

WASHINGTON COUNTY
NORTH CAROLINA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For the Year Ended
June 30, 2013**

**Prepared under the direction
of the Washington County Finance Office**

Frank S. Milazi, Finance Officer



Washington County, North Carolina
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COUNTY OF WASHINGTON

BOARD OF COMMISSIONERS

COMMISSIONERS:
TRACEY A. JOHNSON, CHAIR
D. COLE PHELPS, VICE-CHAIR
BUSTER MANNING
RAYMOND R. MCCRAY
WILLIAM "BILL" R. SEXTON, JR.



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ADMINISTRATION STAFF:
JERRY W. RHODES
COUNTY MANAGER

JULIE J. BENNETT, CMC, NCCCC
CLERK TO THE BOARD
jbennett@washcon.org

CURTIS POTTER,
COUNTY ATTORNEY

December 3, 2013

The Board of County Commissioners and
The Citizens of Washington County, North Carolina

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Washington County for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of Washington County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Washington County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Washington County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Washington County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Washington County's financial statements have been audited by Carr, Riggs & Ingram, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Washington County for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Washington County's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Washington County was part of a broader, federally mandated single audit designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and

compliance with legal requirements with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Washington County's MD&A can be found immediately following the report of the independent auditors.

Profile of the County

Washington County was formed from Tyrrell County in 1799 and named for George Washington. It is located in the Eastern Coastal Plain area of the state on the southwestern banks of the Albemarle Sound—the largest fresh water sound in America. There are more miles of shoreline within ten miles of Plymouth, the county seat, than anywhere else in North Carolina. It is one of North Carolina's most picturesque, historical settings with a land area of 336 square miles and an estimated population of 13,228 persons as noted in the 2010 US Census. In the late 1700s, Plymouth was a major port and the area prospered with rich agricultural and shipping resources until the "guns of the Albemarle" all but destroyed Plymouth during the Civil War.

Three municipalities are located in the county --the towns of Creswell, Plymouth, and Roper. The Town of Plymouth is the largest municipality in the county. The county has a commissioner/manager form of government. The five members of the Board of Commissioners are elected by a countywide vote and serve staggered four-year terms. Four Commissioners serve and are elected by district while the fifth Commissioner is elected at-large. Commissioners hold policy-making and legislative authority. They are also responsible for adopting the budget and appointing the County Manager who is responsible for implementing policies, managing daily operations and appointing department heads.

The county provides its citizens a wide range of services that include education, human services, public safety, cultural and recreational activities, economic development, environmental services, general administration and others.

Health services are provided by the Martin-Tyrrell-Washington District Health Department. Mental health, substance abuse, and developmental disabilities services are provided by East Carolina Behavioral Health which is a nineteen-county local management entity headquartered in Greenville, NC.

This report includes all the county's activities in maintaining these services except schools which are administered by the Washington County Board of Education. The county also extends financial support to certain boards, agencies, and commissions to assist their efforts in serving citizens. Among these entities are the Albemarle Commission (Council of Government) and the Pettigrew Regional Library.

Economic Conditions and Outlook

The county enjoys a strong core of local businesses ranging from light manufacturing to service and durable goods sales. During FY 2012-2013, SUNENERGY1, a major solar, LED lighting and cool roofing manufacturing corporation, constructed the first phase of a planned 20 megawatt solar energy farm in the county. Construction jobs related to this facility are estimated to range from 60 to 80 for a period of up to three years. Total projected land, plant and equipment investment is \$100,000,000. This project represents the third largest solar project currently in the United States and the largest in North Carolina. Also, Ecoplexus, Inc., a rapidly growing national solar developer, has proposed a 6.48 megawatt ground mounted solar project on 28 acres of farmland approximately one mile south of the Town of Plymouth.

Agriculture is the major component of the local economy which includes field crops, vegetables, berries, forestry and livestock. The major field crops are corn, soybeans, cotton, peanuts, and wheat. Washington County continues to work with local agriculturalists in exploring opportunities to become involved in 21st century agricultural development. This initiative is a local effort to develop access to the life science and biotechnology markets and processes. Washington County is diligently working with the North Carolina Biotechnology Center, the North Carolina Department of Commerce, the North Carolina Department of Agriculture, the University of North Carolina system, the North Carolina Northeast Economic Development Commission and private business entities in order to position Washington County and the northeast region of North Carolina to become a world recognized region for the production, commercialization, distribution, patenting and field research for bio crops, functional foods and bio fuels.

Washington County was selected by the North Carolina General Assembly and the North Carolina Department of Public Education as the location to establish the Northeast Regional School of Biotechnology and Agriscience which admitted its first class of students during August, 2012. This early college focuses on educating high school students in science, technology, engineering and math in order to position them as leaders in providing food for the world's growing population. The school will serve as an important workforce development amenity in the recruitment of biotechnology companies.

Washington County is poised to experience increased travel and tourism activities. The county enjoys a rich history of hunting, fishing and outdoor recreational activities. There are several significant Civil War era attractions located in the county. New and expanding travel and tourism opportunities are beginning to be realized in the county. The North Carolina Birding Trail has several designated sites in Washington County. Washington County has a significant bald eagle population in addition to Canadian geese, snow geese, tundra swan and other large migratory bird populations that winter in the county. Large numbers of birding enthusiasts visit the county annually to view and observe them. Boating, canoeing, and kayaking opportunities have increased significantly and are drawing additional tourists to the county. Statistical data indicates that over 150,000 visitors pass through Washington County annually.

Major Initiatives

- Twenty-Year Economic Development Enhancement Plan:

Washington County embarked on an aggressive and decisive Twenty-Year Economic Development Enhancement Plan in 2006. The plan addressed enhancing infrastructure additions and improvements with the goal of making the county more marketable and attractive to industrial, commercial and residential development. A number of infrastructure improvements including the first phase of development of the Washington County Commerce (Industrial) Center, the creation of an economic development marketing plan, the creation of a county incentive recruitment policy and the completion of a county study which identifies areas for sewer service to be implemented were achieved during the first five years of that plan. Washington County continues to evaluate the remaining two five-year segments of the plan for possible revisions in order to meet current needs.

- Plymouth Municipal Airport and the Washington County Commerce Center:

As a component of the Washington County Twenty-Year Economic Development Enhancement Plan, Washington County completed initial construction of a state of the art business/industrial commerce center in close proximity to the Plymouth Municipal Airport in 2011. Also, Washington County has completed several major airport enhancement projects since 2011 in an effort to modernize the airport and attract additional aviation and private industrial companies to the airport and commerce center. The enhancement projects included a new fuel farm with self-service fueling capabilities and a runway turnaround. Terminal building renovations are nearly complete

and include new flooring, upgrades to the pilot's training lounge, meeting space improvements and new waiting area furniture. Additional future development plans for the airport include the construction of additional T hangers and corporate hangers, a GPS flight navigation system, a new lighting system, installation of state-of-the-art utilities, technology and communications capabilities at the airport. The expansion and renovation of the airport now allows 80 percent of all general aviation and corporate aircraft to utilize the airport runway. The airport will serve as a driver for the development of new business at the nearby commerce center.

- Government Services Complex:

Washington County completed the first phase of construction of a government services complex in the eastern end of the county adjacent to US Highway 64 and in close proximity to the Town of Creswell and the Albemarle Sound region of the county. The complex was planned as a three-phase project that included (1) a full service medical clinic, (2) a combination fire and law enforcement facility and (3) a public library. Construction of the Washington County Medical Center was completed during June, 2011 and is operated by the Washington County Hospital. The complex provides this region of the county with better access to governmental services that exist in other areas of the county and also serve as a catalyst for attracting future residential and commercial growth.

Residential Development

Opportunities for residential development were expanding before the major economic recession that devastated our national, state and local economies. Several new residential developers were considering significant residential projects especially in the Albemarle Sound region of the county. The potential growth in residential development was being driven by a lucrative real estate market, an influx of retirees from the baby boomer generation, a moderate weather-related climate and an abundance of outdoor recreational opportunities. Availability of reasonably priced land and proximity to major metropolitan centers assisted in the progression. County leaders believe that the substantial attributes that were present in the county before the recession will make it attractive for development when the economy returns to positive financial footing.

Economic Forecast

Since the "Great Recession" ended in late summer of 2009 after almost 20 months of the steepest economic decline since the "Great Depression", North Carolina's and Washington County's economic growth has only recently begun to move forward in a positive manner.

Washington County's approved FY 2013-2014 budget totaled \$13,220,507 for all county operations, capital improvements and debt service requirements. This budget amount represented an increase of \$107,167 from the FY 2012-2013 approved budget amount. The budget included a one-cent drainage assessment reserved for proactive maintenance and improvements to the county's drainage system. The county completed a re-evaluation and implemented a new tax rate that was effective July 1, 2013. As a result of the re-evaluation, the tax neutral rate was \$.73. The Board of Commissioners approved the ad valorem tax rate at \$.79 per \$100 of assessed value for FY 2013-2014.

The FY 2013-2014 budget did not rely on continued use of the county's fund balance to balance the budget. The primary method utilized to eliminate reliance on the fund balance was to increase revenues and reduce expenditures.

The county continues to monitor numerous government and private industry economic forecasts. Washington County estimates that there will be some economic improvement during FY 2013-2014 but overall economic recovery will be slow and limited for the next several years. The county's future economic plans are conservative with no large new expenditures. The county's reserve funds in the General Fund, currently at approximately 19 percent of revenues, are adequate to assist in overcoming continued financial erosion if the need presents itself.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. Washington County has received this award for seventeen consecutive years. In order to be awarded a Certificate of Achievement, Washington County published an easily readable and efficiently organized CAFR whose contents conform to program standards. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In summary, this Comprehensive Annual Financial Report provides a source of information to citizens, the Board of Commissioners, other government agencies, and investors and creditors, all of whom rely upon it for decision-making and the opportunity to learn more about Washington County's financial condition.

Preparation of this report would not have been possible without the efficient and dedicated combined efforts of Carr, Riggs & Ingram, LLC and the staff of the Washington County Finance Office. We also thank the members of the Board of Commissioners for their continued support throughout the past year.

Respectfully submitted,



Jerry W. Rhodes
County Manager



Frank S. Milazi
Finance Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

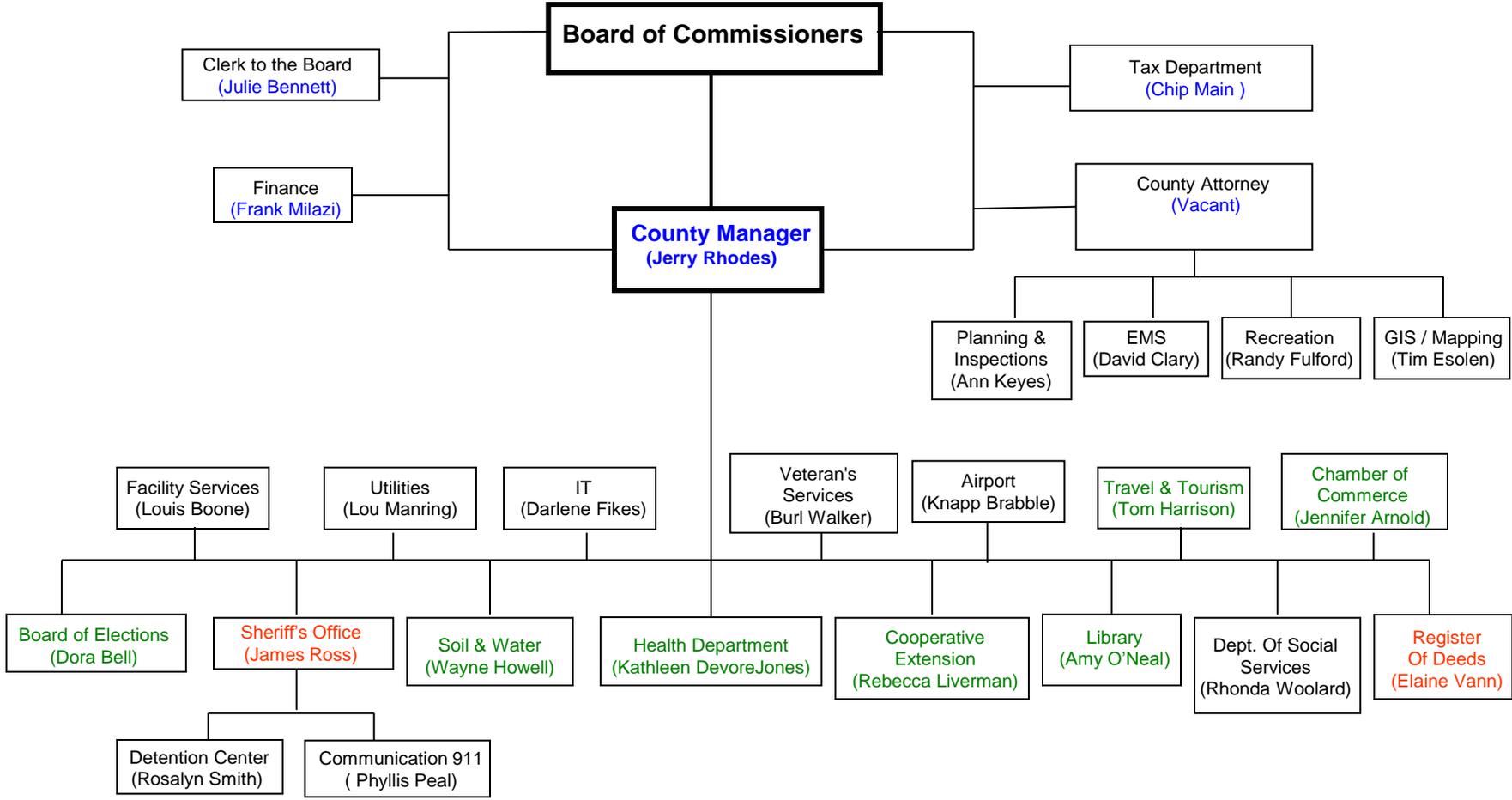
**Washington County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Washington County Government Organizational Chart



■ Appointed by the Board of Commissioners
 ■ Elected Officials
 ■ Budgetary Support Only
 ■ Direct Report

Washington County Board of Commissioners 2012-2013



**Chair
Buster Manning**



**Vice-Chair
Tracey A. Johnson**



Raymond McCray



D. Cole Phelps



**William "Bill" R.
Sexton, Jr.**



**Jerry W. Rhodes
Washington County
Manager**



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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Washington County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Washington County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, North Carolina as of June 30, 2013, 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 conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Washington County, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by 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 by us 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 on our consideration of Washington County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington County's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

New Bern, North Carolina
December 6, 2013



Welcome
To
Washington County



FOR EMERGENCY
ASSISTANCE
DIAL 911



Washington County

Management's Discussion and Analysis

As management of Washington County, we offer readers of Washington County's financial statements this narrative overview and analysis of the financial activities of Washington County for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

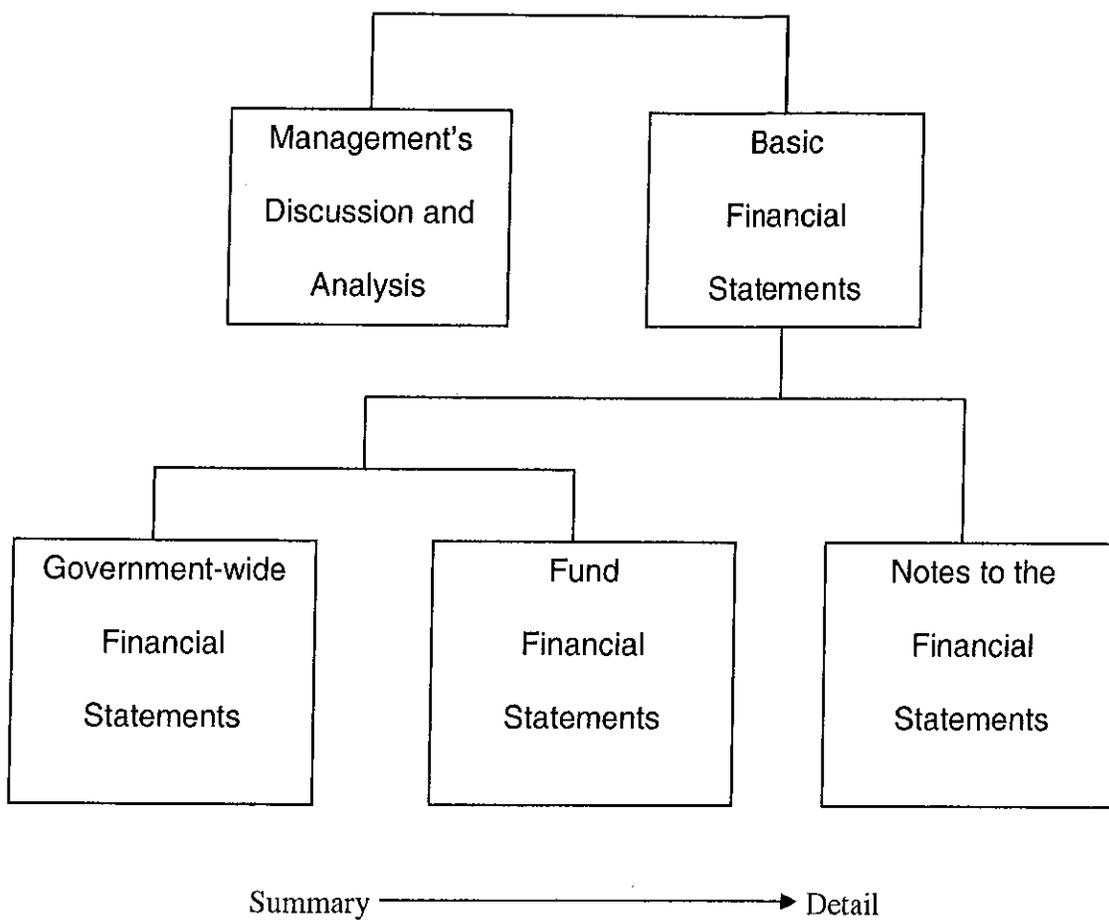
- The assets of Washington County exceeded its liabilities at the close of the fiscal year by \$19,461,273 (*net position*). This entire amount may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,018,780 primarily due to increased net position in the General Fund. As of the close of the current fiscal year, Washington County's governmental funds reported combined ending fund balances of \$4,607,890 an increase of \$1,070,882 in comparison with the prior year. Approximately 53 percent of this total amount, or \$2,447,627, is available for spending at the government's discretion (*unassigned fund balance*). This is a 16 percent increase in comparison with prior year. Two major reasons contributed to the increase are the increase in revenue inflow and completion of capital projects payments.
- At the end of current fiscal year, unassigned fund balance for the General Fund was \$2,458,399 or 17 percent of total general fund expenditures for the fiscal year, an increase of 11 percent from the prior year.
- Washington County's debt decreased by \$93,781 from previous fiscal year because of debt payment paid.
- Property tax rate was increased from the tax neutral rate of .73 per \$100 to .79 per \$100 valuation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Washington 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 Washington 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 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. 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 services. These include water and sanitation services offered by Washington County. The final category is the component units. Although legally separate from the County, the ABC Board is important to the County because the County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County. Washington County Industrial Facility and Pollution Control Financing Authority is also a component unit of Washington County; however, this authority has no financial transactions or account balances and is therefore not reported in the financial statements.

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. Washington 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 funds of Washington County can be divided into three categories: governmental fund, proprietary funds and fiduciary 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* that provides a short-term spending focus. 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.

Washington 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.

Proprietary Funds – Washington County maintains two enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Washington County uses enterprise funds to account for its water activity and for its sanitation operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Washington County has two fiduciary funds, both 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 2-27 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Washington County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 2-57 of this report.

Washington County's Net Position
Figure 2

	2013		2012		2013		2012	
Current and other assets	\$ 5,932,056	\$ 4,793,283	\$ 1,488,252	\$ 1,553,344	\$ 7,420,308	\$ 6,346,627		
Capital assets	10,809,690	10,757,590	7,725,758	7,966,278	18,535,448	18,723,868		
Total assets	16,741,746	15,550,873	9,214,010	9,519,622	25,955,756	25,070,495		
Long-term liabilities	1,232,321	1,221,023	4,944,497	5,046,447	6,176,818	6,267,470		
Other liabilities	82,790	160,361	176,879	200,171	259,669	360,532		
Total liabilities	1,315,111	1,381,384	5,121,376	5,246,618	6,436,487	6,628,002		
Net position:								
Invested in capital assets, net								
of related debt	10,042,947	9,973,378	2,809,578	2,949,023	12,852,525	12,922,401		
Restricted	2,115,541	2,140,280	-	-	2,115,541	2,140,280		
Unrestricted	3,210,151	2,055,831	1,283,056	1,323,981	4,493,207	3,379,812		
Total net position	\$ 15,368,639	\$ 14,169,489	\$ 4,092,634	\$ 4,273,004	\$ 19,461,273	\$ 18,442,493		

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of Washington County exceeded liabilities by \$19,461,273 (*net position*) as of June 30, 2013. The County's net assets increased by \$1,018,780 or 6 percent for the fiscal year ended June 30, 2013. One of the largest portions (70%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related still outstanding that was used to acquire those items.

Washington County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Washington 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 Washington County's net assets \$2,115,541 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,493,207 (23%) is unrestricted.

Management Discussion and Analysis
Washington County 6-30-13

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

- Increase of revenue inflow and reduction of capital projects
- Reduction of debt in the amount of \$93,781 including General Obligation debt;

Washington County Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charges for services	\$ 2,769,649	\$ 1,804,753	\$ 2,380,648	\$ 2,610,329	\$ 5,150,297	\$ 4,415,082
Operating grants and contributions	3,730,739	3,646,498	-	-	3,730,739	3,646,498
Capital grants and contributions	1,121,610	607,530	-	-	1,121,610	607,530
General revenues						
Property taxes	6,511,255	6,421,241	-	-	6,511,255	6,421,241
Other taxes	2,009,441	2,032,963	-	-	2,009,441	2,032,963
Other	197,489	175,123	161	174	197,650	175,297
Total revenues	16,340,183	14,688,108	2,380,809	2,610,503	18,720,992	17,298,611
Expenses:						
General government	2,243,707	2,106,105	-	-	2,243,707	2,106,105
Public safety	3,378,752	3,481,938	-	-	3,378,752	3,481,938
Economic and physical development	933,876	547,287	-	-	933,876	547,287
Human services	6,469,544	6,386,495	-	-	6,469,544	6,386,495
Cultural and recreation	301,244	287,368	-	-	301,244	287,368
Education	2,025,011	1,933,526	-	-	2,025,011	1,933,526
Interest on long-term debt	33,899	34,657	-	-	33,899	34,657
Sanitation	-	-	1,154,094	1,238,513	1,154,094	1,238,513
Water	-	-	1,162,085	1,170,259	1,162,085	1,170,259
Total expenses	15,386,033	14,777,376	2,316,179	2,408,772	17,702,212	17,186,148
Increase in net assets before transfers and special items	954,150	954,150	64,630	64,630	1,018,780	112,463
Transfers	245,000	223,241	(245,000)	(223,241)	-	-
Increase (decrease) in net assets	\$ 1,199,150	\$ 133,973	\$ (180,370)	\$ (21,510)	\$ 1,018,780	\$ 112,463
Net assets, beginning	14,169,489	14,035,516	4,273,004	4,294,514	18,442,493	18,330,030
Net assets, ending	\$ 15,368,639	\$ 14,169,489	\$ 4,092,634	\$ 4,273,004	\$ 19,461,273	\$ 18,442,493

Governmental activities: Governmental activities increased the County's net position by \$1,199,150 thereby accounting for growth in the net assets of Washington County. Key elements of this increase are as follows:

Three major reasons contributed to the increase in General Fund unassigned fund balance:

- EMS brought in more revenues to meet expenditures without transferring from fund balance,
- Debt payment
- More revenues coming in than anticipated.

Business-type activities: Business-type activities decreased Washington County's net assets by \$245,000 accounting for a decrease of the growth in the government's net position.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Washington County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Washington 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 Washington County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,458,399, an increase of \$1,644,096 while total fund balance reached \$4,154,050. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16 percent of total General Fund expenditures, while total fund balance represents 27 percent of that same amount.

Of the unassigned fund balance of the General Fund, nothing has been committed by the Board of Commissioners for any purpose.

At June 30, 2013, the governmental funds of Washington County reported a combined fund balance of \$4,607,890, a thirty percent 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 and expenditures by \$577,988 or 4% of the adopted budget.

Proprietary Funds: Washington County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unassigned net assets of the Sanitation Fund at the end of the fiscal year amounted to \$719,381, and those for the Water Fund equaled \$563,675. The increase in net position for sanitation fund was \$446,256 and \$2,363,322 for the water fund.

Capital Assets and Debt Administration

Capital assets. Washington County's capital assets for its governmental and business -- type activities as of June 30, 2013, totals \$18,723,868 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

• Contracted Services	\$68,491
• Installment payment for 911 unfunded equipment	\$24,580
• Industrial Building Installment payment	\$72,050
• Equipment acquisition	\$233,140
• Purchase of transit bus	\$79,553

Washington County's Capital Assets

Figure 4

Additional information on the County's capital assets can be found in note II A.5 of the

**WASHINGTON COUNTY'S CAPITAL ASSETS
 (net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,371,800	\$ 2,371,800	\$ 330,158	\$ 330,158	\$ 2,701,958	\$ 2,701,958
Buildings and system	5,916,621	5,939,056	7,219,815	7,430,336	13,136,436	13,369,392
Machinery and equipment	868,495	820,455	175,039	201,573	1,043,534	1,022,028
Vehicles and motorized equipment	594,373	729,413	746	4,211	595,119	733,624
Construction in progress	1,058,401	896,866			1,058,401	896,866
Total	\$ 10,809,690	\$ 10,757,590	\$ 7,725,758	\$ 7,966,278	\$ 18,535,448	\$ 18,723,868

Basic Financial Statements.

Long-term Debt. As of June 30, 2013, Washington County had no bonded debt.

**Washington County's Outstanding Debt
 General Obligation and Revenue Bonds Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Installment Purchase Revenue Bonds	\$ 766,743	\$ 784,212	\$ -	\$ -	\$ 766,743	\$ 784,212
	-	-	4,916,180	5,017,255	4,916,180	5,017,255
TOTAL	\$ 766,743	\$ 784,212	\$ 4,916,180	\$ 5,017,255	\$ 5,682,923	\$ 5,801,467

Washington County's total debt decreased by \$118,544 during the past fiscal year primarily due to payments on revenue bonds and installment purchase debt made during the year.

Washington County maintained its Baa bond rating from Moody's Investor Service and A- rating from Standard and Poor's Corporation and Fitch Ratings and 77 rating from the NC Municipal Council. These bond ratings are given primarily due to unavoidable economic conditions.

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 Washington County is \$63,815,895.

Additional information regarding Washington County's long-term debt can be found in note 3, beginning on page 2-52 of this audited financial report.

Economic Factors and Next Year's Budget and Rates

The following key economic indicators reflect the growth and prosperity of the County. The County continues its Tier I designation clearly suggesting that Washington County is one of the most distressed communities in the state.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities:

- Ad valorem tax rate remains at \$0.79; this is the seventh consecutive year taxes have not been increased. This year was an increase since revenue neutral rate was \$0.73 as it was in the revaluation year.
- Sales tax revenues are projected to be \$250,000 more than prior year;
- There was one percent employees pay plan step increase and no lay-offs.
- The Washington County Airport will receive \$600,000 grant to construct a turnaround on the northern side of the runway.
- Washington County will receive \$573,000 non interest loan from North Carolina Department of Environment and Natural Resources for implementing automated water meter reading system
- School system funding did not change;
- Emergency Medical Services including EMS Transport are projected to be \$1,615,915 which is a \$134,488 increase. Other changes have been implemented all of which should increase revenue such as:
 - Introduction of inter-facility transport
 - New charting software
 - Contracted with new billing company
 - Implementation of debt setoff.

Management Discussion and Analysis
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Washington County- CDBG NC Catalyst Neighborhood Facilities/Special Projects
Pettigrew Regional Library Renovations

The County will renovate County Library located at 201 East Third Street in Plymouth. This community facility has been used since 1956, with an addition built in 1980. Proposed renovations include roof replacement, energy efficient retrofits, development of a computer lab, and internal building layout changes to optimize utilization of space. Software and hardware equipment will also be purchased.

The purpose of this project is to extend the useful life of a contributing public facility that provides educational services, reading and research resources, internet and computer access, and community gathering space. Improving educational resources is a community development priority to provide services to empower the local population for economic growth need in the County. The County recognizes that increasing literacy, broadening access to technology, and improving educational opportunities have a direct impact on combating poverty.

Washington County refinanced its Water revenue bonds saving the County \$1,582,208 and cutting down the payment period by ten years.

Business – Type Activities:

- The FY 2014 Waterworks Fund budget totals \$1,290,337 which represents a decrease of \$32,556 below FY 2013; Water rates for consumption did not increase from \$10 per 1,000 gallons. The base rate which includes the first 2,000 gallons of water remained unchanged.
- The FY 2014 Sanitation Fund budget totals \$1,195,401 which represents a decrease of \$128,507 below FY 2013.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the monies it receives 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 Finance Officer, Washington County, 120 Adams Street, Courthouse, Post Office Box 1007, Plymouth, NC 27962.

Washington County, North Carolina
Statement of Net Position
June 30, 2013

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Washington County ABC Board
ASSETS				
Cash and cash equivalents	\$ 3,316,385	\$ 822,634	\$ 4,139,019	\$ 197,607
Receivables (net)	2,570,872	648,723	3,219,595	-
Inventories	-	16,895	16,895	76,721
Prepaid expenses	20,000	-	20,000	3,571
Restricted cash	44,799	-	44,799	-
Capital assets:				
Land, improvements, and construction in progress	3,430,201	330,158	3,760,359	4,692
Other capital assets, net of depreciation	<u>7,379,489</u>	<u>7,395,600</u>	<u>14,775,089</u>	<u>18,283</u>
Total capital assets	<u>10,809,690</u>	<u>7,725,758</u>	<u>18,535,448</u>	<u>22,975</u>
Total assets	<u>16,761,746</u>	<u>9,214,010</u>	<u>25,975,756</u>	<u>300,874</u>
LIABILITIES				
Accounts payable and accrued liabilities	82,970	53,217	136,187	64,506
Customer deposits	-	123,662	123,662	-
Long-term liabilities:				
Due within one year	289,854	216,735	506,589	-
Due in more than one year	<u>942,287</u>	<u>4,727,762</u>	<u>5,670,049</u>	<u>54,871</u>
Total liabilities	<u>1,315,111</u>	<u>5,121,376</u>	<u>6,436,487</u>	<u>119,377</u>
DEFERRED INFLOWS OF RESOURCES	<u>57,996</u>	<u>-</u>	<u>57,996</u>	<u>-</u>
NET POSITION				
Net investment capital assets	10,042,947	2,809,578	12,852,525	22,975
Restricted for:				
Stabilization by State Statute	1,777,245	-	1,777,245	-
Register of Deeds	4,402	-	4,402	-
Economic and physical development	115,133	-	115,133	-
Capital improvements	-	-	-	5,247
Working capital	-	-	-	24,198
Construction purposes	218,761	-	218,761	-
Unrestricted	<u>3,230,151</u>	<u>1,283,056</u>	<u>4,513,207</u>	<u>129,077</u>
Total net position	<u>\$ 15,388,639</u>	<u>\$ 4,092,634</u>	<u>\$ 19,481,273</u>	<u>\$ 181,497</u>

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

Washington County, North Carolina
Statement of Activities
For the Year Ended June 30, 2013

EXHIBIT 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,243,707	\$ 136,711	\$ -	\$ -
Public safety	3,378,752	366,389	213,366	-
Economic & physical development	913,876	75,972	106,976	905,872
Human services	6,469,544	2,142,720	3,272,900	-
Cultural & recreation	301,244	47,857	-	-
Education	2,025,011	-	137,497	215,738
Interest on long-term debt	33,899	-	-	-
Total governmental activities	15,366,033	2,769,649	3,730,739	1,121,610
Business-type activities:				
Sanitation	1,154,094	1,175,330	-	-
Water	1,162,085	1,205,318	-	-
Total business-type activities	2,316,179	2,380,648	-	-
Total primary government	\$ 17,682,212	\$ 5,150,297	\$ 3,730,739	\$ 1,121,610
Component unit:				
ABC Board	\$ 637,213	\$ 629,129	\$ -	\$ -

General revenues:

Taxes:

Property taxes, levied for general purpose
Local option sales tax
Other taxes and licenses

Investment earnings, unrestricted
Miscellaneous

Transfers

Total general revenues, special items and transfers

Change in net position

Net position-beginning

Net position-ending

<u>Net (Expense) Revenue and Changes in Net Position</u>			
<u>Primary Government</u>			<u>Component Unit</u>
<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Washington</u>
<u>Activities</u>	<u>Activities</u>		<u>County ABC</u>
			<u>Board</u>
(\$ 2,106,996)	\$ -	(\$ 2,106,996)	
(2,798,997)	-	(2,798,997)	
174,944	-	174,944	
(1,053,924)	-	(1,053,924)	
(253,387)	-	(253,387)	
(1,671,776)	-	(1,671,776)	
(33,899)	-	(33,899)	
(7,744,035)	-	(7,744,035)	
-	21,236	21,236	
-	43,233	43,233	
-	64,469	64,469	
(7,744,035)	64,469	(7,679,566)	
			(\$ 8,084)
6,511,255	-	6,511,255	-
1,715,656	-	1,715,656	-
293,785	-	293,785	-
7,095	161	7,256	314
190,394	-	190,394	2,035
245,000	(245,000)	-	-
8,963,185	(244,839)	8,718,346	2,349
1,219,150	(180,370)	1,038,780	(5,735)
14,169,489	4,273,004	18,442,493	187,232
\$ 15,388,639	\$ 4,092,634	\$ 19,481,273	\$ 181,497

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

Washington County, North Carolina
BALANCE SHEET
Governmental Funds
June 30, 2013

EXHIBIT 3

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,601,781	\$ 714,604	\$ 3,316,385
Restricted cash	44,799	-	44,799
Receivables, net	2,440,154	130,718	2,570,872
Prepaid expenses	20,000	-	20,000
Internal balances	389,573	(389,573)	-
Total assets	\$ 5,496,307	\$ 455,749	\$ 5,952,056
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 81,061	\$ 1,909	\$ 82,970
 DEFERRED INFLOWS OF RESOURCES			
	1,241,196	-	1,241,196
 Fund balances:			
Nonspendable:			
Prepaid expenses	20,000	-	20,000
Restricted:			
State Statute	1,646,527	130,718	1,777,245
Register of Deeds	4,402	-	4,402
Economic and physical development	-	115,133	115,133
Construction purposes	-	218,761	218,761
Committed:			
Tax Revaluation	44,722	-	44,722
Unassigned	2,458,399	(10,772)	2,447,627
Total fund balances	4,174,050	453,840	4,627,890
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,496,307	\$ 455,749	

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.	10,809,690
Deferred inflows of resources for taxes and special assessments receivable	1,183,200
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(1,232,141)
Net position of governmental activities	\$ 15,388,639

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

Washington County, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2013

EXHIBIT 4

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 6,423,969	\$ -	\$ 6,423,969
Local option sales taxes	1,715,656	-	1,715,656
Other taxes and licenses	103,071	190,714	293,785
Unrestricted intergovernmental	33,733	-	33,733
Restricted intergovernmental	3,852,991	905,872	4,758,863
Permits and fees	218,720	-	218,720
Sales and services	2,688,426	-	2,688,426
Investment earnings	7,095	-	7,095
Miscellaneous	111,900	-	111,900
Total revenues	15,155,561	1,096,586	16,252,147
EXPENDITURES			
Current:			
General government	2,105,687	-	2,105,687
Public safety	3,178,523	94,133	3,272,656
Economic and physical development	445,615	621,108	1,066,723
Human services	6,592,373	-	6,592,373
Cultural and recreation	293,197	-	293,197
Intergovernmental:			
Education	2,025,011	-	2,025,011
Debt service:			
Principal	90,351	18,610	108,961
Interest	28,157	5,742	33,899
Total expenditures	14,758,914	739,593	15,498,507
Excess (deficiency) of revenues over expenditures	396,647	356,993	753,640
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	317,114	-	317,114
Transfers to other funds	-	(72,114)	(72,114)
Installment purchase obligation issued	91,492	-	91,492
Sale of capital assets	750	-	750
Total other financing sources (uses)	409,356	(72,114)	337,242
Net change in fund balance	806,003	284,879	1,090,882
Fund balances - beginning	2,978,474	558,534	3,537,008
Prior period adjustment	389,573	(389,573)	-
Fund balances - ending	\$ 4,174,050	\$ 453,840	\$ 4,627,890

(continued)

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

Washington County, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Governmental Funds
For the Year Ended June 30, 2013

EXHIBIT 4 (continued)

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

Net changes in fund balances - total governmental funds	\$	1,090,882
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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 capital outlay exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized		517,604
Depreciation expense for governmental assets	(465,504)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds

Change in deferred revenue for tax revenues		87,286
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The issuance of long-term debt provides current 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.

Principal payments on long-term debt		108,961
Installment purchase obligation issued	(91,492)

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.

Compensated absences		(8,393)
Net pension obligation	(20,194)

Total changes in net position of governmental activities	\$	<u>1,219,150</u>
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The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual - General Fund
For the Year Ended June 30, 2013

EXHIBIT 5

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 6,381,262	\$ 6,424,262	\$ 6,423,969	(\$ 293)
Local option sales tax	1,597,000	1,597,000	1,715,656	118,656
Other taxes and licenses	138,433	128,433	103,071	(25,362)
Unrestricted intergovernmental	37,000	37,000	33,733	(3,267)
Restricted intergovernmental	3,796,409	4,149,441	3,852,991	(296,450)
Permits and fees	182,000	226,500	218,720	(7,780)
Sales and services	1,714,558	2,410,300	2,688,426	278,126
Investment earnings	10,000	10,000	7,071	(2,929)
Miscellaneous	147,207	139,291	111,900	(27,391)
Total revenues	<u>14,003,869</u>	<u>15,122,227</u>	<u>15,155,537</u>	<u>33,310</u>
EXPENDITURES				
Current:				
General government	1,978,563	2,178,176	2,029,614	148,562
Public safety	3,280,313	3,452,123	3,178,523	273,600
Economic and physical development	457,547	458,507	445,615	12,892
Human services	6,429,891	7,063,759	6,592,373	471,386
Cultural and recreational	298,647	305,582	293,197	12,385
Intergovernmental:				
Education	1,841,359	2,025,011	2,025,011	-
Debt service:				
Principal retirement	90,351	90,351	90,351	-
Interest and other charges	27,910	28,240	28,157	83
Total expenditures	<u>14,404,581</u>	<u>15,601,749</u>	<u>14,682,841</u>	<u>918,908</u>
Revenues over (under) expenditures	(432,820)	(479,522)	472,696	952,218
Other financing sources (uses):				
Transfers to other funds	-	-	(81,600)	(81,600)
Transfers from other funds	329,736	317,114	317,114	-
Sale of capital assets	5,000	5,000	750	(4,250)
Installment purchase obligation issued	-	91,432	91,492	60
Total other financing sources (uses)	<u>334,736</u>	<u>413,546</u>	<u>327,756</u>	<u>(85,790)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(65,976)	(65,976)	800,452	866,428
Appropriated fund balance	<u>65,976</u>	<u>65,976</u>	<u>-</u>	<u>(65,976)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>800,452</u>	<u>\$ 800,452</u>
Fund balances:				
Beginning of year, July 1			2,939,253	
Prior period adjustment			<u>389,573</u>	
End of year, June 30			<u>\$ 4,129,278</u>	

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

Washington County, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual
For the Year Ended June 30, 2013

EXHIBIT 5-A

Amounts reported to General Fund balance are different because legally budgeted Tax Mapping and Revaluation Fund is consolidated into the General Fund for reporting purposes:

Ending Fund Balance		\$ 4,129,278
Tax Mapping and Revaluation Fund		
Transfer from General Fund	81,600	
Investment earnings	24	
Operating expenditures	(76,073)	
Fund balance, beginning	<u>39,221</u>	
		<u>44,772</u>
Ending Fund Balance (Exhibit 4)		<u>\$ 4,174,050</u>

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

Washington County, North Carolina
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2013

EXHIBIT 6

ASSETS	Enterprise Funds		
	Sanitation Fund	Water Fund	Total
Current assets:			
Cash and cash equivalents	\$ 281,503	\$ 541,131	\$ 822,634
Receivables, net	493,563	155,160	648,723
Inventories	-	16,895	16,895
Total current assets	<u>775,066</u>	<u>713,186</u>	<u>1,488,252</u>
Non-current assets:			
Capital assets:			
Land, improvements, and construction in progress	294,294	35,864	330,158
Other capital assets, net of depreciation	<u>151,962</u>	<u>7,243,638</u>	<u>7,395,600</u>
Total capital assets	<u>446,256</u>	<u>7,279,502</u>	<u>7,725,758</u>
Total assets	<u>1,221,322</u>	<u>7,992,688</u>	<u>9,214,010</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	51,446	1,771	53,217
Customer deposits	-	123,662	123,662
Compensated absences	-	12,701	12,701
Revenue bonds payable	-	204,034	204,034
Total current liabilities	<u>51,446</u>	<u>342,168</u>	<u>393,614</u>
Non-current liabilities:			
Compensated absences	4,239	11,377	15,616
Revenue bonds payable	-	4,712,146	4,712,146
Total non-current liabilities	<u>4,239</u>	<u>4,723,523</u>	<u>4,727,762</u>
Total liabilities	<u>55,685</u>	<u>5,065,691</u>	<u>5,121,376</u>
 NET POSITION			
Net investment in capital assets	446,256	2,363,322	2,809,578
Unrestricted	<u>719,381</u>	<u>563,675</u>	<u>1,283,056</u>
Total net position	<u>\$ 1,165,637</u>	<u>\$ 2,926,997</u>	<u>\$ 4,092,634</u>

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

Washington County, North Carolina
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Proprietary Funds
For the Year Ended June 30, 2013

EXHIBIT 7

	Enterprise Funds		Total
	Sanitation Fund	Water Fund	
OPERATING REVENUES			
Charges for services	\$ 1,175,330	\$ 1,163,607	\$ 2,338,937
Tap and connection fees	-	41,711	41,711
Total operating revenues	<u>1,175,330</u>	<u>1,205,318</u>	<u>2,380,648</u>
OPERATING EXPENSES			
Landfill and collections	1,132,952	-	1,132,952
Operation and maintenance	-	477,799	477,799
Treatment plant	-	217,331	217,331
Depreciation	21,142	219,378	240,520
Total operating expenses	<u>1,154,094</u>	<u>914,508</u>	<u>2,068,602</u>
Operating income (loss)	<u>21,236</u>	<u>290,810</u>	<u>312,046</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest on investments	-	161	161
Interest and other charges	-	(247,577)	(247,577)
Total non-operating revenue (expenses)	<u>-</u>	<u>(247,416)</u>	<u>(247,416)</u>
Income (loss) before transfers	21,236	43,394	64,630
Transfers to other funds	(55,000)	(190,000)	(245,000)
Change in net position	<u>(33,764)</u>	<u>(146,606)</u>	<u>(180,370)</u>
Total net position - beginning	<u>1,199,401</u>	<u>3,073,603</u>	<u>4,273,004</u>
Total net position - ending	<u>\$ 1,165,637</u>	<u>\$ 2,926,997</u>	<u>\$ 4,092,634</u>

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

Washington County, North Carolina
STATEMENT OF CASH FLOWS
Enterprise Fund
For the Year Ended June 30, 2013

EXHIBIT 8

	Sanitation Fund	Water Fund	Total
<u>Cash flows from operating activities:</u>			
Cash received from customers	\$ 1,262,058	\$ 1,215,677	\$ 2,477,735
Cash paid for goods and services	(1,052,245)	(295,783)	(1,348,028)
Cash paid to employees for services	(107,910)	(399,801)	(507,711)
Customer deposits received	-	8,746	8,746
Customer deposits returned	-	(5,116)	(5,116)
	101,903	523,723	625,626
<u>Cash flows from non-capital financing activities:</u>			
Transfers out	(55,000)	(190,000)	(245,000)
<u>Cash flows from capital and related financing activities:</u>			
Principal paid on bond maturities	-	(101,075)	(101,075)
Interest paid on bond maturities	-	(247,577)	(247,577)
Net cash provided (used) by capital and related financing activities	-	(348,652)	(348,652)
<u>Cash flows from investing activities:</u>			
Interest on investments	-	161	161
Net increase (decrease) in cash and cash equivalents	46,903	(14,768)	32,135
Cash and cash equivalents, July 1	234,600	555,899	790,499
Cash and cash equivalents, June 30	\$ 281,503	\$ 541,131	\$ 822,634

(continued)

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

Washington County, North Carolina
STATEMENT OF CASH FLOWS
Enterprise Fund
For the Year Ended June 30, 2013

EXHIBIT 8 (continued)

	<u>Sanitation Fund</u>	<u>Water Fund</u>	<u>Total</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>			
Operating income (loss)	\$ 21,236	\$ 290,810	\$ 312,046
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	21,142	219,378	240,520
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	86,728	10,359	97,087
(Increase) decrease in inventory	-	140	140
Increase (decrease) in accounts payable and accrued liabilities	(23,820)	(3,102)	(26,922)
Increase (decrease) in customer deposits	-	3,630	3,630
Increase (decrease) in accrued vacation pay	(3,383)	2,508	(875)
Total adjustments	<u>80,667</u>	<u>232,913</u>	<u>313,580</u>
Net cash provided by operating activities	<u>\$ 101,903</u>	<u>\$ 523,723</u>	<u>\$ 625,626</u>

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

Washington County, North Carolina
STATEMENT OF FIDUCIARY NET POSITION
Fiduciary Funds
June 30, 2013

EXHIBIT 9

ASSETS	<u>Agency Fund</u>
Cash and cash equivalents	\$ <u>63,979</u>
 LIABILITIES AND NET POSITION	
Liabilities:	
Miscellaneous liabilities	\$ <u>63,979</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Washington County and its component units 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 five-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 units, legally separate entities for which the County is financially accountable. Washington County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Washington County ABC Board (the *Board*), which has a June 30 year-end, is presented as if it is a separate proprietary fund of the County (discrete presentation).

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Washington County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Washington County ABC Board	Discrete	The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.	Washington County ABC Board 696 U.S. Hwy. 64 East Plymouth, NC 27962

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component units. 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.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

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

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

Sanitation Fund. This fund accounts for the operation, maintenance, and development of various landfills and disposal sites.

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

The County reports the following fund types:

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 the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals, the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County, the Detention Center Fund, which accounts for moneys deposited with the Jail for the benefit of certain individuals and the Motor Vehicle Interest Fund, which is the 3% interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

Non-major Funds. The County maintains seven legally budgeted funds. The Emergency Telephone System Fund, Drainage Fund, and Community Development Block Grants Fund are reported as non-major special revenue funds. The Commerce Center Project, Airport Grant Capital Projects, and Health Clinic Construction Project are reported as capital project funds.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

Measurement Focus, Basis of Accounting

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

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

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

Measurement Focus, Basis of Accounting (continued)

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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Washington County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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

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

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Emergency Telephone, Drainage, and Tax Mapping and Revaluation Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Project Special Revenue Fund and the Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

The County and the ABC Board's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The money in the Tax Mapping and Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity (continued)

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, 2010. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

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. Inventories and Prepaid Items

The inventories of the County and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory of the County's enterprise funds as well as those of the ABC Board consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds and that of the ABC Board is recorded as an expense as it is consumed or sold.

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 their estimated fair value at the date of donation. Minimum capitalization costs are \$5,000 for all capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Washington County Board of Education properties that have not been included in 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 after 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 Washington County Board of Education.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity (continued)

7. Capital Assets (continued)

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

	Years
Buildings	50
Improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment	3

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	Years
Buildings	10-20
Furniture and equipment	10
Vehicles	3-5

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has no items that meet this criterion. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only one item that meets this category – prepaid taxes.

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 on the statements of net position.

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

10. Compensated Absences

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

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity (continued)

10. Compensated Absences (continued)

The sick leave policies of the County and the ABC Board 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 none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is 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 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.

Prepaid expenses – portion of fund balance that is not an available resource because it represents the year end balance of prepaid expenses which is not a spendable resource

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

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

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

Restricted for Economic and Physical Development – portion of fund balance that is restricted by revenue source for economic and physical development expenditures.

Restricted for Construction Purposes – portion of fund balance that is restricted for capital project construction purposes.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote of Washington 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.

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

Washington County does not have a board-approved fund balance policy.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity (continued)

11. Net Position/Fund Balances (continued)

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

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 fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$10,760,749 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
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)	\$ 15,682,273
Less accumulated depreciation	(4,872,583)
Net capital assets	10,809,690
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	1,183,200
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(766,743)
Compensated absences	(395,538)
Net pension obligation	(69,860)
Total adjustment	<u>\$ 10,760,749</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Reconciliation of Government-wide and Fund Financial Statements (continued)

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 net 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. There are several elements of that total adjustment of \$128,268 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 517,604
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.	(465,504)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net position	(91,492)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	108,961
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.	
Net pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(20,194)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(8,393)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Increase in deferred inflows of resources- taxes receivable – at year end	87,286
Total adjustment	\$ 128,268

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Noncompliance with North Carolina General Statutes

The County adopted an unbalanced budget transfer from the General Fund to the Tax Mapping and Revaluation Fund. This transfer violated General Statute 159-28(b) as they were unbalanced between the funds.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the County's and the ABC Board'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 ABC Board's agents in these units' names. 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 ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial risk for deposits.

At June 30, 2013, the County's deposits had a carrying amount of \$2,199,937 and a bank balance of \$2,563,866. Of the bank balance, \$639,035 was covered by federal depository insurance and \$1,924,831 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2013, Washington County had \$1,450 cash on hand.

At June 30, 2013, the carrying amount of deposits for Washington County ABC Board was \$196,407 and the bank balance was \$193,238. All of the bank balance was covered by federal depository insurance. At June 30, 2013, the Board's petty cash totaled \$1,200.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

2. Investments

At June 30, 2013, the County's investment balances were as follows:

At June 30, 2013, Washington County had \$2,046,410 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a rating of AAAM by Standard and Poor's. The County has no formal policy regarding credit risk.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 276,941	\$ 90,707	\$ 367,648
2011	277,254	65,853	343,107
2012	287,623	42,427	330,050
2013	<u>313,350</u>	<u>18,018</u>	<u>331,368</u>
Total	<u>\$ 1,155,168</u>	<u>\$ 217,005</u>	<u>\$ 1,372,173</u>

4. Receivables

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

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due From Other Governments</u>	<u>Total</u>
Governmental activities:				
General	\$ 804,625	\$ 1,334,324	\$ 452,331	\$ 2,591,280
Other governmental	<u>31,839</u>	<u>-</u>	<u>98,879</u>	<u>130,718</u>
Total receivables				
Allowance for doubtful accounts	<u>-</u>	<u>(151,126)</u>	<u>-</u>	<u>(151,126)</u>
Total governmental activities	<u>\$ 836,464</u>	<u>\$ 1,183,198</u>	<u>\$ 551,210</u>	<u>\$ 2,570,872</u>
Business-type activities:				
Sanitation	\$ 527,306	\$ -	\$ 6,257	\$ 533,563
Water	225,160	-	-	225,160
Allowance for doubtful accounts	<u>(110,000)</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>
Total business-type activities	<u>\$ 642,466</u>	<u>\$ -</u>	<u>\$ 6,257</u>	<u>\$ 648,723</u>

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

Local option sales tax	\$ 452,331
White goods disposal tax	1,016
Scrap tire tax	4,317
Disposal tax	<u>924</u>
Total	<u>\$ 458,588</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

5. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,371,800	\$ -	\$ -	\$ 2,371,800
Construction in progress	<u>896,866</u>	<u>161,535</u>	-	<u>1,058,401</u>
Total capital assets not being depreciated	<u>3,268,666</u>	<u>161,535</u>	-	<u>3,430,201</u>
Capital assets being depreciated:				
Buildings	7,945,089	3,679	-	7,948,768
Furniture and equipment	2,470,489	63,680	-	2,534,169
Vehicles & motor equipment	<u>1,480,425</u>	<u>288,710</u>	-	<u>1,769,135</u>
Total capital assets being depreciated	<u>11,896,003</u>	<u>356,069</u>	-	<u>12,252,072</u>
Less accumulated depreciation for:				
Buildings	2,006,033	26,114	-	2,032,147
Furniture and equipment	1,650,034	15,640	-	1,665,674
Vehicles & motor equipment	<u>751,012</u>	<u>423,750</u>	-	<u>1,174,762</u>
Total accumulated depreciation	<u>4,407,079</u>	<u>\$ 465,504</u>	<u>\$ -</u>	<u>4,872,583</u>
Total capital assets being depreciated, net	<u>7,488,924</u>			<u>7,379,489</u>
Governmental activity capital assets, net	<u>\$ 10,757,590</u>			<u>\$ 10,809,690</u>

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

General government	\$ 112,167
Public safety	197,329
Economic and physical development	8,050
Human services	143,159
Cultural and recreational	<u>4,799</u>
Total depreciation expense	<u>\$ 465,504</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

5. Capital Assets (continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<u>Sanitation</u>				
Capital assets not being depreciated:				
Land	\$ 294,294	\$ -	\$ -	\$ 294,294
Capital assets being depreciated:				
Furniture & maintenance equipment	287,444	-	-	287,444
Vehicles	58,879	-	-	58,879
Total capital assets being depreciated	<u>346,323</u>	<u>-</u>	<u>-</u>	<u>346,323</u>
Less accumulated depreciation for:				
Furniture & maintenance equipment	117,720	21,142	-	138,862
Vehicles	55,499	-	-	55,499
Total accumulated depreciation	<u>173,219</u>	<u>21,142</u>	<u>-</u>	<u>194,361</u>
Total capital assets being depreciated, net	<u>173,104</u>			<u>151,962</u>
Landfill capital assets, net	<u>467,398</u>			<u>446,256</u>
<u>Water</u>				
Capital assets not being depreciated:				
Land	35,864	-	-	35,864
Capital assets being depreciated:				
Plant and distribution systems	10,510,703	-	-	10,510,703
Furniture & maintenance equipment	183,766	-	-	183,766
Vehicles	87,361	-	-	87,361
Total capital assets being depreciated	<u>10,781,830</u>	<u>-</u>	<u>-</u>	<u>10,781,830</u>
Less accumulated depreciation for:				
Plant & distribution systems	3,080,367	210,522	-	3,290,889
Furniture & maintenance equipment	151,917	5,392	-	157,309
Vehicles	86,530	3,464	-	89,994
Total accumulated depreciation	<u>3,318,814</u>	<u>\$ 219,378</u>	<u>\$ -</u>	<u>3,538,192</u>
Total capital assets being depreciated, net	<u>7,463,016</u>			<u>7,243,638</u>
Washington County Water capital assets, net	<u>7,498,880</u>			<u>7,279,502</u>
Business-type activities capital assets, net	<u>\$ 7,966,278</u>			<u>\$ 7,725,758</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

5. Capital Assets (continued)

Construction Commitments

The government has one construction project as of June 30, 2013. The project is for the County airport. At June 30, 2013, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Airport Construction Grant	\$ 1,058,401	\$ 391,281

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 4,692	\$ -	\$ -	\$ 4,692
Capital assets being depreciated:				
Buildings	63,998	4,275	-	68,273
Furniture and equipment	74,212	572	-	75,784
Total capital assets being depreciated	138,210	4,847	-	144,057
Less accumulated depreciation for:				
Buildings	58,106	1,400	-	59,506
Furniture and equipment	62,649	3,619	-	66,268
Total accumulated depreciation	120,755	\$ 5,019	\$ -	125,774
Total capital assets being depreciated, net	17,455			18,283
ABC capital assets, net	\$ 22,147			\$ 22,975

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities

1. Payables

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

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General	\$ 51,966	\$ 29,095	\$ 81,061
Other governmental	<u>1,909</u>	<u>-</u>	<u>1,909</u>
Total governmental activities	<u>\$ 53,875</u>	<u>\$ 29,095</u>	<u>\$ 82,970</u>
Business-type activities			
Sanitation	\$ 49,818	\$ 1,628	\$ 51,446
Water Fund	<u>1,688</u>	<u>83</u>	<u>1,771</u>
Total business-type activities	<u>\$ 51,506</u>	<u>\$ 1,711</u>	<u>\$ 53,217</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The County and the ABC Board are 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 12.04% and 12.07%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.74% of annual covered payroll. The contribution requirements of members and of Washington County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$633,263, \$646,291, and \$619,485, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$4,697, \$4,794, and \$4,429, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Washington 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 .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	21
Total	21

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25%-7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

3. Contributions. (continued)

Annual Pension Cost and Net Pension Obligation. The County's annual pension cost and net pension obligation to the separation allowance for the current year were as follows:

Employer annual required contribution	\$	20,802
Interest on net pension obligation		2,483
Adjustment to annual required contribution		(3,091)
Annual pension cost		20,194
Contributions made		-
Increase (decrease) in net pension obligation		20,194
Net pension obligation, beginning of year		49,666
Net pension obligation, end of year		<u>\$ 69,860</u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligated
2011	20,693	59.13%	34,610
2012	19,702	23.58%	49,666
2013	20,194	0.00%	69,860

4. Funded Status and Funding Progress.

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$128,502. The covered payroll (annual payroll of active employees covered by the plan) was \$659,535, and the ratio of the UAAL to the covered payroll was 19.48%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. For non-law enforcement employees, the County will match up to 3% of their salaries when employees withhold a minimum of \$20 each month. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$46,297 for law enforcement officers and \$233,410 for non-law enforcement employees with the County's contribution being \$35,955 for law enforcement and \$120,082 for non-law enforcement. The employee's contribution was \$10,342 from law enforcement and \$113,328 for non-law enforcement.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Washington 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 four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S.161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2013, the County's required and actual contributions were \$711.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

e. Other Post-Employment Benefits

1. Death Benefit Plan

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2013, the County made contributions to the State for death benefits of \$5,689. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

2. Post-Employment Healthcare Benefits

Plan Description. The post-employment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Major Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section as 919-981-5454.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

e. Other Post-Employment Benefits (continued)

2. Post-Employment Healthcare Benefits (continued)

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establishes premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal year ended June 30, 2013 and 2012, the County paid all annual required contributions to the Plan for post-employment healthcare benefits in the amount of \$256,032 and \$258,878, respectively. The contributions represented 4.5% of covered payroll.

3. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 57,996
Taxes receivable, net (General)	1,183,200	-
Total	\$ 1,183,200	\$ 57,996

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

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 one self-funded risk-financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$1 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, workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request. The pool is reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. The pool is reinsured through commercial carrier for individual losses in excess of \$100,000.

The County carries flood insurance on one building through Fidelity National Property and Casualty Insurance Company. Of the County's assets this building is the only property that is located in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency. The County is eligible to and has purchased flood insurance coverage for the building and contents in the amount of \$67,200.

In accordance with G.S. 159-29, the County's employees who have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and tax collector are individually bonded for \$100,000 each. The Register of Deeds collector is individually bonded for \$50,000. The remaining employees who have access to funds are bonded under a blanket bond for \$250,000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The County also participates in the State's Comprehensive Major Medical Plan (also referred to as the State Health Plan), a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Participants in the Plan include all full-time agency employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). The County pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan. As of June 30, 2012, the County had 166 active participants in the Plan. The Plan provides medical coverage with no lifetime maximum. The Insurance Plan Administrator for the fiscal year ended June 30, 2012 was North Carolina State Health Plan for medical.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

4. Risk Management (continued)

Washington County ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability coverage. 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. Contingent Liabilities

At June 30, 2013, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

Retiree Health Care and LGERS

On July 1, 2005, the County joined the North Carolina State Employees Health Plan (SHP) as a participating member. The County chose to cover both its current and retired employees that met their internal requirements for receiving this benefit. The County's internal requirements for retired employees at that time required County employees to have twenty years of service to receive retiree health insurance benefits while State employees under the SHP only needed five years of service to receive retiree health insurance benefits. It was the County's understanding upon joining SHP that the County had the option to keep its internal requirements for retired employees and that the County would pay a set monthly premium for each participating retired employee as opposed to paying a percentage of active payroll as other state agencies did at the time. The County began receiving and paid monthly invoices from the State Health Plan effective July 1, 2005 for the premiums on these retired employees. The Notice of Employer Contribution Rates which the County received from the North Carolina Department of State Treasurer Retirement Services' Division for FY 2005-2006 and FY 2006-2007 did not include any percentage of payroll requirements for retiree health insurance coverage.

During fiscal year 2007-2008, the County became aware that G.S. 135-40, the statute that allowed certain local governments to participate in the SHP, was interpreted to mean that all member units were to pay a percentage of payroll to the LGERS for retiree health coverage. The County paid the premiums for its retiree coverage directly to SHP, based upon a per participant rate, beginning July 1, 2005 until June 30, 2008, in lieu of paying the stated percentage of payroll to LGERS. The net difference of the amount paid to SHP and the accumulated amount due under the percentage of payroll calculation is \$350,336. It is not known at this time if the County will be required to pay this amount to LGERS or when any repayment may occur. Beginning July 1, 2008, the County began paying the required percentage of payroll to LGERS and ceased paying premiums directly to SHP for its retiree coverage.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations

a. Installment Purchase

The County has entered into five installment purchase contracts as of June 30, 2013.

The first contract was entered into in March 2004 to finance a fire truck. The contract requires fifteen annual installments of \$18,186 including interest at 2.79%. The second contract was entered into in February 2007 for a fire truck. The contract calls for 10 annual payments of \$17,012 including interest of 4.07%. The third contract was entered into in September 2010 for the purchase of an ambulance. The contract calls for seven annual installments of \$13,217 including interest of 2.92%. The fourth contract was entered into in February 2011 for the construction of a building at the Commerce Center. The contract calls for ten annual installments of \$50,000 plus interest at 4.41%. The final contract was entered into in May 2011 for the purchase of communication equipment. The contract calls for five annual installments of \$24,351 including interest.

The future minimum payments of the installment purchases as of June 30, 2013, including interest, are as follows:

Year Ending June 30	Governmental activities	
	Principal	Interest
2014	\$ 129,854	\$ 30,029
2015	132,761	24,917
2016	135,787	19,683
2017	114,583	14,333
2018	86,276	10,207
2019-2021	167,482	13,719
Total present value of minimum payments	\$ 766,743	
Total interest payments		\$ 112,888

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

b. Revenue Bonds

In October 1995, the County issued a \$1,010,000 water revenue bond with a term of 39 years to finance its water works extension project. The interest rate on the bonds is 5.25% and is payable annually on June 1. The balance due at June 30, 2013 was \$776,180. The revenue bonds, which mature June 2034, are reported in the water fund because the principal and interest are payable from the net revenues of the proprietary fund type. The taxing power of the County is not pledged for the payment of the principal or interest on the revenue bonds, and no owner has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the bond order.

In December 2000, the County issued a \$4,849,000 water revenue bond with a term of 40 years to finance its water works extension project. The interest rate on the bonds is 4.875% and is payable annually on June 1. The balance due at June 30, 2013 was \$4,140,000. The revenue bonds, which mature June 2040, are reported in the water fund because the principal and interest are payable from the net revenues of the proprietary fund type. The taxing power of the County is not pledged for the payment of the principal or interest on the revenue bonds, and no owner has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the bond order.

On August 16, 2013, the County issued \$4,916,180 of water revenue advance refunding bonds for the 1995 and 2000 bonds mentioned above. The interest rate on the bonds is 3.89% and is payable annually on June 1. The revenue bonds mature on June 1, 2033.

The future payments of the revenue bond requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2014	\$ 204,034	\$ 151,398
2015	172,129	183,302
2016	178,825	176,607
2017	185,782	169,650
2018	193,009	162,423
2019-2023	1,083,678	693,482
2024-2028	1,311,502	465,659
2029-2033	1,587,221	189,938
Total	\$ 4,916,180	\$ 2,192,459

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

b. Revenue Bonds (continued)

The County has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 5.01 of the Bond Order, authorizing the issuance of the Water Revenue Bonds. Section 5.01 of the Bond Order requires the debt service coverage ratio to be no less than 120%. The debt service coverage ratio calculation for the year ended June 30, 2013, is as follows:

Operating revenues	\$ 1,205,318
Operating expenses *	<u>695,130</u>
Operating income	510,188
Non operating revenues **	<u>161</u>
Income available for debt service	<u>\$ 510,349</u>
Debt service, principal and interest paid	\$ 348,652
Debt service coverage ratio	<u>146.38%</u>

* Per rate covenants, this does not include the depreciation expense of \$219,378.

** Per rate covenants, this does not include revenue bond interest paid of \$247,577.

c. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Installment purchase	\$ 784,212	\$ 91,492	\$ 108,961	\$ 766,743	\$ 129,854
Compensated absences	387,145	126,879	118,486	395,538	160,000
Net pension obligation	<u>49,666</u>	<u>20,194</u>	<u>-</u>	<u>69,860</u>	<u>-</u>
Total governmental activities	<u>\$ 1,221,023</u>	<u>\$ 238,565</u>	<u>\$ 227,447</u>	<u>\$ 1,232,141</u>	<u>\$ 289,854</u>
Business-type activities:					
Revenue bonds	\$ 5,017,255	\$ -	\$ 101,075	\$ 4,916,180	\$ 204,034
Compensated absences	<u>29,192</u>	<u>7,888</u>	<u>8,763</u>	<u>28,317</u>	<u>12,701</u>
Total business-type activities	<u>\$ 5,046,447</u>	<u>\$ 7,888</u>	<u>\$ 109,838</u>	<u>\$ 4,944,497</u>	<u>\$ 216,735</u>

Compensated absences and net pension obligations 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.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

C. Interfund Balances and Activity

Transfers to/from other funds

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

To the General Fund from the Emergency Telephone System Fund to assist in administrative expenses	\$ 72,114
To the General Fund from the Sanitation Fund to assist in administrative expenses	55,000
To the General Fund from the Water Fund to assist in administrative expenses	<u>190,000</u>
Total	<u>\$ 317,114</u>

Due to the General Fund from the Emergency Telephone System to reimburse eligible expenditures reported in prior years	<u>\$ 389,573</u>
--	-------------------

D. Fund Balance

Washington County has a revenue spending policy that provides a policy for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The finance officer has the authority to deviate from this policy if it is in the best interest of the County.

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

Total fund balance – General Fund	\$ 4,174,050
Less:	
Prepaid expenses	20,000
Stabilization by State Statute	1,646,527
Register of Deeds	4,402
Tax Revaluation	<u>44,722</u>
Remaining Fund Balance	<u>\$ 2,458,399</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 4 – JOINT VENTURES

The County participates in a joint venture to operate Pettigrew Regional Library with four other local governments. Each participating local government appoints one board member to the five member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2013. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$158,701 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 201 E. 3rd Street, Plymouth, NC 27962.

The County also participates in a joint venture to operate Martin, Tyrell, Washington Health Department with two other local governments. The County government appoints five board members to the fifteen member board of the Health Department. The County has an ongoing financial responsibility for the joint venture because the Health Department's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Health Department, so no equity interest has been reflected in the financial statements at June 30, 2013. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$131,619 to the Health Department to supplement its activities. Complete financial statements for the Health Department can be obtained from their offices at Highway 45 N, Plymouth, NC 27962.

The County also participates in a joint venture to operate East Carolina Behavioral Health Center with eighteen other local governments. Each participating local government appoints four board members to the twenty member board of East Carolina Behavioral Health Center. The County has an ongoing financial responsibility for the joint venture because East Carolina Behavioral Health Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in East Carolina Behavioral Health Center, so no equity interest has been reflected in the financial statements at June 30, 2013. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$27,956 to East Carolina Behavioral Health Center to supplement its activities. Complete financial statements for East Carolina Behavioral Health Center can be obtained from their office at Middle Street, New Bern, NC 28563.

NOTE 5 – JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with nine other counties and fourteen municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid membership fees of \$8,596 to the Commission during the fiscal year ended June 30, 2013.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2013

NOTE 6 – 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 this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	Federal	State
Temporary assistance to needy families	\$ 121,044	\$ -
Medicaid	15,482,422	8,701,741
Adoption assistance	111,147	29,333
Adult assistance	-	132,864
Title IV-E, foster care	13,367	3,532
CWS adoption benefits	-	5,229
Food Stamps	5,371,975	-
State Foster Care	-	4,140
	\$ 21,099,955	\$ 8,876,839
Total		

NOTE 7 – SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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 moneys.

NOTE 8 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On August 16, 2013, the County issued \$4,916,180 of water revenue advance refunding bonds for the 1995 and 2000 bonds mentioned above. The interest rate on the bonds is 3.89% and is payable annually on June 1. The revenue bonds have a twenty year term and mature on June 1, 2033. The revenue bonds are reported in the water fund because the principal and interest are payable from the net revenues of the proprietary fund type. The taxing power of the County is not pledged for the payment of the principal or interest on the revenue bonds, and no owner has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the bond order.

Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

Washington County, North Carolina
Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
12/31/1997	\$ 26,287	\$ 24,159	(\$ 2,128)	108.81%	\$ 292,161	-0.73%
12/31/1998	27,404	26,578	(826)	103.11%	299,338	-0.28%
12/31/1999	-	33,003	33,003	0.00%	398,044	8.29%
12/31/2000	-	66,239	66,239	0.00%	429,643	15.42%
12/31/2001	-	80,157	80,157	0.00%	447,915	17.90%
12/31/2002	-	80,028	80,028	0.00%	395,721	20.22%
12/31/2003	-	89,405	89,405	0.00%	436,133	20.50%
12/31/2004	-	89,636	89,636	0.00%	380,530	23.56%
12/31/2005	-	75,854	75,854	0.00%	454,330	16.70%
12/31/2006	-	181,013	181,013	0.00%	632,728	28.61%
12/31/2007	-	123,441	123,441	0.00%	724,484	17.04%
12/31/2008	-	120,626	120,626	0.00%	736,846	16.37%
12/31/2009	-	142,784	142,784	0.00%	721,220	19.80%
12/31/2010	-	123,252	123,252	0.00%	746,867	16.50%
12/31/2011	-	124,788	124,788	0.00%	735,654	16.96%
12/31/2012	-	128,502	128,502	0.00%	659,535	19.48%

Washington County, North Carolina
Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2001	\$ 6,246	0%
2002	9,882	0%
2003	11,847	0%
2004	11,740	0%
2005	11,669	0%
2006	10,751	0%
2007	9,171	0%
2008	18,650	112.97%
2009	16,438	128.17%
2010	16,809	125.34%
2011	20,693	59.13%
2012	19,072	23.58%
2013	20,497	59.13%

Notes to the Required Schedules:

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

Valuation date	12/31/12
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 – 7.85%
*Includes inflation at	3.00%
cost of living adjustments	N/A

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

Revenues:	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Ad valorem taxes:			
Taxes	\$	\$ 6,269,904	\$
Penalties and interest		154,065	
Total	<u>6,424,262</u>	<u>6,423,969</u>	(293)
Local option sales taxes:			
Article 39 and 44		678,524	
Article 40 one - half of one percent		658,661	
Article 42 one - half of one percent		378,471	
Total	<u>1,597,000</u>	<u>1,715,656</u>	118,656
Other taxes and licenses:			
Occupancy tax		101,614	
Privilege licenses		630	
Gross receipts tax		827	
Total	<u>128,433</u>	<u>103,071</u>	(25,362)
Unrestricted intergovernmental:			
Beer and wine tax	<u>37,000</u>	<u>33,733</u>	(3,267)
Restricted intergovernmental:			
State grants		608,062	
Federal grants		3,200,919	
Court facility fees		26,734	
ABC bottles taxes		17,276	
Total	<u>4,149,441</u>	<u>3,852,991</u>	(296,450)
Permits and fees:			
Building permits		68,405	
Officer and sheriff fees		65,279	
Cable franchise fees		11,657	
Register of deeds		73,379	
Total	<u>226,500</u>	<u>218,720</u>	(7,780)
Sales and services:			
School resource officer fees		137,497	
Rents, concessions, and fees		63,332	
Jail fees		221,048	
EMS fees		2,142,720	
Recreation fees		47,857	
Airport sales		75,972	
Total	<u>2,410,300</u>	<u>2,688,426</u>	278,126
Investment earnings	<u>10,000</u>	<u>7,071</u>	(2,929)
Miscellaneous:			
Other	<u>139,291</u>	<u>111,900</u>	(27,391)
Total revenues	<u>15,122,227</u>	<u>15,155,537</u>	33,310

(continued)

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

Expenditures:	<u>Budget</u>	<u>Actual</u>	(continued) Variance Positive (Negative)
General government:			
Governing body:			
Salaries and employee benefits		39,797	
Other operating expenditures		49,290	
Total	89,710	89,087	623
Administration:			
Salaries and employee benefits		303,758	
Other operating expenditures		50,315	
Total	367,409	354,073	13,336
Elections:			
Salaries and employee benefits		66,825	
Other operating expenditures		27,795	
Total	105,191	94,620	10,571
Finance:			
Salaries and employee benefits		227,077	
Other operating expenditures		62,546	
Total	295,674	289,623	6,051
Tax administration:			
Salaries and employee benefits		225,779	
Other operating expenditures		24,480	
Total	251,914	250,259	1,655
Legal and professional services:			
Contracted services	113,342	56,685	56,657
Register of deeds:			
Salaries and employee benefits		107,210	
Other operating expenditures		29,484	
Capital outlay		9,150	
Total	145,801	145,844	(43)
Facility services:			
Salaries and employee benefits		254,855	
Other operating expenditures		312,951	
Total	626,343	567,806	58,537
Information technology:			
Salaries and employee benefits		56,782	
Other operating expenditures		64,483	
Total	121,884	121,265	619
Geographic information:			
Salaries and employee benefits		51,237	
Other operating expenditures		9,115	
Total	60,908	60,352	556
Total general government	2,178,176	2,029,614	148,562 (continued)

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		1,263,127	
Other operating expenditures		313,250	
Capital outlay		91,788	
Total	<u>1,742,706</u>	<u>1,668,165</u>	<u>74,541</u>
CJPP criminal justice:			
Salaries and employee benefits		242	
Other operating expenditures		9,785	
Total	<u>74,800</u>	<u>10,027</u>	<u>64,773</u>
Detention center:			
Salaries and employee benefits		479,042	
Other operating expenditures		285,565	
Total	<u>799,519</u>	<u>764,607</u>	<u>34,912</u>
School resource officer - Union:			
Salaries and employee benefits		46,811	
Other operating expenditures		8,368	
Total	<u>58,106</u>	<u>55,179</u>	<u>2,927</u>
School resource officer - Creswell:			
Salaries and employee benefits		37,580	
Other operating expenditures		3,396	
Total	<u>44,337</u>	<u>40,976</u>	<u>3,361</u>
COPS Grant:			
Salaries and employee benefits	<u>53,792</u>	<u>53,789</u>	<u>3</u>
School resource officer - Plymouth:			
Salaries and employee benefits		45,431	
Other operating expenditures		2,779	
Total	<u>52,137</u>	<u>48,210</u>	<u>3,927</u>
Fire protection:			
Assistance to local fire departments	<u>270,660</u>	<u>270,660</u>	<u>-</u>
Planning and safety:			
Salaries and employee benefits		165,760	
Other operating expenditures		41,038	
Total	<u>270,240</u>	<u>206,798</u>	<u>63,442</u>
Medical examiner:			
Contracted services	<u>10,000</u>	<u>800</u>	<u>9,200</u>
Forestry:			
County contribution	<u>75,826</u>	<u>59,312</u>	<u>16,514</u>
Total public safety	<u>3,452,123</u>	<u>3,178,523</u>	<u>273,600</u>

(continued)

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	(continued) Variance Positive (Negative)
Economic and physical development:			
Cooperative extension service:			
Salaries and employee benefits		61,915	
Other operating expenditures		<u>27,890</u>	
Total	<u>89,521</u>	<u>89,805</u>	(284)
Economic development/planning:			
Other operating expenditures	<u>9,650</u>	<u>9,485</u>	165
Chamber of commerce:			
Salaries and employee benefits	-	<u>3,568</u>	(3,568)
Travel and tourism:			
Salaries and employee benefits		41,018	
Other operating expenditures		<u>87,999</u>	
Total	<u>138,939</u>	<u>129,017</u>	9,922
Soil and water conservation:			
Salaries and employee benefits		43,042	
Other operating expenditures		<u>6,341</u>	
Total	<u>50,648</u>	<u>49,383</u>	1,265
Airport operations:			
Salaries and employee benefits		40,320	
Other operating expenditures		<u>124,037</u>	
Total	<u>169,749</u>	<u>164,357</u>	5,392
Total economic and physical development	<u>458,507</u>	<u>445,615</u>	12,892 (continued)

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Human services:			
Contribution to District Health Department	131,619	131,619	-
Contribution to Mental Health Department	29,456	27,956	1,500
EMS:			
Salaries and employee benefits		1,295,216	
Other operating expenditures		417,932	
Capital outlay		145,156	
Total	2,089,129	1,858,304	230,825
Senior citizens center:			
Salaries and employee benefits		96,037	
Other operating expenditures		99,030	
Total	206,534	195,067	11,467
Juvenile justice:			
Other operating expenditures	82,823	81,700	1,123
Social services:			
Administration:			
Salaries and employee benefits		2,318,809	
Other operating expenditures		271,819	
Total	2,652,293	2,590,628	61,665
Day care:			
Assistance payments	737,274	703,492	33,782
Economic support:			
Other assistance programs	541,741	457,205	84,536
Social service transportation:			
Salaries and employee benefits		178,089	
Other operating expenditures		120,272	
Other operating expenditures		109,975	
Total	439,741	408,336	31,405
Community alternatives program:			
Salaries and employee benefits		77,115	
Other operating expenditures		49,092	
Total	141,183	126,207	14,976
Veterans service officer:			
Salaries and employee benefits		10,538	
Other operating expenditures		1,321	
Total	11,966	11,859	107
Total human services	7,063,759	6,592,373	471,386

(continued)

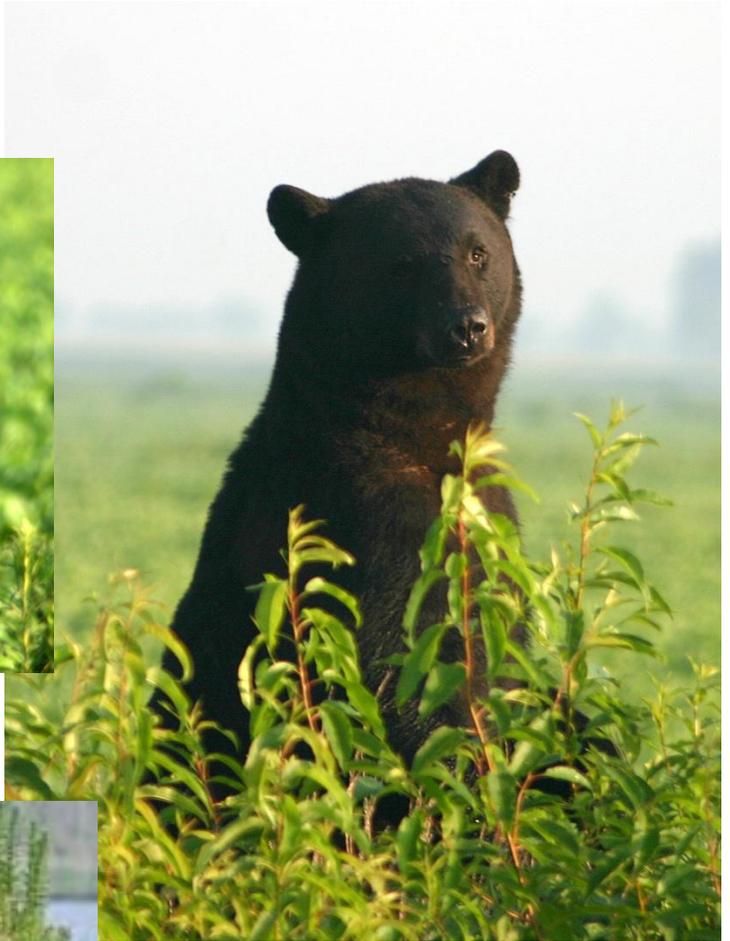
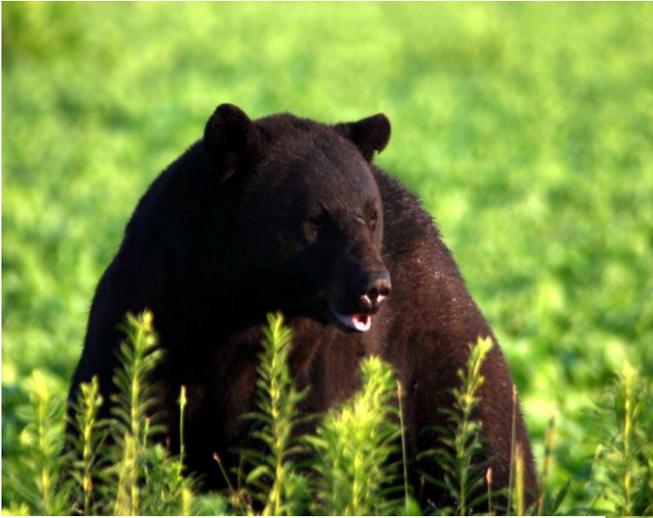
Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		81,269	
Other operating expenditures		53,227	
Total	<u>142,876</u>	<u>134,496</u>	<u>8,380</u>
Library:			
Contribution to regional library	<u>162,706</u>	<u>158,701</u>	<u>4,005</u>
Total culture and recreation	<u>305,582</u>	<u>293,197</u>	<u>12,385</u>
Education:			
Public schools - current		1,525,000	
Public schools - capital outlay		483,652	
Community colleges - current		16,359	
Total	<u>2,025,011</u>	<u>2,025,011</u>	<u>-</u>
Debt service:			
Principal retirement		90,351	
Interest and other charges		28,157	
Total	<u>118,591</u>	<u>118,508</u>	<u>83</u>
Total expenditures	<u>15,601,749</u>	<u>14,682,841</u>	<u>918,908</u>
Revenues over (under) expenditures	<u>(479,522)</u>	<u>472,696</u>	<u>952,218</u>
Other financing sources (uses):			
Transfers to other funds:			
Revaluation Fund	-	(81,600)	(81,600)
Transfers from other funds:			
Sanitation Fund	55,000	55,000	-
Water Fund	190,000	190,000	-
Emergency Telephone System Fund	<u>72,114</u>	<u>72,114</u>	<u>-</u>
Total net transfers	<u>317,114</u>	<u>235,514</u>	<u>(81,600)</u>
Sale of capital assets	5,000	750	(4,250)
Installment purchase obligation issued	<u>91,432</u>	<u>91,492</u>	<u>60</u>
Total other financing sources (uses)	<u>413,546</u>	<u>327,756</u>	<u>(85,790)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(65,976)</u>	800,452	866,428
Appropriated fund balance	<u>65,976</u>	-	<u>(65,976)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	800,452	<u>\$ 800,452</u>
Fund balances:			
Beginning of year, July 1		2,939,253	
Prior period adjustment		<u>389,573</u>	
End of year, June 30		<u>\$ 4,129,278</u>	

Washington County, North Carolina
Tax Mapping and Revaluation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 24	\$ 24
Expenditures:			
Current:			
General government:			
Professional services		72,698	
Other operating expenditures		3,375	
Total expenditures	81,600	76,073	5,527
Revenues over (under) expenditures	(81,600)	(76,049)	5,551
Other financing sources:			
Transfer in:			
General Fund	36,500	81,600	45,100
Revenues and other financing sources over (under) expenditures	(45,100)	5,551	50,651
Appropriated fund balance	45,100	-	(45,100)
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	5,551	\$ 5,551
Fund balances:			
Beginning of year, July 1		39,221	
End of year, June 30		\$ 44,772	

Black Bears in Washington County, NC



The largest concentration of black bears in the southeastern United States is on the Albemarle-Pamlico Peninsula of North Carolina, which includes Washington County. There are an estimated 8,000 bears in this area. Not only are these coastal bears abundant, but they are also huge! Black bears are fascinating animals that have captured man's attention through the millennia. They are found in abundance in Washington County ...sometimes in the middle of town!

COMBINING STATEMENTS FOR NON-MAJOR FUNDS

Special Revenue Funds

- Emergency Telephone System Fund – This fund accounts for the 911 revenues collected by the telephone industry to fund the 911 emergency system.
- Drainage Fund – This fund is used to account for special revenues received to improve drainage operations within the County.
- Community Development Block Grants – This fund is used to account for the Community Development Block Grant proceeds that are being used to renovate certain areas within the County.

Washington County, North Carolina
Combining Balance Sheet
 Non-major Governmental Funds
 June 30, 2013

	Special Revenue Funds				
	Emergency Telephone System Fund	Drainage Fund	Community Development Block Grant-2010	Community Development Block Grant-2012	Total Non-major Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 380,710	\$ 59,829	\$ 20,404	\$ 34,900	\$ 495,843
Accounts receivable, net	<u>31,668</u>	<u>-</u>	<u>171</u>	<u>-</u>	<u>31,839</u>
Total assets	<u>\$ 412,378</u>	<u>\$ 59,829</u>	<u>\$ 20,575</u>	<u>\$ 34,900</u>	<u>\$ 527,682</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,909	\$ -	\$ -	\$ -	\$ 1,909
Due to other funds	<u>389,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,573</u>
Total liabilities	<u>391,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,482</u>
Fund balances:					
Restricted:					
Stabilization by State Statute	31,668	-	171	-	31,839
Economic and physical development	-	59,829	20,404	34,900	115,133
Construction projects	-	-	-	-	-
Unassigned	(<u>10,772</u>)	<u>-</u>	<u>-</u>	<u>-</u>	(<u>10,772</u>)
Total fund balances	<u>20,896</u>	<u>59,829</u>	<u>20,575</u>	<u>34,900</u>	<u>136,200</u>
Total liabilities and fund balances	<u>\$ 412,378</u>	<u>\$ 59,829</u>	<u>\$ 20,575</u>	<u>\$ 34,900</u>	<u>\$ 527,682</u>

Capital Projects

<u>Commerce Center Project</u>	<u>Airport Grant Capital Projects</u>	<u>Health Clinic Construction Project</u>	<u>Total Non-major Capital Projects</u>	<u>Total Non-major Governmental Funds</u>
\$ 25,059	\$ 180,678	\$ 13,024	\$ 218,761	\$ 714,604
-	98,879	-	98,879	130,718
<u>\$ 25,059</u>	<u>\$ 279,557</u>	<u>\$ 13,024</u>	<u>\$ 317,640</u>	<u>\$ 845,322</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,909
-	-	-	-	389,573
-	-	-	-	391,482
-	98,879	-	98,879	130,718
-	-	-	-	115,133
25,059	180,678	13,024	218,761	218,761
-	-	-	-	(10,772)
<u>25,059</u>	<u>279,557</u>	<u>13,024</u>	<u>317,640</u>	<u>453,840</u>
<u>\$ 25,059</u>	<u>\$ 279,557</u>	<u>\$ 13,024</u>	<u>\$ 317,640</u>	<u>\$ 845,322</u>

Washington County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended June 30, 2013

	<u>Special Revenue Funds</u>				Total Non-major Special Revenue Funds
	Emergency Telephone System Fund	Drainage Fund	Community Development Block Grants-2010	Community Development Block Grant-2012	
REVENUES					
Other taxes and licenses	\$ 175,039	\$ 15,675	\$ -	\$ -	\$ 190,714
Restricted intergovernmental	-	-	429,728	37,500	467,228
Investment earnings	-	-	-	-	-
Total revenues	<u>175,039</u>	<u>15,675</u>	<u>429,728</u>	<u>37,500</u>	<u>657,942</u>
EXPENDITURES					
Current:					
Public safety	94,133	-	-	-	94,133
Economic and physical development	-	47,820	409,153	2,600	459,573
Capital outlay	-	-	-	-	-
Debt service	24,352	-	-	-	24,352
Total expenditures	<u>118,485</u>	<u>47,820</u>	<u>409,153</u>	<u>2,600</u>	<u>578,058</u>
Excess (deficiency) of revenues over expenditures	<u>56,554</u>	<u>(32,145)</u>	<u>20,575</u>	<u>34,900</u>	<u>79,884</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds General Fund	<u>(72,114)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,114)</u>
Net change in fund balances	(15,560)	(32,145)	20,575	34,900	7,770
Fund balances – beginning	426,029	91,974	-	-	518,003
Prior period adjustment	<u>(389,573)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(389,573)</u>
Fund balances – ending	<u>\$ 20,896</u>	<u>\$ 59,829</u>	<u>\$ 20,575</u>	<u>\$ 34,900</u>	<u>\$ 136,200</u>

Capital Projects

<u>Commerce Center Project</u>	<u>Airport Grant Capital Projects</u>	<u>Health Clinic Construction Project</u>	<u>Total Non-major Capital Projects</u>	<u>Total Non-major Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 190,714
-	438,644	-	438,644	905,872
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>438,644</u>	<u>-</u>	<u>438,644</u>	<u>1,096,586</u>
-	-	-	-	94,133
-	-	-	-	459,573
-	161,535	-	161,535	161,535
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,352</u>
<u>-</u>	<u>161,535</u>	<u>-</u>	<u>161,535</u>	<u>739,593</u>
<u>-</u>	<u>277,109</u>	<u>-</u>	<u>277,109</u>	<u>356,993</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,114)</u>
-	277,109	-	277,109	284,879
25,059	2,448	13,024	40,531	558,534
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(389,573)</u>
<u>\$ 25,059</u>	<u>\$ 279,557</u>	<u>\$ 13,024</u>	<u>\$ 317,640</u>	<u>\$ 453,840</u>

Washington County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Sales and services			
Telephone surcharge	\$ 175,039	\$ 175,039	\$ -
Expenditures:			
Current:			
Public safety operating expenses		94,133	
Debt service		24,352	
Total expenditures	<u>127,275</u>	<u>118,485</u>	<u>8,790</u>
Revenues over expenditures	<u>47,764</u>	<u>56,554</u>	<u>8,790</u>
Other financing sources (uses):			
Transfer out:			
General Fund	(72,114)	(72,114)	-
Revenues and other sources over (under) expenditures and other uses	(24,350)	(15,560)	8,790
Appropriated fund balance	<u>24,350</u>	<u>-</u>	<u>(24,350)</u>
Revenues, other sources and appropriated Fund balance over (under) expenditures	<u>\$ -</u>	<u>(15,560)</u>	<u>(\$ 15,560)</u>
Fund balances:			
Beginning of year, July 1		426,029	
Prior period adjustment		(389,573)	
End of year, June 30		<u>\$ 20,896</u>	

Amounts reported above are different from the PSAP Revenue-Expenditure Report because:

Net Change in Fund Balance, as reported above	(\$ 15,560)
A portion of 911 revenue received not reported on PSAP Revenue-Expenditure Report	14,587
Additional expenses recorded	(383)
Beginning balance, PSAP Revenue-Expenditure Report	<u>7,664</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 6,308</u>

Washington County, North Carolina
Drainage Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other taxes and licenses:			
Drainage assessments	\$	\$ 15,675	\$
Total revenues	73,000	15,675	(57,325)
Expenditures:			
Current:			
Economic and physical development:			
Contracted services	73,000	47,820	25,180
Revenues over (under) expenditures	\$ -	(32,145)	(\$ 32,145)
Fund balances:			
Beginning of year, July 1		91,974	
End of year, June 30		\$ 59,829	

Washington County, North Carolina
Community Development Block Grant - 2010
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Year to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Intergovernmental					
CDBG -2010	\$ 1,085,941	\$ 45,881	\$ 407,909	\$ 453,790	(\$ 632,151)
Talent enhancement	<u>85,000</u>	<u>10,000</u>	<u>21,819</u>	<u>31,819</u>	<u>(53,181)</u>
Total	<u>1,170,941</u>	<u>55,881</u>	<u>429,728</u>	<u>485,609</u>	<u>(685,332)</u>
Expenditures:					
Economic and physical development					
CDBG – 2010					
Administration	126,499	34,602	14,067	48,669	77,830
Rehabilitation	<u>1,044,442</u>	<u>21,279</u>	<u>395,086</u>	<u>416,365</u>	<u>628,077</u>
Total expenditures	<u>1,170,941</u>	<u>55,881</u>	<u>409,153</u>	<u>465,034</u>	<u>705,907</u>
Revenues over (under) expenditures	<u>\$ _____</u>	<u>\$ _____</u>	20,575	<u>\$ 20,575</u>	<u>\$ 20,575</u>
Fund balances:					
Beginning of year, July 1			_____		
End of year, June 30			<u>\$ 20,575</u>		

Washington County, North Carolina
Community Development Block Grant - 2012
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Year to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Intergovernmental					
CDBG -2012	\$ 75,000	\$ -	\$ 37,500	\$ 37,500	(\$ 37,500)
Expenditures:					
Economic and physical					
development					
CDBG – 2012					
Rehabilitation	75,000	-	2,600	2,600	72,400
Total expenditures	<u>75,000</u>	<u>-</u>	<u>2,600</u>	<u>2,600</u>	<u>72,400</u>
Revenues over (under)					
expenditures	<u>\$ -</u>	<u>\$ -</u>	34,900	<u>\$ 34,900</u>	<u>\$ 34,900</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 34,900</u>		

Washington County, North Carolina
Airport Grant Capital Projects
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and for the Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Year to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Aviation Grants	\$ 1,374,740	\$ 824,372	\$ 438,644	\$ 1,263,016	(\$ 111,724)
Expenditures:					
Construction and improvements	1,449,682	896,866	161,535	1,058,401	391,281
Revenues over (under) expenditures	(74,942)	(72,494)	277,109	204,615	279,557
Other financing sources:					
Transfer from General Fund	74,942	74,942	-	74,942	-
Revenues and other sources over (under) expenditures	\$ -	\$ 2,448	277,109	\$ 279,557	\$ 279,557
Fund balances:					
Beginning of year, July 1			2,448		
End of year, June 30			\$ 279,557		

Washington County, North Carolina
Health Clinic Construction Project
Schedule of Revenues and Expenditures – Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Project Authorization	Prior Year	Actual Current Year	Year to Date	Variance Positive (Negative)
Revenues:					
Golden Leaf Grant	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	\$ -
HRSA Grant	633,600	633,600	-	633,600	-
Creswell Rural Center Grant	71,851	71,601	-	71,601	(250)
Total	<u>1,305,451</u>	<u>1,305,121</u>	<u>-</u>	<u>1,305,201</u>	<u>(250)</u>
Expenditures:					
Architect engineer	74,568	75,915	-	75,915	(1,347)
Advertising	2,500	2,500	-	2,500	-
Surveys	19,680	20,342	-	20,342	(662)
Construction	1,208,703	1,193,420	-	1,193,420	15,283
Total	<u>1,305,451</u>	<u>1,292,177</u>	<u>-</u>	<u>1,292,177</u>	<u>13,274</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 13,024</u>	<u>-</u>	<u>\$ 13,024</u>	<u>\$ 13,024</u>
Fund balances:					
Beginning of year, July 1			<u>13,024</u>		
End of year, June 30			<u>\$ 13,024</u>		

Washington County, North Carolina
Commerce Center Project
Schedule of Revenues, and Expenditures – Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Project Authorization	Prior Year	Actual Current Year	Year to Date	Variance Positive (Negative)
Revenues:					
Golden Leaf Grant	\$ 1,216,461	\$ 1,216,461	\$ -	\$ 1,216,461	\$ -
Interest income	-	71	-	71	71
Total	<u>1,216,461</u>	<u>1,216,532</u>	<u>-</u>	<u>1,216,532</u>	<u>71</u>
Expenditures:					
Ads, permits, surveys	32,000	33,744	-	33,744	(1,744)
Soil report	16,889	16,888	-	16,888	1
Professional services	229,655	229,545	-	229,545	110
Construction	<u>1,422,035</u>	<u>1,411,296</u>	<u>-</u>	<u>1,411,296</u>	<u>10,739</u>
Total	<u>1,700,579</u>	<u>1,691,473</u>	<u>-</u>	<u>1,691,473</u>	<u>9,106</u>
Revenues over (under) expenditures	(484,118)	(474,941)	-	(474,941)	9,177
Other financing sources:					
Loan proceeds	<u>484,118</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>15,882</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 25,059</u>	<u>-</u>	<u>\$ 25,059</u>	<u>\$ 25,059</u>
Fund balances:					
Beginning of year, July 1			<u>25,059</u>		
End of year, June 30			<u>\$ 25,059</u>		

Enterprise Funds

- Sanitation Fund – accounts for the County’s solid waste activities.
- Water Fund – accounts for the activities of the County’s water activities, including the associated Capital Project Fund that is used to record capital expenditures.

Washington County, North Carolina
Enterprise Fund - Sanitation Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Solid waste fees	\$	\$ 1,116,264	\$
White goods disposal fee and grants		12,412	
Penalties		238	
Scrap tire tax and grants		42,150	
Solid waste disposal tax		4,266	
Total	1,204,908	1,175,330	(29,578)
Non-operating revenues:			
Investment earnings	-	-	()
Total revenues	1,204,908	1,175,330	(29,578)
 Expenditures:			
Landfill and collections:			
Salaries and employee benefits		107,910	
Garbage collection fees		626,558	
Landfill fees		273,527	
Scrap tire services		40,716	
Other operating expenditures		87,623	
Total	1,268,908	1,136,334	132,574
Total expenditures			
Revenues over (under) expenditures	(64,000)	38,996	102,996
Other financing uses:			
Transfers out:			
General Fund	(55,000)	(55,000)	-
Revenues and other sources over (under) expenditures and other uses	(119,000)	(16,004)	102,996
Appropriated net assets	119,000	-	(119,000)
Revenues and appropriated net assets over (under) expenditures and other uses	\$ -	(16,004)	(\$ 16,004)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(21,142)	
(Increase) decrease in accrued vacation pay		3,382	
Total reconciling items		(17,760)	
Change in net position		(\$ 33,764)	

Washington County, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water sales	\$	\$ 1,163,607	\$
Tap and connection fees		41,711	
Total operating revenues	<u>1,322,793</u>	<u>1,205,318</u>	<u>(117,475)</u>
Non-operating revenues:			
Interest earnings	<u>100</u>	<u>161</u>	<u>61</u>
Total revenues	<u>1,322,893</u>	<u>1,205,479</u>	<u>(117,414)</u>
Expenditures:			
Operation and maintenance:			
Salaries and employee benefits		272,952	
Professional services		5,533	
Other operating expenditures		196,807	
Total	<u>494,838</u>	<u>475,292</u>	<u>19,546</u>
Treatment plant:			
Salaries and employee benefits		126,849	
Utilities		26,592	
Chemicals		13,770	
Other operating expenditures		50,120	
Total	<u>254,401</u>	<u>217,331</u>	<u>37,070</u>
Debt service:			
Interest and other charges		247,577	
Debt principal		101,075	
Total	<u>398,654</u>	<u>348,652</u>	<u>50,002</u>
Total expenditures	<u>1,147,893</u>	<u>1,041,275</u>	<u>106,618</u>
Revenues over expenditures	175,000	164,204	(10,796)
Other financing sources (uses):			
Transfer out	<u>(175,000)</u>	<u>(190,000)</u>	<u>(15,000)</u>
Revenues over (under) expenditures and other uses	-	(25,796)	(25,796)

(continued)

Washington County, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Revenues and appropriated net assets over (under) expenditures and other uses	\$ <u> -</u>	(25,796)	(\$ <u>25,796</u>)
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt payments		101,075	
(Increase) decrease in accrued vacation pay		(2,507)	
Depreciation		(<u>219,378</u>)	
Total reconciling items		(<u>120,810</u>)	
Change in net position			(\$ <u>146,606</u>)

Washington County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 25,187	\$ 21,506	\$ 7,000	\$ 39,693
Liabilities:				
Miscellaneous liabilities	\$ 25,187	\$ 21,506	\$ 7,000	\$ 39,693
 <u>Detention Center</u>				
Assets:				
Cash and cash equivalents	\$ 8,675	\$ 4,136	\$ 2,421	\$ 10,390
Liabilities:				
Miscellaneous liabilities	\$ 8,675	\$ 4,136	\$ 2,421	\$ 10,390
 <u>Motor Vehicle Tax</u>				
Assets:				
Cash and cash equivalents	\$ 1,843	\$ 260,190	\$ 248,137	\$ 13,896
Liabilities:				
Miscellaneous liabilities	\$ 1,843	\$ 260,190	\$ 248,137	\$ 13,896
 <u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 35,705	\$ 285,832	\$ 257,558	\$ 63,979
Liabilities:				
Miscellaneous liabilities	\$ 35,705	\$ 285,832	\$ 257,558	\$ 63,979

Washington County, NC



Waterways Leading to the Albemarle Sound

OTHER SCHEDULES

This section includes additional information on property taxes

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Analysis of Current Tax Levy-Secondary Market Disclosures
- Ten Largest Taxpayers

Washington County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 6,384,291	\$ 5,797,054	\$ 587,237
2011-2012	552,460	5,775	310,055	248,180
2010-2011	232,534	722	74,404	158,852
2009-2010	123,394	280	32,920	90,754
2008-2009	68,455	165	13,532	55,088
2007-2008	66,184	40	11,220	55,004
2006-2007	57,542	39	13,145	44,436
2005-2006	44,261	9	8,838	35,432
2004-2005	38,191	2	6,423	31,770
2003-2004	32,918	-	5,347	27,571
2002-2003	29,722	-	29,722	-
	<u>\$ 1,245,661</u>	<u>\$ 6,391,323</u>	<u>\$ 6,302,660</u>	<u>1,334,324</u>
Less: allowance for uncollectible accounts: General Fund				(151,126)
Ad valorem taxes receivable - net: General Fund				<u>\$ 1,183,198</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 6,423,969
Reconciling items:				
Interest collected				(154,065)
Taxes written off				<u>32,756</u>
Total reconciling items				(121,309)
Total collections and credits				<u>\$ 6,302,660</u>

Washington County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Year Ended June 30, 2013

	<u>County-wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 810,678,034	.79	\$ 6,404,356	\$ 5,734,140	\$ 670,216
Penalties			<u>6,756</u>	<u>6,706</u>	<u>50</u>
Total			<u>6,411,112</u>	<u>5,740,846</u>	<u>670,266</u>
Discoveries:					
Current year taxes	<u>974,304</u>		<u>7,697</u>	<u>3,547</u>	<u>4,150</u>
Abatements	(<u>4,369,367</u>)		(<u>34,518</u>)	(<u>28,322</u>)	(<u>6,196</u>)
Total property valuation	<u>\$ 807,282,971</u>				
Net levy			6,384,291	5,716,071	668,220
Uncollected taxes at June 30, 2013			<u>587,237</u>	<u>439,662</u>	<u>147,575</u>
Current year's taxes collected			<u>\$ 5,797,054</u>	<u>\$ 5,276,409</u>	<u>\$ 520,645</u>
Current levy collection percentage			<u>90.80%</u>	<u>92.31%</u>	<u>77.92%</u>

Washington County, North Carolina
Analysis of Current Tax Levy
Count-wide Levy
For the Fiscal year Ended June 30, 2013

Secondary Market Disclosures:

Assessed Valuation:	
Assessment Ratio ¹	100%
Real Property	\$696,080,178
Personal Property	84,837,468
Public Service Companies ²	<u>36,309,333</u>
Total Assessed Valuation	817,226,979
Tax Rate per \$100	0.79
Levy (includes discoveries, releases and abatements) ³	6,384,291

¹Percentage of appraised value has ben estaglished by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³The levy includes interest and penalties.

Washington County, North Carolina
Principal Property Taxpayers
June 30, 2013

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2012 Assessed Value</u>	<u>Tax Levy</u>	<u>Percentage of Assessed Valuation</u>
Dominion NC Power	Utility	\$ 23,773,348	\$ 187,841	0.79%
Weyerhaeuser Company	Lumber, plywood, and wood	14,413,310	113,865	0.79%
Barnes, Edsel Grayson, Jr., et ux	Logging	6,570,390	52,551	0.79%
Waterside @ The Point	Real Estate	3,812,480	30,570	0.79%
Albemarle Beach Farms	Agriculture	3,295,761	27,527	0.79%
Porter, James F., Jr. et ux	Real Estate, commercial	4,491,535	36,988	0.79%
Respass, H. L., Jr., et ux	Agriculture	4,182,125	33,419	0.79%
JCT, LLC	Swine, agriculture	5,936,662	46,940	0.79%
CAH Acquisition Company #1	Hospital	476,490	37,613	0.79%
Mackeys Ferry Sawmill, Inc.	Lumber products	4,002,281	36,833	0.79%
Carolina Telephone	Utility	4,451,046	37,533	0.79%
Daniel G. Kamin; Plymouth Landing		2,515,700	19,874	0.79%
Alvah Alexander	Agricultural Production	3,728,628	29,886	0.79%
Kendricks Creek Properties &	Real Estate	3,749,949	29,089	0.78%
Plymouth Hospitality, LLC	Motel	3,289,197	25,985	0.79%
DOMTAR	Pulp and paper	3,077,256	24,310	0.79%
Kanban Industries	Commercial storage/shipping	3,411,176	26,948	0.79%
The Cotton of Plymouth Inc.	Agriculture	2,986,700	23,595	0.79%
Plymouth Solar	Energy	3,611,447	28,530	0.79%
Totals		\$ 101,775,481		
Grand total of assessments		\$ 817,226,979		

Source: Washington County Tax Department

The Roanoke River Lighthouse

Washington County, NC



This detailed replica of the lighthouse represents the second in a series of three important Roanoke River Light Stations. The first, commissioned in 1810 by the United States Lighthouse Service, was actually a three-masted lightship anchored at the mouth of the river. Whale-oil lights covered with red, green & blue lenses helped sailors find safe entrance to the river. This early light vessel came into the hands of the Confederacy during the Civil War and was retaken by Union forces when they captured the town of Plymouth. Historians think the station may have been taken up-river and scuttled with other vessels to block the passage of the famous ironclad Ram Albemarle.

STATISTICAL SECTION

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Washington County, North Carolina
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

Schedule 1

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
Governmental activities						
Invested in capital assets, net of related debt	\$ 3,354,790	\$ 3,102,394	\$ 6,877,735	\$ 9,296,007	\$ 9,973,378	\$ 10,042,947
Restricted	-	-	-	2,579,956	2,140,280	2,115,541
Unassigned	6,899,656	7,386,521	\$ 6,365,461	\$ 2,159,553	\$ 2,055,831	\$ 3,210,151
Total governmental activities net assets	<u>\$ 10,254,446</u>	<u>\$ 10,488,915</u>	<u>\$13,243,196</u>	<u>\$ 14,035,516</u>	<u>\$ 14,169,489</u>	<u>\$ 15,368,639</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 2,955,531	\$ 3,388,284	\$ 3,245,967	\$ 3,094,715	\$ 2,949,023	\$ 2,809,578
Restricted	-	-	-	-	-	-
Unassigned	1,745,558	1,392,900	\$ 1,209,370	\$ 1,199,799	\$ 1,323,981	\$ 1,283,056
Total business-type activities net assets	<u>\$ 4,701,089</u>	<u>\$ 4,781,184</u>	<u>\$ 4,455,337</u>	<u>\$ 4,294,514</u>	<u>\$ 4,273,004</u>	<u>\$ 4,092,634</u>
Primary government						
Invested in capital assets, net of related debt	\$ 6,310,321	\$ 6,490,678	\$10,123,702	\$ 12,390,722	\$ 12,922,401	\$ 12,852,525
Restricted	-	-	-	2,579,956	2,140,280	2,115,541
Unassigned	8,645,214	8,779,421	\$ 7,574,831	\$ 3,359,352	\$ 3,379,812	\$ 4,493,207
Total primary government government net assets	<u>\$ 14,955,535</u>	<u>\$ 15,270,099</u>	<u>\$17,698,533</u>	<u>\$ 18,330,030</u>	<u>\$ 18,442,493</u>	<u>\$ 19,461,273</u>

Note: The county began to report accrual information when it implemented GASB Statement 34 in fiscal year 2005.

Washington County, North Carolina
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

Schedule 2

	2008	2009	2010	2011	2012	2013
Expenses						
Governmental activities:						
General government	\$ 1,806,270	\$ 1,950,393	\$ 1,988,696	\$ 2,026,071	\$ 2,106,105	2,243,707
Public Safety	3,144,896	3,351,861	3,455,636	3,697,483	3,481,938	3,378,752
Economic & physical development	823,481	860,774	762,024	506,253	547,287	933,876
Human Services	6,575,808	6,167,851	6,002,067	6,221,993	6,386,495	6,469,544
Culture & recreation	337,650	304,343	285,577	296,577	287,368	301,244
Education	2,478,733	2,287,629	2,379,286	1,927,016	1,933,526	2,025,011
Interest on long-term debt	70,119	55,019	45,307	28,383	34,657	33,899
Total governmental activities expenses	<u>\$ 15,236,957</u>	<u>\$ 14,977,870</u>	<u>\$ 14,918,593</u>	<u>\$ 14,703,776</u>	<u>\$ 14,777,376</u>	<u>15,386,033</u>
Business-type activities:						
Sanitation	1,188,237	1,214,825	1,175,543	1,180,991	1,238,513	1,175,330.00
Water	1,283,986	1,419,946	1,315,705	1,251,027	1,170,259	1,205,318.00
Total business-type activities expenses	<u>2,472,223</u>	<u>2,634,771</u>	<u>2,491,248</u>	<u>2,432,018</u>	<u>2,408,772</u>	<u>2,380,648.00</u>
Total primary government expenses	<u>\$ 17,709,180</u>	<u>\$ 17,612,641</u>	<u>\$ 17,409,841</u>	<u>\$ 17,135,794</u>	<u>\$ 17,186,148</u>	<u>\$ 17,766,681</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 199,988	\$ 161,584	\$ 147,564	\$ 147,564	\$ 173,429	136,711
Public Safety	979,799	522,715	313,233	313,233	356,735	366,389
Human Services	517,770	684,147	676,619	676,619	1,181,603	2,142,720
Other activities	14,514	13,969	50,443	50,443	92,986	47,857
Operating grants and contributions	3,385,365	3,910,831	-	-	3,646,498	3,730,739
Capital grants and contributions	691,051	782,019	-	-	599,478	1,121,610
Total governmental activities program revenues	<u>\$ 5,788,487</u>	<u>\$ 6,075,265</u>	<u>\$ 1,187,859</u>	<u>\$ 1,187,859</u>	<u>\$ 6,050,729</u>	<u>7,546,026</u>
Business-type activities:						
Charges for services:						
Sanitation	\$ 1,327,938	\$ 1,247,312	\$ 1,165,285	\$ 1,165,285	\$ 1,353,316	1,175,330
Water	1,152,085	1,216,220	1,308,358	1,308,358	1,257,013	1,205,318
Capital grants and contributions	239,387	438,364	-	-	-	-
Total business-type activities program revenues	<u>2,719,410</u>	<u>2,901,896</u>	<u>2,473,643</u>	<u>2,473,643</u>	<u>2,610,329</u>	<u>2,380,648</u>
Total primary government program revenues	<u>\$ 8,507,897</u>	<u>\$ 8,977,161</u>	<u>\$ 9,735,595</u>	<u>\$ 3,661,502</u>	<u>\$ 8,661,058</u>	<u>9,926,674</u>

Washington County, North Carolina
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

Schedule 2
Page 2

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net (expense) revenue						
Governmental activities	\$ (9,448,470)	\$ (8,902,605)	\$ (7,531,631)	\$ (7,625,137)	\$ (8,718,595)	(7,764,035)
Business -type activities	247,187	267,125	(142,615)	41,625	201,557	64,469
Total primary government net expense	<u>\$ (9,201,283)</u>	<u>\$ (8,635,480)</u>	<u>\$ (7,674,246)</u>	<u>\$ (7,583,512)</u>	<u>\$ (8,517,038)</u>	<u>(7,699,566)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 6,152,716	\$ 6,075,661	\$ 6,274,048	\$ 6,324,595	\$ 6,421,241	6,511,255
Sales Taxes	3,005,697	2,371,413	1,644,393	1,677,773	1,708,979	1,715,656
Other taxes and licenses	568,433	37,832	132,456	147,279	154,665	293,785
Unassigned grants and contributions						
Investment earnings	248,147	99,105	45,667	18,871	20,458	7,095
Miscellaneous	88,436	103,042	68,258	45,527	323,984	190,394
Extraordinary item-sale of component unit		227,706	-			
Special item - land and building donation			1,934,640			
Sale of Capital Assets	89,159	-				
Transfers	184,815	222,315	186,450	203,412	223,241	245,000
Total government activities	<u>\$ 10,337,403</u>	<u>\$ 9,137,074</u>	<u>\$ 10,285,912</u>	<u>\$ 8,417,457</u>	<u>\$ 8,852,568</u>	<u>8,963,185</u>
Business-type activities:						
Investment earnings	\$ 52,426	\$ 21,185	\$ 1,538	\$ 964	\$ 174	161
Miscellaneous			\$ 1,680			
Sale of Capital Assets		\$ 14,100				
Transfers	(184,815)	(222,315)	(186,450)	(203,412)	(223,241)	(245,000)
Total business-type activities	<u>(132,389)</u>	<u>(187,030)</u>	<u>(183,232)</u>	<u>(202,448)</u>	<u>(223,067)</u>	<u>(244,839)</u>
Total Primary government	<u>\$ 10,205,014</u>	<u>\$ 8,950,044</u>	<u>\$ 10,102,680</u>	<u>\$ 8,215,009</u>	<u>\$ 8,629,501</u>	<u>8,718,346</u>
Change in Net Assets						
Governmental activities	\$ 888,933	\$ 234,469	\$ 2,754,281	\$ 792,320	\$ 133,973	1,199,150
Business-type activities	114,798	80,095	(325,847)	(160,823)	(21,510)	(180,370)
Total primary government	<u>\$ 1,003,731</u>	<u>\$ 314,564</u>	<u>\$ 2,428,434</u>	<u>\$ 631,497</u>	<u>\$ 112,463</u>	<u>1,018,780</u>

Note: The county began to report accrual information when it implemented GASB Statement 34 in fiscal year 2005

Washington County, North Carolina
Fund Balances of Government Funds
Last Ten Years
(modified accrual basis of accounting)

Schedule 3

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Restricted	\$1,365,765	\$1,179,682	\$1,248,015	\$1,538,257	\$ 1,714,937	\$ 1,539,772	\$ 1,539,427	\$ 1,869,229	\$ 2,074,130	1,650,929
Committed								\$ 52,598	\$ 39,221	44,722
Assigned								\$ 72,498	\$ 50,820	-
Unassigned	1,353,767	1,855,902	2,150,570	4,303,616	4,458,651	4,457,703	2,980,935	1,450,659	814,303	2,458,399
Total General Fund	\$2,719,532	\$3,035,584	\$3,398,585	\$5,841,873	\$ 6,173,588	\$ 5,997,475	\$ 4,520,362	\$ 3,444,984	\$ 2,978,474	4,154,050
All other governmental Funds										
Restricted	\$ 27,270	\$ 117,172	\$ 27,828	\$ 349,240	\$ 106,789	\$ 48,974	\$ 28,578	\$ 710,727	\$ 58,098	130,718
Committed										333,894
Unassigned reported in Special revenue funds	425,962	199,056	486,511	427,067	429,109	697,638	784,827	(53,429)	492,384	(10,772)
Total all other Governmental Funds	\$ 453,232	\$ 316,228	\$ 514,339	\$ 776,307	\$ 535,898	\$ 746,612	\$ 1,476,479	\$ 657,298	\$ 550,482	453,840

Washington County, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

Schedule 4

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues										
Ad valorem Taxes	\$ 5,613,298	\$ 5,550,970	\$ 5,964,556	\$ 5,971,937	\$ 6,023,843	\$ 6,317,071	\$ 6,251,892	\$ 6,301,406	\$ 6,326,879	6,423,969
Local Option sales taxes	2,211,447	2,531,163	2,530,269	2,670,100	3,005,697	2,257,641	1,644,393	1,677,773	1,708,979	1,715,656
Other taxes & licenses	189,676	188,097	213,658	188,662	253,335	176,815	102,536	453,775	323,984	293,785
Unassigned Intergovernmental										
Restricted Governmental	3,880,368	3,886,930	4,380,530	3,913,326	4,271,688	4,265,861	5,410,944	36,577	36,655	33,733
Permits & fees	196,641	214,526	238,786	230,557	326,784	183,699	189,840	5,463,517	4,161,679	4,758,863
Sales & services	844,112	1,007,619	855,315	970,597	1,505,113	1,623,137	1,733,324	214,090	213,070	218,720
Investment earnings	29,915	63,676	148,965	175,312	248,147	98,106	46,173	1,111,576	1,711,052	2,688,426
Miscellaneous	54,873	75,533	76,386	85,959	88,436	81,398	81,860	18,871	20,458	7,095
Total revenues	13,020,330	13,518,564	14,408,465	14,206,450	15,723,043	15,003,728	15,460,962	15,298,187	14,581,105	16,252,147
Expenditures										
General government	1,536,180	1,832,708	1,974,861	1,708,044	1,771,539	1,979,876	1,974,221	1,965,452	2,194,943	2,105,687
Public safety	2,539,682	2,698,279	2,567,887	3,119,025	3,331,253	3,309,659	3,453,358	3,957,894	3,343,358	3,272,656
Economic & physical development	1,271,959	1,331,058	1,234,356	906,456	1,086,650	857,794	1,318,196	2,274,405	1,142,873	1,086,723
Human Services	5,027,635	5,061,305	5,621,015	5,710,362	6,599,163	6,158,918	6,187,877	7,456,681	6,290,905	6,592,373
Culture & recreation	241,438	252,292	245,073	282,276	349,889	302,313	280,650	291,670	280,998	293,197
Education	1,572,545	1,641,538	1,674,717	1,992,061	2,478,733	2,287,629	2,379,286	1,927,016	1,933,526	2,025,011
Debt Service- Principal	1,972,462	648,808	595,970	585,849	501,479	479,587	825,451	249,154	177,398	108,961
Interest	135,289	115,368	93,475	84,526	58,793	43,693	33,981	17,058	34,657	33,899
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	14,297,190	13,581,356	14,007,354	14,388,599	16,177,499	15,419,469	16,453,020	18,139,330	16,347,371	15,518,507
Excess of revenues over (under) expenditures	(1,276,860)	(62,792)	(401,111)	(182,149)	(454,456)	(415,741)	(992,058)	(2,841,143)	(1,766,266)	733,640
Other financing sources (uses)										
Transfers in	201,499	189,823	205,467	240,534	788,984	340,275	326,975	506,218	295,355	317,114
Transfer out	(98,099)	(84,823)	(92,467)	(94,320)	(604,169)	(117,960)	(140,525)	(302,806)	(72,114)	(72,114)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-
Debt proceeds (Installment purchase)	-	-	-	-	-	-	-	-	-	-
Insurance proceeds	1,614,245	136,325	47,000	203,879	261,788	-	43,096	693,243	-	91,492
Sale of capital assets	23,751	515	-	474	99,159	321	15,267	21,350	-	-
Sale of component unit (hospital proceeds)	-	-	-	2,536,838	-	227,706	-	28,605	20,986	750
Total other financing sources (uses)	1,741,396	241,840	160,000	2,887,405	545,762	450,342	244,812	946,610	244,227	337,242
Net change in fund balances	\$ 464,536	\$ 179,048	\$ 561,111	\$ 2,705,256	\$ 91,306	\$ 34,601	\$ (747,246)	\$ (1,894,533)	\$ (1,522,039)	\$ 1,070,882
Debt service as a percentage of non capital expenditures	14.74%	5.63%	4.92%	4.74%	3.59%	5.66%	5.59%	1.47%	1.63%	6.9%

Washington County, North Carolina
Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

Schedule 5

Fiscal Year Ended June-30	Property Tax	Sales Tax	Intangibles Reimburs- ments	Room Occupancy Tax	Cable TV Franchise	Totals
2002	5,376,825	1,600,997	119,895	87,100	11,911	7,196,728
2003	5,297,310	1,755,668	-	98,997	13,589	7,165,564
2004	5,613,298	2,211,447	-	107,202	11,878	7,943,825
2005	5,550,970	2,531,163	-	104,689	11,794	8,198,616
2006	5,964,556	2,530,269	-	105,220	13,160	9,046,861
2007	5,971,937	2,670,100	-	103,116	15,842	8,760,995
2008	6,023,843	3,005,697 ¹	-	121,115	17,241	9,167,896
2009	6,317,071	2,257,641	-	106,554	18,272	8,699,538
2010	6,251,892	1,644,393	-	91,458	17,941	8,005,684
2011	6,301,406	1,677,773	-	122,386	16,907	8,118,472
2012	6,326,879	1,708,979	-	103,641	16,821	8,156,320
2013	6,514,804.0	1,715,656	-	101,489	15,663	8,347,612

¹ Includes NC hold harmless monies

Washington County, North Carolina
Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Fiscal Year Ended June 30	REAL PROPERTY Assessed Value	PERSONAL PROPERTY Assessed Value	PUBLIC SERVICE COMPANIES PROPERTY ¹ Assessed Value	DEDUCT EXEMPT PROPERTY and DEFERRED BECAUSE OF USE PROPERTY Assessed Value	ASSESSED VALUE Assessed Value	Total Direct Tax Rate
2003	421,212	115,976	17,989	(34,755)	529,642	1.015
2004	430,624	133,754	17,101	(35,494)	545,985	1.015
2005	431,933	132,618	17,101	(34,953)	546,699	1.015
2006	627,976	132,927	23,734	(46,338)	737,669	0.790
2007	642,418	147,669	25,908	(44,755)	771,240	0.790
2008	642,673	137,684	26,232	(44,076)	762,513	0.790
2009	654,991	141,143	28,694	(43,622)	781,206	0.790
2010	654,937	138,417	26,892	(45,171)	775,075	0.790
2011	666,230	135,957	29,437	(46,439)	785,185	0.790
2012	679,749	135,783	29,437	(47,213)	794,102	0.790
2013	682,215	147,437	36,309	(48,733)	817,228	0.790

¹Public Service Companies Property includes real and personal property of utilities, railroads, and airlines, etc.

The assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.

Washington County, North Carolina
Principal Property Taxpayers
June 30, 2011

Schedule 7

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2012 Assessed Value</u>	<u>Tax Levy</u>	<u>Percentage of Assessed Valuation</u>
Dominion NC Power	Utility	\$ 23,773,348	\$ 187,841	0.79%
Weyerhaeuser Company	Lumber, plywood, and wood	14,413,310	113,865	0.79%
Barnes, Edsel Grayson, Jr., et ux	Logging	6,570,390	52,551	0.79%
Waterside @ The Point	Real Estate	3,812,480	30,570	0.79%
Albemarle Beach Farms	Agriculture	3,295,761	27,527	0.79%
Porter, James F., Jr. et ux	Real Estate, commercial	4,491,535	36,988	0.79%
Respass, H. L., Jr., et ux	Agriculture	4,182,125	33,419	0.79%
JCT, LLC	Swine, agriculture	5,936,662	46,940	0.79%
CAH Acquisition Company #1	Hospital	476,490	37,613	0.79%
Mackeys Ferry Sawmill, Inc.	Lumber products	4,002,281	36,833	0.79%
Carolina Telephone	Utility	4,451,046	37,533	0.79%
Daniel G. Kamin; Plymouth Landing		2,515,700	19,874	0.79%
Alvah Alexander	Agricultural Production	3,728,628	29,886	0.79%
Kendricks Creek Properties &	Real Estate	3,749,949	29,089	0.78%
Plymouth Hospitality, LLC	Motel	3,289,197	25,985	0.79%
DOMTAR	Pulp and paper	3,077,256	24,310	0.79%
Kanban Industries	Commercial storage/shipping	3,411,176	26,948	0.79%
The Cotton of Plymouth Inc.	Agriculture	2,986,700	23,595	0.79%
Plymouth Solar	Energy	3,611,447	28,530	0.79%
Totals		\$ 101,775,481		
Grand total of assessments		\$ 817,226,979		

Source: Washington County Tax Department

**Washington County, North Carolina
Property Tax Levies and Collections
Last Ten Years**

Schedule 8

Fiscal Year Ended	Total Tax Levy for	Collected within the		Collections in	Total Collections To Date	
		Fiscal Year of the Levy			Subsequent Years	Amount
<u>June 30</u>	<u>Fiscal Year</u>	<u>Amount</u>	<u>Percentage of Levy</u>	<u>Subsequent Years</u>	<u>Amount</u>	<u>Percentage of Levy</u>
2012	6,274,268	5,721,808	91.19		5,721,808	91.19
2011	6,206,829	5,700,097	91.84	506,732	5,700,097	91.84
2010	6,130,086	5,638,587	91.98	491,499	5,638,587	91.98
2009	6,180,783	5,753,272	93.00	292,645	6,045,917	97.82
2008	6,030,783	5,526,578	91.64	390,821	5,917,399	98.12
2007	6,100,068	5,579,073	91.46	431,651	6,010,724	98.54
2006	5,970,215	5,492,482	92.00	406,054	5,898,536	98.80
2005	5,556,693	5,073,935	91.31	420,368	5,494,303	98.88
2004	5,567,968	5,092,824	91.47	422,351	5,515,175	99.05
2003	5,375,952	4,889,299	90.95	441,535	5,330,834	99.16

Washington County, North Carolina
Ratio of Net General Obligation Bonded Debt to Assessed
Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

Schedule 9

Fiscal Year Ended June 30	Population ¹	Assessed Value ²	Gross Debt ^{3*}	Debt Payable from Enterprise Revenues*	Less Capital Leases and Installment Purchase Obligations*	Net Bonded Debt*	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2002	13,597	536,805	10,327	6,143	1,549	2,635	0.49	194
2003	13,600	529,642	10,474	6,039	2,015	2,420	0.46	178
2004	13,435	545,985	10,040	5,949	2,041	2,050	0.38	153
2005	13,428	546,699	9,422	5,827	1,900	1,695	0.31	126
2006	13,418	737,669	8,412	5,695	1,362	1,355	0.18	99
2007	13,360	771,240	7,797	5,531	1,231	1,035	0.13	77
2008	13,214	762,513	7,227	5,375	1,127	725	0.09	55
2009	13,172	781,206	6,592	5,292	870	430	0.06	33
2010	13,004	775,075	5,722	5,204	373	145	0.02	11
2011	13,004	785,185	6,074	5,113	9,616	-	-	-
2012	13,004	794,102	5,801	5,017	7,842	-	-	-
2013	13,004	817,228	4,944	4,916	7,667	-	-	-

¹U.S. Census Bureau

²From Table 12

³Amount does include revenue bonds

*Amounts expressed in thousands

Washington County, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

Schedule 10

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Towns	\$ -	100.00%	<u>\$ -</u>
Subtotal, overlapping debt			<u>\$ -</u>
Washington County Direct Debt			<u>\$ 766,743.00</u>
Total direct and overlapping debt			<u><u>\$ 766,743.00</u></u>

Washington County, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years

Schedule 11

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	43,678,760	43,735,921	59,013,527	61,699,162	61,001,044	62,496,471	62,005,991	64,582,638	62,814,822	64,582,638
Total net debt applicable to limit	<u>3,842,411</u>	<u>3,329,928</u>	<u>2,716,991</u>	<u>2,265,665</u>	<u>1,851,835</u>	<u>1,299,877</u>	<u>517,521</u>	<u>961,610</u>	<u>784,212</u>	<u>766,743</u>
Legal debt margin	<u>39,836,349</u>	<u>40,405,993</u>	<u>56,296,536</u>	<u>59,433,497</u>	<u>59,149,209</u>	<u>61,196,594</u>	<u>61,488,470</u>	<u>63,815,895</u>	<u>62,743,970</u>	<u>63,815,895</u>
Total net debt applicable to the limit as a percentage of debt limit	8.80%	7.61%	4.60%	3.67%	3.04%	2.08%	0.83%	1.50%	1.21%	1.19%

Assessed value of taxable property	807,282,971
Debt limit - 8 percent of assessed value	64,582,638
Gross Debt:	
Outstanding bonded debt:	
General governmental bonds	-
Water Revenue Bonds	4,916,180
Other:	
Capital leases, installment purchase obligations	766,743
Total Gross Debt	<u>5,682,923</u>
Statutory Deductions:	
Bonded debt included in gross debt incurred or authorized for water	<u>(4,916,180)</u>
Net Debt-Total amount of debt applicable To debt limit	<u>766,743</u>
Legal debt margin	<u>63,815,895</u>

Washington County, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 12

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		<u>Total Primary Government</u>	<u>Percentage of Personal Income¹</u>	<u>Per Capita¹</u>
	<u>General Obligation Bonds</u>	<u>Installment Purchase</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>				
2003	2,420,000	1,780,627	19,921	6,038,867		10,259,415	3.56%	755
2004	2,050,000	1,766,487	25,924	5,927,001		9,769,412	3.16%	718
2005	1,695,000	1,617,452	17,476	5,805,869		9,135,797	2.96%	680
2006	1,355,000	1,353,155	8,836	5,674,137		8,391,128	2.72%	625
2007	1,035,000	1,230,665	-	5,530,869		7,796,534	2.30%	584
2008	725,000	1,126,835	-	5,375,026		7,226,861	2.14%	547
2009	430,000	869,877	-	5,291,667		6,591,544	1.95%	500
2010	145,000	372,521	-	5,204,450		5,721,971	1.48%	440
2011	-	961,610	-	5,113,328		6,074,938	1.27%	459
2012	-	784,212	-	5,017,256		5,801,487	1.21%	437
2013	-	766,743	-	4,916,180		5,682,923	1.12%	403

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Washington County, North Carolina
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Services	Debt Service Requirements		Total	Coverage
				Principal	Interest		
2003	1,048,389	481,556	566,833	103,934	307,196	411,130	137
2004	1,078,791	320,583	758,208	111,867	299,029	410,896	185
2005	1,360,302	343,399	1,016,903	121,132	293,731	414,863	245
2006	1,129,782	353,582	776,200	131,732	291,875	423,607	183
2007	1,196,626	422,893	773,733	143,268	285,744	429,012	180
2008	1,185,456	588,999	596,457	155,843	275,361	431,204	138
2009	1,231,748	789,941	441,807	83,359	265,284	348,643	127
2010	1,195,848	693,178	502,670	87,218	261,159	348,377	144
2011	1,308,358	832,892	475,462	91,122	256,842	347,964	136
2012	1,257,013	874,252	382,761	96,073	252,332	348,405	136
2013	1,205,318	695,129	510,189	101,075	247,577	348,652	136

Washington County
Demographic and Economic Statistics
 Last Ten Fiscal Years

Schedule 14

Fiscal Year Ended 30-Jun	Population ¹	Personal Income ⁴	Per Capita Income ⁴	Final School Enrollment ³	Unemployment Rate ²	Residential/Commercial Number of Units	Construction Value
2003	13,600	285,115,493	20,969	2,343	8.2	180	4,305,843
2004	13,435	288,850,400	21,239	2,270	7.6	182	3,682,274
2005	13,428	308,776,605	22,983	2,370	6.7	104	6,429,502
2006	13,418	316,909,000	23,858	2,317	7.7	165	5,822,466
2007	13,360	338,678,000	26,323	2,223	7.1	152	11,586,788
2008	13,214	385,331,000	29,735	2,180	7.1	144	8,714,795
2009	13,172	N/A	N/A	2,042	12.2	120	4,900,218
2010	13,004	384,383,000	29,133	1,910	11.2	131	4,027,239
2011	13,004	N/A	N/A	1,819	11.8	137	19,521,878
2012	13,004	N/A	N/A	1,807	11.1	184	24,285,112
2013	12,736	386,985,000	29,830.00	1,803	12	141	16,448,521

Data Sources:

¹NC Association of County Commissioners

²NC Employment Security Commission

³Washington County Board of Education

⁴Bureau of Economic Analysis, US Department of Commerce, Figures are for prior calendar year

N/A - Not Available

**Washington County, North Carolina
Principal Employers
June 30, 2013**

Schedule 15

<u>Employer</u>	<u>Full-time Equivalent Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Domtar Company	450	1	27%
Washington County Schools	334	2	20%
Weyerhaeuser Company	186	3	11%
Plumlee Nursing Home (Britthaven)	277	4	16%
Washington County Government	180	5	11%
Washington County Hospital	90	6	5%
Mackey's Ferry Sawmill	69	7	4%
Covenant Health Care LLC	40	8	2%
State of North Carolina	27	9	2%
Diversified Wood Products	30	10	2%
Total	<u>1,683</u>		<u>100.00%</u>

Source: Contacted each employer

*Estimate only

Information from nine years ago not available

**Washington County
Full-Time Equivalent County Government Employees by Function
Last Ten Fiscal Years**

Schedule I6

<u>Function /Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government	33	35	36	30	27	27	26	34	34	29
Public safety	45	45	45	45	46	46	45	56	56	80
Human Services	55	56	57	78	78	83	85	61	61	59
Economic and physical development	1	1	1	2	2	2	2	0	0	0
Cultural and recreation	1	1	1	1	2	2	2	2	2	2
Water/Sanitation (Business activity)	<u>11</u>	<u>11</u>	<u>10</u>	<u>10</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total	146	149	150	166	166	171	171	163	163	180

Source: County Finance Department

Note: This schedule represents number of persons employed as of June 30 of each year. Vacant positions are not included in the above numbers.

Washington County, North Carolina
 Water System
 Major Users
 June 30, 2013

Schedule 17

Major Retail Users

<u>Rank</u>	<u>Name</u>	<u>Annual Water Sales (MG)</u>		<u>Revenues</u>
1	Pines Elementary	1,660	\$	16,800
2	Wendy's Restaurant	478	\$	4,780
3	Wilcohes, LLC	572	\$	5,720
4	NCDOT Rest Area-Highway 64	387	\$	1,600
5	Mackeys Marina	160	\$	2,700
6	Wash. Co. Resources Ctr.	290	\$	2,980
7	Albemarle Beach Farm	298	\$	2,980
8	Ready Mix Concrete	447	\$	4,470
9	Mackeys Ferry Sawmill	128	\$	1,280
10	NCDOT-Highway 94 North	285	\$	2,850
	Total	4,705	\$	46,160

**Washington County, North Carolina
Water System Statistics
Last Eight Fiscal Years**

Schedule 18

<u>Fiscal Year</u>	<u># of Customers</u>	<u>Average Daily Demand (MGD)</u>	<u>Peak Daily Demand (MGD)</u>	<u>Maximum Capacity (MGD)</u>
2013	2,593	37,000	540,000	750,000
2012	2,581	374,000	517,000	750,000
2011	2,593	405,000	579,000	750,000
2010	2,573	419,000	597,000	750,000
2009	2,579	430,000	560,000	750,000
2008	2,585	364,000	500,000	750,000
2007	2,534	383,000	403,000	750,000
2006	2,523	398,000	564,000	750,000
2005	2,485	442,000	600,000	750,000
2004	2,446	428,000	600,000	750,000
2003	2,425	397,000	610,000	750,000

Note: Information not available before fiscal year 2003

**Schedule 19
Washington County
Capital Asset Statistics by Function,
Last Five Fiscal Years**

Function/Program	2009	2010	Fiscal Year		2013
			2011	2012	
Public Safety					
# Stations	2		2	2	2
# Patrol Units	34		36	37	25
Transportation					
Standard Vans	1		1	1	1
Conversion Vans	5		5	3	4
Lift Vans Buses	2		2	2	3
Minivans	1		1	1	2
# Of Standard Vehicles	5		5	7	5
EMS-Ambulances	5		5	7	7
Water (Business Activity)					
Miles of Distribution Line	130		130	130	140
Tank Storage Capacity	750,000		750,000	750,000	750,000
# Of Utility Vehicles	7		7	8	6
Facility Services					
# Maintenance Units	5		5	6	6
Emergency Management					
# of Vehicles	2		2	2	2
Culture/Recreation					
# of Vehicles	1		1	1	1
# of Buses	1		1	2	2
Landfill					
# of Vehicles	1		1	1	1
County Manager					
# of Vehicles	1		1	1	1

N/A-Not Available

Washington County, North Carolina
 Operating Indicators by Function/Program,
 Last Four Fiscal Years

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
Inspections Department					
Building permits issued	255	307	390	207	157
Sheriff					
Arrests	356	320	276	541	460
Property Crime (Breaking/Entering)	214	303	290	255	186
Emergency Medical Services					
Calls	1,976	2,014	3,820	2,530	2,497
Solid Waste Disposal-County landfill					
Construction & Demolition (tons)	1,055	417	751	1,675	593
Land Clearing-Inert Debris (tons)		1,223	1,402	4,279	1317
Recycle White Goods (tons)	59	51	169	157	21
C&D & LCID-contractors portion (tons)	695	427	652	4,172	444
Department of Social Services					
Adult Assisted Living Facility cases	61	61	60	59	51
Family and Children's Medicaid (active cases)	2,061	2,079	1,574	2,086	2,239
Food and Nutrition Services Program	2,874	3,116	1,580	1,829	1,800
Children in Foster Care	15	7	6	10	10
Community Alternatives Program	77	53	55	55	53
Child Support caseload	1,449	1,442	1,436	1,394	1,394
Disability Medicaid cases	N/A	664	670	676	689
Adult Medicaid cases	N/A	387	385	373	364
Library					
Library Items Circulated	43,512	40,358	48,542	47,080	46,122
Number of Library Visits	52,075	59,589	60,097	61,484	64,635

N/A-Not Available

COMPLIANCE SECTION



**To Live,
Work,
Play,
Retire,
or ...**

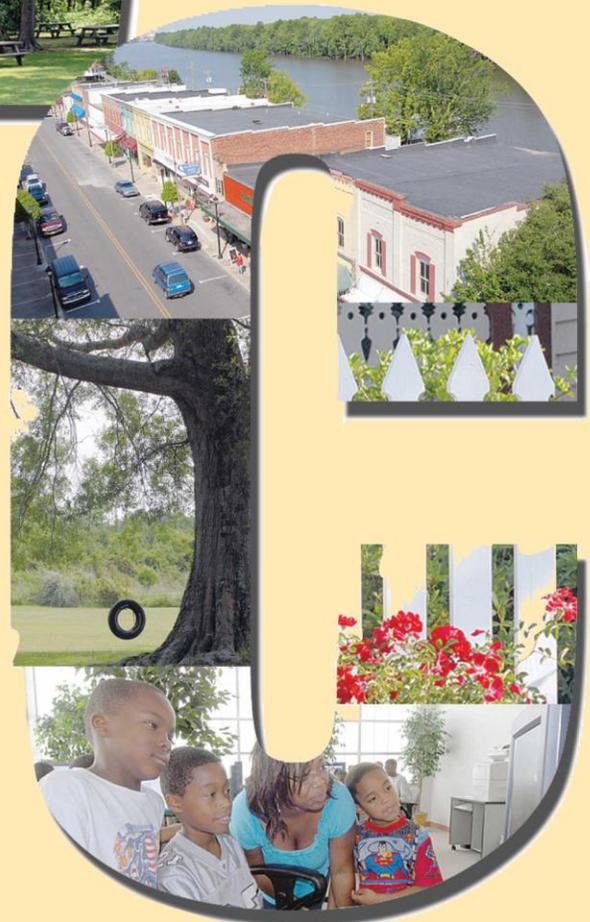
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of County Commissioners
Washington 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 aggregated remaining fund information of Washington County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises Washington County's basic financial statements, and have issued our report thereon dated December 6, 2013. The financial statements of Washington County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Washington 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 Washington 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 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 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [2013-1]

Compliance and Other Matters

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

Purpose of this Report

This 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.

Cam, Riggs & Ingram, L.L.C.

New Bern, North Carolina
December 6, 2013



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Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act

To the Board of County Commissioners
Washington County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Washington County, North Carolina, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 Washington County's major federal programs for the year ended June 30, 2013. Washington County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washington County, North Carolina'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 Washington 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 on Washington County's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-1 that we consider to be significant deficiencies.

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

This 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.

Cam, Riggs & Ingram, L.L.C.

New Bern, North Carolina
December 6, 2013

Washington County, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

Federal programs that did not meet the criteria for a major program using the criteria discussed in OMB Circular No. A-133 Section .520 but were tested as a major program because the State awards met the threshold for a major State program are included in the list of major federal programs.

Dollar threshold used to distinguish between
Type A and Type B Programs:

\$ 562,727

Auditee qualified as low-risk auditee?

yes no

Section II. Financial Statement Findings

Significant Deficiency

2013-1 Unbalance budgeted transfer

Criteria: The County is required to adopt and monitor its budget in accordance with the G.S. 159, ensuring all expenditures are properly authorized and available.

Condition: The County adopted an unbalanced budget transfer between the General Fund and Tax Mapping and Revaluation Fund.

Effect: The budgeted transfer between the General Fund and Tax Mapping and Revaluation Fund did not balance between the funds.

Cause: Proper budget management procedures were not followed.

Recommendation: The County should exercise extreme caution when adopting and monitoring the budget to ensure compliance in future years.

Views of responsible officials: The County agrees with this finding.

Section III. Federal Awards Findings and Questioned Costs

None reported.

Washington County, North Carolina
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2013

Significant Deficiencies

2013-1 Unbalanced budget transfer

Name of contact person: Frank Milazi – Finance Officer

Corrective Action: The County staff will exercise extreme caution when adopting and monitoring the budget to ensure all expenditures are properly authorized and available.

Proposed Completion Date: The County will implement the above procedure immediately.

Washington County, North Carolina
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2013

2012-1 Fraudulent activity by employee

Status: This item has been corrected.

2012-2 Improper recording of budget amendments

Status: This item has been corrected.

2012-3 Improper filing of Form W-2

Status: This item has been corrected.

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2013

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
Federal Awards:			
U.S. Dept. of Agriculture			
<u>Food and Nutrition Program:</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Administration:			
Supplemental Nutrition Assistance			
Program Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561	\$ 222,037	\$ -
U.S. Dept. of Housing and Urban Development			
Passed-through N.C. Dept. of Commerce:			
Community Development Block Grant - States Program			
	14.228	289,731	-
Department of Transportation			
Passed-through N.C. Dept. of Transportation:			
Highway Safety Program			
	20.509	30,263	-
Airport Grant			
	20.106	184,265	-
Total			
		214,528	-
U.S. Elections Assistance Commission			
Passed-through N.C. Dept. of Administration:			
HAVA Grant			
	90.401	8,290	-
U.S. Dept. of Health & Human Services			
Administration on Aging			
Aging Cluster:			
Passed-through Albemarle Commission:			
Special Programs for the Aging - Title III B			
	93.044	87,876	-
Administration for Children and Families			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Work First/TANF			
	93.558	355,981	-
Work First/TANF – Direct Benefit Payments			
	93.558	121,044	-
Family Preservation			
	93.556	921	-

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

(continued)

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
Child Support Enforcement	93.563	\$ 376,724	\$ -
Low Income Energy Assistance:			
Administration	93.568	175,940	-
State Children's Insurance Program	93.767	16,221	588
Links	93.674	2,509	627
Permanency Planning	93.645	1,556	10
Social Services Block Grant	93.667	101,684	10,205
<u>Foster Care and Adoption (Note 2)</u>			
Title IV-E Foster Care - Administration	93.658	45,545	4,765
Foster Care - Direct Benefits	93.658	13,367	3,532
Adoption Assistance - Administration	93.659	8,424	9,319
Adoption Assistance - Direct Benefits	93.659	<u>111,147</u>	<u>29,333</u>
Total Foster Care and Adoption (Note 2)		<u>178,483</u>	<u>46,949</u>
Division of Child Development:			
Subsidized Child Care (Note 2)			
<u>Child Care Development Fund Cluster:</u>			
Division of Social Services:			
Child Care Development Fund - Administration	93.596	80,000	-
Division of Child Development:			
Child Care and Development Block Grant	93.575	210,251	-
Child Care and Development Fund - Mandatory	93.596	76,592	-
Child Care and Development Fund - Match	93.596	<u>184,748</u>	<u>77,980</u>
Total Child Care Development Fund Cluster		<u>551,591</u>	<u>77,980</u>
Temporary Assistance for Needy Families	93.558	97,865	-
ARRA - Emergency Contingency Fund for			
Social Security Block Grant	93.667	272	-
Foster Care Title IV-E	93.658	5,692	3,011
State Appropriations		-	3,270
TANF - MOE		-	45,984
Total Subsidized Child Care Cluster (Note 2)		<u>655,421</u>	<u>130,245</u>
Health Care Financing Administration			
Passed-through the N.C. Dept. of Health and			
Human Services:			
Division of Social Services:			
Medical Assistance Program	93.778	362,116	42,566
Division of Medical Assistance:			
Direct Benefit Payments	93.778	<u>15,482,422</u>	<u>8,701,741</u>
Total U.S. Dept. of Health and			
Human Services		<u>17,918,898</u>	<u>8,932,931</u>

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

(continued)

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
U.S. Dept. of Homeland Security			
Passed-through N.C. Crime Control and Public Safety:			
Homeland Security	97.067	66,142	-
Hazard Mitigation	97.039	2,438	-
Emergency Management	97.042	<u>35,503</u>	-
Total U.S. Dept. of Homeland Security		<u>104,083</u>	-
Total federal awards		<u>18,757,567</u>	<u>8,932,931</u>
State Awards:			
<u>N.C. Dept. of Health & Human Services</u>			
Division of Social Services:			
State/County Special Assistance:			
Domiciliary Care - Direct Benefit Payments		-	132,864
State Foster Care Benefits		-	4,140
CWS Adoption Benefits		-	<u>5,229</u>
Total N.C. Dept. of Health & Human Services		-	<u>142,233</u>
<u>N.C. Dept. of Transportation</u>			
ROAP		-	52,764
<u>N.C. Dept. of Administration</u>			
Division of Veterans Affairs		-	1,452
<u>Office of the Governor</u>			
Juvenile Crime Prevention Program		-	<u>71,111</u>
Total State awards		-	<u>267,560</u>
Total federal and State awards		<u>\$ 18,757,567</u>	<u>\$ 9,200,491</u>

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

(continued)

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Washington 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 and State awards to the county and are included on 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 and Foster Care and Adoption.