Our opinion on each major federal program is not modified with respect to these matters.

The Perquimans County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Perquimans County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

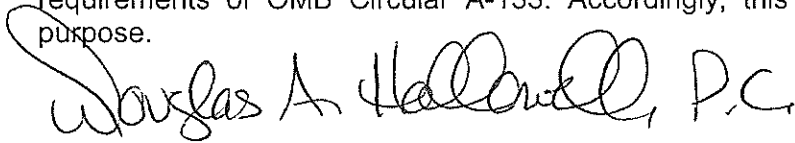
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-1 that we consider to be significant deficiencies.

The Perquimans County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Perquimans County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

Elizabeth City, North Carolina
October 28, 2013

DOUGLAS A. HOLLOWELL P.C.

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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

Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditors' Report

To the Board of County Commissioners
Perquimans County, North Carolina

Report on Compliance for Each Major State Program

We have audited the Perquimans County, North Carolina, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Perquimans County's major state programs for the year ended June 30, 2013. The 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Perquimans County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Perquimans County's compliance.

MEMBERS OF:

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Opinion on Each Major State Program

In our opinion, the Perquimans County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

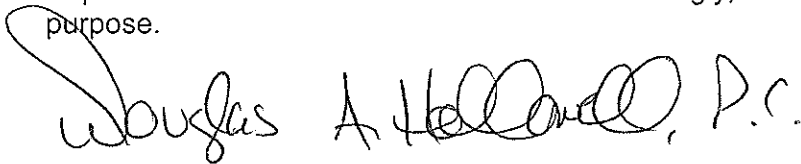
Report on Internal Control Over Compliance

Management of the Perquimans County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Perquimans County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 state 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 state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Elizabeth City, North Carolina
October 28, 2013

**PERQUIMANS COUNTY, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2013**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified yes no

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

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

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

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

Noncompliance material to federal awards yes 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 no

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
93.778	Title XIX - Medicaid

Dollar threshold used to distinguish between Type A and Type B Programs \$375,972

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major state programs:

Material weakness(es) identified? yes none reported

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

Noncompliance material to state awards yes no

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

**PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I. Summary of Auditors' Results (cont)

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

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

*U.S. Department of Health and Human Services
Program Name: Medical Assistance Program
CFDA 93.778*

FINDING: 2013-1

SIGNIFICANT DEFICIENCY

Criteria: In accordance with 42 CFR 431.10 and in the State approved plan, the requirement applicable in this case, an applicant is not eligible for assistance unless the applicant's family income falls below the State-provided income standard.

Condition: One applicant received assistance although their family income was above the State-provided income standard.

Effect: One applicant received assistance for which they were not eligible.

Cause: Human error in calculating the family income.

Recommendation: Checks and balances should be in place for any numeric calculations or thresholds used in the determination of eligibility in this program.

Views of responsible officials and planned corrective actions: The agency takes this human error very seriously and will ensure workers review of cases.

Section IV. State Award Findings and Questioned Costs

None reported.

PERQUIMANS COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2013

Finding: 2013-1

SIGNIFICANT DEFICIENCY

Name of contact person: Susan Chaney, Director of Department of Social Services

Corrective Action: Client was Medicaid eligible; worker put her in MIC not NCHC. Profiles have been requested to see if Medicaid was billed during this time, but have not been received. Workers will correct this issue by reviewing work more carefully and Supervisor will review cases as time permits.

Proposed Completion Date: October 2013

PERQUIMANS COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

No matters to report.

PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 149,481	\$ -	\$ 149,481
			149,481	-	149,481
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		167,871	-	-
Total U.S. Department of Agriculture			317,352	-	149,481
<u>U.S. Department of Housing and Urban Development</u>					
Passed through N.C. Housing Finance Agency:					
Single Family Rehabilitation	14.239	SFRLP10	72,707	-	-
Total U.S. Department of Housing and Urban Development			72,707	-	-
<u>U.S. Department of Justice</u>					
Federal Asset Forfeiture Program	16.999		2,500	-	-
Total U.S. Department of Justice			2,500	-	-
<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		471	369	103
Title IV-E Foster Child Protective Services	93.658		7,402	2,637	3,771
Adoption Assistance - Direct Benefit Payments	93.659		17,283	4,561	4,561
Total foster care and adoption cluster			25,156	7,567	8,435
Work First/Temporary Assistance for Needy Families (TANF)	93.558		90,684	(209)	108,035
Work First/TANF - Direct Benefit Payments	93.558		90,854	-	-
Foster Care	93.558		978	46	190
N.C. Child Support Enforcement Section	93.563		115,497	-	72,289
Low Income Home Energy Assistance Block Grant:					
Crisis Intervention Program	93.568		99,445	-	3,788
LIHEAP Payments	93.568		38,800	-	-
Permanency planning	93.645		10,533	-	3,824
Social Services Block Grant - Other services and training	93.667		51,935	5,387	52,909
Case Management 60 & up	93.667		4,141	-	2,524
<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		70	-	10

PERQUIMANS COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

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
<u>Division of Child Development:</u>					
Subsidized Child Care (Note 2)					
<u>Child Care Development Fund Cluster</u>					
Division of Social Services					
Child Care Development Fund-Administration	93.596		80,235	-	1,458
Division of Child Development:					
Child Care and Development Block Grant	93.575		118,655	-	-
Child Care and Development Fund - Mandatory	93.596		53,455	-	-
Child Care and Development Fund - Match	93.596		32,728	10,311	-
Total Child Care Fund Cluster			285,073	10,311	1,458
Temporary Assistance for Needy Families	93.558		65,621	-	-
Foster Care Title IV-E	93.658		2,728	1,304	-
Smart Start			-	15,375	-
State Appropriations			-	943	-
TANF-MOE			-	68,280	-
Total Subsidized Child Care Cluster (Note 2)			353,422	96,213	1,458
<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		10,914,484	6,173,310	1,052
<u>Division of Social Services:</u>					
Administration:					
Medical assistance program	93.778		243,473	-	243,473
Medical assistance expansion	93.778		9,500	9,500	-
Medical transportation	93.778		13,213	-	13,213
State Children's Insurance Program-N.C. Health Choice	93.767		11,481	523	3,136
Adult Home Special Services	93.778		5,262	2,631	2,631
Total U.S. Department of Health & Human Services			12,078,928	6,294,968	516,967
<u>U.S. Department of Homeland Security</u>					
Passed through the NC Department of Public Safety					
Division of Emergency Management					
Homeland Security Grant Program	97.067		3,568	-	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		1,175	-	-
Emergency Management Performance Grants	97.042		35,503	-	-
Interagency Hazardous Materials Public Sector Training and Planning Guides	20.703		14,215	-	-
Total U.S. Department of Homeland Security			54,461	-	-
Total Federal awards			12,525,948	6,294,968	666,448
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				103,052	-
State/County Special Assistance for the Disabled				66,961	-
State Adult Protective Services				6,464	12,116
Division of Social Services					
DCD Smart Start				6,650	42
Total N.C. Department of Health & Human Services				183,127	12,158

PERQUIMANS COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

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
<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				<u>110,742</u>	<u>-</u>
Total N.C. Department of Juvenile Justice & Delinquency Prevention				<u>110,742</u>	<u>-</u>
<u>N. C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
White Goods Management Program				4,156	-
Scrap Tire Program				16,568	-
Soil conservation - Technical Assistance/operation				16,431	-
Soil conservation - Operations				3,600	-
Solid Waste Management Trust Fund - Community Waste Reduction Grant				<u>7,341</u>	<u>-</u>
Total Division of Waste Management				<u>48,096</u>	<u>-</u>
Total N.C. Department of Environment and Natural Resources				<u>48,096</u>	<u>-</u>
<u>N.C. Department of Insurance</u>					
Division of Seniors' Health Insurance Information					
Total N.C. Department of Insurance				<u>4,202</u>	<u>-</u>
<u>N.C. Department of Crime Control and Public Safety</u>					
Division of Emergency Management					
Hazardous Materials Grant				<u>14,218</u>	<u>-</u>
Total N.C. Department of Crime Control and Public Safety				<u>14,218</u>	<u>-</u>
Total State awards				<u>360,385</u>	<u>12,158</u>
Total Federal & State Award			\$ 12,525,948	\$ 6,655,353	\$ 678,606

PERQUIMANS COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

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
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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. 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.

3. Subrecipients

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

Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Juvenile Crime Prevention Programs to Perquimans 20/20			\$ -	\$ 110,742