

WASHINGTON COUNTY
NORTH CAROLINA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For the Year Ended
June 30, 2011**

**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
BUSTER MANNING, VICE-CHAIR
JEAN D. ALEXANDER
WOODY COLLINS
RAYMOND R. MCCRAY



POST OFFICE BOX 1007
PLYMOUTH, NORTH CAROLINA 27962
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ADMINISTRATION STAFF:
DAVID L. PEOPLES
COUNTY MANAGER

JULIE J. BENNETT
CLERK TO THE BOARD
jbennett@washconc.org

CHERYL R. YOUNG
ASSISTANT COUNTY MANAGER
COUNTY ATTORNEY

December 16, 2011

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, 2011.

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 Pittard, Perry and Crone, 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, 2011 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, 2011, 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 require 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 as noted in the 2010 US Census. In the late 1700's, 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, with the largest being the Town of Plymouth. 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 a 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 including social services, public safety, cultural and recreational activities, economic development, environmental services, general administration and others.

Health services are provided by a three-county district health department, Martin - Tyrrell - Washington Health Department. Mental health, substance abuse, and developmental disabilities services are provided by a nineteen-county local management entity, East Carolina Behavioral Health Center.

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 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 fiscal year 2010-2011, Washington County realized significant accomplishments in the economic development arena. Major accomplishments include the successful recruitment of Success Dynamics CDC and its collaborative professional partner the North Carolina Division of Minority Health. Success Dynamics has leased the Washington County Annex facility located in Roper and will be utilizing this state-of-the-art technology facility to (1) provide medical records technology training (digitized transcription/billing) to prepare students for a significant influx of new employment opportunities in this expanding business arena, (2) potentially partner with the United States Veterans Administration to create a telemedicine triage program to serve northeastern North Carolina and (3) employ Community Health Navigators to address disease prevention, nutrition, solicitation of medical providers, and enrollment in various insurance plans in response to the new United States health care legislation. Initially Success Dynamics will create three new jobs to provide administration for the program with an estimated 50 jobs being created during the first two years of this effort. Currently, SUNENERGY1, a major solar, LED lighting and cool roofing manufacturing corporation is commencing construction 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. Discussions are proceeding with an international company to locate another solar energy farm that potentially will meet or exceed the size of the SUNENERGY1 project.

Farming remains the major component of the local economy including field crops, vegetables, berries, forestry and livestock. The major field crops are corn, soybeans, cotton, peanuts, and wheat. Washington County continues to work with the local agriculturalists in exploring opportunities to become involved in 21st Century agricultural development. This initiative is a local effort to develop access to 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 North Carolina University System, the North Carolina Northeast Economic Development Commission and private business entities 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 has been selected by the North Carolina General Assembly and the North Carolina Department of Public Education to establish and have operating by August 1, 2012 the "Northeast Regional High School for Agriscience and Biotechnology". This early college high school will be focused toward training students in agriscience,

biotechnology and engineering and to position those students to be leaders in providing food for the world's growing population without degradation to the environment. The school will become an important workforce development amenity in the recruitment of biotechnology companies in the future.

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 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 wild bald eagle population and over 100,000 Canadian snow geese and tundra swans that combine with other large migratory bird populations that attract large numbers of birding enthusiasts to our county annually. Other wildlife viewing opportunities are also under development. 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

20 Year Economic Development Enhancement Plan:

Washington County embarked on an aggressive and decisive 20 Year Economic Development Enhancement plan in 2005. The plan addressed enhancing infrastructure additions/improvement 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 have been achieved during the first five years of that plan.. Washington County will be evaluating during the first quarter of 2012 the remaining three five year segments of that plan for possible revisions to meet current needs

Plymouth Municipal Airport and the Washington County Commerce Center:

As a component of the Washington County 20 Year Economic Development Enhancement Plan, Washington County completed initial construction of a state of the art business/industrial commerce center at the Plymouth Municipal Airport in 2011. Washington County completed several major airport enhancement projects during 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 the construction of a fully functional 25,000 square foot light manufacturing facility, a new fuel farm with self service fueling capabilities and a paved taxi way to the hangar facility. Terminal building improvements will be addressed in 2012. Additional future development plans for the Airport and Commerce Center include the construction of additional T and corporate hangers, a GPS flight navigation system, a new lighting system, installation of "state-of-the-art" utilities, technology and communications capabilities and strategic land acquisitions. The expansion and renovation of the airport

will allow 80 percent of all general aviation and corporate aircraft to be able to utilize the airport. The airport will serve as a driver for the development of new business at the Commerce Center.

Government Services Complex:

Washington County has begun construction on a government services complex which will be located in the eastern end of the County on US Highway 64 in close proximity of the Town of Creswell and the Albemarle Sound region of the County. The Complex will be a three-phase project that will include (1) a full service medical clinic that will be operated by the Washington County Hospital System, (2) a combination EMS / Fire / Law Enforcement facility and (3) a public library. The Complex will provide this region of the County, that is currently under served, with governmental services that exist in other areas of the County and will serve as a catalyst for attracting future residential and commercial growth. Construction of the medical clinic was completed in July of 2011 and operations began in August, 2011.

Residential Development:

Opportunities for residential development were expanding before the major economic recession that has devastated our national, state and local economies. Several new residential developers were considering significant 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 were assisting in the process. The County believes that the substantial attributes that were present in our County before the recession will make us attractive for development when the economy returns to positive financial footing.

Economic Forecast:

Since the "Great Recession" officially 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. Modest revenue growth for North Carolina of 4.6 percent (historical growth averages 6 percent) is forecasted by many economists. Baseline sales tax growth is projected at 5.3 percent, which is about the average historical growth rate and is welcomed relief after almost two years of double digit declines. Washington County's 2011-2012 budget includes conservative sales tax growth in the range of 2.5 to 3 percent for the various classes of sales tax revenues that are to be collected.

Washington County's approved 2011-2012 budget totals \$13,038,239 which is a 1.3 percent decrease from the previous year's budget. Major reductions in the budget include delaying or canceling maintenance projects, canceling capital projects, reducing economic development expenditures, reducing professional services contracts and reducing procurements for materials and equipment. The ad valorem tax rate remains unchanged at \$.79 per \$100 of assessed value for fiscal year 2011-2012. The County has contingency

plans that will be implemented if financial resources erode as a result of the current economic climate. The County has been following numerous government and private industry economic forecasts. Washington County estimates that there will be "gradual" economic improvement during the 2011-2012 fiscal year but overall economic recovery will be slow and limited for the next several years. The County's future economic plans are very 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, 2010.

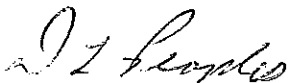
The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the fourteenth consecutive year that Washington County has received this award. In order to be awarded a Certificate 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 Pittard, Perry & Crone, Inc., 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,



David L. Peoples
County Manager



Frank S. Milazi
Finance Officer

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

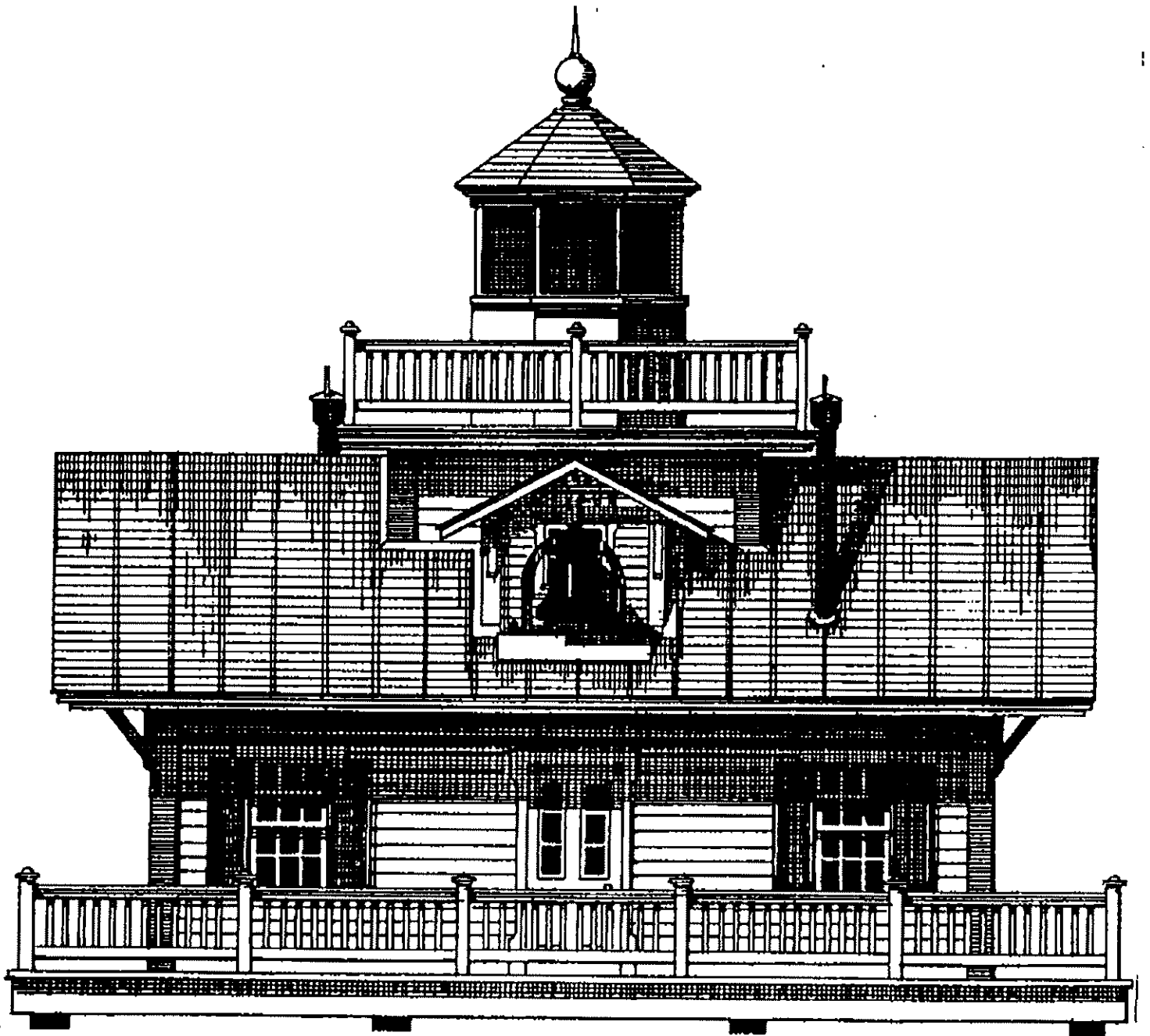


Linda C. Dandson

President

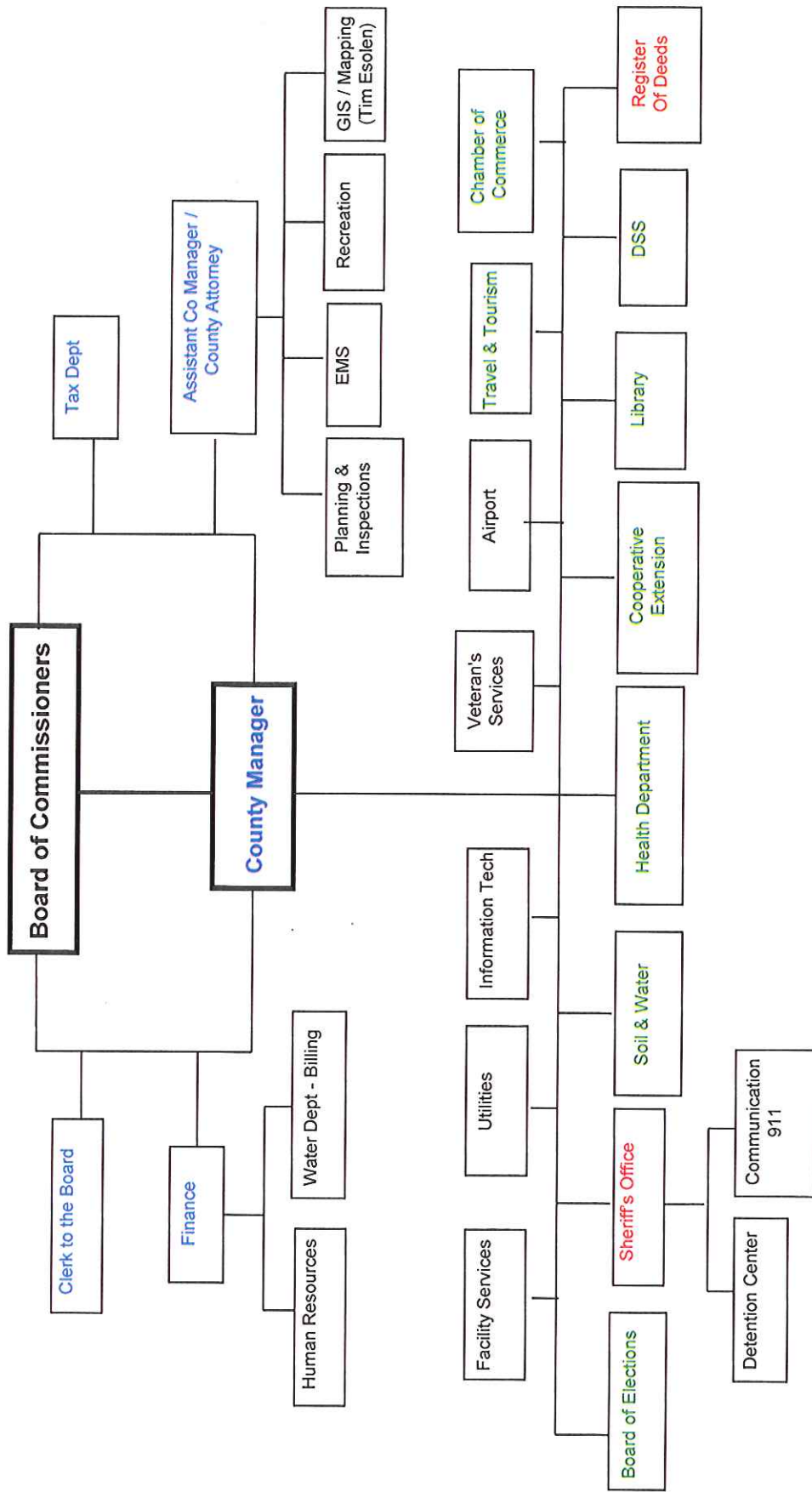
Jeffrey R. Egan

Executive Director



Roanoke River Lighthouse 1866-1885
Plymouth, North Carolina

Washington County Government Organizational Chart

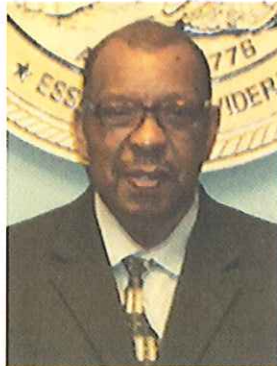


■ Appointed by the Board of Commissioners
 ■ Elected Officials
 ■ Budgetary Support Only
 ■ Direct Report

Washington County Board of Commissioners



District 1
Jean Alexander



District 2
Raymond McCray



District 3
Tracey A. Johnson
Chair



District 4
Buster Manning
Vice-Chair



At-Large
Woody Collins

County Officials



David L. Peoples
Washington County
Manager

Frank Milazi
Julie J. Bennett
Dora A. Bell
James Ross
Chip Main
Elaine G. Vann
Ann C. Keyes
Tim Esolen
Rebecca Liverman
Jerry W. Rhodes
Louis Manning
Darlene Fikes
Laurie Raynor
Randy Fulford
Burl Walker
Wayne Howell

Finance Officer
Clerk to the Board
Director of Elections
Sheriff
Tax Administrator
Register of Deeds
Director of Planning & Safety
GIS Mapping Supervisor
Cooperative Extension Director
Social Services Director
Public Utilities Director
Information Technology Coordinator
Human Resources Manager
Recreation Director
Veteran's Service Officer
Soil & Water Supervisor

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Washington County, North Carolina

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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Washington County's management. Our responsibility is to express an opinion on these basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011 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 grants. 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* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress, and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed 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 financial statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

Pittard Perry & Cross, Inc.

New Bern, North Carolina
December 16, 2011

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, 2011. 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

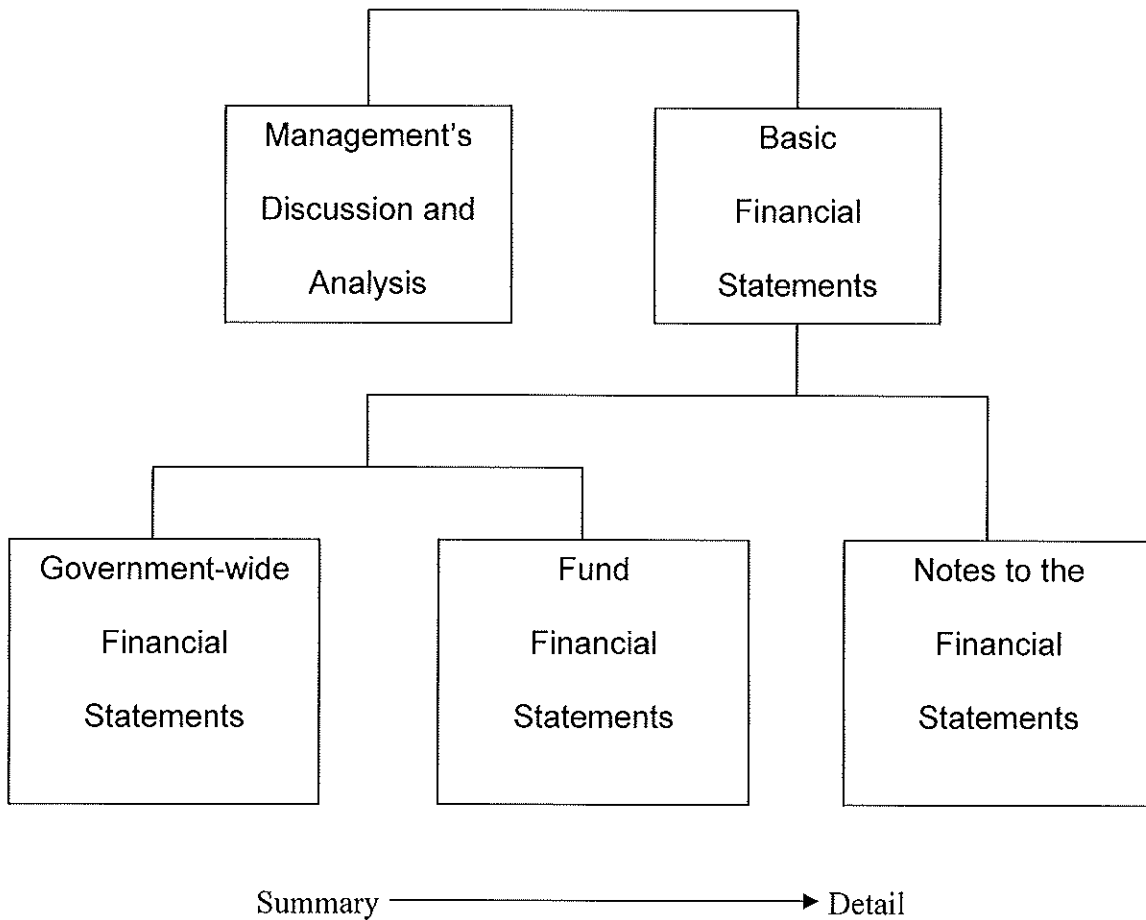
- The assets of Washington County exceeded its liabilities at the close of the fiscal year by \$18,330,030 (*net assets*). This entire amount may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$631,497 primarily due to increased net assets in the General Fund. As of the close of the current fiscal year, Washington County's governmental funds reported combined ending fund balances of \$4,102,282 a decrease of \$1,894,533 in comparison with the prior year. Approximately 34 percent of this total amount, or \$1,397,230, is available for spending at the government's discretion (*unassigned fund balance*). This is a 68 percent decrease in comparison with prior year. Three major reasons contributed to the decrease: Change of fund balance allocation, State statutes, and 2013 tax revaluation
- Washington County's debt increased by \$693,243 because of installment purchase proceeds and decreased by \$249,154 because of debt payment paid.
- Property tax rate was maintained at .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 assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gage the County's financial condition.

The government-wide statements are divided into 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. These include the 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 of

the funds of Washington County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County’s basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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 Assets 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 has one kind of proprietary 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 2-28 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 2-56 of this report.

Washington County’s Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	5,420,936	\$ 7,113,498	1,347,520	1,343,108	\$ 6,768,456	\$ 8,456,606
Capital assets	10,257,617	7,113,672	8,208,043	8,450,417	18,465,660	15,564,089
Total assets	\$ 15,678,553	\$ 14,227,170	\$ 9,555,563	\$ 9,793,525	\$ 25,234,116	\$ 24,020,695
Long-term liabilities outstanding	647,610	\$ 857,006	228,619	\$ 5,227,349	\$ 876,229	\$ 6,084,355
Other liabilities	995,427	126,968	5,032,430	110,839	6,027,857	237,807
Total liabilities	1,643,037	983,974	5,261,049	5,338,188	6,904,086	6,322,162
Net assets:						
Invested in capital assets, net of related debt	11,875,963	6,877,735	3,094,715	3,245,367	14,970,678	10,123,102
Restricted	-	-	-	-	-	-
Unrestricted	2,159,553	6,365,461	1,199,799	1,209,370	3,359,352	7,574,831
Total net assets	\$ 14,035,516	\$ 13,243,196	\$ 4,294,514	\$ 4,454,737	\$ 18,330,030	\$ 17,697,933

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of Washington County exceeded liabilities by \$18,330,030 (*net assets*) as of June 30, 2011. The County’s net assets increased by \$631,497 for the fiscal year ended June 30, 2011. One of the largest portions (57%) 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. No portion of Washington County’s net assets represents resources that are subject to external restrictions on how they may be used.

Management Discussion and Analysis
Washington County 6-30-11

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

- Reduction of debt in the amount of \$340,276 including General Obligation debt;
- Maintained property tax rate of \$.79;
- Detention Center housing of federal inmates and inmates from other counties brought in \$151,840 in revenues.

Washington County Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 1,187,859	\$ 1,480,566	\$ 2,473,643	\$ 2,348,633	3,661,502	\$ 3,829,229
Operating grants and contributions	3,669,497	4,083,386	-	-	3,669,497	4,083,386
Capital grants and contributions	2,221,283	1,822,980	-	-	2,221,283	1,822,980
General revenues						
Property taxes	6,324,595	6,274,048	-	-	6,324,595	6,274,048
Other taxes	1,825,052	1,776,849	-	-	1,825,052	1,776,849
Other	64,398	113,925		3,218	64,398	117,143
Special item-land & building donation	-	1,934,640			-	1,934,640
Special item-Hospital Proceeds						
Total revenues	15,292,684	17,486,424	2,473,643	2,351,851	17,766,327	19,838,275
Expenses:						
General government	2,026,071	1,950,393	-	-	2,026,071	1,988,696
Public safety	3,697,483	3,351,861	-	-	3,697,483	3,455,636
Economic and physical development	506,253	860,774	-	-	506,253	762,024
Human services	6,221,993	6,167,851	-	-	6,221,993	6,002,067
Cultural and recreation	296,577	304,343	-	-	296,577	285,577
Education	1,927,016	2,287,629	-	-	1,927,016	2,379,286
Interest on long-term debt	28,383	55,019	-	-	28,383	45,307
Sanitation	1,180,991	-	1,165,285	1,175,543	2,346,276	1,175,543
Water	1,251,027	-	1,308,358	1,315,705	2,559,385	1,315,705
Total expenses	17,135,794	14,977,870	2,473,643	2,491,248	19,609,437	17,409,841
Increase in net assets before transfers and special items	8,417,457	12,154	(202,448)	(139,397)	8,215,009	2,428,436
Transfers	203,412	222,315	(203,412)	(186,450)	-	-
Increase (decrease) in net assets	\$ 792,320	\$ 234,469	\$ (160,823)	\$ (325,847)	\$ 8,215,009	\$ 2,428,436
Net assets, beginning	13,243,196	10,254,446	4,455,337	4,781,184	13,243,196	14,955,535
Net assets, ending	\$ 14,035,516	\$ 10,488,915	\$ 4,294,514	\$ 4,455,337	\$ 14,035,516	\$ 17,383,971

Governmental activities: Governmental activities increased the County's net assets by \$792,320 thereby accounting for growth in the net assets of Washington County. Key elements of this increase are as follows:

- Acquisition of loan to supplement completion of the industrial building and medical clinic constructed with Golden Leaf grants.
- Three major reasons contributed to the decrease in General Fund unassigned fund balance: use to balance the original budget, paid of \$145,000 bond debt and contribution to retirement of installment purchase debt.

Business-type activities: Business-type activities decreased Washington County's net assets by \$160,823 accounting for a decrease of the growth in the government's net assets.

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, unreserved fund balance 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 \$1,450,659, a decrease of \$1,143,518 while total fund balance reached \$3,444,984. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 10 percent of total General Fund expenditures, while total fund balance represents 24 percent of that same amount.

Of the unassigned fund balance of the General Fund, \$52,598 has been committed by the Board of Commissioners for tax revaluation.

At June 30, 2011, the governmental funds of Washington County reported a combined fund balance of \$4,102,282, an eleven percent decrease over last year.

Management Discussion and Analysis

Washington County 6-30-11

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 \$1,348,393 or 10%. Major categories included:

Proprietary Funds: Washington County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Sanitation Fund at the end of the fiscal year amounted to \$646,156, and those for the Water Fund equaled \$553,643. The decrease in net assets for sanitation fund was (\$44,247).

Capital Assets and Debt Administration

Capital assets. Washington County's capital assets for its governmental and business – type activities as of June 30, 2011, totals \$18,465,660 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

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 Basic Financial Statements.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,151,262	\$ 2,180,481	\$ 330,158	\$ 330,158	\$ 2,481,420	\$ 2,510,639
Buildings and system	3,088,911	4,961,439	10,510,703	10,510,703	13,599,614	15,472,142
Machinery and equipment	897,045	2,070,008	229,351	471,210	1,126,396	2,541,218
Vehicles and motorized equipment	822,140	1,568,637	7,675	146,248	829,815	1,714,885
Construction in progress	3,298,259	346,625				346,625
Subtotal	\$ 4,808,096	\$ 11,127,190	\$ 10,781,830	\$ 11,458,319	\$ 15,589,926	\$ 22,585,509
Less Accumulated Depreciation	\$ 4,001,991	\$ 4,013,518	\$ 3,098,192	\$ 3,007,902	\$ 7,100,183	\$ 7,021,420
Total	\$ 10,257,617	\$ 7,113,672	\$ 8,208,043	\$ 8,450,417	\$ 18,465,660	\$ 15,564,089

Long-term Debt. As of June 30, 2011, Washington County had all its bonded debt paid out.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	0	\$ 145,000	0		0	\$ 145,000
Installment Purchase	961,610	\$ 372,521	0		961,610	\$ 372,521
Revenue Bonds	0		5,113,328	\$ 5,204,450	5,113,328	\$ 5,204,450
TOTAL	<u>961,610</u>	<u>\$ 517,521</u>	<u>5,113,328</u>	<u>\$ 5,204,450</u>	<u>6,074,938</u>	<u>\$ 5,721,971</u>

Washington County's total debt decreased by \$352,967 or 6.1% during the past fiscal year primarily due to principal payments on general obligation, 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 \$61,853,212.

Additional information regarding Washington County's long-term debt can be found in note d. 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.

- The County is currently experiencing an unemployment rate of 11.8%, higher than the state average of 9.12%;
- Poverty rate is approximately 23.2%;

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities:

- Ad valorem tax rate remains at \$0.79; this is the sixth consecutive year taxes have not been increased;
- Sales tax revenues are projected to be \$300,000 less than prior year; Each County now forfeits a final portion of one of its one-half cent sales taxes and redirects the tax collection is estimated to be 10% lower.
- There was no employees pay plan step increase and no lay offs.
- Debt was retired on General Obligation Bonds \$145,000;
- School system funding decreased by \$84,332;
- Emergency Medical Services including EMS Transport are projected to be \$1,532,637 which is a \$72,886 decrease. Other changes have been implemented all of which should increase revenue: greater number of interfaculty transports, converting to a new charting software and contracting with a new billing company.

Business – type Activities:

- The FY 2012 Waterworks Fund budget totals \$1,323,481 which represents a decrease of \$13,919 or 1% below FY 2010; Water rates for consumption increased from \$8 per 1,000 gallons to \$10. The base rate which includes the first 2,000 gallons of water remained unchanged.
- The FY 2012 Sanitation Fund budget totals \$1,325,111 which represents an increase of \$23,464 or 1.8% above FY 2010.

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 Office, Washington County, 120 Adams Street, Courthouse, Post Office Box 1007, Plymouth, NC 27962.



WASHINGTON COUNTY
OF NORTH CAROLINA

WASHINGTON
COUNTY
FOUNDED
1799

Washington County, North Carolina
Statement of Net Assets
June 30, 2011

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Washington County ABC Board
ASSETS				
Cash and cash equivalents	\$ 2,810,208	\$ 707,133	\$ 3,517,341	\$ 147,471
Receivables (net)	2,558,188	632,640	3,190,828	-
Inventories	-	7,747	7,747	92,145
Prepaid expenses	-	-	-	3,270
Restricted cash	52,540	-	52,540	-
Capital assets:				
Land, improvements, and construction in progress	5,449,521	330,158	5,779,679	4,692
Other capital assets, net of depreciation	<u>4,808,096</u>	<u>7,877,885</u>	<u>12,685,981</u>	<u>22,081</u>
Total capital assets	<u>10,257,617</u>	<u>8,208,043</u>	<u>18,465,660</u>	<u>26,773</u>
Total assets	<u>15,678,553</u>	<u>9,555,563</u>	<u>25,234,116</u>	<u>269,659</u>
LIABILITIES				
Accounts payable and accrued liabilities	272,151	10,607	282,758	41,232
Unearned revenue	44,951	-	44,951	-
Customer deposits	-	110,214	110,214	-
Long-term liabilities:				
Due within one year	330,508	107,798	438,306	-
Due in more than one year	<u>995,427</u>	<u>5,032,430</u>	<u>6,027,857</u>	<u>31,925</u>
Total liabilities	<u>1,643,037</u>	<u>5,261,049</u>	<u>6,904,086</u>	<u>73,157</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,296,007	3,094,715	12,390,722	26,773
Restricted for:				
Stabilization by State Statute	2,558,188	-	2,558,188	-
Register of Deeds	3,191	-	3,191	-
Capital improvements	-	-	-	9,420
Working capital	-	-	-	22,890
Construction purposes	18,577	-	18,577	-
Unrestricted	<u>2,159,553</u>	<u>1,199,799</u>	<u>3,359,352</u>	<u>137,419</u>
Total net assets	<u>\$ 14,035,516</u>	<u>\$ 4,294,514</u>	<u>\$ 18,330,030</u>	<u>\$ 196,502</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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,026,071	\$ 147,564	\$ -	\$ -
Public safety	3,697,483	313,233	442,997	333,842
Economic & physical development	506,253	39,784	205,435	616,179
Human services	6,221,993	676,619	2,876,158	1,185,201
Cultural & recreation	296,577	10,659	-	-
Education	1,927,016	-	144,907	86,061
Interest on long-term debt	28,383	-	-	-
Total governmental activities	14,703,776	1,187,859	3,669,497	2,221,283
Business-type activities:				
Sanitation	1,180,991	1,165,285	-	-
Water	1,251,027	1,308,358	-	-
Total business-type activities	2,432,018	2,473,643	-	-
Total primary government	\$ 17,135,794	\$ 3,661,502	\$ 3,669,497	\$ 2,221,283
Component unit:				
ABC Board	\$ 597,789	\$ 595,155	\$ -	\$ -

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 assets

Net assets-beginning

Net assets-ending

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Washington County ABC Board
(\$ 1,878,507)	\$ -	(\$ 1,878,507)	
(2,607,411)	-	(2,607,411)	
355,145	-	355,145	
(1,484,015)	-	(1,484,015)	
(285,918)	-	(285,918)	
(1,696,048)	-	(1,696,048)	
(28,383)	-	(28,383)	
<u>(7,625,137)</u>	<u>-</u>	<u>(7,625,137)</u>	
	- (15,706)	(15,706)	
	- 57,331	57,331	
	- 41,625	41,625	
<u>(7,625,137)</u>	<u>41,625</u>	<u>(7,583,512)</u>	
			(\$ 2,634)
6,324,595	-	6,324,595	-
1,677,773	-	1,677,773	-
147,279	-	147,279	-
18,871	964	19,835	465
45,527	-	45,527	-
203,412	(203,412)	-	-
<u>8,417,457</u>	<u>(202,448)</u>	<u>8,215,009</u>	<u>465</u>
792,320	(160,823)	631,497	(2,169)
<u>13,243,196</u>	<u>4,455,337</u>	<u>17,698,533</u>	<u>198,671</u>
<u>\$ 14,035,516</u>	<u>\$ 4,294,514</u>	<u>\$ 18,330,030</u>	<u>\$ 196,502</u>

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

Washington County, North Carolina
BALANCE SHEET
Governmental Funds
June 30, 2011

EXHIBIT 3

ASSETS	General	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,539,084	\$ 271,124	\$ 2,810,208
Restricted cash	52,540	-	52,540
Receivables, net	1,866,038	692,150	2,558,188
Due from other funds	116,431	(116,431)	-
Total assets	\$ 4,574,093	\$ 846,843	\$ 5,420,936

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 82,606	\$ 189,545	\$ 272,151
Unearned revenue	44,951	-	44,951
Deferred revenue	1,001,552	-	1,001,552
Total liabilities	1,129,109	189,545	1,318,654

Fund balances:

Restricted:			
State Statute	1,866,038	692,150	2,558,188
Register of Deeds	3,191	-	3,191
Construction purposes	-	18,577	18,577
Committed:			
Tax Revaluation	52,598	-	52,598
Assigned:			
Subsequent year's expenditures	72,498	-	72,498
Unassigned	1,450,659	(53,429)	1,397,230
Total fund balances	3,444,984	657,298	4,102,282

Total liabilities and fund balances \$ 4,574,093 \$ 846,843

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,257,617
Liabilities for earned but deferred revenues in fund statements	1,001,552
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(1,325,935)
Net assets of governmental activities	\$ 14,035,516

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, 2011

EXHIBIT 4

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 6,301,406	\$ -	\$ 6,301,406
Local option sales taxes	1,677,773	-	1,677,773
Other taxes and licenses	136,869	316,906	453,775
Unrestricted intergovernmental	36,577	-	36,577
Restricted intergovernmental	3,277,680	2,185,837	5,463,517
Permits and fees	214,090	-	214,090
Sales and services	1,111,576	-	1,111,576
Investment earnings	18,375	496	18,871
Miscellaneous	20,602	-	20,602
Total revenues	12,794,948	2,503,239	15,298,187
EXPENDITURES			
Current:			
General government	1,965,452	-	1,965,452
Public safety	3,545,768	412,126	3,957,894
Economic and physical development	374,066	1,900,339	2,274,405
Human services	6,284,328	1,172,353	7,456,681
Cultural and recreation	291,670	-	291,670
Intergovernmental:			
Education	1,927,016	-	1,927,016
Debt service:			
Principal	249,154	-	249,154
Interest	17,058	-	17,058
Total expenditures	14,654,512	3,484,818	18,139,330
Excess (deficiency) of revenues over expenditures	(1,859,564)	(981,579)	(2,841,143)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	489,533	16,685	506,218
Transfers to other funds	(16,685)	(286,121)	(302,806)
Issuance of debt	193,243	500,000	693,243
Insurance proceeds	21,350	-	21,350
Sale of capital assets	28,605	-	28,605
Total other financing sources (uses)	716,046	230,564	946,610
Net change in fund balance	(1,143,518)	(751,015)	(1,894,533)
Fund balances - beginning	4,588,502	1,408,313	5,996,815
Fund balances - ending	\$ 3,444,984	\$ 657,298	\$ 4,102,282

(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, 2011

EXHIBIT 4 (continued)

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

Net changes in fund balances - total governmental funds	(\$ 1,894,533)
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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	
Depreciation expense for governmental assets	3,222,591

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	23,189
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Cost of capital assets disposed of during the year, not recognized on the modified accrual basis.	(78,646)
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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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	
Principal payments on long-term debt	(444,089)

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.

Amortization of refunding costs	
Compensated absences	
Net pension obligation	(36,192)

Total changes in net assets of governmental activities	<u>\$ 792,320</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, 2011

EXHIBIT 5

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 6,400,000	\$ 6,377,000	\$ 6,301,406	(\$ 75,594)
Local option sales tax	1,585,000	1,585,000	1,677,773	92,773
Other taxes and licenses	110,850	137,850	136,869	(981)
Unrestricted intergovernmental	38,000	38,000	36,577	(1,423)
Restricted intergovernmental	3,704,417	3,875,260	3,277,680	(597,580)
Permits and fees	178,395	210,202	214,090	3,888
Sales and services	1,788,010	1,646,834	1,111,576	(535,258)
Investment earnings	40,000	20,000	18,301	(1,699)
Miscellaneous	38,300	28,362	20,602	(7,760)
Total revenues	<u>13,882,972</u>	<u>13,918,508</u>	<u>12,794,874</u>	<u>(1,123,634)</u>
EXPENDITURES				
Current:				
General government	2,007,342	1,978,344	1,942,257	36,087
Public safety	3,308,941	3,598,370	3,545,768	52,602
Economic and physical development	430,643	388,408	374,066	14,342
Human services	6,216,015	6,460,207	6,284,328	175,879
Cultural and recreational	296,010	296,010	291,670	4,340
Intergovernmental:				
Education	1,840,684	1,927,097	1,927,016	81
Debt service:				
Principal retirement	230,937	249,154	249,154	-
Interest and other charges	7,261	17,099	17,058	41
Total expenditures	<u>14,337,833</u>	<u>14,914,689</u>	<u>14,631,317</u>	<u>283,372</u>
Revenues over (under) expenditures	(454,861)	(996,181)	(1,836,443)	(840,262)
Other financing sources (uses):				
Transfers to other funds	(24,189)	(24,207)	(24,207)	-
Transfers from other funds	277,025	513,227	489,533	(23,694)
Sale of capital assets	1,000	28,000	28,605	605
Insurance proceeds	-	20,000	21,350	1,350
Issuance of debt	-	193,243	193,243	-
Total other financing sources (uses)	<u>253,836</u>	<u>730,263</u>	<u>708,524</u>	<u>(21,739)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(201,025)	(265,918)	(1,127,919)	(862,001)
Appropriated fund balance	<u>201,025</u>	<u>265,918</u>	<u>-</u>	<u>(265,918)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(1,127,919)</u>	<u>(\$ 1,127,919)</u>
Fund balances:				
Beginning of year, July 1			4,520,362	
End of year, June 30			<u>\$ 3,392,443</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, 2011

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	\$ 3,392,443
Tax Mapping and Revaluation Fund	
Transfer from General Fund	7,522
Operating expenditures	(23,195)
Fund balance, beginning	<u>68,140</u>
	<u>52,541</u>
Ending Fund Balance (Exhibit 4)	<u>\$ 3,444,984</u>

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

Washington County, North Carolina
STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2011

EXHIBIT 6

ASSETS	Enterprise Funds		Total
	Sanitation Fund	Water Fund	
Current assets:			
Cash and cash equivalents	\$ 198,462	\$ 508,671	\$ 707,133
Receivables, net	454,837	177,803	632,640
Inventories	-	7,747	7,747
Total current assets	653,299	694,221	1,347,520
Non-current assets:			
Capital assets:			
Land, improvements, and construction in progress	294,294	35,864	330,158
Other capital assets, net of depreciation	194,246	7,683,639	7,877,885
Total capital assets	488,540	7,719,503	8,208,043
Total assets	1,141,839	8,413,724	9,555,563
 LIABILITIES			
Current liabilities:			
Accounts payable	2,348	8,259	10,607
Customer deposits	-	110,214	110,214
Compensated absences	-	11,725	11,725
Revenue bonds payable	-	96,073	96,073
Total current liabilities	2,348	226,271	228,619
Non-current liabilities:			
Compensated absences	4,795	10,380	15,175
Revenue bonds payable	-	5,017,255	5,017,255
Total non-current liabilities	4,795	5,027,635	5,032,430
Total liabilities	7,143	5,253,906	5,261,049
 NET ASSETS			
Invested in capital assets, net of related debt	488,540	2,606,175	3,094,715
Unrestricted	646,156	553,643	1,199,799
Total net assets	\$ 1,134,696	\$ 3,159,818	\$ 4,294,514

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 ASSETS
Proprietary Funds
For the Year Ended June 30, 2011

EXHIBIT 7

	Enterprise Funds		Total
	Sanitation Fund	Water Fund	
OPERATING REVENUES			
Charges for services	\$ 1,165,285	\$ 1,255,001	\$ 2,420,286
Tap and connection fees	-	53,357	53,357
Total operating revenues	<u>1,165,285</u>	<u>1,308,358</u>	<u>2,473,643</u>
OPERATING EXPENSES			
Landfill and collections	1,159,349	-	1,159,349
Operation and maintenance	-	514,678	514,678
Treatment plant	-	258,782	258,782
Depreciation	21,642	220,725	242,367
Total operating expenses	<u>1,180,991</u>	<u>994,185</u>	<u>2,175,176</u>
Operating income (loss)	<u>(15,706)</u>	<u>314,173</u>	<u>298,467</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest on investments	286	678	964
Interest and other charges	-	(256,842)	(256,842)
Total non-operating revenue (expenses)	<u>286</u>	<u>(256,164)</u>	<u>(255,878)</u>
Income (loss) before contributions and transfers	(15,420)	58,009	42,589
Transfers to other funds	(50,469)	(152,943)	(203,412)
Change in net assets	<u>(65,889)</u>	<u>(94,934)</u>	<u>(160,823)</u>
Total net assets - beginning	<u>1,200,585</u>	<u>3,254,752</u>	<u>4,455,337</u>
Total net assets - ending	<u>\$ 1,134,696</u>	<u>\$ 3,159,818</u>	<u>\$ 4,294,514</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, 2011

EXHIBIT 8

	Sanitation Fund	Water Fund	Total
<u>Cash flows from operating activities:</u>			
Cash received from customers	\$ 1,170,670	\$ 1,317,204	\$ 2,487,874
Cash paid for goods and services	(1,048,428)	(325,467)	(1,373,895)
Cash paid to employees for services	(111,683)	(438,278)	(549,961)
Customer deposits received	-	9,370	9,370
Customer deposits returned	-	(3,098)	(3,098)
	10,559	559,731	570,290
 <u>Cash flows from non-capital financing activities:</u>			
Transfers out	(50,469)	(152,943)	(203,412)
Reduction in due to other funds	-	(33,168)	(33,168)
	(50,469)	(186,111)	(236,580)
 <u>Cash flows from capital and related financing activities:</u>			
Principal paid on bond maturities	-	(91,122)	(91,122)
Interest paid on bond maturities	-	(256,842)	(256,842)
Net cash provided (used) by capital and related financing activities	-	(347,964)	(347,964)
 <u>Cash flows from investing activities:</u>			
Interest on investments	286	678	964
 Net increase (decrease) in cash and cash equivalents	 (39,624)	 26,334	 (13,290)
Cash and cash equivalents, July 1	238,086	482,337	720,423
Cash and cash equivalents, June 30	\$ 198,462	\$ 508,671	\$ 707,133

(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, 2011

EXHIBIT 8 (continued)

	Sanitation Fund	Water Fund	Total
<u>Reconciliation of operating income to net cash provided by operating activities:</u>			
Operating income (loss)	(\$ 15,706)	\$ 314,173	\$ 298,467
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	21,642	220,725	242,367
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	5,385	8,846	14,231
(Increase) decrease in inventory	-	1,242	1,242
Increase (decrease) in accounts payable and accrued liabilities	(2,295)	6,005	3,710
Increase (decrease) in customer deposits	-	6,272	6,272
Increase (decrease) in accrued vacation pay	<u>1,533</u>	<u>2,468</u>	<u>4,001</u>
Total adjustments	<u>26,265</u>	<u>245,558</u>	<u>271,823</u>
Net cash provided by operating activities	<u>\$ 10,559</u>	<u>\$ 559,731</u>	<u>\$ 570,290</u>

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

Washington County, North Carolina
STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
June 30, 2011

EXHIBIT 9

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>27,567</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous liabilities	\$ <u>27,567</u>

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

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 Assets and the Statement of Activities display information about the primary government (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, 2011

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 and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental fund:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax 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.

Washington County 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, Community Development Block Grants Fund, and Urgent Repair Programs 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, 2011

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, 2011

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 those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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

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

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

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 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, 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, an 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, 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, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Washington County Board of Education.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, 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. Long-term Obligations

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

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

9. 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. For the County's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County 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.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Fund Equity (continued)

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

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 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.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$9,933,234 consists of several elements as follows:

Description	Amount
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)	\$ 14,259,608
Less accumulated depreciation	(4,001,991)
Net capital assets	10,257,617
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	1,001,552
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	(961,610)
Compensated absences	(329,715)
Net pension obligation	(34,610)
Total adjustment	<u>\$ 9,933,234</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$2,686,853 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,588,776
Cost of disposed capital assets not recorded on fund statements	(78,646)
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.	(366,185)
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 State of Net Assets.	(693,243)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	249,154
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.	(8,457)
Amortization of refunding costs not recorded on fund statements	(11,325)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(16,410)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Reversal of deferred tax revenue recorded at 7/1/10	(978,363)
Recording of tax receipts deferred in the fund statements as of 6/30/11	<u>1,001,552</u>
Total adjustment	<u>\$ 2,686,853</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit in Fund Balance or Net Assets of Individual Funds

The Health Clinic Construction Project Fund had a deficit fund balance at June 30, 2011. The Health Clinic Construction Project Fund is completing construction and all funding will be received in the next fiscal year.

B. Excess of Expenditures Over Appropriation

For the fiscal year ended June 30, 2011, the expenditures made in the County's Water Fund exceeded the authorized appropriation made by the governing board by \$12,668 in the operation and maintenance department.

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, 2011, the County's deposits had a carrying amount of \$2,171,560 and a bank balance of \$2,468,196. Of the bank balance, \$750,000 was covered by federal depository insurance, \$263,621 was covered by collateral held under the Dedicated Method, and \$1,454,575 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2011, Washington County had \$1,450 cash on hand.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

At June 30, 2011, the carrying amount of deposits for Washington County ABC Board was \$146,271 and the bank balance was \$144,967. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2011, the County's investment balances were as follows:

At June 30, 2011, Washington County had \$1,316,764 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>
2007	\$ 276,673	\$ 90,609	\$ 367,282
2008	275,078	65,325	340,403
2009	277,873	40,986	318,859
2010	278,183	15,995	294,178
Total	<u>\$ 1,107,807</u>	<u>\$ 212,915</u>	<u>\$ 1,320,722</u>

4. Receivables

Receivables at the government-wide level at June 30, 2011, 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	\$ 409,550	\$ 1,152,394	\$ 454,936	\$ 2,017,309
Other governmental	692,150	-	-	692,150
Total receivables	1,101,700	1,152,394	454,936	2,709,030
Allowance for doubtful accounts	-	(150,842)	-	(150,842)
Total governmental activities	<u>\$ 1,101,700</u>	<u>\$ 1,001,552</u>	<u>\$ 454,936</u>	<u>\$ 2,558,188</u>
Business-type activities:				
Sanitation	\$ 480,108	\$ -	\$ 14,729	\$ 494,837
Water	247,803	-	-	247,803
Allowance for doubtful accounts	(110,000)	-	-	(110,000)
Total business-type activities	<u>\$ 617,911</u>	<u>\$ -</u>	<u>\$ 14,729</u>	<u>\$ 632,640</u>

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

Local option sales tax	\$ 440,207
White goods disposal tax	944
Scrap tire tax	12,162
Disposal tax	<u>1,623</u>
Total	<u>\$ 454,936</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

5. Capital Assets

Capital asset activity for the year ended June 30, 2011, 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	\$ 2,180,481	\$ -	\$ 29,219	\$ 2,151,262
Construction in progress	<u>346,625</u>	<u>2,951,634</u>	<u>-</u>	<u>3,298,259</u>
Total capital assets not being depreciated	<u>2,527,106</u>	<u>2,951,634</u>	<u>29,219</u>	<u>5,449,521</u>
Capital assets being depreciated:				
Buildings	4,961,439	-	-	4,961,439
Furniture and equipment	2,070,008	455,462	123,082	2,402,388
Vehicles & motor equipment	<u>1,568,637</u>	<u>181,680</u>	<u>304,057</u>	<u>1,446,260</u>
Total capital assets being depreciated	<u>8,600,084</u>	<u>637,142</u>	<u>427,139</u>	<u>8,810,087</u>
Less accumulated depreciation for:				
Buildings	1,788,085	84,443	-	1,872,528
Furniture and equipment	1,473,309	120,896	88,862	1,505,343
Vehicles & motor equipment	<u>752,124</u>	<u>160,846</u>	<u>288,850</u>	<u>624,120</u>
Total accumulated depreciation	<u>4,013,518</u>	<u>\$ 366,185</u>	<u>\$ 377,712</u>	<u>4,001,991</u>
Total capital assets being depreciated, net	<u>4,586,566</u>			<u>4,808,096</u>
Governmental activity capital assets, net	<u>\$ 7,113,672</u>			<u>\$ 10,257,617</u>

Primary Government

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

General government	\$ 62,548
Public safety	170,409
Economic and physical development	8,050
Human services	120,379
Cultural and recreational	<u>4,799</u>
Total depreciation expense	<u>\$ 366,185</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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>Landfill</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	75,436	21,142	-	96,578
Vehicles	54,999	500	-	55,499
Total accumulated depreciation	<u>130,435</u>	<u>21,642</u>	<u>-</u>	<u>152,077</u>
Total capital assets being depreciated, net	<u>215,888</u>			<u>194,246</u>
Landfill capital assets, net	<u>510,182</u>			<u>488,540</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	2,659,322	210,523	-	2,869,845
Furniture & maintenance equipment	138,543	6,738	-	145,281
Vehicles	79,602	3,464	-	83,066
Total accumulated depreciation	<u>2,877,467</u>	<u>\$ 220,725</u>	<u>\$ -</u>	<u>3,098,192</u>
Total capital assets being depreciated, net	<u>7,904,371</u>			<u>7,683,647</u>
Washington County Water capital assets, net	<u>7,940,235</u>			<u>7,719,503</u>
Business-type activities capital assets, net	<u>\$ 8,450,417</u>			<u>\$ 8,208,043</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011. The project is for the County airport. At June 30, 2011, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Airport Construction Grant	\$ 513,075	\$ 484,612
Commerce Center Project	1,553,144	147,435
Health Clinic Construction	<u>1,232,040</u>	<u>73,411</u>
Total	<u>\$ 3,298,259</u>	<u>\$ 705,458</u>

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2011, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 4,697	\$ -	\$ -	\$ 4,697
Capital assets being depreciated:				
Buildings	63,998	-	-	63,998
Furniture and equipment	<u>74,212</u>	<u>-</u>	<u>-</u>	<u>74,212</u>
Total capital assets being depreciated	<u>138,210</u>	<u>-</u>	<u>-</u>	<u>138,210</u>
Less accumulated depreciation for:				
Buildings	55,663	1,219	-	56,882
Furniture and equipment	<u>55,843</u>	<u>3,404</u>	<u>-</u>	<u>59,247</u>
Total accumulated depreciation	<u>111,506</u>	<u>\$ 4,623</u>	<u>\$ -</u>	<u>116,129</u>
Total capital assets being depreciated, net	<u>26,704</u>			<u>22,081</u>
ABC capital assets, net	<u>\$ 31,396</u>			<u>\$ 26,778</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2011, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 47,743	\$ 34,863	\$ 82,606
Other governmental	189,545	-	189,545
Total governmental activities	\$ 237,288	\$ 34,863	\$ 272,151
Business-type activities			
Landfill	\$ 720	\$ 1,628	\$ 2,348
Water Fund	8,201	58	8,259
Total business-type activities	\$ 8,921	\$ 1,686	\$ 10,607

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Washington County and the ABC Board 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 9.42% and 9.36%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.00% 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, 2011, 2010, and 2009 were \$619,485, \$498,533, and \$510,197, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$4,429, \$3,326, and \$3,348, 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, 2011

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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>23</u>
Total	<u><u>24</u></u>

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.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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.

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. For the current year, the County contributed \$12,236, or 1.6% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the current year was determined as part of the December 31, 2010 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. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

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	\$	20,785
Interest on net pension obligation		1,308
Adjustment to annual required contribution	(1,400)
Annual pension cost		20,693
Contributions made	(12,236)
Increase (decrease) in net pension obligation		8,457
Net pension obligation, beginning of year		26,153
Net pension obligation, end of year	\$	34,610

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligated
2009	16,438	128.17%	30,413
2010	16,809	125.34%	26,153
2011	20,693	59.13%	34,610

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011 were \$48,311 for law enforcement officers and \$251,516 for non-law enforcement employees with the County's contribution being \$37,446 for law enforcement and \$128,992 for non-law enforcement. The employee's contribution was \$10,865 from law enforcement and \$122,524 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, 2011, the County's required and actual contributions were \$628.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011, the County made contributions to the State for death benefits of \$5,764. 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, 2011

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, 2011 and 2010, the County paid all annual required contributions to the Plan for post-employment healthcare benefits in the amount of \$264,974 and \$238,356, respectively. The contributions represented 4.5% of covered payroll.

3. Deferred/Unearned Revenues

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:

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 44,951
Taxes receivable, net (General)	1,001,552	-
Total	\$ 1,001,552	\$ 44,951

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011, the County had 168 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, 2011 was North Carolina State Health Plan for medical.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011, 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, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations

a. Installment Purchase

The County has entered into seven installment purchase contracts as of June 30, 2011.

The first contract was entered into in March 2004 to finance a fire truck. The contract requires fifteen annual installments of \$18,186 with 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 June 2008 for the purchase of property at the airport. The contract calls for four annual installments of \$50,000 plus interest at 2.2%. The fourth contract was entered into in November 2009 for public safety vehicles. The contract calls for three payments of \$14,838 including interest at 3.33%. The fifth 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 sixth 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, 2011, including interest, are as follows:

Year Ending June 30	Governmental activities	
	Principal	Interest
2012	\$ 177,508	\$ 32,928
2013	108,952	33,619
2014	112,341	28,025
2015	114,865	23,297
2016	117,500	18,455
2017-2021	330,444	37,012
Total present value of minimum payments	\$ 961,610	\$ 173,336
Total interest payments		\$ 173,336

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 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 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.

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2012	\$ 96,073	\$ 252,332
2013	101,075	247,577
2014	106,129	242,574
2015	111,238	237,321
2016	115,405	231,815
2017-2021	670,301	1,067,298
2022-2026	853,685	884,016
2027-2031	1,080,698	650,934
2032-2036	1,170,724	362,231
2037-2039	808,000	98,475
Total	\$ 5,113,328	\$ 4,274,573

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations

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, 2011:

	Balance <u>July 1, 2010</u>	Increases	Decreases	Balance <u>June 30, 2011</u>	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 145,000	\$ -	\$ 145,000	\$ -	\$ -
Installment purchase	372,521	693,243	104,154	961,610	177,508
Compensated absences	313,332	16,383	-	329,715	153,000
Net pension obligation	<u>26,153</u>	<u>8,457</u>	-	<u>34,610</u>	-
Total governmental activities	<u>\$ 857,006</u>	<u>\$ 718,083</u>	<u>\$ 249,154</u>	<u>\$ 1,325,935</u>	<u>\$ 330,508</u>
Business-type activities:					
Revenue bonds	\$ 5,204,450	\$ -	\$ 91,122	\$ 5,113,328	\$ 96,073
Compensated absences	<u>22,899</u>	<u>4,001</u>	-	<u>26,900</u>	<u>11,725</u>
Total business-type activities	<u>\$ 5,227,349</u>	<u>\$ 4,001</u>	<u>\$ 91,122</u>	<u>\$ 5,140,228</u>	<u>\$ 107,798</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, 2011

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, 2011, consist of the following:

From the General Fund to the Airport Grant Capital Project Fund for the matching purposes	\$ 16,685
To the General Fund from the Emergency Telephone System Fund to assist in administrative expenses	286,121
To the General Fund from the Sanitation Fund to assist in administrative expenses	50,469
To the General Fund from the Water Fund to assist in administrative expenses	<u>152,943</u>
Total	<u>\$ 506,218</u>

D. Fund Balance

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	\$ 3,444,984
Less:	
Stabilization by State Statute	1,866,038
Appropriated Fund Balance in 2012 Budget	72,498
Register of Deeds	3,191
Tax Revaluation	<u>52,598</u>
Remaining Fund Balance	<u>\$ 1,450,659</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$155,000 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, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$145,899 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, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$16,000 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.

The final joint venture that the County participates in is BMB Shelter Home with seven other local governments. Each participating local government appoints three board members to the twenty-four member board of the Shelter Home. The County has an ongoing financial responsibility for the joint venture because the Shelter Home's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Shelter Home, so no equity interest has been reflected in the financial statements at June 30, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$28,922 to the Shelter Home to supplement its activities. Complete financial statements for the Shelter Home can be obtained from their offices at Highway 64, Williamston, NC 27892.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 \$10,812 to the Commission during the fiscal year ended June 30, 2011.

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	\$ 187,470	\$ -
Medicaid	17,097,410	6,734,773
Energy assistance	174,602	-
Adoption assistance	127,434	28,065
Adult assistance	-	174,602
Title IV-E, foster care	7,924	1,690
CWS adoption benefits	-	14,304
	\$ 17,594,840	\$ 6,953,434
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.

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%

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%

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	12/31/10
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 – 7.85%
*Includes inflation at cost of living adjustments	3.00% N/A



WASHINGTON COUNTY
OF NORTH CAROLINA

WASHINGTON COUNTY FOUNDED ..1799..

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

Revenues:	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Ad valorem taxes:			
Taxes	\$	\$ 6,141,097	\$
Penalties and interest		160,309	
Total	<u>6,377,000</u>	<u>6,301,406</u>	(75,594)
Local option sales taxes:			
Article 39 and 44		676,464	
Article 40 one - half of one percent		617,159	
Article 42 one - half of one percent		384,150	
Total	<u>1,585,000</u>	<u>1,677,773</u>	92,773
Other taxes and licenses:			
Payments in lieu of taxes		12,788	
Occupancy tax		122,386	
Privilege licenses		760	
Gross receipts tax		935	
Total	<u>137,850</u>	<u>136,869</u>	(981)
Unrestricted intergovernmental:			
Beer and wine tax	<u>38,000</u>	<u>36,577</u>	(1,423)
Restricted intergovernmental:			
State grants		606,344	
Federal grants		2,642,507	
Court facility fees		25,833	
ABC bottles taxes		2,996	
Total	<u>3,875,260</u>	<u>3,277,680</u>	(597,580)
Permits and fees:			
Building permits		97,095	
Officer and sheriff fees		38,464	
Cable franchise fees		16,907	
Register of deeds		61,624	
Total	<u>210,202</u>	<u>214,090</u>	3,888
Sales and services:			
School resource officer fees		144,907	
Rents, concessions, and fees		85,940	
Jail fees		151,840	
EMS fees		676,619	
Recreation fees		10,659	
Vehicle tax collection fees		1,827	
Airport sales		39,784	
Total	<u>1,646,834</u>	<u>1,111,576</u>	(535,258)
Investment earnings	<u>20,000</u>	<u>18,301</u>	(1,699)
Miscellaneous:			
Other	<u>28,362</u>	<u>20,602</u>	(7,760)
Total revenues	<u>13,918,508</u>	<u>12,794,874</u>	(1,123,634)

(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, 2011

Expenditures:	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
General government:			
Governing body:			
Salaries and employee benefits		39,497	
Other operating expenditures		52,444	
Total	<u>92,210</u>	<u>91,941</u>	<u>269</u>
Administration:			
Salaries and employee benefits		353,178	
Other operating expenditures		18,528	
Capital outlay		17,016	
Total	<u>389,812</u>	<u>388,722</u>	<u>1,090</u>
Elections:			
Salaries and employee benefits		66,207	
Other operating expenditures		18,998	
Total	<u>85,305</u>	<u>85,205</u>	<u>100</u>
Finance:			
Salaries and employee benefits		208,512	
Other operating expenditures		10,152	
Total	<u>219,230</u>	<u>218,664</u>	<u>566</u>
Tax administration:			
Salaries and employee benefits		229,223	
Other operating expenditures		23,319	
Total	<u>256,016</u>	<u>252,542</u>	<u>3,474</u>
Legal and professional services:			
Contracted services	<u>33,700</u>	<u>33,399</u>	<u>301</u>
Register of deeds:			
Salaries and employee benefits		107,451	
Other operating expenditures		18,950	
Total	<u>128,895</u>	<u>126,401</u>	<u>2,494</u>
Facility services:			
Salaries and employee benefits		268,703	
Other operating expenditures		314,366	
Total	<u>607,378</u>	<u>583,069</u>	<u>24,309</u>
Information technology:			
Salaries and employee benefits		57,689	
Other operating expenditures		44,981	
Total	<u>106,060</u>	<u>102,670</u>	<u>3,390</u>
Geographic information:			
Salaries and employee benefits		52,024	
Other operating expenditures		7,620	
Total	<u>59,738</u>	<u>59,644</u>	<u>94</u>
Total general government	<u>1,978,344</u>	<u>1,942,257</u>	<u>36,087</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		1,297,566	
Other operating expenditures		281,445	
Capital outlay		319,641	
Total	<u>1,912,921</u>	<u>1,898,652</u>	<u>14,269</u>
CJPP criminal justice:			
Salaries and employee benefits		4,925	
Other operating expenditures		58,225	
Total	<u>63,104</u>	<u>63,150</u>	<u>(46)</u>
Detention center:			
Salaries and employee benefits		535,180	
Other operating expenditures		280,398	
Total	<u>848,878</u>	<u>815,578</u>	<u>33,300</u>
School resource officer - Union:			
Salaries and employee benefits		47,372	
Other operating expenditures		3,752	
Capital outlay		3,000	
Total	<u>54,855</u>	<u>54,124</u>	<u>731</u>
School resource officer - Creswell:			
Salaries and employee benefits		45,668	
Other operating expenditures		5,906	
Total	<u>48,170</u>	<u>51,574</u>	<u>(3,404)</u>
COPS Grant:			
Salaries and employee benefits	<u>35,395</u>	<u>35,393</u>	<u>2</u>
School resource officer - Plymouth:			
Salaries and employee benefits		45,952	
Other operating expenditures		1,922	
Total	<u>48,345</u>	<u>47,874</u>	<u>471</u>
Fire protection:			
Assistance to local fire departments	<u>251,400</u>	<u>251,400</u>	<u>-</u>
Planning and safety:			
Salaries and employee benefits		169,344	
Other operating expenditures		73,992	
Total	<u>246,693</u>	<u>243,336</u>	<u>3,357</u>
Medical examiner			
Contracted services	<u>6,000</u>	<u>5,000</u>	<u>1,000</u>
Forestry:			
County contribution	<u>82,609</u>	<u>79,687</u>	<u>2,922</u>
Total public safety	<u>3,598,370</u>	<u>3,545,768</u>	<u>52,602</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Economic and physical development:			
Cooperative extension service:			
Salaries and employee benefits		61,040	
Other operating expenditures		22,036	
Total	<u>85,172</u>	<u>83,076</u>	<u>2,096</u>
Economic development/planning:			
Other operating expenditures	<u>7,250</u>	<u>6,906</u>	<u>344</u>
Chamber of commerce:			
Salaries and employee benefits	<u>36,091</u>	<u>35,564</u>	<u>527</u>
Travel and tourism:			
Salaries and employee benefits		27,235	
Other operating expenditures		50,445	
Total	<u>87,400</u>	<u>77,680</u>	<u>9,720</u>
Soil and water conservation:			
Salaries and employee benefits		44,234	
Other operating expenditures		5,775	
Total	<u>50,501</u>	<u>50,009</u>	<u>492</u>
Waterways Commission:			
Salaries and employee benefits	<u>62</u>	<u>62</u>	<u>-</u>
Airport operations:			
Salaries and employee benefits		39,719	
Other operating expenses		81,050	
Total	<u>121,932</u>	<u>120,769</u>	<u>1,163</u>
Total economic and physical development	<u>388,408</u>	<u>374,066</u>	<u>14,342</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, 2011

	Budget	Actual	(continued) Variance Positive (Negative)
Human services:			
Contribution to District Health Department	145,899	145,899	-
Contribution to Mental Health Department	16,000	16,000	-
EMS:			
Salaries and employee benefits		1,212,375	
Other operating expenditures		283,532	
Capital outlay		100,421	
Total	1,592,306	1,596,328	(4,022)
Senior citizens center:			
Salaries and employee benefits		92,437	
Other operating expenditures		52,249	
Total	150,409	144,686	5,723
Juvenile justice:			
Other operating expenditures	82,823	82,635	188
Social services:			
Administration:			
Salaries and employee benefits		2,412,304	
Other operating expenditures		216,607	
Capital outlay		8,450	
Total	2,687,412	2,637,361	50,051
Day care:			
Assistance payments	752,099	718,016	34,083
Economic support:			
Other assistance programs	529,423	466,254	63,169
Social service transportation:			
Salaries and employee benefits		172,627	
Other operating expenditures		127,211	
Total	315,284	299,838	15,446
Substance abuse grant:			
Other operating expenditures	28,570	25,093	3,477
Community alternatives program:			
Salaries and employee benefits		101,475	
Other operating expenditures		38,549	
Total	147,683	140,024	7,659
Veterans service officer:			
Salaries and employee benefits		10,538	
Other operating expenditures		1,656	
Total	12,299	12,194	105
Total human services	6,460,207	6,284,328	175,879

(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, 2011

(continued)

	Budget	Actual	(continued) Variance Positive (Negative)
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		77,484	
Other operating expenditures		59,186	
Total	141,010	136,670	4,340
Library:			
Contribution to regional library		149,995	
Other operating expenditures		5,005	
Total	155,000	155,000	-
Total culture and recreation	296,010	291,670	4,340
Education:			
Public schools - current		1,525,000	
Public schools - capital outlay		386,332	
Community colleges - current		15,684	
Total	1,927,097	1,927,016	81
Debt service:			
Principal retirement		249,154	
Interest and other charges		17,058	
Total	266,253	266,212	41
Total expenditures	14,914,689	14,631,317	283,372
Revenues over (under) expenditures	(996,181)	(1,836,443)	(840,262)
Other financing sources (uses):			
Transfers to other funds:			
Capital Projects Funds	(16,685)	(16,685)	-
Revaluation Fund	(7,522)	(7,522)	-
Transfers from other funds:			
Drainage Fund	1,500	-	(1,500)
Enterprise Fund	203,412	203,412	-
Emergency Telephone System Fund	308,315	286,121	(22,194)
Total net transfers	489,020	465,326	(23,694)
Insurance proceeds	20,000	21,350	1,350
Loan proceeds	193,243	193,243	-
Sale of capital assets	28,000	28,605	605
Total other financing sources (uses)	730,263	708,524	(21,739)
Revenues and other financing sources over (under) expenditures and other financing uses	(265,918)	(1,127,919)	(862,001)
Appropriated fund balance	265,918	-	(265,918)
Revenues, other sources, and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>(1,127,919)</u>	<u>(\$ 1,127,919)</u>
Fund balances:			
Beginning of year, July 1		4,520,362	
End of year, June 30		<u>\$ 3,392,443</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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 74	\$ 74
Expenditures:			
Current:			
General government:			
Salaries and employee benefits		7,323	
Professional services		11,023	
Other operating expenditures		4,849	
Total expenditures	27,314	23,195	4,119
Revenues over (under) expenditures	(27,314)	(23,121)	4,193
Other financing sources:			
Transfer in:			
General Fund	7,522	7,522	-
Revenues and other financing sources over (under) expenditures	(19,792)	(15,599)	(4,193)
Appropriated fund balance	19,792	-	(19,792)
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	(15,599)	(\$ 15,599)
Fund balances:			
Beginning of year, July 1		68,140	
End of year, June 30		\$ 52,541	

Washington

C O U N T Y N . C .



The Natural Choice

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.
- Urgent Repair Programs – This fund is used to account for funds received to promote housing projects within the County.

Washington County, North Carolina
Combining Balance Sheet
 Non-major Governmental Funds
 June 30, 2011

	Special Revenue Funds				Total Non-major Special Revenue Funds
	Emergency Telephone System Fund	Drainage Fund	Community Development Block Grants	Urgent Repair Programs	
ASSETS					
Cash and cash equivalents	\$ 102,696	\$ 149,851	\$ -	\$ -	\$ 252,547
Accounts receivable, net	<u>376,325</u>	<u>310</u>	<u>-</u>	<u>-</u>	<u>376,635</u>
Total assets	<u>\$ 479,021</u>	<u>\$ 150,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 629,182</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 107,463	\$ -	\$ -	\$ -	\$ 107,463
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>107,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,463</u>
Fund balances:					
Restricted:					
Stabilization by State Statute	376,325	310	-	-	376,635
Construction projects	-	-	-	-	-
Unassigned	<u>(4,767)</u>	<u>149,851</u>	<u>-</u>	<u>-</u>	<u>145,084</u>
Total fund balances	<u>371,558</u>	<u>150,161</u>	<u>-</u>	<u>-</u>	<u>521,719</u>
Total liabilities and fund balances	<u>\$ 479,021</u>	<u>\$ 150,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 629,182</u>

Capital Projects

Commerce Center Project	Airport Grant Capital Projects	Health Clinic Construction Project	Total Non-major Capital Projects	Total Non-major Governmental Funds
\$ -	\$ 18,577	\$ -	\$ 18,577	\$ 271,124
<u>243,461</u>	<u>453</u>	<u>71,601</u>	<u>315,515</u>	<u>692,150</u>
<u>\$ 243,461</u>	<u>\$ 19,030</u>	<u>\$ 71,601</u>	<u>\$ 334,092</u>	<u>\$ 963,274</u>
\$ 7,000	\$ -	\$ 75,082	\$ 82,082	\$ 189,545
<u>73,073</u>	<u>-</u>	<u>43,358</u>	<u>116,431</u>	<u>116,431</u>
<u>80,073</u>	<u>-</u>	<u>118,440</u>	<u>198,513</u>	<u>305,976</u>
243,461	453	71,601	315,515	692,150
-	18,577	-	18,577	18,577
(<u>80,073</u>)	<u>-</u>	(<u>118,440</u>)	(<u>198,513</u>)	(<u>53,429</u>)
<u>163,388</u>	<u>19,030</u>	(<u>46,839</u>)	<u>135,579</u>	<u>657,298</u>
<u>\$ 243,461</u>	<u>\$ 19,030</u>	<u>\$ 71,601</u>	<u>\$ 334,092</u>	<u>\$ 963,274</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, 2011

	Special Revenue Funds				Total Non-major Special Revenue Funds
	Emergency Telephone System Fund	Drainage Fund	Community Development Block Grants	Urgent Repair Projects	
REVENUES					
Other taxes and licenses	\$ 310,615	\$ 6,291	\$ -	\$ -	\$ 316,906
Restricted intergovernmental	333,842	-	13,478	37,137	384,457
Investment earnings	<u>360</u>	<u>153</u>	<u>-</u>	<u>33</u>	<u>546</u>
Total revenues	<u>644,817</u>	<u>6,444</u>	<u>13,478</u>	<u>37,170</u>	<u>701,909</u>
EXPENDITURES					
Current:					
Public safety	412,126	-	-	-	412,126
Economic and physical development	-	32,980	13,478	74,600	121,058
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>412,126</u>	<u>32,980</u>	<u>13,478</u>	<u>74,600</u>	<u>533,184</u>
Excess (deficiency) of revenues over expenditures	<u>232,691</u>	<u>(26,536)</u>	<u>-</u>	<u>(37,430)</u>	<u>168,725</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds					
General Fund	(286,121)	-	-	-	(286,121)
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(286,121)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(286,121)</u>
Net change in fund balances	(53,430)	(26,536)	-	(37,430)	(117,396)
Fund balances – beginning	<u>424,988</u>	<u>176,697</u>	<u>-</u>	<u>37,430</u>	<u>639,115</u>
Fund balances – ending	<u>\$ 371,558</u>	<u>\$ 150,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 521,719</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>
\$ -	\$ -	\$ -	\$ -	\$ 316,906
243,461	372,718	1,185,201	1,801,380	2,185,837
(50)	-	-	(50)	496
<u>243,411</u>	<u>372,718</u>	<u>1,185,201</u>	<u>1,801,330</u>	<u>2,503,239</u>
-	-	-	-	412,126
-	-	-	-	121,058
<u>1,364,850</u>	<u>414,431</u>	<u>1,172,353</u>	<u>2,951,634</u>	<u>2,951,634</u>
<u>1,364,850</u>	<u>414,431</u>	<u>1,172,353</u>	<u>2,951,634</u>	<u>3,484,818</u>
(1,121,439)	(41,713)	12,848	(1,150,304)	(981,579)
-	16,685	-	16,685	(269,436)
<u>500,000</u>	-	-	<u>500,000</u>	<u>500,000</u>
<u>500,000</u>	<u>16,685</u>	-	<u>516,685</u>	<u>230,564</u>
(621,439)	(25,028)	12,848	(633,619)	(751,015)
<u>784,827</u>	<u>44,058</u>	(59,687)	<u>769,198</u>	<u>1,408,313</u>
<u>\$ 163,388</u>	<u>\$ 19,030</u>	<u>(\$ 46,839)</u>	<u>\$ 135,579</u>	<u>\$ 657,298</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, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Sales and services			
Telephone surcharge	\$	\$ 310,615	\$
State grant		333,842	
Investment earnings		360	
Total revenues	<u>513,020</u>	<u>644,817</u>	<u>131,797</u>
Expenditures:			
Current:			
Public safety operating expenses		78,284	
Capital outlay		333,842	
Total expenditures	<u>440,906</u>	<u>412,126</u>	<u>28,780</u>
Revenues over expenditures	<u>72,114</u>	<u>232,691</u>	<u>160,577</u>
Other financing sources (uses):			
Transfer out:			
General Fund	(286,121)	(286,121)	-
Transfer in:			
General Fund	<u>214,007</u>	<u>-</u>	<u>(214,007)</u>
Total other financing sources (uses)	<u>(72,114)</u>	<u>(286,121)</u>	<u>(214,007)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(53,430)</u>	<u>(\$ 53,430)</u>
Fund balances:			
Beginning of year, July 1		<u>424,988</u>	
End of year, June 30		<u>\$ 371,558</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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other taxes and licenses:			
Drainage assessments	\$	\$ 6,291	\$
Investment earnings		153	
Total revenues	5,775	6,444	669
Expenditures:			
Current:			
Economic and physical development:			
Contracted services	50,775	32,980	17,795
Revenues over (under) expenditures	(45,000)	(26,536)	18,464
Appropriated fund balance	45,000	-	(45,000)
Revenues and appropriated fund balance over (under) expenditures	\$ -	(26,536)	(\$ 26,536)
Fund balances:			
Beginning of year, July 1		176,697	
End of year, June 30		\$ 150,161	

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, 2011

	Project Authorization	Actual		Variance Positive (Negative)
		Current Year	Year to Date	
Revenues:				
Restricted intergovernmental:				
CDBG-2010	\$ 400,000	\$ 13,478	\$ 13,478	\$ 386,522
Expenditures:				
Economic and physical development				
CDBG-2010				
Administration	53,430	-	-	53,430
Rehabilitation	<u>346,570</u>	<u>13,478</u>	<u>13,478</u>	<u>333,092</u>
Total expenditures	<u>400,000</u>	<u>13,478</u>	<u>13,478</u>	<u>386,522</u>
Revenues over expenditures	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
Fund balances:				
Beginning of year, July 1		-		
End of year, June 30		<u>\$ -</u>		

Washington County, North Carolina
Urgent Repair Projects
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2011

	<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					
Urgent Repair Grant - 08	\$ 75,000	\$ 74,664	\$ -	\$ 74,664	(\$ 336)
Urgent Repair Grant - 10	75,000	37,500	37,137	74,637	(363)
Investment earnings	-	-	33	33	33
Total	<u>150,000</u>	<u>112,164</u>	<u>37,170</u>	<u>149,334</u>	<u>(666)</u>
Expenditures:					
Economic and physical development					
Urgent repairs - 08	75,000	74,664	-	74,664	336
Urgent repairs - 10	<u>75,000</u>	<u>70</u>	<u>74,600</u>	<u>74,670</u>	<u>330</u>
Total expenditures	<u>150,000</u>	<u>74,734</u>	<u>74,600</u>	<u>149,334</u>	<u>666</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 37,430</u>	<u>(37,430)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>37,430</u>		
End of year, June 30			<u>\$ -</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, 2011

	Project Authorization	Prior Year	Actual Current Year	Year to Date	Variance Positive (Negative)
Revenues:					
Aviation Grants	\$ 922,745	\$ 84,445	\$ 372,718	\$ 457,163	(\$ 465,582)
Expenditures:					
Construction and improvements	997,687	98,644	414,431	513,075	484,612
Revenues over (under) expenditures	(74,942)	(14,199)	(41,713)	(55,912)	19,030
Other financing sources:					
Transfer from General Fund	74,942	58,257	16,685	74,942	-
Revenues and other sources over (under) expenditures	\$ -	\$ 44,058	(25,028)	\$ 19,030	\$ 19,030
Fund balances:					
Beginning of year, July 1			44,058		
End of year, June 30			\$ 19,030		

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, 2011

	Project Authorization	Prior Year	Actual		Variance Positive (Negative)
			Current Year	Year to Date	
Revenues:					
Golden Leaf Grant	\$ 600,000	\$ -	\$ 480,000	\$ 480,000	(\$ 120,000)
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>-</u>	<u>1,185,201</u>	<u>1,185,201</u>	<u>(120,250)</u>
Expenditures:					
Architect Engineer	74,568	52,666	21,573	74,239	329
Advertising	2,500	168	2,051	2,219	281
Surveys	19,680	6,853	13,489	20,342	(662)
Construction	<u>1,208,703</u>	<u>-</u>	<u>1,135,240</u>	<u>1,135,240</u>	<u>73,463</u>
Total	<u>1,305,451</u>	<u>59,687</u>	<u>1,172,353</u>	<u>1,232,040</u>	<u>73,411</u>
Revenues over (under) expenditures	\$ <u>-</u>	(\$ <u>59,687</u>)	12,848	(\$ <u>46,839</u>)	(\$ <u>46,839</u>)
Fund balances:					
Beginning of year, July 1			(<u>59,687</u>)		
End of year, June 30			(\$ <u>46,839</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, 2011

	Project Authorization	Prior Year	Actual Current Year	Year to Date	Variance Positive (Negative)
Revenues:					
Golden Leaf Grant	\$ 1,216,461	\$ 973,000	\$ 243,461	\$ 1,216,461	\$ -
Interest income	-	121	(50)	71	71
Total	<u>1,216,461</u>	<u>973,121</u>	<u>243,411</u>	<u>1,216,532</u>	<u>71</u>
Expenditures:					
Ads, permits, surveys	32,000	5,513	27,726	33,239	(1,239)
Soil report	16,889	7,479	9,409	16,888	1
Professional services	229,655	-	229,155	229,155	500
Construction	<u>1,422,035</u>	<u>175,302</u>	<u>1,098,560</u>	<u>1,273,862</u>	<u>148,173</u>
Total	<u>1,700,579</u>	<u>188,294</u>	<u>1,364,850</u>	<u>1,553,144</u>	<u>147,435</u>
Revenues over (under) expenditures	(484,118)	784,827	(1,121,439)	(336,612)	147,506
Other financing sources:					
Loan proceeds	<u>484,118</u>	-	<u>500,000</u>	<u>500,000</u>	<u>15,882</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 784,287</u>	(621,439)	<u>\$ 163,388</u>	<u>\$ 163,388</u>
Fund balances:					
Beginning of year, July 1			<u>784,827</u>		
End of year, June 30			<u>\$ 163,388</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Solid waste fees	\$	\$ 1,102,499	\$
White goods disposal fee and grants		10,871	
Penalties		951	
Scrap tire tax and grants		44,071	
Solid waste disposal tax		6,893	
Total	<u>1,207,204</u>	<u>1,165,285</u>	<u>(41,919)</u>
Non-operating revenues:			
Investment earnings	<u>250</u>	<u>286</u>	<u>36</u>
Total revenues	<u>1,207,454</u>	<u>1,165,571</u>	<u>(41,883)</u>
Expenditures:			
Landfill and collections:			
Salaries and employee benefits		111,683	
Garbage collection fees		658,592	
Landfill fees		307,046	
Scrap tire services		38,170	
Other operating expenditures		42,325	
Total	<u>1,172,778</u>	<u>1,157,816</u>	<u>14,962</u>
Total expenditures			
Revenues over (under) expenditures	<u>34,676</u>	<u>7,755</u>	<u>(26,921)</u>
Other financing uses:			
Transfers out:			
General Fund	<u>(50,469)</u>	<u>(50,469)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>(15,793)</u>	<u>(42,714)</u>	<u>(26,921)</u>
Appropriated net assets	<u>15,793</u>	<u>-</u>	<u>(15,793)</u>
Revenues and appropriated net assets over (under) expenditures and other uses	<u>\$ -</u>	<u>(42,714)</u>	<u>(\$ 42,714)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(21,642)	
(Increase) decrease in accrued vacation pay		(1,533)	
Total reconciling items		<u>(23,175)</u>	
Change in net assets		<u>(\$ 65,889)</u>	

Washington County, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water sales	\$	\$ 1,255,001	\$
Tap and connection fees		53,357	
Total operating revenues	<u>1,311,316</u>	<u>1,308,358</u>	<u>(2,958)</u>
Non-operating revenues:			
Interest earnings	<u>1,000</u>	<u>678</u>	<u>(322)</u>
Total revenues	<u>1,312,316</u>	<u>1,309,036</u>	<u>(3,280)</u>
Expenditures:			
Operation and maintenance:			
Salaries and employee benefits		298,640	
Professional services		8,637	
Other operating expenditures		204,933	
Total	<u>499,542</u>	<u>512,210</u>	<u>(12,668)</u>
Treatment plant:			
Salaries and employee benefits		139,638	
Utilities		22,132	
Chemicals		26,422	
Other operating expenditures		70,590	
Total	<u>286,522</u>	<u>258,782</u>	<u>27,740</u>
Debt service:			
Interest and other charges		256,842	
Debt principal		91,122	
Total	<u>398,393</u>	<u>347,964</u>	<u>50,429</u>
Total expenditures	<u>1,184,457</u>	<u>1,118,956</u>	<u>65,501</u>
Revenues over expenditures	127,859	190,080	62,221
Other financing sources (uses):			
Transfer out	<u>(152,943)</u>	<u>(152,943)</u>	<u>-</u>
Revenues over (under) expenditures and other uses	<u>(25,084)</u>	37,137	62,221

(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, 2011

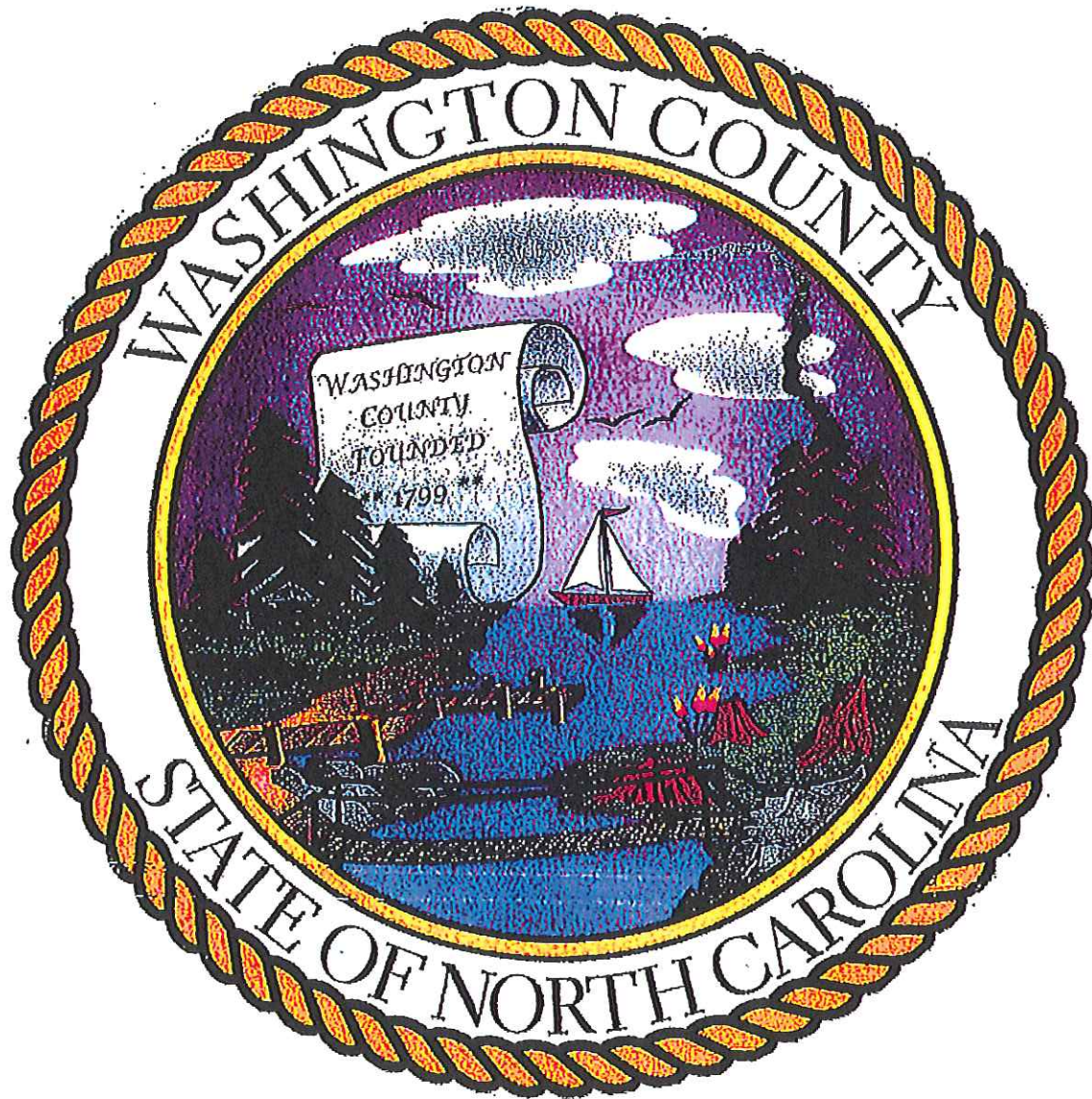
	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Appropriated net assets	25,084	-	(25,084)
Revenues and appropriated net assets over (under) expenditures and other uses	\$ -	37,137	\$ 37,137

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

Reconciling items:			
Debt payments		91,122	
(Increase) decrease in accrued vacation pay		(2,468)	
Depreciation		(220,725)	
Total reconciling items		(132,071)	
Change in net assets		(\$ 94,934)	

Washington County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 14,464	\$ 107,466	\$ 104,753	\$ 17,177
Liabilities:				
Miscellaneous liabilities	\$ 14,464	\$ 107,466	\$ 104,753	\$ 17,177
<u>Detention Center</u>				
Assets:				
Cash and cash equivalents	\$ 11,510	\$ 37,157	\$ 38,277	\$ 10,390
Liabilities:				
Miscellaneous liabilities	\$ 11,510	\$ 37,157	\$ 38,277	\$ 10,390
<u>Motor Vehicle Tax</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 118,835	\$ 118,835	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 118,835	\$ 118,835	\$ -
<u>Motor Vehicle Interest</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 8,383	\$ 8,383	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 8,383	\$ 8,383	\$ -
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 25,974	\$ 271,841	\$ 270,248	\$ 27,567
Liabilities:				
Miscellaneous liabilities	\$ 25,974	\$ 271,841	\$ 270,248	\$ 27,567



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, 2011

Fiscal Year	Uncollected Balance June 30, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 6,206,829	\$ 5,700,097	\$ 506,732
2009-2010	491,499	5,534	307,381	189,652
2008-2009	134,866	903	40,088	95,681
2007-2008	120,609	116	35,842	84,883
2006-2007	90,830	86	20,889	70,027
2005-2006	71,679	41	18,673	53,047
2004-2005	62,390	10	16,472	45,928
2003-2004	52,793	3	12,605	40,191
2002-2003	45,529	3	10,675	34,857
2001-2002	39,380	3	7,987	31,396
2000-2001	28,384	-	28,384	-
	<u>\$ 1,137,959</u>	<u>\$ 6,213,528</u>	<u>\$ 6,199,093</u>	<u>1,152,394</u>
Less: allowance for uncollectible accounts: General Fund				(150,842)
Ad valorem taxes receivable - net: General Fund				<u>\$ 1,001,552</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 6,301,406
Reconciling items:				
Interest collected				(140,119)
Taxes written off				<u>37,806</u>
Total reconciling items				(102,313)
Total collections and credits				<u>\$ 6,199,093</u>

Washington County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Year Ended June 30, 2011

	<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	\$ 783,180,593	.79	\$ 6,187,127	\$ 5,561,788	\$ 625,339
Penalties			<u>3,865</u>	<u>3,790</u>	<u>75</u>
Total			<u>6,190,992</u>	<u>5,563,578</u>	<u>625,414</u>
Discoveries:					
Current year taxes	<u>3,823,418</u>		<u>30,205</u>	<u>20,705</u>	<u>9,500</u>
Abatements	(<u>1,818,734</u>)		(<u>14,368</u>)	(<u>9,005</u>)	(<u>5,363</u>)
Total property valuation	<u>\$ 785,185,277</u>				
Net levy			6,206,829	5,577,278	629,551
Uncollected taxes at June 30, 2011			<u>506,732</u>	<u>378,394</u>	<u>128,338</u>
Current year's taxes collected			<u>\$ 5,700,097</u>	<u>\$ 5,198,884</u>	<u>\$ 501,213</u>
Current levy collection percentage			<u>91.84%</u>	<u>93.22%</u>	<u>79.61%</u>

Washington County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Fiscal Year Ended June 30, 2010

Secondary Market Disclosures:

Assessed Valuation:		
Assessment Ratio ¹		100%
Real Property	\$ 609,766,601	
Personal Property	138,416,692	
Public Service Companies ²	26,891,598	
Total Assessed Valuation	\$ 775,074,891	
Tax Rate per \$100		0.79
Levy (includes discoveries, releases and abatements) ³	\$ 6,130,086	

¹Percentage of appraised value has been established 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.

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

C O U N T Y N . C .



The Natural Choice

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

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
Governmental activities						
Invested in capital assets, net of related debt	\$ 3,420,141	\$ 2,947,555	\$ 3,354,790	\$ 3,102,394	\$ 6,877,735	\$ 9,296,007
Restricted	-	-	-	-	-	2,579,956
Unassigned	3,308,651	6,417,958	6,899,656	7,386,521	6,365,461	2,159,553
Total governmental activities net assets	<u>\$ 6,728,792</u>	<u>\$ 9,365,513</u>	<u>\$ 10,254,446</u>	<u>\$ 10,488,915</u>	<u>\$ 13,243,196</u>	<u>\$ 14,035,516</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 2,575,109	\$ 2,642,884	\$ 2,955,531	\$ 3,388,284	\$ 3,245,967	\$ 3,094,715
Restricted	-	-	-	-	-	-
Unassigned	1,967,324	1,943,407	1,745,558	1,392,900	1,209,370	1,199,799
Total business-type activities net assets	<u>\$ 4,542,433</u>	<u>\$ 4,586,291</u>	<u>\$ 4,701,089</u>	<u>\$ 4,781,184</u>	<u>\$ 4,455,337</u>	<u>\$ 4,294,514</u>
Primary government						
Invested in capital assets, net of related debt	\$ 5,995,250	\$ 5,590,439	\$ 6,310,321	\$ 6,490,678	\$ 10,123,702	\$ 12,390,722
Restricted	-	-	-	-	-	2,579,956
Unassigned	5,275,975	8,361,365	8,645,214	8,779,421	7,574,831	3,359,352
Total primary government net assets	<u>\$ 11,271,225</u>	<u>\$ 13,951,804</u>	<u>\$ 14,955,535</u>	<u>\$ 15,270,099</u>	<u>\$ 17,698,533</u>	<u>\$ 18,330,030</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

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
Expenses						
Governmental activities:						
General government	\$ 1,833,844	\$ 1,661,571	\$ 1,806,270	\$ 1,950,393	\$ 1,988,696	\$ 2,026,071
Public Safety	2,534,492	3,124,711	3,144,896	3,351,861	3,455,636	3,697,483
Economic & physical development	1,234,654	906,456	823,481	860,774	762,024	506,253
Human Services	5,618,549	5,709,342	6,575,808	6,167,851	6,002,067	6,221,993
Culture & recreation	244,111	284,006	337,650	304,343	285,577	296,577
Education	1,674,717	1,992,061	2,478,733	2,287,629	2,379,286	1,927,016
Interest on long-term debt	104,801	95,852	70,119	55,019	45,307	28,383
Total governmental activities expenses	<u>\$ 13,245,208</u>	<u>\$ 13,773,999</u>	<u>\$ 15,236,957</u>	<u>\$ 14,977,870</u>	<u>\$ 14,918,593</u>	<u>\$ 14,703,776</u>
Business-type activities:						
Sanitation	1,199,871	1,155,165	1,188,237	1,214,825	1,175,543	1,180,991
Water	1,110,921	1,148,927	1,283,986	1,419,946	1,315,705	1,251,027
Total business-type activities expenses	<u>2,310,792</u>	<u>2,304,092</u>	<u>4,776,315</u>	<u>2,634,771</u>	<u>2,491,248</u>	<u>2,432,018</u>
Total primary government expenses	<u>\$ 15,556,000</u>	<u>\$ 16,078,091</u>	<u>\$ 17,709,180</u>	<u>\$ 17,612,641</u>	<u>\$ 17,409,841</u>	<u>\$ 17,135,794</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 192,434	\$ 180,101	\$ 199,988	\$ 161,584	\$ 147,564	\$ 147,564
Public Safety	471,620	566,422	979,799	522,715	313,233	313,233
Human Services		15,548	517,770	684,147	676,619	676,619
Other activities	260,360	39,992	14,514	13,969	50,443	50,443
Operating grants and contributions	3,515,627	3,660,422	3,385,365	3,910,831	-	-
Capital grants and contributions	883,388	267,189	691,051	782,019	-	-
Total governmental activities program revenue	<u>\$ 5,323,429</u>	<u>\$ 4,729,674</u>	<u>\$ 5,788,487</u>	<u>\$ 6,075,265</u>	<u>\$ 1,187,859</u>	<u>\$ 1,187,859</u>
Business-type activities:						
Charges for services:						
Sanitation	\$ 1,083,443	\$ 1,157,754	\$ 1,327,938	\$ 1,247,312	\$ 1,165,285	\$ 1,165,285
Water	1,071,142	1,128,400	1,152,085	1,216,220	1,308,358	1,308,358
Capital grants and contributions	-	142,924	239,387	438,364	-	-
Total business-type activities program revenue:	<u>2,154,585</u>	<u>2,429,078</u>	<u>2,719,410</u>	<u>2,901,896</u>	<u>2,473,643</u>	<u>2,473,643</u>
Total primary government program revenues	<u>\$ 7,478,014</u>	<u>\$ 7,158,752</u>	<u>\$ 8,507,897</u>	<u>\$ 8,977,161</u>	<u>\$ 9,735,595</u>	<u>\$ 3,661,502</u>

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

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
Net (expense) revenue						
Governmental activities	\$ (7,921,779)	\$ (9,044,325)	\$ (9,448,470)	\$ (8,902,605)	\$ (7,531,631)	\$ (7,625,137)
Business -type activities	(156,207)	124,986	247,187	267,125	(142,615)	41,625
Total primary government net expense	<u>\$ (8,077,986)</u>	<u>\$ (8,919,339)</u>	<u>\$ (9,201,283)</u>	<u>\$ (8,635,480)</u>	<u>\$ (7,674,246)</u>	<u>\$ (7,583,512)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 5,965,537	\$ 6,151,550	\$ 6,152,716	\$ 6,075,661	\$ 6,274,048	\$ 6,324,595
Sales Taxes	2,530,269	2,670,100	3,005,697	2,371,413	1,644,393	1,677,773
Other taxes and licenses	364,860	500,155	568,433	37,832	132,456	147,279
Unrestricted grants and contributions						
Investment earnings	148,965	175,312	248,147	99,105	45,667	18,871
Miscellaneous	76,387	84,088	88,436	103,042	68,258	45,527
Extraordinary item-sale of component unit		1,953,627		227,706		
Special item - land and building donation					1,934,640	
Sale of Capital Assets			89,159	-		
Transfers	113,000	146,214	184,815	222,315	186,450	203,412
Total government activities	<u>\$ 9,199,018</u>	<u>\$ 11,681,046</u>	<u>\$ 10,337,403</u>	<u>\$ 9,137,074</u>	<u>\$ 10,285,912</u>	<u>\$ 8,417,457</u>
Business-type activities:						
Investment earnings	\$ 55,662	\$ 65,086	\$ 52,426	\$ 21,185	\$ 1,538	\$ 964
Miscellaneous				\$ 14,100	\$ 1,680	
Sale of Capital Assets						
Transfers	(113,000)	(146,214)	(184,815)	(222,315)	(186,450)	(203,412)
Total business-type activities	<u>(57,338)</u>	<u>(81,128)</u>	<u>(132,389)</u>	<u>(187,030)</u>	<u>(183,232)</u>	<u>(202,448)</u>
Total Primary government	<u>\$ 9,141,680</u>	<u>\$ 11,599,918</u>	<u>\$ 10,205,014</u>	<u>\$ 8,950,044</u>	<u>\$ 10,102,680</u>	<u>\$ 8,215,009</u>
Change in Net Assets						
Governmental activities	\$ 1,277,239	\$ 2,636,721	\$ 888,933	\$ 234,469	\$ 2,754,281	\$ 792,320
Business-type activities	(213,545)	43,858	114,798	80,095	(325,847)	(160,823)
Total primary government	<u>\$ 1,063,694</u>	<u>\$ 2,680,579</u>	<u>\$ 1,003,731</u>	<u>\$ 314,564</u>	<u>\$ 2,428,434</u>	<u>\$ 631,497</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)

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Restricted	\$849,959	\$938,294	\$1,365,765	\$1,179,682	\$1,248,015	\$1,538,257	\$1,714,937	\$1,539,772	\$1,539,427	\$1,869,229
Committed										\$52,598
Assigned										\$72,498
Unassigned	1,166,075	1,259,356	1,353,767	1,855,902	2,150,570	4,303,616	4,458,651	4,457,703	2,980,935	1,450,659
Total General Fund	\$2,016,034	\$2,197,650	\$2,719,532	\$3,035,584	\$3,398,585	\$5,841,873	\$6,173,588	\$5,997,475	\$4,520,362	\$3,444,984
All other governmental Funds										
Restricted	\$26,311	\$25,892	\$27,270	\$117,172	\$27,828	\$349,240	\$106,789	\$48,974	\$28,578	\$710,727
Unassigned, reported in:										
Commerce Center Project									784,827	
Special revenue funds	342,328	484,686	425,962	199,056	486,511	427,067	429,109	697,638	663,074	(53,429)
Total all other Governmental Funds	\$368,639	\$510,578	\$453,232	\$316,228	\$514,339	\$776,307	\$535,898	\$746,612	\$1,476,479	\$657,298

Washington County, North Carolina
Changes in Fund Balances of Governmental Funds

Schedule 4

Last Ten Years

(modified accrual basis of accounting)

	<u>2002</u>	<u>2003</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>
Revenues										
Ad valorem Taxes	\$5,376,825	\$ 5,237,310	\$ 5,613,298	\$ 5,550,970	\$ 5,984,556	\$ 5,971,937	\$ 6,023,843	\$ 6,317,071	\$ 6,251,892	\$ 6,301,406
Local Option sales taxes	1,600,997	1,755,667	2,211,447	2,531,163	2,530,269	2,670,100	3,005,697	2,257,641	1,644,393	1,677,773
Other taxes & licenses	88,165	162,191	189,676	188,097	213,658	188,662	258,335	176,815	102,536	453,775
Unrestricted Intergovernmental										
Restricted Governmental	3,672,903	3,239,852	3,880,368	3,886,980	4,380,530	3,913,326	4,271,688	4,265,861	5,410,944	5,463,517
Permits & fees	132,446	186,357	196,641	214,526	238,786	230,557	326,784	183,699	189,840	214,090
Sales & services	270,126	630,581	844,112	1,007,619	855,315	970,597	1,505,113	1,623,137	1,733,324	1,111,576
Investment earnings	58,443	43,818	29,915	63,676	148,965	175,312	248,147	98,106	46,173	18,871
Miscellaneous	-	100,820	54,873	75,533	76,386	85,959	88,436	81,398	81,860	20,602
Total revenues	11,199,905	11,416,596	13,020,330	13,518,564	14,408,465	14,206,450	15,723,043	15,003,728	15,460,962	15,298,187
Expenditures										
General government	2,085,700	1,418,404	1,536,180	1,832,708	1,974,861	1,708,044	1,771,539	1,979,876	1,974,221	1,965,452
Public safety	1,761,508	2,413,608	2,539,682	2,698,279	2,567,887	3,119,025	3,331,253	3,309,659	3,453,358	3,957,894
Economic & physical development	157,726	659,570	1,271,959	1,331,058	1,234,356	906,456	1,086,650	857,794	1,318,196	2,274,405
Human Services	4,689,574	4,745,062	5,027,635	5,061,305	5,621,015	5,710,362	6,599,163	6,158,918	6,187,877	7,456,681
Culture & recreation	232,095	212,663	241,438	252,292	245,073	282,276	349,889	302,313	280,650	291,670
Education	1,692,592	1,509,958	1,572,545	1,641,538	1,674,717	1,992,061	2,478,733	2,287,629	2,379,286	1,927,016
Debt Service- Principal	476,149	554,589	1,972,462	648,808	595,970	585,849	501,479	479,587	825,451	249,154
Interest	262,651	200,982	195,289	115,368	93,475	84,526	58,793	43,693	33,981	17,058
Other charges	-	101,933	-	-	-	-	-	-	-	-
Total expenditures	11,357,995	11,816,769	14,297,190	13,581,356	14,007,354	14,388,599	16,177,499	15,419,469	16,453,020	18,139,330
Excess of revenues over (under) expenditures	(158,090)	(400,173)	(1,276,860)	(62,792)	(401,111)	(182,149)	(454,456)	(415,741)	(992,058)	(2,841,143)
Other financing sources (uses)										
Transfers in	112,500	176,200	201,499	189,823	205,467	240,534	788,984	340,275	326,975	506,218
Transfer out	(20,000)	(77,800)	(98,099)	(84,823)	(92,467)	(94,320)	(604,169)	(117,960)	(140,525)	(302,806)
Refunding bonds issued	-	2,830,000	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	-	-	-	-
Insurance proceeds	59,830	422,119	1,614,245	136,325	47,000	203,879	261,788	-	43,096	693,243
Sale of capital assets	-	8,209	23,751	515	-	474	99,159	321	15,267	21,350
Sale of component unit (hospital proceeds)	-	-	-	-	-	2,536,838	-	227,706	-	28,605
Total other financing sources (uses)	152,330	723,728	1,741,396	241,840	160,000	2,887,405	545,762	450,342	244,812	946,610
Net change in fund balances	\$ (5,760)	\$ 323,555	\$ 464,536	\$ 179,048	\$ 561,111	\$ 2,705,256	\$ 91,306	\$ 34,601	\$ (747,246)	\$ (1,894,533)
Debt service as a percentage of non capital expenditures	6.50%	6.39%	14.74%	5.63%	4.92%	4.74%	3.59%	5.66%	5.59%	1.47%

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

Schedule 5

Fiscal Year Ended <u>June-30</u>	Property Tax	Sales Tax	Intangibles Reimburse- ments	Room Occupancy Tax	Cable TV Franchise	Totals
2001	\$ 4,808,136	\$ 1,603,862	\$ 119,044	\$ 40,506	\$ 10,582	\$6,582,130
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

¹ Includes \$277,314 in 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	PERSONAL PROPERTY	PUBLIC SERVICE COMPANIES PROPERTY ¹	DEDUCT EXEMPT PROPERTY and DEFERRED BECAUSE OF USE PROPERTY	ASSESSED VALUE	Total Direct Tax Rate
2002	421,689	130,493	18,167	(33,544)	536,805	1.015
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

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>	2010 Assessed Value	Tax Levy	Percentage of Assessed Valuation
Dominion NC Power	Utility	\$ 18,323,116	\$ 144,753	0.79%
Weyerhaeuser Company	Lumber, plywood, and wood	12,337,748	97,468	0.79%
Waterside @ The Point	Real Estate	6,095,380	48,154	0.79%
Albemarle Beach Farms	Agriculture	5,028,086	40,982	0.82%
Barnes, Edsel Grayson, Jr., et ux	Logging	5,007,600	39,980	0.80%
JCT, LLC	Swine, agriculture	4,836,297	35,932	0.78%
Porter, James F., Jr. et ux	Real Estate, commercial	4,602,451	38,953	0.85%
CAH Acquisition Company #1	Hospital	4,461,880	35,249	0.79%
Respass, H. L., Jr., et ux	Agriculture	4,364,319	34,898	0.80%
Carolina Telephone	Utility	4,364,067	34,476	0.79%
Mackeys Ferry Sawmill, Inc.	Lumber products	4,306,070	34,228	0.79%
Daniel G. Kamin; Plymouth Landing		3,427,700	27,079	0.79%
Alvah Alexander	Agricultural Production	2,994,266	24,075	0.80%
Plymouth Hospitality, LLC	Motel	2,942,722	23,248	0.79%
Kanban Industries	Commercial storage/shipping	2,904,476	22,945	0.79%
Kamin, Plymouth Landing	Commercial-Shopping center	3,427,700	27,079	0.79%
DOMTAR	Pulp and paper	2,894,040	22,863	0.79%
Kendricks Creek Properties &	Real Estate	2,828,198	24,233	0.86%
Totals		\$ 94,946,116		14.39%
Grand total of assessments		\$ 780,745,034		

Source: Washington County Tax Department

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

Fiscal Year Ended	Total Tax Levy for	Collected within the		Collections in Subsequent Years	Total Collections To Date	
		Fiscal Year	Percentage of Levy		Amount	Percentage of Levy
June 30						
2011	\$ 6,206,829	\$ 5,700,097	91.84 %	-	\$ 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
2002	5,428,542	4,952,350	91.23	436,812	5,389,162	99.27
2001	4,896,937	4,448,205	90.84	420,348	4,868,553	99.42

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

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
2001	13,723	533,038	11,026	6,191	1,865	2,970	0.56	216
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	-	-	0

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, 2011

<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%	\$ -
Subtotal, overlapping debt	\$ -		\$ -
Washington County Direct Debt	-		-
Total direct and overlapping debt	-		-

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

Schedule 11

	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</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>
Debt limit	42,944,369	42,371,449	43,678,760	43,735,921	59,013,527	61,699,162	61,001,044	62,496,471	62,005,991	62,814,822
Total net debt applicable to limit	<u>4,183,674</u>	<u>4,220,548</u>	<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>
Legal debt margin	<u>38,760,695</u>	<u>38,150,901</u>	<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>61,853,212</u>
Total net debt applicable to the limit as a percentage of debt limit	9.74%	9.96%	8.80%	7.61%	4.60%	3.67%	3.04%	2.08%	0.83%	1.50%

Washington County, North Carolina
 Computation of Legal Debt Margin
 June 30, 2011

Assessed value of taxable property	785,185,277
Debt limit - 8 percent of assessed value	62,814,822
Gross Debt:	
Outstanding bonded debt:	
General governmental bonds	-
Water Revenue Bonds	5,113,328
Other:	
Capital leases, installment purchase obligations	961,610
Total Gross Debt	<u>6,074,938</u>
Statutory Deductions:	
Bonded debt included in gross debt incurred or authorized for water	<u>(5,113,328)</u>
Net Debt-Total amount of debt applicable To debt limit	<u>961,610</u>
Legal debt margin	<u>61,853,212</u>

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

Fiscal Year	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Installment Purchase	Capital Leases	Revenue Bonds				
2002	2,635,000	1,503,097	45,577	6,142,802	10,326,476	3.62%	759	
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	

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
¹See the Schedule of Demographics and Economic Statistics on page 3-16 for personal income and population data.

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	
2002	937,479	479,661	457,818	48,034	311,781	359,817
2003	1,048,389	481,566	566,833	103,934	307,196	411,130
2004	1,078,791	320,583	758,208	111,867	299,029	410,896
2005	1,360,302	343,399	1,016,903	121,132	293,731	414,863
2006	1,129,782	353,582	776,200	131,732	291,875	423,607
2007	1,196,626	422,893	773,733	143,268	285,744	429,012
2008	1,185,456	588,999	596,457	155,843	275,361	431,204
2009	1,231,748	789,941	441,807	83,359	265,284	348,643
2010	1,195,848	693,178	502,670	87,218	261,159	348,377
2011	1,308,358	632,892	475,462	91,122	256,842	347,964

Washington County
Demographic and Economic Statistics
 Last Ten Fiscal Years

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
2002	13,597	268,353,265	19,555	2,365	8.8	192	5,057,273
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	N/A	N/A	1,910	11.2	131	4,027,239
2011	13,004	N/A	N/A	1,819	11.8	137	19,521,878

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, 2011**

<u>Employer</u>	<u>Full-time Equivalent Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Domtar Company	534	1	29.90%
Washington County Schools	400	2	22.40%
Weyerhaeuser Company	175	3	9.80%
Washington County Government	163	4	9.13%
Washington County Hospital	125	5	7.00%
Plumlee Nursing Home (Britthaven)	118	6	6.61%
Covenant Health Care LLC	100	7	5.60%
State of North Carolina	75	8	4.20%
Mackey's Ferry Sawmill	70	9	3.92%
Diversified Wood Products	26	10	1.46%
Total	<u>1,786</u>		<u>100.00%</u>

Source: Contacted each employer
*Estimate only

Schedule 16

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

<u>Function /Program</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>2002</u>	<u>2003</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>
General government	31	31	33	35	36	30	27	27	26	34
Public safety	42	42	45	45	45	45	46	46	45	56
Human Services	52	55	55	56	57	78	78	83	85	61
Economic and physical development	1	1	1	1	1	2	2	2	2	0
Cultural and recreation	1	1	1	1	1	1	2	2	2	2
Water/Sanitation (Business activity)	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>	<u>10</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>
Total	138	141	146	149	150	166	166	171	171	163

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, 2011

Major Retail Users

<u>Rank</u>	<u>Name</u>	<u>Annual Water Sales (MG)</u>	<u>Revenues</u>
1	Pines Elementary	1,441	14,410
2	Wilcohes, LLC	793	7,930
4	Mackeys Marina	495	4,950
5	NCDOT Rest Area-Highway 64	464	4,640
6	Albemarle Beach Farm	292	2,920
7	Wash. Co. Resources Ctr.	262	2,620
8	Ready Mix Concrete	258	2,580
9	Vernon James Center	92	920
10	NCDOT-Highway 94 North	234	2,340
	Mackeys Ferry Sawmill	101	1,010
	Total	4,432	44,320

Washington County, North Carolina
 Water System Statistics
 Last Nine Fiscal Years

Fiscal Year	# of Customers	Average Daily Demand (MGD)	Peak Daily Demand (MGD)	Maximum Capacity (MGD)
2011	2593	405,000	579,000	750,000
2010	2573	419,000	597,000	750,000
2009	2579	430,000	560,000	750,000
2008	2585	364,000	500,000	750,000
2007	2534	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	Fiscal Year				
	2007	2008	2009	2010	2011
Public Safety					
# Stations	2	2	2	2	2
# Patrol Units	31	34	34	36	37
Transportation					
Standard Vans	1	1	1	1	1
Conversion Vans	5	5	5	5	3
Lift Vans	3	3	3	3	2
Buses	2	2	2	2	2
Minivans	1	1	1	1	1
# Of Standard Vehicles	5	5	5	5	7
EMS-Ambulances	5	5	5	5	7
Water (Business Activity)					
Miles of Distribution Line	130	130	130	130	130
Tank Storage Capacity	750,000	750,000	750,000	750,000	750,000
# Of Utility Vehicles	7	7	7	7	8
Facility Services					
# Maintenance Units	5	5	5	5	6
Emergency Management					
# of Vehicles	2	2	2	2	2
Culture/Recreation					
# of Vehicles	1	1	1	1	1
# of Buses	1	1	1	1	1
Landfill					
# of Vehicles	1	1	1	1	1
County Manager					
# of Vehicles	1	1	1	1	1
N/A-Not Available					

Table 20

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

Function/Program	Fiscal Year				
	2007	2008	2009	2010	2011
Inspections Department					
Building permits issued	285	285	255	307	390
Sheriff					
Arrests	N/A	465	356	320	276
Property Crime (Breaking/Entering)	N/A	125	214	303	290
Emergency Medical Services					
Calls	1,747	1,762	1,976	2,014	3,820
Solid Waste Disposal-County landfill					
Construction & Demolition (tons)	1,512	1,122	1,055	417	751
Land Clearing-Inert Debris (tons)	1,052	1,092	1,246	1,223	1,402
Recycle White Goods (tons)	227	205	59	51	169
C&D & LCID-contractors portion (tons)	911	900	695	427	652
Department of Social Services					
Adult Assisted Living Facility cases	57	53	61	61	60
Family and Children's Medicaid (active cases)	N/A	2,792	2,061	2,079	1,574
Food and Nutrition Services Program	N/A	1,128	2,874	3,116	1,580
Children in Foster Care	14	16	15	7	6
Community Alternatives Program	65	65	77	53	55
Child Support caseload	1,351	1,325	1,449	1,442	1,436
Disability Medicaid cases	N/A	N/A	N/A	664	670
Adult Medicaid cases	N/A	N/A	N/A	387	385
Library					
Library Items Circulated	40,450	40,621	43,512	40,358	48,542
Number of Library Visits	71,856	59,825	52,075	59,589	60,097

N/A-Not Available



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 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, 2011, which collectively comprises Washington County's basic financial statements, and have issued our report thereon dated December 16, 2011. 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. The financial statements of Washington County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. [2011-1] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Washington County in a separate letter dated December 16, 2011.

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

Pittard Perry & Crane, Inc.

New Bern, North Carolina
December 16, 2011

**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

Compliance

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, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Washington County's management. Our responsibility is to express an opinion on Washington County's compliance based on our audit.

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

In our opinion, Washington County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Washington County in a separate letter dated December 16, 2011.

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

Pittard Perry & Crane, Inc.

New Bern, North Carolina
December 16, 2011

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

To the Board of County Commissioners
Washington County, North Carolina

Compliance

We have audited Washington County, North Carolina, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2011. Washington County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Washington County's management. Our responsibility is to express an opinion on Washington County's compliance based on our audit.

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

In our opinion, Washington County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

The management of Washington County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Washington County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

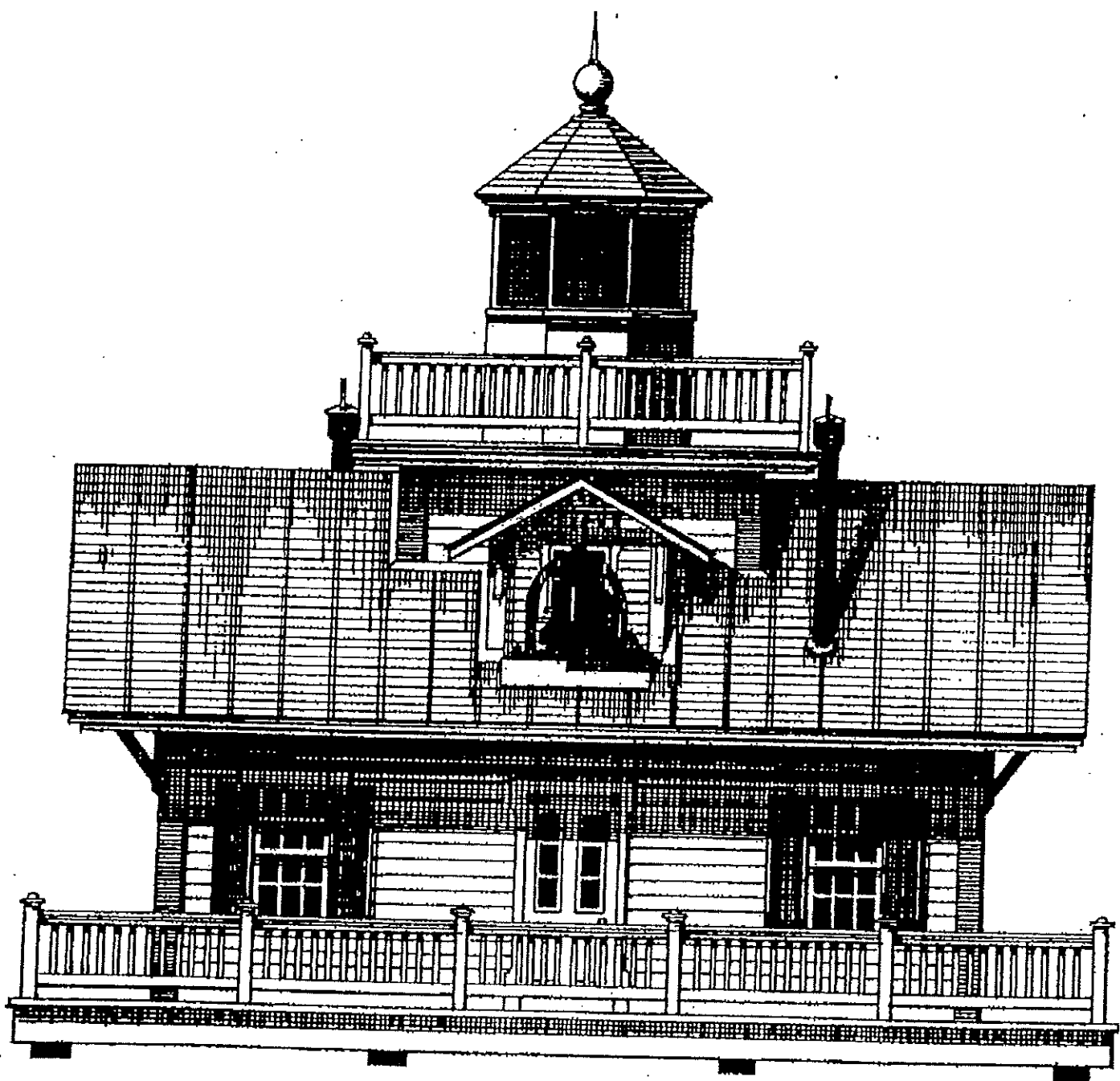
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Pittard Perry & Crowe, Inc.

New Bern, North Carolina
December 16, 2011



Roanoke River Lighthouse 1866-1885

Plymouth, North Carolina

Washington County, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses X yes _____ none reported

Non-compliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses _____ yes X none reported

Non-compliance material to federal awards _____ yes X no

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Program Name</u>
93.778	Title XIX – Medicaid
93.575	Subsidized Child Care Cluster
93.596	
93.667	
93.558	
93.887	Health Care and Other Facilities Grant
93.568	Low Income Energy Assistance

Washington County, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

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:

\$ 630,141

Auditee qualified as low-risk auditee?

_____ yes X no

State Awards

Internal control over major State programs:

Material weaknesses identified?

_____ yes X no

Significant deficiencies identified that are not
considered to be material weaknesses

X yes _____ none reported

Type of auditor's report issued on compliance for major State programs:
Unqualified

Any audit findings disclosed that are required to be
reported in accordance with State Single Audit
Implementation Act

_____ yes X no

Identification of major State programs:

Program Name

Golden Leaf Foundation

Section II. Financial Statement Findings

Significant Deficiency

2011-1 Improper Filing of the Final Report to Grantor Agency

Criteria: The County should ensure all required filings to the Grantor Agency are filed accurately.

Condition: The County filed final accounting reports for two projects with the Grantor Agency when the projects were not final and the County incurred additional expenditures.

Effect: The total cost of the construction projects were misreported to the Grantor Agency.

Cause: The County filed final accounting reports on the commerce center and health clinic projects on June 15, 2011 and June 29, 2011, respectively; however, the projects were not complete.

Recommendation: The County should review filing requirements to the Grantor Agency to ensure they are satisfied accurately.

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

Washington County, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

Section III. Federal Awards Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

2011-1 Improper Filing of the Final Report to Grantor Agency

Criteria: The County should ensure all required filings to the Grantor Agency are filed accurately. Federal programs that did not meet the criteria for a major program using the criteria discussed in OMB

Condition: The County filed final accounting reports for two projects with the Grantor Agency when the projects were not final and the County incurred additional expenditures.

Effect: The total cost of the construction projects were misreported to the Grantor Agency.

Cause: The County filed final accounting reports on the commerce center and health clinic projects on June 15, 2011 and June 29, 2011, respectively; however, the projects were not complete.

Recommendation: The County should review filing requirements to the Grantor Agency to ensure they are satisfied accurately.

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

Washington County, North Carolina
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2011

Significant Deficiencies

2011-1 Improper Filing of the Final Report to Grantor Agency

Name of contact person: Frank Milazi – Finance Officer

Corrective Action: The County will notify the Grantor Agency of this error and will file amended reports, as requested.

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, 2011

2010-1 Improper EMS Billing and Review Procedures

Status: This item has been corrected. The County hired a new third party billing service effective July 1, 2010, and is monitoring its activities closely.

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2011

<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			
Food and Nutrition Program:			
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	\$ 220,130	\$ -
U.S. Dept. of Housing and Urban Development			
Passed-through N.C. Dept. of Commerce:			
Community Development Block Grant - States Program			
	14.228	13,478	-
Department of Transportation			
Passed-through N.C. Dept. of Transportation:			
Highway Safety Program			
	20.509	70,715	1,173
Airport Grant			
	20.106	372,718	-
Total			
		443,433	1,173
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	65,297	-
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	430,126	-
Work First/TANF – Direct Benefit Payments			
	93.558	187,470	-
Family Preservation			
	93.556	592	-

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2011

(continued)

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures
Family Violence Prevention	93.671	1,414	-
Child Support Enforcement	93.563	280,492	-
Low Income Energy Assistance:			
Administration	93.568	144,121	-
Benefit Payments	93.568	174,602	-
State Children's Insurance Program	93.767	15,475	721
Links	93.674	1,592	398
Permanency Planning	93.645	3,495	-
Social Services Block Grant	93.667	102,496	10,257
<u>Foster Care and Adoption (Note 2)</u>			
Title IV-E Foster Care - Administration	93.658	34,858	7,503
Foster Care - Direct Benefits	93.658	7,924	1,690
Adoption Assistance - Administration	93.659	8,120	-
Adoption Assistance - Direct Benefits	93.659	127,434	28,065
Total Foster Care and Adoption (Note 2)		<u>178,336</u>	<u>37,258</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	170,001	-
Child Care and Development Fund - Mandatory	93.596	94,491	-
Child Care and Development Fund - Match	93.596	157,558	85,755
Total Child Care Development Fund Cluster		<u>502,050</u>	<u>85,755</u>
Social Services Block Grant	93.667	1,057	-
TANF	93.558	46,161	-
ARRA – Emergency Contingency Fund for Temporary Assistance Needy Families	93.714	25,210	-
State Appropriations		-	118,438
Total Subsidized Child Care (Note 2)		<u>574,478</u>	<u>204,193</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	357,870	33,667
Division of Medical Assistance:			
Direct Benefit Payments	93.778	17,097,410	6,734,773
Total U.S. Dept. of Health and Human Services		<u>20,248,866</u>	<u>7,021,267</u>
Health Resources and Services Administration			
Health Care and Other Facilities Grant	93.887	633,600	-

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2011

(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:			
Hazard Mitigation	97.039	24,373	-
Homeland Security Grant	97.067	16,174	-
Emergency Management	97.042	33,224	-
Public Assistance	97.036	5,034	1,678
Total U.S. Dept. of Homeland Security		78,805	1,678
Total federal awards		21,004,712	7,024,118
State Awards:			
<u>N.C. Dept. of Health & Human Services</u>			
Division of Social Services:			
State/County Special Assistance:			
Domiciliary Care - Direct Benefit Payments		-	174,602
State Foster Care Benefits		-	4,407
CWS Adoption Benefits		-	14,304
Total N.C. Dept. of Health & Human Services		-	193,313
<u>N.C. Dept. of Transportation</u>			
ROAP		-	133,548
<u>N.C. Dept. of Administration</u>			
Division of Veterans Affairs		-	2,000
<u>N.C. Dept. of Corrections</u>			
Criminal Justice Partnership Program		-	63,102
<u>Office of the Governor</u>			
Juvenile Crime Prevention Program		-	75,339
<u>N.C. Housing Finance Agency</u>			
NC Housing Grant – Urgent Repair		-	37,137
<u>Golden Leaf Foundation</u>			
Health Clinic Construction		-	480,000
Commerce Center Project		-	1,028,167
Total Golden Leaf Foundation		-	1,508,167

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2011

(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>
Total State awards		-	2,012,606
Total federal and State awards		\$ 21,004,712	\$ 9,036,724

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.

To the Board of Commissioners
Washington County, North Carolina

In planning and performing our audit of the financial statements of Washington County, North Carolina for the year ended June 30, 2011, we considered its internal control structure in order to determine our auditing procedures for the purpose of our report on the financial statements and not to provide assurance on the internal control structure. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses under standards established by the American Institute of Certified Public Accountants.

During our audit, we noted the following immaterial discrepancies:

In our testing of Low-Income Energy Assistance, we noted one instance where the fuel type as reported on the application does not agree to Form 8114.

In evaluating EMS operations, it was noted the department is operating at a deficit, with the County supplementing operations. We suggest the County continue to monitor operations closely in an effort to improve profitability.

In performing audit fieldwork, we found the accounting and depreciation software had many weaknesses. We suggest the County address these weaknesses and determine if continued use of the product is warranted.

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

Pittard Perry & Crone, Inc.

New Bern, North Carolina
December 16, 2011

