

PERQUIMANS COUNTY

North Carolina

AUDIT REPORT
June 30, 2014

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JUNE 30, 2014**

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**PERQUIMANS COUNTY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2014**

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

Jacqueline Frierson, Register of Deeds
William F. Jennings, Tax Supervisor
Charles White, 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
Jewel Winslow, Chairman Extension Services
Susan Chaney, Director Social Services
Stephen Chappell, Animal Control Officer
Jarvis Winslow, Emer. Mgmt Coordinator
Russ Chappell, Water Distribution Supervisor



DOUGLAS A. HOLLOWELL P.C.

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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

1389 N. BROAD STREET
P.O. BOX 567
EDENTON, NORTH CAROLINA 27932
TELEPHONE: (252) 482-8461
FAX (252) 482-4921

Independent Auditors' Report

To the Board of County Commissioners
Perquimans County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Perquimans County, North Carolina, as of and for the year then ended June 30, 2014, 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.

Auditors' Responsibility

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

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

DOUGLAS A. HOLLOWELL, C.P.A.

DONNA HOLLOWELL WINBORNE, C.P.A.

MEMBERS OF:

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Other Post Employment Benefits Schedules of Funding Progress and Employer Contributions on pages 4 through 13 and pages 50 through 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Perquimans County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014 on our consideration of 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 the 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.

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

Elizabeth City, North Carolina
November 12, 2014

Perquimans County Management's Discussion and Analysis

As management of Perquimans County, we offer readers of Perquimans County's financial statements this narrative overview and analysis of the financial activities of Perquimans County for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

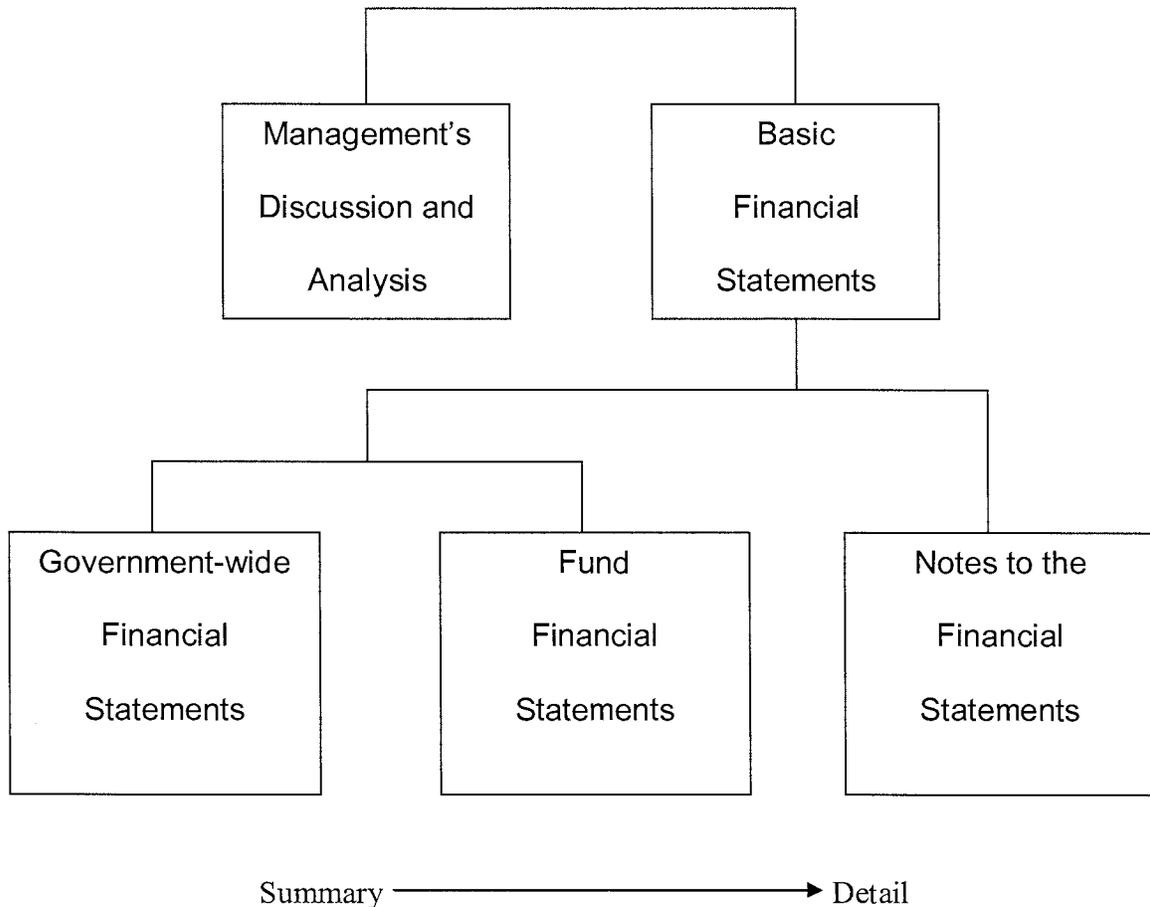
- The assets of Perquimans County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,884,804 (*net position*).
- The government's total net position increased by \$1,427,590, primarily due to increased revenue collections and reduced expenses in the General Fund.
- As of the close of the current fiscal year, Perquimans County's governmental funds reported combined ending fund balances of \$6,866,974, an increase of \$869,966 in comparison with the prior year. Approximately 31 percent of this total amount, or \$2,131,972, is restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,735,002 or 37.81 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 \$5,914,229 or 47.23%. The total fund balance minus funds reserved by State statute was \$5,322,705, or 42.51% of total general fund expenditures for the fiscal year.
- Perquimans County's total debt decreased by \$996,094 (6.4%) during the current fiscal year.
- Perquimans County has a North Carolina Municipal Council rating of 78, which is considered investment grade.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net 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 seven 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 25 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 \$12,884,804 as of June 30, 2014. The County's net position increased by \$1,427,590 for the fiscal year ended June 30, 2014. 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, \$1,558,195, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$1,299,013) is unrestricted.

Perquimans County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current & Other Assets	\$ 8,041,396	\$ 7,165,636	\$ 2,734,860	\$ 2,665,117	\$ 10,776,256	\$ 9,830,753
Capital Assets	7,162,806	7,457,145	10,213,821	10,600,278	17,376,627	18,057,423
Total Assets	15,204,202	14,622,781	12,948,681	13,265,395	28,152,883	27,888,176
Other Liabilities	1,195,119	1,125,114	518,471	573,388	1,713,590	1,698,502
Long-term Liabilities	9,840,486	10,528,001	3,677,741	4,035,502	13,518,227	14,563,503
Total Liabilities	11,035,605	11,653,115	4,196,212	4,608,890	15,231,817	16,262,005
Total deferred inflows of resources	36,262	85,298	-	56,897	36,262	142,195
Net Position:						
Net Investment in capital assets	6,436,806	6,624,145	6,188,816	6,199,254	12,625,622	12,823,399
Restricted	1,558,195	1,543,970	-	-	1,558,195	1,543,970
Unrestricted	(3,862,666)	(5,283,747)	2,563,653	2,400,354	(1,299,013)	(2,883,393)
Total Net Position:	\$ 4,132,335	\$ 2,884,368	\$ 8,752,469	\$ 8,599,608	\$ 12,884,804	\$ 11,483,976

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 96.42%, higher than the average for counties with a population less than 25,000 of 95.38%. (Source: NC Treasurer, County Cash, Taxes and Fund Balance Available, 2014)
- Management's proactive stance on monitoring spending across County departments.
- Continued low cost of debt due to the County's low total indebtedness. The North Carolina Municipal Council has rated Perquimans County at 78, 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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,262,679	\$ 1,157,382	\$ 2,934,210	\$ 2,525,583	\$ 4,196,889	\$ 3,682,965
Operating Grants & Contributions	2,115,788	1,962,912	28,715	9,902	2,144,503	1,972,814
Capital Grants & Contributions	330,416	-	-	-	330,416	-
General Revenue:						
Property Taxes	8,005,410	7,752,661	-	-	8,005,410	7,752,661
Other Taxes	2,219,305	2,127,272	-	-	2,219,305	2,127,272
Other	139,457	133,046	4,826	5,126	144,283	138,172
Total Revenue	14,073,055	13,133,273	2,967,751	2,540,611	17,040,806	15,673,884
Expenses:						
General Government	1,970,948	1,934,183	-	-	1,970,948	1,934,183
Public Safety	4,117,130	4,133,156	-	-	4,117,130	4,133,156
Economic/Physical Development	236,098	198,456	-	-	236,098	198,456
Environmental Protection	238,134	265,918	-	-	238,134	265,918
Human Services	2,492,990	2,404,514	-	-	2,492,990	2,404,514
Cultural & Recreation	673,204	619,802	-	-	673,204	619,802
Education	2,793,067	2,407,060	-	-	2,793,067	2,407,060
Interest on Long-term Debt	276,754	492,761	-	-	278,754	492,761
Solid Waste Operations	-	-	850,827	815,807	850,827	815,807
Water Operations	-	-	1,964,064	1,773,145	1,964,064	1,773,145
Total Expenses	12,798,325	12,455,850	2,814,891	2,588,952	15,613,216	15,044,802
Increase/(decrease) in Net Position	1,274,730	677,423	152,860	(48,341)	1,427,590	629,082
Net position, beginning	2,857,605	2,206,945	8,599,609	8,647,949	11,457,214	10,854,894
Net position, ending	\$ 4,132,335	\$ 2,884,368	\$ 8,752,469	\$ 8,599,608	\$ 12,884,804	\$11,483,976

Governmental activities. Governmental activities increased the County's net position by \$1,274,730. Key elements of this increase are as follows:

- Reduction of General Fund Expenditures, compared to budgeted amount, and increase in property and sales tax revenues.

Business-type activities: Business-type activities increased Perquimans County's net position by \$152,860. Key elements of this increase are as follows:

- Increased revenue collection 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 \$4,735,002, while total fund balance reached \$5,914,229. The County currently has an available fund balance of 42.51% of general fund expenditures, while total fund balance represents 47.23% of that same amount.

At June 30, 2014, the governmental funds of Perquimans County reported a combined fund balance of \$6,866,974, a 14.5% increase over last year.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$149,188.

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 \$397,243 and those for the Water Fund equaled \$2,166,410. The total decrease in net position for the Solid Waste fund was \$13,312. The total increase in the Water fund was \$166,172. 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, 2014, totals \$17,376,627 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, recreational facilities, and vehicles.

Major capital asset transactions during the year include:

- Renovation of school entranceways to enhance security.
- Continued renovation of the Perquimans County Senior Center, including exterior bricking and paving of the parking lot.
- Conversion of a significant percentage of water meters to “radio read”.

Perquimans County’s Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,062,407	\$ 1,062,407	\$ 133,810	\$ 133,810	\$ 1,196,217	\$ 1,196,217
Buildings & System	4,948,573	5,125,349	10,046,139	10,414,413	14,994,712	15,539,762
Machinery, Equipment & Vehicles	1,151,826	1,269,389	33,872	52,055	1,185,698	1,321,444
Total	\$ 7,162,806	\$ 7,456,785	\$ 10,213,821	\$ 10,600,278	\$ 17,376,627	\$ 18,057,423

Additional information on the County’s capital assets can be found in note III.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2014, Perquimans County had no total bonded debt outstanding for the General Fund.

Installment Obligation Debt. As of June 30, 2014 Perquimans County had \$10,418,593 in installment purchases outstanding for the General Fund.

Perquimans County’s Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Installment Agreement Indebtedness	\$10,418,593	\$11,061,096	\$4,025,006	\$4,378,597	\$14,443,599	\$15,439,693
Total	\$10,418,593	\$11,061,096	\$4,025,006	\$4,378,597	\$14,443,599	\$15,439,693

Perquimans County’s total debt decreased by \$998,965 (6.4%) during the past fiscal year.

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 \$130,212,846.

Additional information regarding Perquimans County’s long-term debt can be found in note III.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 8.4% is more than the state average of 6.9% (July, 2014- N.C. Dept. of Commerce, Labor and economic Analysis Division)
- 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, 2015

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 be approximately the same as the FY 2013-2014 levels based on housing starts and real estate transactions. Sales taxes are expected to increase by 2-3% over FY 2013-14 levels.

Budgeted expenditures in the General Fund are \$13.45 million. While representing an increase from last year's budgeted amount, this allows funding of increased school current expense requests (\$100,000) and additional staffing and capital requests for EMS and the Sheriff's Department.

The County will set aside approximately \$30,000 for Phase 3 renovations of the Senior Center, implement a 2% COLA and merit increases, replace three Sheriff's vehicles, a new ambulance for EMS, and new upgraded communications equipment for fire personnel in the Bethel area.

This budget includes a part time Senior Citizens Center position, and additional 911 Communicator, and additional Sheriff's deputy, two full time EMT's, and an Assistant Finance Officer.

Business – type Activities: The County continued seasonal water conservation rates in 2014. These rates are in effect May through October in hopes of encouraging water conservation during peak demand periods. Within FY 14-15, Perquimans will continue to pay for and receive 150,000 gallons of treated water per day from Pasquotank County. Water rates will continue at \$15 for the first 1000 gallons, and \$7.00 per thousand for each additional thousand gallons. The seasonal rates, as discussed above, will continue to be \$9.00 per thousand above 8000 gallons.

Perquimans will test, acquire, and begin to develop a new well site to service the Bethel water plant.

Rates for solid waste services will increase to \$130 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, 2014**

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Perquimans County Tourism Development Authority
Assets				
Cash and cash equivalents	\$ 6,212,210	\$ 1,905,245	\$ 8,117,455	\$ 25,371
Receivables (net)	771,179	411,605	1,182,784	-
Accrued interest receivable on taxes	77,938	-	77,938	-
Due from other governments	705,172	19,898	725,070	-
Inventories	-	72,866	72,866	-
Restricted cash and cash equivalents	270,023	317,489	587,512	-
Loan fees	4,874	7,757	12,631	-
Capital assets:				
Land and construction in progress	1,062,407	133,810	1,196,217	-
Other capital assets, net of depreciation	6,100,399	10,080,011	16,180,410	-
Total capital assets	<u>7,162,806</u>	<u>10,213,821</u>	<u>17,376,627</u>	<u>-</u>
Total assets	<u>15,204,202</u>	<u>12,948,681</u>	<u>28,152,883</u>	<u>25,371</u>
Liabilities				
Accounts payable and accrued expenses	268,504	21,725	290,229	-
Accrued interest payable	-	47,688	47,688	-
Customer deposits	-	66,522	66,522	-
Long-term liabilities:				
Due within one year	926,615	382,536	1,309,151	-
Due in more than one year	<u>9,840,486</u>	<u>3,677,741</u>	<u>13,518,227</u>	<u>-</u>
Total liabilities	<u>11,035,605</u>	<u>4,196,212</u>	<u>15,231,817</u>	<u>-</u>
Deferred Inflows of Resources	<u>36,262</u>	<u>-</u>	<u>36,262</u>	<u>-</u>
Net Position				
Net investment in capital assets	6,436,806	6,188,816	12,625,622	-
Restricted:				
Public Safety	156,303	-	156,303	-
Education	28,994	-	28,994	-
Register of Deeds	1,443	-	1,443	-
Stabilization by State Statute	591,524	-	591,524	-
Capital Outlay	779,931	-	779,931	-
Unrestricted	<u>(3,862,666)</u>	<u>2,563,653</u>	<u>(1,299,013)</u>	<u>25,371</u>
Total net position	<u>\$ 4,132,335</u>	<u>\$ 8,752,469</u>	<u>\$ 12,884,804</u>	<u>\$ 25,371</u>

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Perquimans County Tourism Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,970,948	\$ 355,363	\$ 28,505	\$ -	\$ (1,587,080)	\$ -	\$ (1,587,080)	
Public safety	4,117,130	805,195	197,453	-	(3,114,482)	-	(3,114,482)	
Economic and physical development	236,098	-	167,610	-	(68,488)	-	(68,488)	
Environmental protection	238,134	-	48,751	-	(189,383)	-	(189,383)	
Human services	2,492,990	-	1,666,482	-	(826,508)	-	(826,508)	
Cultural and recreational	673,204	14,349	6,987	-	(651,868)	-	(651,868)	
Education	2,793,067	87,772	-	330,416	(2,374,879)	-	(2,374,879)	
Interest on long-term debt	276,754	-	-	-	(276,754)	-	(276,754)	
Total governmental activities	<u>12,798,325</u>	<u>1,262,679</u>	<u>2,115,788</u>	<u>330,416</u>	<u>(9,089,442)</u>	<u>-</u>	<u>(9,089,442)</u>	
Business-type activities:								
Solid waste	850,827	837,056	-	-	-	(13,771)	(13,771)	
Water	1,964,064	2,097,154	28,715	-	-	161,805	161,805	
Total business-type activities	<u>2,814,891</u>	<u>2,934,210</u>	<u>28,715</u>	<u>-</u>	<u>-</u>	<u>148,034</u>	<u>148,034</u>	
Total primary government	<u>\$ 15,613,216</u>	<u>\$ 4,196,889</u>	<u>\$ 2,144,503</u>	<u>\$ 330,416</u>	<u>(9,089,442)</u>	<u>148,034</u>	<u>(8,941,408)</u>	
Component unit:								
Perquimans County Tourism Development Authority	<u>\$ 6,233</u>	<u>\$ 4,575</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (1,658)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					8,005,410	-	8,005,410	-
Local option sales tax					2,007,863	-	2,007,863	-
Other taxes and licenses					211,442	-	211,442	-
Unrestricted intergovernmental					47,617	-	47,617	-
Investment earnings, unrestricted					17,859	4,826	22,685	82
Miscellaneous, unrestricted					73,981	-	73,981	184
Total general revenues					<u>10,364,172</u>	<u>4,826</u>	<u>10,368,998</u>	<u>266</u>
Change in net position					1,274,730	152,860	1,427,590	(1,392)
Net position, beginning					2,857,605	8,599,609	11,457,214	26,763
Net position, ending					<u>\$ 4,132,335</u>	<u>\$ 8,752,469</u>	<u>\$ 12,884,804</u>	<u>\$ 25,371</u>

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

**PERQUIMANS COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

Exhibit 3

	Major	Non-major	
	General Fund	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 5,294,325	\$ 917,885	\$ 6,212,210
Receivables, net:	771,179	-	771,179
Due from other governments	607,189	97,983	705,172
Restricted cash	245,277	24,746	270,023
Total assets	\$ 6,917,970	\$ 1,040,614	\$ 7,958,584
Liabilities, Deferred inflows of resources, and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	\$ 180,635	\$ 87,869	\$ 268,504
Prepayments	36,262	-	36,262
Total liabilities	216,897	87,869	304,766
Deferred inflows of resources	786,844	-	786,844
Fund balances:			
Restricted for:			
Stabilization by State Statute	591,524	143,820	735,344
Register of Deeds	1,443	-	1,443
Department of Justice Forfeiture Program	12,483	-	12,483
School Capital	-	28,994	28,994
Committed:			
Tax revaluation	245,277	-	245,277
Assigned:			
Future County Capital Outlay	-	779,931	779,931
Subsequent year's expenditures	328,500	-	328,500
Unassigned	4,735,002	-	4,735,002
Total fund balances	5,914,229	952,745	6,866,974
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,917,970	\$ 1,040,614	

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	7,162,806
Net loan fees	4,874
Other long-term assets are not available to pay for current-period expenditures therefore are unavailable in the funds	77,938
Deferred inflows of resources for taxes receivable	786,844
Some liabilities, including bonds payable, and other post employment benefits, are not due and payable in the current period and therefore are not reported in the funds	(10,767,101)
Net position of governmental activities	\$ 4,132,335

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, 2014

Exhibit 4

	Major	Non-major	
	General Fund	Other Governmental Funds	Total
Revenue:			
Ad valorem taxes	\$ 7,978,908	\$ -	\$ 7,978,908
Local option sales taxes	2,007,863	-	2,007,863
Other taxes and licenses	28,934	-	28,934
Unrestricted intergovernmental	47,617	-	47,617
Restricted intergovernmental	1,822,729	836,993	2,659,722
Permits and fees	295,387	-	295,387
Sales and services	848,510	-	848,510
Investment earnings	15,050	2,809	17,859
Miscellaneous	161,753	-	161,753
Total revenue	<u>13,206,751</u>	<u>839,802</u>	<u>14,046,553</u>
Expenditures:			
Current			
General government	1,883,707	-	1,883,707
Public safety	3,785,136	118,061	3,903,197
Economic and physical development	33,263	152,610	185,873
Environmental protection	237,720	-	237,720
Human services	2,496,990	-	2,496,990
Cultural and recreational	574,899	31,445	606,344
Intergovernmental:			
Education	2,466,899	326,169	2,793,068
Capital outlay	123,667	-	123,667
Debt service:			
Principal	642,503	-	642,503
Interest	276,754	-	276,754
Total expenditures	<u>12,521,538</u>	<u>628,285</u>	<u>13,149,823</u>
Excess (deficiency) of revenues over expenditures	<u>685,213</u>	<u>211,517</u>	<u>896,730</u>
Other financing sources (uses):			
Transfer (to) from other funds	<u>400,000</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balance	1,085,213	(188,483)	896,730
Fund balances, beginning	<u>4,829,016</u>	<u>1,141,228</u>	<u>5,970,244</u>
Fund balances, ending	<u>\$ 5,914,229</u>	<u>\$ 952,745</u>	<u>\$ 6,866,974</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, 2014

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 896,730
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.	(289,465)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	26,502
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.	642,503
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>(1,540)</u>
Total changes in net position of governmental activities	<u>\$ 1,274,730</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
-- BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 6

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
Revenue:				
Ad valorem taxes	\$ 7,646,217	\$ 7,733,448	\$ 7,978,908	\$ 245,460
Local option sales taxes	1,686,156	1,686,156	2,007,863	321,707
Other taxes and licenses	21,950	21,950	28,934	6,984
Unrestricted intergovernmental	45,000	45,000	47,617	2,617
Restricted intergovernmental	1,795,965	1,858,072	1,822,729	(35,343)
Permits and fees	286,650	286,650	295,387	8,737
Sales and services	748,184	748,184	848,510	100,326
Investment earnings	11,690	11,340	14,304	2,964
Miscellaneous	96,600	96,800	161,753	64,953
Total revenue	<u>12,338,412</u>	<u>12,487,600</u>	<u>13,206,005</u>	<u>718,405</u>
Expenditures:				
Current				
General government	2,006,162	2,020,496	1,883,707	136,789
Public safety	3,774,881	3,871,102	3,785,136	85,966
Economic and physical development	36,974	37,190	33,263	3,927
Environmental protection	289,814	287,115	237,720	49,395
Human services	2,604,177	2,643,008	2,496,990	146,018
Cultural and recreational	632,142	602,442	574,899	27,543
Intergovernmental:				
Education	2,445,000	2,445,000	2,466,899	(21,899)
Capital outlay	125,377	132,162	123,667	8,495
Debt service:				
Principal retirement	642,503	642,503	642,503	-
Interest and other charges	276,555	276,755	276,754	1
Total expenditures	<u>12,833,585</u>	<u>12,957,773</u>	<u>12,521,538</u>	<u>436,235</u>
Revenues over (under) expenditures	<u>(495,173)</u>	<u>(470,173)</u>	<u>684,467</u>	<u>1,154,640</u>
Other financing sources (uses):				
Transfer from other funds	400,000	400,000	602,620	202,620
Transfer to other funds	-	(25,000)	(25,000)	-
Fund balance appropriated	95,173	95,173	-	(95,173)
Total other financing sources (uses)	<u>495,173</u>	<u>470,173</u>	<u>577,620</u>	<u>107,447</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,262,087	<u>\$ 1,262,087</u>
Fund balance, beginning			<u>4,406,865</u>	
Fund balance, ending			<u>\$ 5,668,952</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
-- BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit 6
(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Total fund balance, General Fund			\$ 5,668,952	
Interest earnings			746	
Transfer from General Fund			25,000	
Fund balance, beginning			219,531	
A legally budgeted USDA Reserve Fund is consolidated into the General Fund for reporting purposes:				
Transfer to General Fund			(202,620)	
Fund balance, beginning			<u>202,620</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 5,914,229</u>	

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

Exhibit 7

	Major		Total
	Water	Solid Waste	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,714,386	\$ 190,859	\$ 1,905,245
Accounts receivables (net)	187,791	223,814	411,605
Due from other governments	18,042	1,856	19,898
Inventories	72,866	-	72,866
Total current assets	<u>1,993,085</u>	<u>416,529</u>	<u>2,409,614</u>
Noncurrent assets:			
Restricted cash and cash equivalents	317,489	-	317,489
Loan fees, net of accumulated amortization of \$1,346	7,757	-	7,757
Capital assets:			
Land and construction in progress	133,810	-	133,810
Other capital assets, net of depreciation	10,080,011	-	10,080,011
Total noncurrent assets	<u>10,539,067</u>	<u>-</u>	<u>10,539,067</u>
Total assets	<u>12,532,152</u>	<u>416,529</u>	<u>12,948,681</u>
Liabilities			
Current liabilities:			
Accounts payable	2,439	19,286	21,725
Customer deposits	66,522	-	66,522
Accrued interest payable	47,688	-	47,688
Compensated absences	25,520	-	25,520
Installment notes payable	357,016	-	357,016
Total current liabilities	<u>499,185</u>	<u>19,286</u>	<u>518,471</u>
Noncurrent liabilities:			
Other postemployment benefits	9,752	-	9,752
Installment notes payable	3,667,989	-	3,667,989
Total noncurrent liabilities	<u>3,677,741</u>	<u>-</u>	<u>3,677,741</u>
Total liabilities	<u>4,176,926</u>	<u>19,286</u>	<u>4,196,212</u>
Net Position			
Net investment in capital assets	6,188,816	-	6,188,816
Unrestricted	2,166,410	397,243	2,563,653
Total net position	<u>\$ 8,355,226</u>	<u>\$ 397,243</u>	<u>\$ 8,752,469</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 NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 8

	Major		Total
	Water	Solid Waste	
Operating revenue:			
Charges for services	\$ 1,945,347	\$ 828,972	\$ 2,774,319
Tap and reconnection fees	72,135	-	72,135
Penalties	47,107	-	47,107
Other operating revenue	32,565	8,084	40,649
Total operating revenue	<u>2,097,154</u>	<u>837,056</u>	<u>2,934,210</u>
Operating expenses:			
Administration	599,961	-	599,961
Water purchase	240,957	-	240,957
Water distribution and treatment	643,240	-	643,240
Solid waste operations	-	850,827	850,827
Depreciation/amortization	392,216	-	392,216
Total operating expenses	<u>1,876,374</u>	<u>850,827</u>	<u>2,727,201</u>
Capital outlay	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenses	<u>1,881,374</u>	<u>850,827</u>	<u>2,732,201</u>
Operating income (loss)	<u>215,780</u>	<u>(13,771)</u>	<u>202,009</u>
Non-operating revenue (expenses):			
Federal reimbursement-water relocation	20,615	-	20,615
Rent	8,100	-	8,100
Interest income	4,367	459	4,826
Other postemployment	836	-	836
Interest on long-term debt	(83,526)	-	(83,526)
Total non-operating revenue (expenses)	<u>(49,608)</u>	<u>459</u>	<u>(49,149)</u>
Change in net position	166,172	(13,312)	152,860
Total net position, beginning	8,189,054	410,555	8,599,609
Total net position, ending	<u>\$ 8,355,226</u>	<u>\$ 397,243</u>	<u>\$ 8,752,469</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, 2014**

Exhibit 9

	Major		Total
	Water	Solid Waste	
Cash flows from operating activities:			
Cash received from customers	\$ 2,047,195	\$ 803,555	\$ 2,850,750
Cash paid for goods and services	(1,184,127)	(873,533)	(2,057,660)
Cash paid to employees for services	(380,337)	-	(380,337)
Customer deposits	944	-	944
Other operating revenue	-	8,084	8,084
Net cash provided by (used in) operating activities	<u>483,675</u>	<u>(61,894)</u>	<u>421,781</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(5,000)	-	(5,000)
Principal paid on installment payables	(353,592)	-	(353,592)
Interest paid on installment payables	(66,780)	-	(66,780)
Proceeds from federal grant	20,615	-	20,615
Proceeds from rental	8,100	-	8,100
Net cash (used in) capital and related financing activities	<u>(396,657)</u>	<u>-</u>	<u>(396,657)</u>
Cash flows from investing activities:			
Interest on investments	4,367	459	4,826
Net increase (decrease) in cash and cash equivalents	91,385	(61,435)	29,950
Cash and cash equivalents, beginning (Water fund includes restricted cash of \$314,900)	1,940,490	252,294	2,192,784
Cash and cash equivalents, ending (Water fund includes restricted cash of \$317,489)	<u>\$ 2,031,875</u>	<u>\$ 190,859</u>	<u>\$ 2,222,734</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 215,780	\$ (13,771)	\$ 202,009
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	392,216	-	392,216
Change in assets and liabilities:			
(Increase) in accounts receivable	(49,958)	(25,417)	(75,375)
(Increase) in inventory	(22,073)	-	(22,073)
(Decrease) in accounts payable and accrued liabilities	(54,336)	(22,706)	(77,042)
Increase in customer deposits	944	-	944
Increase in accrued vacation pay	1,102	-	1,102
Total adjustments	<u>267,895</u>	<u>(48,123)</u>	<u>219,772</u>
Net cash provided/(used) by operating activities	<u>\$ 483,675</u>	<u>\$ (61,894)</u>	<u>\$ 421,781</u>

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

PERQUIMANS COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

Exhibit 10

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 53,844
Liabilities	
Miscellaneous liabilities	\$ 53,844
Net position	\$ -

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 the 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 Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies

The accounting policies of Perquimans County (the County) and its component unit 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 County and its component unit; legally separate entity for which the County is financially accountable. The Perquimans County Tourism Development Authority (the Authority), which has a June 30 year end, is presented as if it were a separate proprietary fund of the County (discrete presentation).

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Perquimans County Tourism Development Authority	Discrete	The members of the Tourism Development Agency governing board are appointed by the County. The County can remove any commissioner with or without cause.	None issued

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

The County reports the following major governmental fund:

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.

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; and the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

Nonmajor Funds. The County maintains six legally budgeted funds. The Emergency Telephone System, Single Family Rehabilitation, and Community Development Block Grant are reported as nonmajor special revenue funds. The County Construction Capital Projects, Capital Projects Reserve, 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 Fiscal Year Ended June 30, 2014

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when motor vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 and the Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the Authority may designate as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

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

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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. Money in the School Capital Projects Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 159-18 through 22.

Perquimans County Restricted Cash

Governmental activities:		
General Fund	Tax revaluation	\$ 245,277
School Capital Projects Fund	Unexpended Public School Building funds	24,746
Total governmental activities		\$ 270,023
Business-type activities:		
Water Fund	Unexpended bond proceeds	\$ 250,967
Water Fund	Customer deposits	66,522
Total business-type activities		\$ 317,489
Total restricted cash		\$ 587,512

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, 2008. Perquimans County does not use a discount schedule, which is permitted by State law.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

Inventories are not maintained in the governmental funds of the County. The governmental funds recognize materials and supplies as expenditures at the time of purchase. The inventory

Perquimans County, North Carolina
Notes to the Financial Statements
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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.

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 assets' 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 two items that meet the criterion for this category - prepaid taxes, and wetland mitigation.

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 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)].

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Restricted 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.

Future 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 Fiscal Year Ended June 30, 2014

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 \$(2,734,639) 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)	\$ 11,229,527
Less - accumulated depreciation	(4,066,721)
Net capital assets	<u>7,162,806</u>
Net loan fees	4,874
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	77,938
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	786,844
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	(10,418,593)
Compensated absences	(247,736)
Other postemployment benefits	<u>(100,772)</u>
Total adjustment	<u>\$ (2,734,639)</u>

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 \$378,000 is comprised of the following:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 134,695
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	(424,160)
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	642,503
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	(10,176)
Other postemployment benefits	8,636
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in accrued taxes receivable at year end	14,634
Reversal of deferred tax revenue recorded at July 1	(774,976)
Recording of tax receipts deferred in the funds statements at June 30	786,844
	\$ 378,000

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal Provisions

1. Noncompliance with North Carolina General Statutes

A fidelity bond was not in effect for the Authority's finance officer as June 30, 2014. State law [G.S. 159-29(a)] states the finance officer shall give a true accounting and faithful performance bond with sufficient sureties in an amount to be fixed by the governing board, not less than fifty thousand dollars (\$50,000). Since the finance officer of the county is also the finance officer of the Authority, there should be two separate fidelity bonds of at least fifty thousand dollars (\$50,000). The fidelity bond for the Authority was received September 5, 2014 in the amount of fifty thousand dollars (\$50,000).

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's and the Authority's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's or the Authority'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 and the Authority 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 the Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County and the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County and the Authority 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 and the Authority do not have a formal policy regarding custodial credit risk for deposits.

At June 30, 2014, the County's deposits had a carrying amount of \$8,704,017 and a bank balance of \$8,869,825. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$8,369,825 was covered by collateral held under the Pooling Method.

At June 30, 2014, Perquimans County had \$950 cash on hand.

At June 30, 2014, the carrying amount of deposits for the Authority was \$25,371.

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, 2014 were not available. These amounts have not been recorded in the financial statements.

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

3. Receivables

Receivables at the government-wide level at June 30, 2014 were as follows:

	Accounts	Taxes and related accrued interest	Due from other governments	Total
Governmental activities:				
General	\$ -	\$ 808,179	\$ 607,189	\$ 1,415,368
Other governmental	-	-	97,983	97,983
Total receivables	-	808,179	705,172	1,513,351
Allowance for doubtful accounts	-	(37,000)	-	(37,000)
Total governmental activities	\$ -	\$ 771,179	\$ 705,172	\$ 1,476,351
Business type activities:				
Water Fund	\$ 190,048	\$ -	\$ 18,042	\$ 208,090
Solid Waste	234,074	-	1,856	235,930
Total receivables	424,122	-	19,898	444,020
Allowance for doubtful accounts	(12,517)	-	-	(12,517)
Total business type activities	\$ 411,605	\$ -	\$ 19,898	\$ 431,503

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

Federal grant funds	\$ 2,400
State lottery proceeds	75,718
Other grant funds	7,250
Local option sales tax	241,549
Sales tax reimbursements	52,108
Scrap tire tax	8,678
Franchise tax	5,160
White goods disposal tax	1,030
Social services reimbursements	319,353
State 911 funds	11,824
Total	\$ 725,070

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

4. Capital Assets

Capital asset activity for the year ended June 30, 2014, 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	6,712,490	10,000	-	6,722,490
Equipment	1,570,242	28,543	45,000	1,553,785
Land improvements	302,462	-	-	302,462
Vehicles and motor equipment	1,543,359	91,278	46,254	1,588,383
Total capital assets being depreciated	10,128,553	129,821	91,254	10,167,120
Less accumulated depreciation for:				
Buildings	1,587,141	186,776	-	1,773,917
Equipment	858,496	112,286	45,000	925,782
Land improvements	42,891	14,618	-	57,509
Vehicles and motor equipment	1,245,287	110,480	46,254	1,309,513
Total accumulated depreciation	3,733,815	424,160	91,254	4,066,721
Total capital assets being depreciated, net	6,394,738			6,100,399
Governmental activity capital assets, net	\$ 7,457,145			\$ 7,162,806

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

Cultural and recreation	\$ 50,225
Economic and physical development	63,323
General government	93,463
Public Safety	217,149
Total depreciation expense	\$ 424,160

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

	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	17,854,359	-	-	17,854,359
Furniture and maintenance equipment	252,592	-	-	252,592
Vehicles	297,971	5,000	-	302,971
Total capital assets being depreciated	18,404,922	5,000	-	18,409,922
Less accumulated depreciation for:				
Plant and distribution systems	7,439,946	368,274	-	7,808,220
Furniture and maintenance equipment	237,071	9,474	-	246,545
Vehicles	261,437	13,709	-	275,146
Total accumulated depreciation	7,938,454	\$ 391,457	\$ -	8,329,911
Total capital assets being depreciated, net	10,466,468			10,080,011
Business-type activity capital assets, net	\$ 10,600,278			\$10,213,821

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2014, were as follows:

	Vendors
Governmental activities:	
General	\$ 180,635
Other governmental	87,869
Total governmental activities	\$ 268,504
Business type activities:	
Water Fund	\$ 2,439
Solid Waste	19,286
Total business type activities	\$ 21,725

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

Perquimans County, North Carolina
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For the Fiscal Year Ended June 30, 2014

Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County 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 7.07 % and 7.28%, 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, 2014, 2013, and 2012 were \$213,209, \$198,359, and \$205,395, 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, 2013, 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

A separate report was not issued for the plan.

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, 2014, 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

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 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, 2014 were \$25,262 which consisted of \$23,507 from the County and \$1,755 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, 2014, the County's required and actual contributions were \$1,131.

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.

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The County may amend the benefit provisions. A separate report was not issued for the plan.

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, 2014, the County's total contributions were \$5,931.

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	\$	75,429
Interest on net OPEB obligation		385
Adjustment to annual required contribution		9,986
Annual OPEB cost (expense)		85,800
Contributions made		(5,931)
Increase (decrease) in net OPEB obligation		79,869
Net OPEB obligation, beginning of year		119,996
Net OPEB obligation, end of year	\$	199,865

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

3-Year Trend Information

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2014	\$ 85,800	6.9%	\$ 199,865
2013	\$ 12,784	2.0%	\$ 119,996
2012	\$ 16,981	11.6%	\$ 107,474

Funded Status and Funding Progress. As of December 31, 2013, 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 \$2,220,122, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.9 percent.

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 – 2014 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.

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

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014, 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 Inflows of Resources

The amount of deferred 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)	\$ -	\$ 31,478
Taxes receivable, net (General)	786,844	-
Wetlands Mitigation (General)	-	4,784
	\$ 786,844	\$ 36,262

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 two 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 \$200 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 retention up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of \$250,000 per occurrence retention for property and auto physical damage. For workers compensation, there is a per occurrence retention of \$750,000.

The County does not have any property in a flood zone and does not carry flood insurance.

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 on December 6, 2012 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, 2014:

Governmental Funds:	
Total installment obligation indebtedness	\$ 6,849,127
Less: amount representing interest	<u>1,185,227</u>
Net principal amount of obligation	<u>\$ 5,663,900</u>

- 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, 2014:

Total installment obligation indebtedness	\$ 4,860,427
Less: amount representing interest	<u>840,734</u>
Net principal amount of obligation	<u>\$ 4,019,693</u>

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 \$98,000 annually plus accrued interest. Principal payment and interest of 2.49% resulted in the following obligation at June 30, 2014:

Total installment obligation indebtedness	\$	808,300
Less: amount representing interest		73,300
Net principal amount of obligation		735,000

During the 2013-2014 fiscal year, the County made interest payments of \$276,754.

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, 2014:

Total installment obligation indebtedness	\$	1,679,579
Less: amount representing interest		118,293
Net principal amount of obligation		1,561,286

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, 2014:

Total installment obligation indebtedness	\$	1,187,969
Less: amount representing interest		-
Net principal amount of obligation		1,187,969

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014:

Total installment obligation, indebtedness	\$ 1,575,900
Less: amount representing interest	300,149
Net principal amount of obligation	\$ 1,275,751

For Perquimans County, the combined future minimum payments as of June 30, 2014 including interest are:

Year ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 678,879	\$ 273,419	\$ 357,016	\$ 63,356
2016	694,214	255,684	362,989	57,382
2017	709,954	237,463	369,091	51,281
2018	726,110	218,868	375,324	45,048
2019	742,692	199,845	381,690	40,902
2020-2024	3,732,925	704,263	1,275,688	118,516
2025-2029	3,133,819	209,719	763,446	41,957
2030-2034	-	-	139,762	-
Total	\$ 10,418,593	\$ 2,099,261	\$ 4,025,006	\$ 418,442

At June 30, 2014, Perquimans County had a legal debt margin of \$ 130,212,846.

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, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 11,061,096	\$ -	\$ 642,503	\$ 10,418,593	\$ 678,879
Unfunded post employment benefits	109,408	-	8,636	100,772	-
Compensated absences	237,561	10,175	-	247,736	247,736
Total	\$ 11,408,065	\$ 10,175	\$ 651,139	\$ 10,767,101	\$ 926,615
Business-type activities:					
Installment purchases	\$ 4,378,597	\$ -	\$ 353,591	\$ 4,025,006	\$ 357,016
Unfunded post employment benefits	10,588	-	836	9,752	-
Compensated absences	24,418	1,102	-	25,520	25,520
Total	\$ 4,413,603	\$ 1,102	\$ 354,427	\$ 4,060,278	\$ 382,536

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

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

6. Change in Reporting Entity

Per North Carolina G.S. 159, the Authority should have been a discretely presented component unit, not combined with the General Fund. The effects of this restatement of fund balance in General Fund decreases the net assets by \$26,763 at the beginning of the fiscal year.

C. Interfund Balance and Activity

Transfers to/from other funds at June 30, 2014 consist of the following:

	Amount
From the General Fund to the Revaluation Fund to accumulate resources for octennial revaluation of real property	\$ 25,000
From the Capital Projects Reserve Fund to the General Fund to supplement other funding sources	400,000
From the USDA Reserve Fund to the General Fund to move remaining fund balance since the restriction was released with the refinancing of USDA loan	202,620
Total	\$ 627,620

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 7,162,806	\$ 10,213,821
Less: Long-term debt	726,000	4,025,005
Add: unexpended debt proceeds	-	-
Net investment in capital assets	\$ 6,436,806	\$ 6,188,816

E. 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	\$ 5,987,280
Less:	
Stabilization for State Statute	661,727
Register of Deeds	1,443
Tax revaluation	245,277
Dept of Justice Forfeiture Program	12,483
Appropriation for 2014-2015 budget	328,500
Remaining Fund Balance	\$ 4,737,850

Perquimans County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater the 8% of budgeted expenditures.

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2013-2014 fiscal year, the County contributed \$160,000 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, 2014, the County contributed \$863,642 to the Commission. None of the participating governments have an equity interest in the Commission. Complete financial statements for the Jail can be obtained from the Albemarle District Jail Commission, 320 South Hughes Blvd., Elizabeth City, North Carolina 27909.

V. Jointly Governed Organization

Perquimans, Chowan, Gates Solid Waste Commission

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

Perquimans, Pasquotank, Camden, Chowan, Currituck Health Department

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

Perquimans County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

VI. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Adoption assistance	\$ 18,257	\$ 4,763
Adult assistance	-	162,230
Food stamp program	159,350	-
Medicaid	10,658,270	5,944,564
Temporary assistance to needy families	74,898	-
WIC	174,931	-
Total	<u>\$ 11,085,706</u>	<u>\$ 6,111,557</u>

VII. Summary Disclosure of Significant Contingencies and Commitments

Federal and State Assisted Programs

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

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - 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)
12/31/2011	\$ -	\$ 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%
12/31/2013	\$ -	\$ 964,716	\$ 964,716	0.0%	\$ 2,220,122	43.5%

**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>
2014	\$ 5,931	6.9%
2013	262	2.0%
2012	1,968	11.6%

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Ad valorem taxes:			
Taxes	\$ 7,671,298	\$ 7,881,532	\$ 210,234
Penalties and interest	62,150	97,376	35,226
Total	<u>7,733,448</u>	<u>7,978,908</u>	<u>245,460</u>
Local option sales taxes:			
Article 39 and 44	273,156	378,401	105,245
Article 40 one-half of one percent	640,856	714,053	73,197
Article 42 one-half of one percent	252,144	305,170	53,026
Article 46 one-quarter of one percent	-	274	274
Utilities franchise distribution	20,000	20,617	617
Medicaid hold harmless payment	500,000	589,348	89,348
Total	<u>1,686,156</u>	<u>2,007,863</u>	<u>321,707</u>
Other taxes and licenses:			
Scrap tire disposal tax	16,500	24,248	7,748
White goods disposal tax	5,000	4,216	(784)
Beer and wine licenses	450	470	20
Total	<u>21,950</u>	<u>28,934</u>	<u>6,984</u>
Unrestricted intergovernmental:			
Beer and wine tax	<u>45,000</u>	<u>47,617</u>	<u>2,617</u>
Restricted intergovernmental:			
State grants	1,754,247	1,741,544	(12,703)
Federal grants	30,000	10,363	(19,637)
Court facility fees	35,000	31,010	(3,990)
ABC bottle tax (rehab)	3,100	3,094	(6)
Other grants	35,725	36,718	993
Total	<u>1,858,072</u>	<u>1,822,729</u>	<u>(35,343)</u>
Permits and fees:			
Officer and sheriff fees	46,000	51,280	5,280
Building permits and inspection fees	90,000	98,528	8,528
Register of deeds	147,900	136,980	(10,920)
DMV license revocation fees	1,000	1,054	54
Subdivision and zoning fees	1,750	7,545	5,795
Other	<u>286,650</u>	<u>295,387</u>	<u>8,737</u>

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

	Final Budget	Actual	Variance Positive (Negative)
Sales and services:			
Ambulance fees	450,000	541,482	91,482
Administrative services	105,000	107,000	2,000
Dispatch services	67,500	73,739	6,239
Jail fees	5,000	9,155	4,155
Municipal tax collection fees	14,300	13,706	(594)
Recreation fees	17,000	14,349	(2,651)
Rents	89,384	89,079	(305)
Total	<u>748,184</u>	<u>848,510</u>	<u>100,326</u>
Investment earnings	<u>11,340</u>	<u>14,304</u>	<u>2,964</u>
Miscellaneous			
School security	50,000	87,772	37,772
Other	46,800	73,981	27,181
Total	<u>96,800</u>	<u>161,753</u>	<u>64,953</u>
Total revenue	<u>12,487,600</u>	<u>13,206,005</u>	<u>718,405</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	48,500	47,958	542
Other operating expenses	22,000	13,655	8,345
Land use update	16,000	15,000	1,000
Total	<u>86,500</u>	<u>76,613</u>	<u>9,887</u>
Administrative and finance:			
Salaries and employee benefits	286,771	285,825	946
Other operating expenses	32,650	30,278	2,372
Professional services	33,750	28,097	5,653
Total	<u>353,171</u>	<u>344,200</u>	<u>8,971</u>
Elections:			
Salaries and employee benefits	88,678	70,237	18,441
Other operating expenses	38,075	34,520	3,555
Total	<u>126,753</u>	<u>104,757</u>	<u>21,996</u>
Tax administration:			
Salaries and employee benefits	359,573	356,659	2,914
Other operating expenses	107,250	80,909	26,341
Professional services	10,000	5,411	4,589
Mapping	6,000	5,700	300
Total	<u>482,823</u>	<u>448,679</u>	<u>34,144</u>

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Legal:			
Contracted services	25,000	11,193	13,807
Register of deeds:			
Salaries and employee benefits	149,026	136,094	12,932
Other operating expenses	65,310	57,794	7,516
Professional services	16,750	16,750	-
Capital Outlay	12,900	12,294	606
Total	<u>243,986</u>	<u>222,932</u>	<u>21,054</u>
Public buildings:			
Salaries and employee benefits	198,117	197,750	367
Other operating expenses	122,250	106,609	15,641
Insurance and bonds	160,000	159,662	338
Utilities	148,784	140,341	8,443
Professional services and contracts	42,700	45,778	(3,078)
Total	<u>671,851</u>	<u>650,140</u>	<u>21,711</u>
Court facilities:			
Other operating expenses	41,312	32,913	8,399
Capital outlay	10,000	10,000	-
Total	<u>51,312</u>	<u>42,913</u>	<u>8,399</u>
Jury commission			
Other operating expenses	2,000	1,430	570
Total general government:	<u>2,043,396</u>	<u>1,902,857</u>	<u>140,539</u>
Public safety:			
Sheriff:			
Salaries and employee benefits	758,360	755,827	2,533
Other operating expenses	166,025	146,110	19,915
Capital outlay	93,069	93,058	11
Total	<u>1,017,454</u>	<u>994,995</u>	<u>22,459</u>
Jail:			
Contracted services	673,662	645,242	28,420
Contracted services - debt service	250,457	250,364	93
Total	<u>924,119</u>	<u>895,606</u>	<u>28,513</u>
Emergency Medical Services:			
Salaries and employee benefits	730,815	730,077	738
Other operating expenses	155,300	156,822	(1,522)
Total	<u>886,115</u>	<u>886,899</u>	<u>(784)</u>

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

	Final Budget	Actual	Variance Positive (Negative)
Dispatch:			
Salaries and employee benefits	387,924	378,146	9,778
Other operating expenses	57,850	44,477	13,373
Total	<u>445,774</u>	<u>422,623</u>	<u>23,151</u>
Fire/emergency management:			
Salaries and employee benefits	31,170	31,078	92
Other operating expenses	47,820	40,349	7,471
Capital outlay	16,193	16,195	(2)
Assistance to local fire departments	360,000	360,000	-
Total	<u>455,183</u>	<u>447,622</u>	<u>7,561</u>
Inspection:			
Salaries and employee benefits	157,831	157,024	807
Other operating expenses	20,750	16,549	4,201
Total	<u>178,581</u>	<u>173,573</u>	<u>5,008</u>
Animal Control:			
Contribution to regional animal shelter	69,638	64,985	4,653
Medical examiner:			
Professional services	3,500	3,350	150
Total public safety	<u>3,980,364</u>	<u>3,889,653</u>	<u>90,711</u>
Economic and physical development:			
Economic Development Commission:			
Other operating expenses	24,415	20,488	3,927
Other:			
Albemarle Regional Planning Organization	2,276	2,276	-
Albemarle Commission	8,799	8,799	-
Skills, Inc.	500	500	-
R C and D	1,200	1,200	-
Total	<u>12,775</u>	<u>12,775</u>	<u>-</u>
Total economic and physical development	<u>37,190</u>	<u>33,263</u>	<u>3,927</u>

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

	Final Budget	Actual	Variance Positive (Negative)
Environmental protection:			
Conversation - soil and forest service:			
Salaries and employee benefits	31,424	31,420	4
Other operating expenses	13,166	11,168	1,998
Cost share programs	12,100	12,557	(457)
Forestry service	48,502	36,393	12,109
Total	<u>105,192</u>	<u>91,538</u>	<u>13,654</u>
Beaver management	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Agricultural extension:			
Salaries and employee benefits	126,142	111,332	14,810
Other operating expenses	34,281	29,600	4,681
Total	<u>160,423</u>	<u>140,932</u>	<u>19,491</u>
Drainage study	<u>17,500</u>	<u>1,250</u>	<u>16,250</u>
Total environmental protection	<u>287,115</u>	<u>237,720</u>	<u>49,395</u>
Human services:			
Health:			
Administration - contracted services	51,216	51,215	1
Aquatic Weed Control	1,143	1,169	(26)
Transportation	27,478	34,442	(6,964)
Total	<u>79,837</u>	<u>86,826</u>	<u>(6,989)</u>
Mental health:			
Administration - contracted services	<u>26,906</u>	<u>26,906</u>	<u>-</u>
Alcoholism:			
Operating - rehabilitation	<u>3,100</u>	<u>3,094</u>	<u>6</u>
Social services:			
Administration:			
Salaries and employee benefits	1,137,193	1,092,269	44,924
Other operating expenses	67,800	58,234	9,566
Professional services	169,300	141,372	27,928
Capital outlay	10,000	7,430	2,570
Total	<u>1,384,293</u>	<u>1,299,305</u>	<u>84,988</u>
Special assistance for adults:			
Aid for the aged	100,000	94,016	5,984
Aid for the permanently and totally disabled	85,000	68,214	16,786
Total	<u>185,000</u>	<u>162,230</u>	<u>22,770</u>

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

	Final Budget	Actual	Variance Positive (Negative)
Medical assistance programs:			
Assistance payments	3,000	98	2,902
Welfare-to-work program:			
Transportation	500	-	500
Other operating expenditures	3,741	400	3,341
Total	4,241	400	3,841
OJJ program:			
Social Thinking Program	38,372	38,372	-
Other assistance:			
Links	4,750	-	4,750
Adoption subsidy/enhancement	9,581	4,993	4,588
Nutrition program for the aged	40,403	40,403	-
Aid to the blind	1,477	1,477	-
IV E foster care clothing	2,400	1,082	1,318
Foster care program	69,732	74,426	(4,694)
Smart Start day care	83,122	83,141	(19)
Crisis intervention	57,082	56,626	456
Day care program	319,372	308,142	11,230
Emergency assistance	25,000	23,383	1,617
Humanitarian needs	5,000	2,523	2,477
Title III funds	9,766	7,066	2,700
Adult home case management	-	-	-
Food stamp issuance	6,000	3,664	2,336
LIEAP	85,765	82,500	3,265
Contracted transportation	102,000	93,653	8,347
Total	821,450	783,079	38,371
Total social services	2,436,356	2,283,484	152,872
Other:			
Albemarle Hospital	1,000	1,000	-
Food Bank of the Albemarle	500	500	-
NC Coalition	1,349	1,349	-
Kids First, Inc.	4,000	4,000	-
Albemarle Hopeline	2,000	2,000	-
Veterans service officer:			
Salaries and employee benefits	6,979	6,978	1
Other operating expenses	1,268	1,140	128
Total	8,247	8,118	129

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

	Final Budget	Actual	Variance Positive (Negative)
Restitution Program:			
Salaries and employee benefits	10,800	10,800	-
Other operating expenses	5,088	5,088	-
Professional services	9,900	9,900	-
Total	<u>25,788</u>	<u>25,788</u>	<u>-</u>
Mentoring Focus Group:			
Other operating expenses	<u>53,925</u>	<u>53,925</u>	<u>-</u>
Total human services	<u>2,643,008</u>	<u>2,496,990</u>	<u>146,018</u>
Cultural and recreational:			
Recreation:			
Salaries and employee benefits	174,195	167,953	6,242
Other operating expenses	93,515	85,270	8,245
Capital outlay	45,800	38,571	7,229
Total	<u>313,510</u>	<u>291,794</u>	<u>21,716</u>
Senior Citizens:			
Salaries and employee benefits	89,832	89,082	750
Other operating expenses	20,600	15,523	5,077
Capital outlay	45,800	38,571	7,229
Total	<u>110,432</u>	<u>104,605</u>	<u>5,827</u>
Library:			
Contribution to regional library	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Other:			
Chamber of Commerce	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Newbold White House	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Perquimans Arts League	<u>500</u>	<u>500</u>	<u>-</u>
Perquimans County Fireworks	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Perquimans County Trail Blazers	<u>500</u>	<u>500</u>	<u>-</u>
Total cultural and recreational	<u>602,442</u>	<u>574,899</u>	<u>27,543</u>
Debt service:			
Principal retirement	642,503	642,503	-
Interest and other charges	276,755	276,754	1
Total	<u>919,258</u>	<u>919,257</u>	<u>1</u>
Total debt service	<u>919,258</u>	<u>919,257</u>	<u>1</u>

PERQUIMANS COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Education:			
Public schools - current expense	2,200,000	2,200,000	-
Public schools - capital outlay	215,000	236,899	(21,899)
College of the Albemarle	30,000	30,000	-
Total	<u>2,445,000</u>	<u>2,466,899</u>	<u>(21,899)</u>
Total education	<u>2,445,000</u>	<u>2,466,899</u>	<u>(21,899)</u>
Total expenditures	<u>12,957,773</u>	<u>12,521,538</u>	<u>436,235</u>
Revenue over (under) expenditures	<u>(470,173)</u>	<u>684,467</u>	<u>1,154,640</u>
Other financing sources (uses):			
Transfer from other funds:			
Capital Projects Reserve Fund	400,000	400,000	-
USDA Reserve Fund	-	202,620	202,620
Transfer to other funds			
Revaluation Reserve Fund	(25,000)	(25,000)	-
Fund balance appropriated	95,173	-	(95,173)
Total other financing sources (uses)	<u>470,173</u>	<u>577,620</u>	<u>(107,447)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,262,087</u>	<u>\$ 1,262,087</u>
Fund balance, beginning		<u>4,406,865</u>	
Fund balance, ending		<u>\$ 5,668,952</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
REVALUATION RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ 350	\$ 746	396
Expenditures:			
General government	25,350	-	25,350
Revenue over (under) expenditures	(25,000)	746	25,746
Other financing sources (uses):			
Transfer from General Fund	25,000	25,000	-
Net change in fund balance	<u>\$ -</u>	25,746	<u>\$ 25,746</u>
Fund balance, beginning		<u>219,531</u>	
Fund balance, ending		<u>\$ 245,277</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
USDA RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfer to General Fund	\$ (202,620)	\$ (202,620)	\$ -
Fund balance appropriated	202,620	-	(202,620)
Total other financing sources (uses)	<u>-</u>	<u>(202,620)</u>	<u>(202,620)</u>
Net change in fund balance	<u>\$ -</u>	<u>(202,620)</u>	<u>\$ (202,620)</u>
Fund balance, beginning		<u>202,620</u>	
Fund balance, ending		<u>\$ -</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

- Capital Projects Reserve Fund: accounts for the accumulation of resources to be used in for capital projects
- County Construction Capital Projects Fund: accounts for construction throughout Perquimans County
- School Construction Capital Project Fund: accounts for capital improvements in Perquimans County schools

PERQUIMANS COUNTY, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue Funds				Capital Project Funds				Total Non-major Governmental Funds
	Emergency Telephone System	NC Housing Finance Grant	Community Development Block Grant	Total Special Revenue Funds	Capital Projects Reserve	County Construction Capital Projects	School Construction Capital Projects	Total Capital Project Funds	
Assets									
Cash and cash equivalents	\$ 139,178	\$ -	\$ -	\$ 139,178	\$ 770,242	\$ 8,465	\$ -	\$ 778,707	\$ 917,885
Retricted cash	-	-	-	-	-	-	24,746	24,746	24,746
Due from other governments	14,393	-	2,400	16,793	-	1,224	79,966	81,190	97,983
Total assets	\$ 153,571	\$ -	\$ 2,400	\$ 155,971	\$ 770,242	\$ 9,689	\$ 104,712	\$ 884,643	\$ 1,040,614
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$ 9,751	\$ -	\$ 2,400	\$ 12,151	\$ -	\$ -	75,718	\$ 75,718	\$ 87,869
Fund balances:									
Restricted for:									
Stabilization by State Statute	143,820	-	-	143,820	-	-	-	-	143,820
School Capital	-	-	-	-	-	-	28,994	28,994	28,994
Assigned:									
Future County Capital Outlay	-	-	-	-	770,242	9,689	-	779,931	779,931
Total fund balances	143,820	-	-	143,820	770,242	9,689	28,994	808,925	952,745
Total liabilities and fund balances	\$ 153,571	\$ -	\$ 2,400	\$ 155,971	\$ 770,242	\$ 9,689	\$ 104,712	\$ 884,643	\$ 1,040,614

PERQUIMANS COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue Funds				Capital Project Funds				Total Non-major Governmental Funds
	Emergency Telephone System	NC Housing Finance Grant	Community Development Block Grant	Total Special Revenue Funds	Capital Projects Reserve	County Construction Capital Projects	School Construction Capital Projects	Total Capital Project Funds	
Revenue									
Restricted intergovernmental	\$ 142,995	\$ 63,658	\$ 88,952	\$ 295,605	\$ 210,972	\$ -	\$ 330,416	\$ 541,388	\$ 836,993
Investment earnings	204	-	-	204	2,594	-	11	2,605	2,809
Total revenues	143,199	63,658	88,952	295,809	213,566	-	330,427	543,993	839,802
Expenditures:									
Public safety	118,061	-	-	118,061	-	-	-	-	118,061
Economic development	-	63,658	88,952	152,610	-	-	-	-	152,610
Cultural and recreational	-	-	-	-	-	31,445	-	31,445	31,445
Education	-	-	-	-	-	-	326,169	326,169	326,169
Total expenditures	118,061	63,658	88,952	270,671	-	31,445	326,169	357,614	302,116
Excess (deficiency) of revenues over expenditures	25,138	-	-	25,138	213,566	(31,445)	4,258	186,379	211,517
Other financing sources (uses):									
Transfer to other funds	-	-	-	-	(400,000)	-	-	(400,000)	(400,000)
Net change in fund balances	25,138	-	-	25,138	(186,434)	(31,445)	4,258	(213,621)	(188,483)
Fund balances, beginning	118,682	-	-	118,682	956,676	41,134	24,736	1,022,546	1,141,228
Fund balances, ending	\$ 143,820	\$ -	\$ -	\$ 143,820	\$ 770,242	\$ 9,689	\$ 28,994	\$ 808,925	\$ 952,745

PERQUIMANS COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Restricted intergovernmental	\$ 141,892	\$ 142,995	\$ 1,103
Investment earnings	150	204	54
Total	<u>142,042</u>	<u>143,199</u>	<u>1,157</u>
Expenditures:			
Hardware maintenance	47,880	40,950	6,930
Implemental functions	11,900	11,900	-
Software maintenance	29,017	31,158	(2,141)
Telephone	29,245	27,809	1,436
Training	12,000	-	12,000
Capital outlay	12,000	6,244	5,756
Total public safety	<u>142,042</u>	<u>118,061</u>	<u>23,981</u>
Net change in fund balance	<u>\$ -</u>	25,138	<u>\$ 25,138</u>
Fund balance, beginning		<u>118,682</u>	
Fund balance, ending		<u>\$ 143,820</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
NORTH CAROLINA HOUSING FINANCE GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenue:					
Federal grant no. SFR-LP1121	\$ 160,000	\$ 88,354	\$ 63,658	\$ 152,012	\$ 7,988
Total restricted intergovernmental	<u>160,000</u>	<u>88,354</u>	<u>63,658</u>	<u>152,012</u>	<u>7,988</u>
Expenditures:					
Administration	14,500	10,361	3,452	13,813	687
Rehabilitation	127,500	62,832	57,885	120,717	6,783
Program costs	18,000	15,161	2,321	17,482	518
Total economic development	<u>160,000</u>	<u>88,354</u>	<u>63,658</u>	<u>152,012</u>	<u>7,988</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

PERQUIMANS COUNTY, NORTH CAROLINA
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenue:					
State grant no. 12-C-2426	\$ 225,000	\$ 8,998	\$ 88,952	\$ 97,950	\$ 127,050
Total restricted intergovernmental	<u>225,000</u>	<u>8,998</u>	<u>88,952</u>	<u>97,950</u>	<u>127,050</u>
Expenditures:					
Administration	22,500	8,998	10,741	19,739	2,761
Clearance	19,300	-	2,322	2,322	16,978
Rehabilitation construction	163,200	-	71,357	71,357	91,843
Rehabilitation	20,000	-	4,532	4,532	15,468
Total economic development	<u>225,000</u>	<u>8,998</u>	<u>88,952</u>	<u>97,950</u>	<u>127,050</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

PERQUIMANS COUNTY, NORTH CAROLINA
CAPITAL PROJECTS RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Land transfer tax	\$ 250,000	\$ 210,972	\$ (39,028)
Investment earnings	2,500	2,594	94
Total revenues	<u>252,500</u>	<u>213,566</u>	<u>(38,934)</u>
Other financing sources (uses):			
Transfer to other funds	(400,000)	(400,000)	-
Fund balance appropriated	147,500	-	(147,500)
Total other financing sources (uses)	<u>(252,500)</u>	<u>(400,000)</u>	<u>(147,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>(186,434)</u>	<u>\$ (186,434)</u>
Fund balance, beginning		<u>956,676</u>	
Fund balance, ending		<u>\$ 770,242</u>	

PERQUIMANS COUNTY, NORTH CAROLINA
COUNTY CONSTRUCTION CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Expenditures:			
Cultural and recreation	\$ 70,000	\$ 31,445	\$ 38,555
Other financing sources (uses):			
Transfer from General Fund	70,000	-	(70,000)
Total	70,000	-	(70,000)
Net change in fund balance	<u>\$ -</u>	(31,445)	<u>\$ (31,445)</u>
Fund balance, beginning		41,134	
Fund balance, ending		<u>\$ 9,689</u>	

**PERQUIMANS COUNTY, NORTH CAROLINA
SCHOOL CONSTRUCTION CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Restricted intergovernmental:			
Public School Building Capital Fund - Lottery	\$ 409,334	\$ 330,416	\$ (78,918)
Investment earnings	-	11	11
Total revenues	<u>409,334</u>	<u>330,427</u>	<u>(78,907)</u>
Expenditures:			
Restricted intergovernmental:			
Central Elementary	9,478	9,478	-
Hertford Grammer Elementary	338,454	255,289	(83,165)
Perquimans County Middle	30,701	30,701	-
Perquimans County High	30,701	30,701	-
Equipment	24,720	-	(24,720)
Total expenditures	<u>434,054</u>	<u>326,169</u>	<u>(107,885)</u>
Revenue over (under) expenditures	<u>(24,720)</u>	<u>4,258</u>	<u>28,978</u>
Other financing sources:			
Fund balance appropriated	<u>24,720</u>	<u>-</u>	<u>(24,720)</u>
Net change in fund balance	<u>\$ -</u>	<u>4,258</u>	<u>\$ 4,258</u>
Fund balance, beginning		<u>24,736</u>	
Fund balance, ending		<u>\$ 28,994</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
STATEMENT OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Operating revenue:			
Charges for services:			
Solid waste fees	\$ 804,000	\$ 828,972	\$ 24,972
Other revenue	9,000	8,084	(916)
Non-operating revenues:			
Investment earnings	300	459	159
Total revenues	<u>813,300</u>	<u>837,515</u>	<u>24,215</u>
Expenditures:			
Landfill operations:			
Solid waste operations	<u>814,000</u>	<u>850,827</u>	<u>(36,827)</u>
Revenue (under) expenditures	(700)	(13,312)	(12,612)
Other financing sources (uses):			
Fund balance appropriated	<u>700</u>	<u>-</u>	<u>(700)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(13,312)</u>	<u>\$ (13,312)</u>
Reconciliation of modified accrual to full accrual:			
Change in net position (full accrual)		<u>\$ (13,312)</u>	

PERQUIMANS COUNTY, NORTH CAROLINA

WATER FUND

**STATEMENT OF REVENUES, EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Operating revenues:			
Charges for services:			
Water sales	\$ 1,955,554	\$ 1,945,347	\$ (10,207)
Tap and reconnection fees	49,000	72,135	23,135
Penalties	35,000	47,107	12,107
Other operating revenue	5,500	3,705	(1,795)
Total operating revenue	<u>2,045,054</u>	<u>2,068,294</u>	<u>23,240</u>
Non-operating revenues:			
Rent	8,000	8,100	100
Investment earnings	4,000	3,765	(235)
Federal reimbursement-waterline relocation	48,180	20,615	(27,565)
Total non-operating revenue	<u>60,180</u>	<u>32,480</u>	<u>(27,700)</u>
 Total revenues	 <u>2,105,234</u>	 <u>2,100,774</u>	 <u>(4,460)</u>
Expenditures:			
Administration:			
Salaries and employee benefits	270,010	263,567	6,443
Professional services	86,000	73,286	12,714
Indirect costs	100,000	100,000	-
Other department expenses	193,522	132,165	61,357
Total administration	<u>649,532</u>	<u>569,018</u>	<u>80,514</u>
 Water purchase	 <u>242,703</u>	 <u>240,957</u>	 <u>1,746</u>
Water distribution and treatment:			
Salaries and employee benefits	116,400	117,332	(932)
Travel	500	-	500
Professional services	40,000	25,597	14,403
Salt and chemical supplies	177,000	155,684	21,316
Insurance and bonds	32,800	32,418	382
Utilities	107,780	94,346	13,434
Water sample tests	28,000	24,524	3,476
Sedimentation control	50,000	50,810	(810)
Repairs and maintenance	116,270	98,753	17,517
Other department expenses	31,500	19,018	12,482
Total water distribution and treatment	<u>700,250</u>	<u>618,482</u>	<u>81,768</u>

**PERQUIMANS COUNTY, NORTH CAROLINA
WATER FUND
STATEMENT OF REVENUES, EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Debt service:			
Debt principal	353,179	353,591	(412)
Interest and fees	67,195	83,526	(16,331)
Total debt service	<u>420,374</u>	<u>437,117</u>	<u>(16,743)</u>
Capital Outlay	<u>92,375</u>	<u>45,150</u>	<u>47,225</u>
Total expenditures	<u>2,105,234</u>	<u>1,910,724</u>	<u>194,510</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>190,050</u>	<u>\$ 190,050</u>
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Debt principal		353,591	
Capital outlay		5,000	
Increase in inventory		22,072	
Increase in accrued vacation pay		(1,102)	
Decrease in other postemployment benefits		836	
Amortization		(759)	
Depreciation		(391,457)	
Interest income from Water Capital Improvement Fund		602	
Other income from Water Capital Improvement Fund		28,860	
Professional fees from Water Capital Improvement Funds		(41,521)	
Total reconciling items		<u>(23,878)</u>	
Change in net position (full accrual)		<u>\$ 166,172</u>	

**PERQUIMANS COUNTY, NORTH CAROLINA
WATER CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenue:					
Non-operating revenue:					
Investment earnings	\$ 500	\$ -	\$ 602	\$ 602	\$ 102
Sales tax refund	-	-	28,860	28,860	28,860
Total non-operating revenue	500	-	29,462	29,462	28,962
Expenditures:					
Professional services	60,000	-	29,841	29,841	30,159
Capital outlay	60,000	-	11,680	11,680	48,320
Total	120,000	-	41,521	41,521	78,479
Revenue over (under) expenditures	(119,500)	-	(12,059)	(12,059)	107,441
Other financing sources (uses):					
Fund balance appropriated	119,500	-	-	-	(119,500)
Total	119,500	-	-	-	(119,500)
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ -	\$ (12,059)	\$ (12,059)	\$ (12,059)

AGENCY FUNDS

Agency Funds are used to account for assets held by the County as an agency for individual and or other governments.

Agency Funds

- **Social Services Fund** -- This fund accounts for moneys held by Social Services Department for the benefit 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 conservsation 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.
- **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 FISCAL YEAR ENDED JUNE 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
Social Services				
Assets:				
Cash and cash equivalents	\$ 30,292	\$ 93,920	\$ 91,862	\$ 32,350
Liabilities:				
Miscellaneous liabilities	\$ 30,292	\$ 93,920	\$ 91,862	\$ 32,350
Soil and Water Conservation				
Assets:				
Cash and cash equivalents	\$ 8,165	\$ 7,025	\$ 9,121	\$ 6,069
Liabilities:				
Miscellaneous liabilities	\$ 8,165	\$ 7,025	\$ 9,121	\$ 6,069
4-H Fund				
Assets:				
Cash and cash equivalents	\$ 7,532	\$ 13,411	\$ 16,074	\$ 4,869
Liabilities:				
Miscellaneous liabilities	\$ 7,532	\$ 13,411	\$ 16,074	\$ 4,869
Sheriff's Fund				
Assets:				
Cash and cash equivalents	\$ 1,622	\$ 997	\$ 1,350	\$ 1,269
Liabilities:				
Miscellaneous liabilities	\$ 1,622	\$ 997	\$ 1,350	\$ 1,269
Babe Ruth Fund				
Assets:				
Cash and cash equivalents	\$ 2,255	\$ 12,960	\$ 12,405	\$ 2,810
Liabilities:				
Miscellaneous liabilities	\$ 2,255	\$ 12,960	\$ 12,405	\$ 2,810
Farm Service Fund				
Assets:				
Cash and cash equivalents	\$ 5,726	\$ 7,471	\$ 6,720	\$ 6,477
Liabilities:				
Miscellaneous liabilities	\$ 5,726	\$ 7,471	\$ 6,720	\$ 6,477

PERQUIMANS COUNTY, NORTH CAROLINA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
Deed of Trust Fee Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 2,130	\$ 2,130	\$ -
Liabilities:				
Intergovernmental payable-State North Carolina	\$ -	\$ 2,130	\$ 2,130	\$ -
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 55,592	\$ 137,914	\$ 139,662	\$ 53,844
Liabilities:				
Miscellaneous liabilities	\$ 55,592	\$ 137,914	\$ 139,662	\$ 53,844

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, 2014**

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Ending Balance</u>
2013-2014	\$ -	\$ 7,855,259	\$ 7,573,653	\$ 281,606
2012-2013	348,113		197,521	150,592
2011-2012	142,656		32,743	109,913
2010-2011	81,847		18,657	63,190
2009-2010	55,758		9,279	46,479
2008-2009	45,370		5,164	40,206
2007-2008	38,613		3,137	35,476
2006-2007	33,996		1,243	32,753
2005-2006	26,983		528	26,455
2004-2005	21,839		328	21,511
2003-2004	18,939		18,939	-
	<u>\$ 814,114</u>	<u>\$ 7,855,259</u>	<u>\$ 7,861,192</u>	<u>\$ 808,181</u>
Less allowance for uncollected accounts: General Fund				<u>37,000</u>
Ad valorm taxes receivable - net: General Fund				<u>\$ 771,181</u>
<u>Reconciliation with revenue:</u>				
Ad valorem taxes - General Fund				\$ 7,881,532
Reconciling items:				
Taxes written off				18,939
Adjustments				(39,279)
Total reconciling items				<u>(20,340)</u>
Total collection and credits				<u>\$ 7,861,192</u>

**PERQUIMANS COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,712,295,010	0.44	\$ 7,652,385	\$ 7,148,655	\$ 503,730
Penalties			2,085	2,085	-
Total:			7,654,470	7,150,740	503,730
Discoveries:					
Current year taxes	45,633,864	0.44	200,789	200,789	
Total property valuation:	<u>\$ 1,757,928,874</u>				
Net levy			<u>\$ 7,855,259</u>	<u>\$ 7,351,529</u>	<u>\$ 503,730</u>
Uncollected taxes at June 30, 2014			<u>\$ 281,606</u>	<u>\$ 258,948</u>	<u>\$ 22,658</u>
Current year's taxes collected			<u>\$ 7,573,653</u>	<u>\$ 7,092,581</u>	<u>\$ 481,072</u>
Current levy collection percentage			<u>96.42%</u>	<u>96.48%</u>	<u>95.50%</u>

**PERQUIMANS COUNTY, NORTH CAROLINA
 TEN LARGEST TAXPAYERS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Total Assessed Valuation</u>
Albemarle Electric	Electric Company	\$ 18,738,882	1.07%
Dominion N. C. Power	Electric Company	13,955,964	0.79%
Weyerhaeuser	Lumber Company	11,722,189	0.67%
Albemarle Plantation II	Real Estate Development	10,428,600	0.59%
Albemarle Plantation POA	Real Estate Development	7,243,100	0.41%
NC Virginia Railroad	Railroad Company	5,897,949	0.34%
Albemarle Plantation Holdings	Real Estate Development	5,796,536	0.33%
Carolina Telephone	Telephone Company	4,849,895	0.28%
Brown Development of NC	Real Estate Development	4,253,800	0.24%
Bethel Creek	Real Estate Development	3,112,400	0.18%
		<u>\$ 85,999,315</u>	<u>4.89%</u>

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

Amounts reported on the Emergency Telephone System Fund budget to actual (pg 64) are different from the PSAP Revenue-Expenditure Report because:

Net change in Fund Balance, reported on Budget to Actual	\$ 25,138
Sales Tax refund accrued but not reported on budget to actual	2,569
Expenditures accrued in prior year, expensed in current year	(1,102)
Beginning Balance, PSAP Revenue-Expenditure Report	<u>118,877</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 145,482</u>

COMPLIANCE SECTION



DOUGLAS A. HOLLOWELL P.C.

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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

1389 N. BROAD STREET
P.O. BOX 567
EDENTON, NORTH CAROLINA 27932
TELEPHONE: (252) 482-8461
FAX (252) 482-4921

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

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

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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Perquimans County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises Perquimans County's basic financial statements, and have issued our report thereon dated November 12, 2014. The financial statements of the Perquimans County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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 the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

MEMBERS OF:

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THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

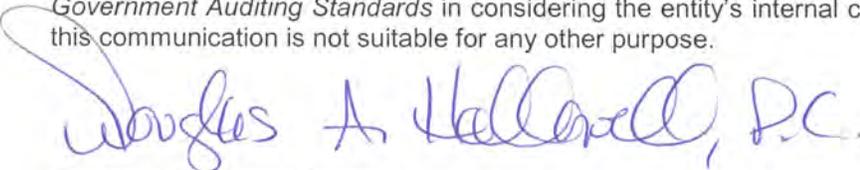
THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perquimans County's financial statements are free 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Elizabeth City, North Carolina
November 12, 2014



DOUGLAS A. HOLLOWELL P.C.

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P.O. BOX 1387
ELIZABETH CITY, NORTH CAROLINA 27906
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DOUGLAS A. HOLLOWELL, C.P.A.
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Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditors' Report

To the Board of County Commissioners
Perquimans County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Perquimans County, North Carolina's 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 Perquimans County's major federal programs for the year ended June 30, 2014. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 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 federal program. However, our audit does not provide a legal determination of Perquimans County's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2014.

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Report on Internal Control Over Compliance

Management of 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 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. 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
November 12, 2014



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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 Perquimans County, North Carolina's 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 Perquimans County's major state programs for the year ended June 30, 2014. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 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 Perquimans County's compliance.

Opinion on Each Major State Program

In our opinion, 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, 2014.

MEMBERS OF:

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

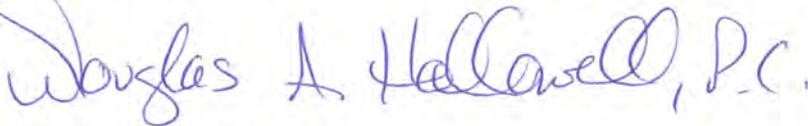
Report on Internal Control Over Compliance

Management of 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 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
November 12, 2014

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

Section I. Summary of Auditors' Results
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Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant Deficiency(ies) identified that are not considered to be material weaknesses _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X

Significant Deficiency(ies) identified that are not considered to be material weaknesses _____ yes X none reported

Noncompliance material to federal awards _____ yes X no

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

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
93.778	Title XIX - Medicaid
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs _____ \$378,328

Auditee qualified as low-risk auditee? _____ yes X no

State Awards

Internal control over major state programs:

Material weakness(es) identified? _____ yes X no

Significant Deficiency(ies) identified that are not considered to be material weaknesses _____ yes X none reported

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

Section I. Summary of Auditors' Results (con't)

Noncompliance material to state awards _____ yes X no

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

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

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

PERQUIMANS COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section III. Federal Award Findings and Questioned Costs
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Finding 2013-1:

Status: This finding has been corrected.

**PERQUIMANS COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

There are no matters to report.

**PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & 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		\$ 159,350	\$ -	\$ 159,350
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		<u>174,931</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>334,281</u>	<u>-</u>	<u>159,350</u>
<u>U.S. Department of Housing and Urban Development</u>					
Passed through N.C. Department of Commerce:					
Community Development Block Grant - Scattered Sites	14.228	12-C-2426	88,952	-	-
Passed through N.C. Housing Finance Agency:					
Single Family Rehabilitation	14.239	SFRLP10	<u>63,658</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>152,610</u>	<u>-</u>	<u>-</u>

**PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>U.S Department of Health and Human Services</u>					
<u>Administration for Children and Families</u>					
Passed through the N.C. Dept. of Health and Human Services:					
<u>Division of Social Services:</u>					
<u>Foster care and adoption cluster</u>					
Title IV-E Foster care	93.658		73,796	15,587	39,313
Adoption Assistance - Title IV-E	93.659		18,257	4,763	4,763
Total foster care and adoption cluster			92,053	20,350	44,076
 <u>Temporary Assistance for Needy Families Cluster</u>					
Temporary Assistance for Needy Families (TANF)/Work First	93.558		84,743	-	82,877
TANF/Work First - Direct Benefit Program	93.558		74,898	(95)	-
Foster Care	93.558		364	-	(140)
Child Support Enforcement	93.563		96,271	-	71,213
Low Income Home Energy Assistance Block Grant:					
Crisis Intervention Program	93.568		70,742	-	5,740
LIHEAP Payments	93.568		82,500	-	-
Stephanie Tubbs Jones Child Welfare Services Program:					
Permanency Planning - Families for Kids	93.645		(1,118)	-	2,454
Social Services Block Grant - Other services and training	93.667		45,928	5,229	51,657
Case Management 60 & up	93.667		5,198	-	786
Promoting Safe and Stable Families	93.556		6,775	-	-

**PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & 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		80,174	-	3,765
Division of Child Development:					
Child Care and Development Block Grant	93.575		128,899	-	-
Child Care and Development Fund - Mandatory	93.596		67,522	-	-
Child Care and Development Fund - Match	93.596		41,773	13,293	-
Total Child Care Fund Cluster			318,368	13,293	3,765
Temporary Assistance for Needy Families	93.558		60,819	-	-
Foster Care Title IV-E	93.658		2,859	1,492	-
TANF-MOE			-	58,709	-
Total Subsidized Child Care Cluster (Note 2)			382,046	73,494	3,765
Passed through the NC Department of Health & Human Services:					
<u>Division of medical assistance:</u>					
Direct benefit payments:					
Medical assistance program	93.778		10,658,270	5,944,564	-

**PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Division of Social Services:</u>					
Administration:					
Medical assistance program	93.778		270,383	-	240,202
Medical assistance expansion	93.778		7,872	7,872	-
Medical transportation	93.778		15,081	-	15,081
State Children's Insurance Program-Health Choice	93.767		9,501	545	2,456
Direct benefit payments:					
State Children's Insurance Program-Health Choice	93.767		175,792	55,506	-
Adult Home Special Services	93.778		4,148	2,074	2,074
Total U.S. Department of Health & Human Services			12,081,447	6,109,539	522,241
 <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		2,500	-	-
Emergency Management Performance Grants	97.042		35,317	-	-
Interagency Hazardous Materials Public Sector Training and Planning Guides	20.703		4,793	-	-
Total U.S. Department of Homeland Security			42,610	-	-
 Total Federal awards			12,610,948	6,109,539	681,591

**PERQUIMANS COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
State awards:					
<u>N.C. Department of Health & Human Services</u>					
Division of Aging and Adult Services					
Division of Social Service					
State/County Special Assistance for Adults					
				94,016	-
State/County Special Assistance for the Disabled					
				68,214	-
State Adult Protective Services					
				2,184	2,184
Divison of Social Services					
DCD Smart Start					
				7,227	64
Chld Welfare State In Home Fund					
				6,245	-
Total N.C. Department of Health & Human Services					
				177,886	2,248
<u>N.C. Department of Transportation</u>					
Water Line Reimbursement					
				20,615	-
<u>N.C. Department of Public Safety</u>					
Juvenile Crime Prevention Programs: Passed through to Perquimans 20/20 a not-for-profit organization					
				84,860	-
Edward Byrne Memorial Justice Assistance Grant Program					
		PROJ009484		4,401	-
Total N.C. Department of Public Safety					
				89,261	-
<u>N. C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
White Goods Management Program					
				4,216	-
Scrap Tire Program					
				20,995	-
Soil conservation - Technical Assistance/operation					
				16,687	-
Soil conservation - Operations					
				3,600	-
Solid Waste Management Trust Fund - Community Waste Reduction Grant					
				8,084	-
Total N.C. Department of Environment and Natural Resources					
				53,582	-

PERQUIMANS COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Department of Insurance</u> Division of Seniors' Health Insurance Information				<u>2,646</u>	<u>-</u>
<u>N.C. Department of Public Instruction</u> Public School Building Capital Fund - Lottery				<u>330,416</u>	<u>-</u>
<u>N.C. Department of Public Safety</u> Division of Emergency Management Hazardous Materials Grant				<u>4,793</u>	<u>-</u>
Total State awards				<u>679,199</u>	<u>2,248</u>
Total Federal & State Award			<u>\$ 12,610,948</u>	<u>\$ 6,788,738</u>	<u>\$ 683,839</u>

**PERQUIMANS COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-through Grantor/Program Title	Federal	State/ Pass-through	Federal (Direct & Pass-through)	State	Local
	CFDA Number	Grantor's Number	Expenditures	Expenditures	Expenditures

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:

<u>Program Title</u>	Federal CFDA Number	Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Public School Building Capital Fund - Lottery Proceeds			\$ -	\$ 330,416
Juvenile Crime Prevention Programs to Perquimans 20/20			\$ -	\$ 84,860