

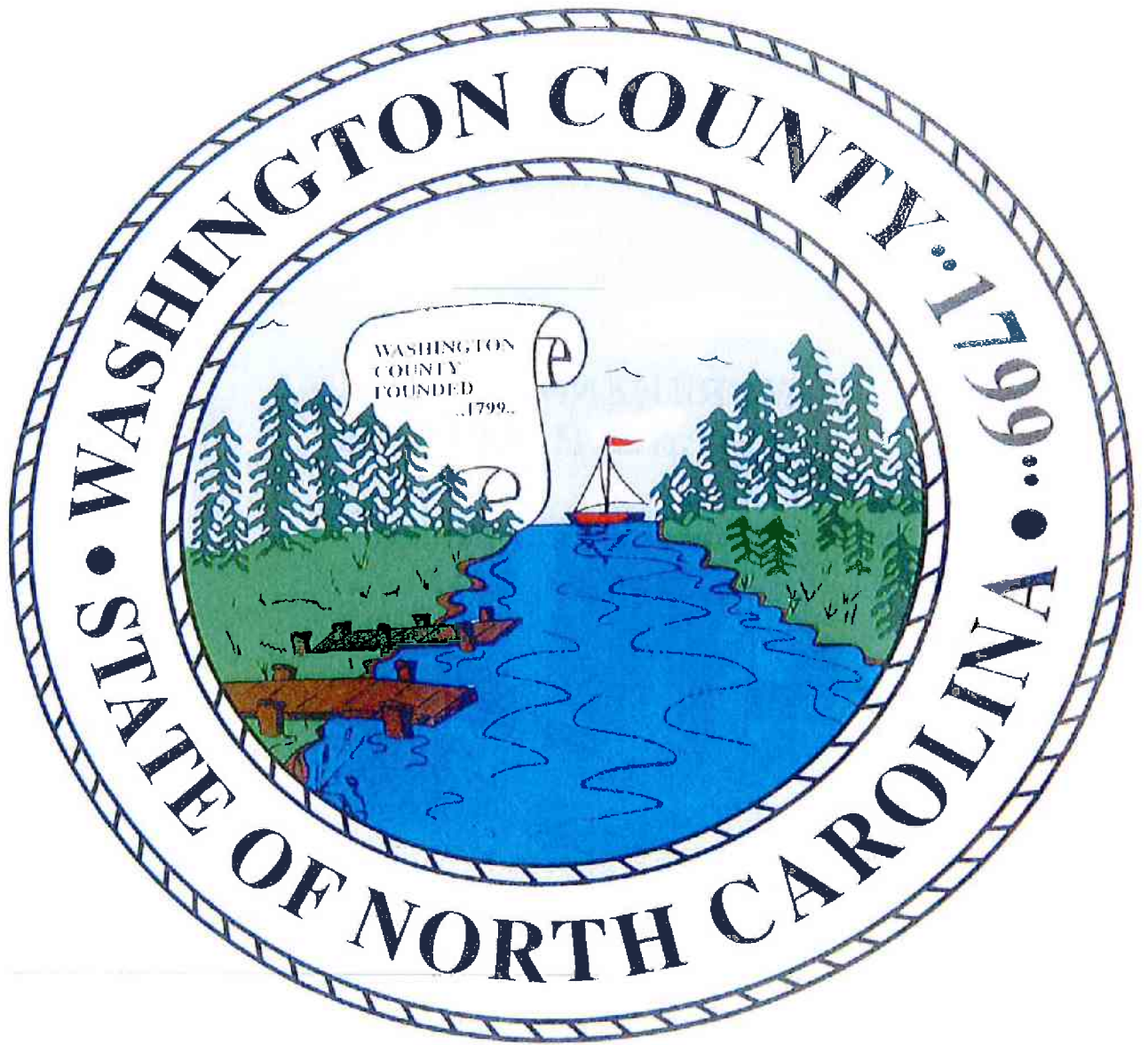
WASHINGTON COUNTY
NORTH CAROLINA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For the Year Ended
June 30, 2012**

**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:
BUSTER MANNING, CHAIR
RAYMOND R. MCCRAY, VICE-CHAIR
JEAN D. ALEXANDER
TRACEY A. JOHNSON
WILLIAM "BILL" R. SEXTON, JR.



ADMINISTRATION STAFF:
CHERYL R. YOUNG
INTERIM COUNTY MANAGER
COUNTY ATTORNEY

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

POST OFFICE BOX 1007
PLYMOUTH, NORTH CAROLINA 27962
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December 7, 2012

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, 2012.

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, 2012 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, 2012, 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 2011-2012, Currently, SUNENERGY1, a major solar, LED lighting and cool roofing manufacturing corporation has constructed the first phase of a planned 20 megawatt solar energy farm in the county. Construction jobs related to this facility are estimated to range from 60 to 80 for a period of up to three years. Total projected land, plant and equipment investment is \$100,000,000. This project represents the third largest solar project currently in the United States and the largest in North Carolina. Discussions are proceeding with an international company to locate another solar energy farm that potentially will meet or exceed the size of the SUNERENGY1 project. Discussions are also proceeding with another energy related company to locate energy producing assets in the County. The County is also actively pursuing several other businesses for location in the County.

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 was 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 is currently operating and the high school is 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 is 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 were achieved during the first five years of that plan.. Washington County will be evaluating during 2013 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 a new fuel farm with self-service fueling capabilities increasing fueling availability at the airport and resulting in increased air traffic. Terminal building improvements began in the third quarter of 2012 and will be further addressed in 2013. Additional future development plans for the Airport and Commerce Center include the construction of additional T and corporate hangars, a GPS flight navigation system, a new lighting system, installation of "state-of-the-art" utilities, technology and communications capabilities. The expansion and renovation of the airport now allows 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 completed the first phase of construction on a government services complex 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 is 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.

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.

Washington County's approved 2012-2013 budget totals \$13,113,340 which is a 1.00 percent increase from the previous year's budget. The ad valorem tax rate remains unchanged at \$.79 per \$100 of assessed value for fiscal year 2012-2013. 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 continued economic improvement during the 2012-2013 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 18 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, 2011.

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 fifteenth 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.

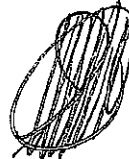
In summary, this Comprehensive Annual Financial Report provides a source of information to citizens, the Board of Commissioners, other government agencies, and investors and creditors, all of whom rely upon it for decision making and the opportunity to learn more about Washington County's financial condition.

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,



Cheryl R. Young
Interim 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, 2011

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.



Christopher P. Morrell

President

Jeffrey R. Emsw

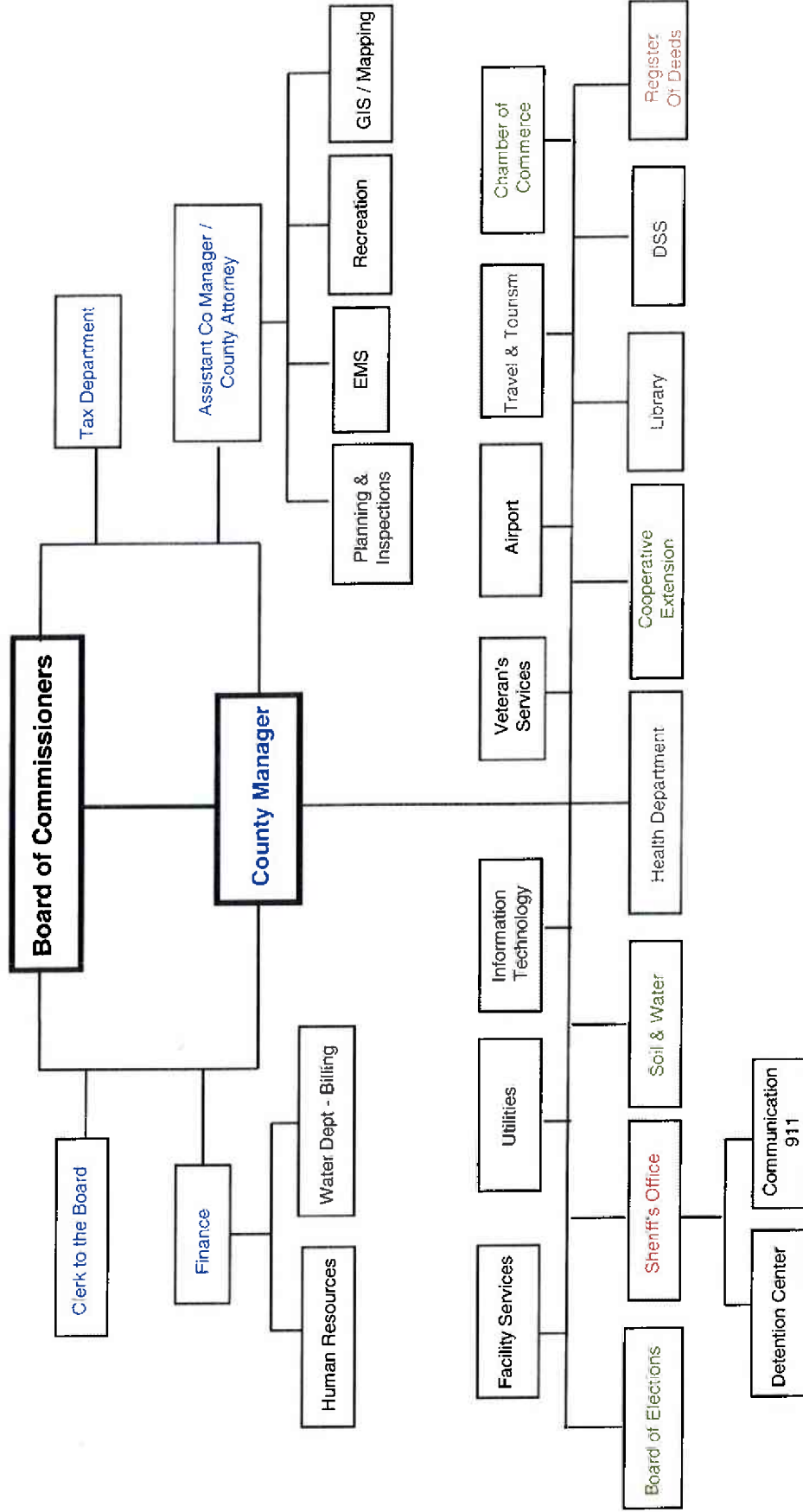
Executive Director



Welcome
To
Washington County

FOR EMERGENCY
ASSISTANCE
DIAL 911

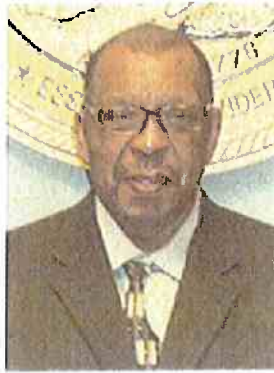
Washington County Government Organizational Chart



Washington County Board of Commissioners



District 1
Jean Alexander



District 2
Raymond McCray
Vice-Chair



District 3
Tracey A. Johnson



District 4
Buster Manning
Chair



At-Large
William "Bill" Sexton, Jr.

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
Louis Boone
David Clary

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
Facility Services
Emergency Medical Services

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, 2012, 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, 2012, 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 13, 2012 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.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Washington County's basic financial statements. The combining and individual nonmajor fund 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New Bern, North Carolina
December 13, 2012



Washington County

Management's Discussion and Analysis

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

Financial Highlights

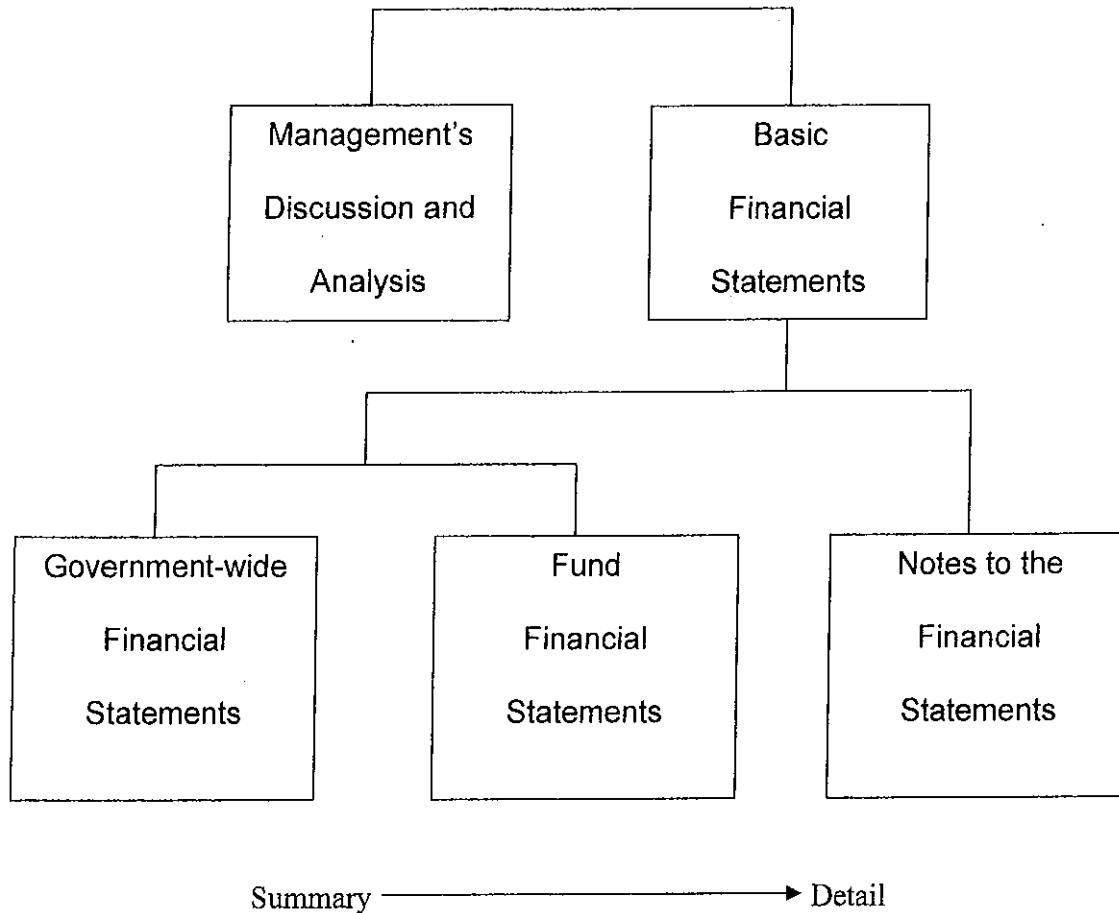
- The assets of Washington County exceeded its liabilities at the close of the fiscal year by \$18,442,493 (*net assets*). This entire amount may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$112,463 primarily due to increased net assets in the General Fund. The Washington County Airport purchased property near the airport for future developments increasing the assets by \$220,539. As of the close of the current fiscal year, Washington County's governmental funds reported combined ending fund balances of \$3,537,008 a decrease of \$565,274 in comparison with the prior year. Approximately 37 percent of this total amount, or \$1,306,687, is available for spending at the government's discretion (*unassigned fund balance*). This is a 6 percent decrease in comparison with prior year. Two major reasons contributed to the decrease are change of fund balance allocation and 2013 tax revaluation.
- At the end of current fiscal year, unassigned fund balance for the General Fund was \$814,303 or 6 percent of total general fund expenditures for the fiscal year, a decrease of 44 percent.
- Washington County's debt decreased by \$273,471 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 three categories: governmental fund, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net 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 maintains two enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Washington County uses enterprise funds to account for its water activity and for its sanitation operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 2-27 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Washington County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 2-56 of this report.

Washington County’s Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 4,793,283	\$ 5,420,936	\$ 1,553,344	\$ 1,347,520	\$ 6,346,627	\$ 6,768,456
Capital assets	10,757,590	10,257,617	7,966,278	8,208,043	18,723,868	18,465,660
Total assets	15,550,873	15,678,553	9,519,622	9,555,563	25,070,495	25,234,116
Long-term liabilities	1,221,023	1,325,935	5,046,447	5,140,228	6,267,470	6,466,163
Other liabilities	160,361	317,102	200,171	120,821	360,532	437,923
Total liabilities	1,381,384	1,643,037	5,246,618	5,261,049	6,628,002	6,904,086
Net assets:						
Invested in capital assets, net						
of related debt	9,973,378	9,296,007	2,949,023	3,094,715	12,922,401	12,390,722
Restricted	2,140,280	2,579,956	-	-	2,140,280	2,579,956
Unrestricted	2,055,831	2,159,553	1,323,981	1,199,799	3,379,812	3,359,352
Total net assets	\$ 14,169,489	\$ 14,035,516	\$ 4,273,004	\$ 4,294,514	\$ 18,442,493	\$ 18,330,030

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 \$18,442,493 (*net assets*) as of June 30, 2012. The County’s net assets increased by \$112,463 for the fiscal year ended June 30, 2012. One of the largest portions (70%) reflects the County’s investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related outstanding that was used to acquire those items.

Washington County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Washington County’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Washington County’s net assets \$2,140,280 (11.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,379,812 (18.4%) is unrestricted.

Management Discussion and Analysis
Washington County 6-30-12

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

- Reduction of debt in the amount of \$273,471 including General Obligation debt;
- Maintained property tax rate of \$.79;

Washington County Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 1,804,753	\$ 1,187,859	\$ 2,610,329	\$ 2,473,643	\$ 4,415,082	\$ 3,661,502
Operating grants and contributions	3,646,498	3,669,497	-	-	3,646,498	3,669,497
Capital grants and contributions	607,530	2,221,283	-	-	607,530	2,221,283
General revenues						
Property taxes	6,421,241	6,324,595	-	-	6,421,241	6,324,595
Other taxes	2,032,963	1,825,052	-	-	2,032,963	1,825,052
Other	175,123	64,388	174	964	175,297	65,362
Total revenues	14,688,108	15,292,684	2,610,503	2,474,607	17,298,611	17,767,291
Expenses:						
General government	2,106,105	2,026,071	-	-	2,106,105	2,026,071
Public safety	3,481,938	3,697,483	-	-	3,481,938	3,697,483
Economic and physical development	547,287	506,253	-	-	547,287	506,253
Human services	6,386,495	6,221,993	-	-	6,386,495	6,221,993
Cultural and recreation	287,368	296,577	-	-	287,368	296,577
Education	1,933,526	1,927,016	-	-	1,933,526	1,927,016
Interest on long-term debt	34,657	28,383	-	-	34,657	28,383
Sanitation	-	-	1,238,513	1,180,991	1,238,513	1,180,991
Water	-	-	1,170,259	1,251,027	1,170,259	1,251,027
Total expenses	14,777,376	14,703,776	2,408,772	2,432,018	17,186,148	17,135,794
Increase in net assets before transfers and special items	(89,268)	588,908	201,731	42,589	112,463	631,497
Transfers	223,241	203,412	(223,241)	(203,412)	-	-
Increase (decrease) in net assets	\$ 133,973	\$ 792,320	\$ (21,510)	\$ (160,823)	\$ 112,463	\$ 631,497
Net assets, beginning	14,036,516	13,243,196	4,294,514	4,455,337	18,330,030	17,698,533
Net assets, ending	\$ 14,169,489	\$ 14,035,516	\$ 4,273,004	\$ 4,294,514	\$ 18,442,493	\$ 18,330,030

Governmental activities: Governmental activities increased the County's net assets by \$133,973 thereby accounting for growth in the net assets of Washington County. Key elements of this increase are as follows:

- Three major reasons contributed to the decrease in General Fund unassigned fund balance: use to balance the EMS original budget and contribution purchase of the airport property for \$220,539.

Business-type activities: Business-type activities decreased Washington County's net assets by \$21,510 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, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Washington County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$814,303, a decrease of \$636,356 while total fund balance reached \$2,978,474. 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 6 percent of total General Fund expenditures, while total fund balance represents 20 percent of that same amount.

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

At June 30, 2012, the governmental funds of Washington County reported a combined fund balance of \$3,537,008, a twelve percent decrease over last year.

Management Discussion and Analysis
Washington County 6-30-12

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 \$839,346 or 6%. Major categories included:

• Purchase of property for the airport	\$220,539
• Paid off building installment at the airport	\$52,780
• Installment payment for 911 unfunded equipment	\$24,580
• Industrial Building Installment payment	\$72,050

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 \$732,003, and those for the Water Fund equaled \$591,978. The increase in net assets for sanitation fund was \$64,705 and a decrease of \$86,215 for the water fund.

Capital Assets and Debt Administration

Capital assets. Washington County's capital assets for its governmental and business – type activities as of June 30, 2012, totals \$18,723,868 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of Emergency Management vehicle
- Purchase of 4 new replacement law enforcement vehicles
- Disposed of 3 law enforcement vehicles
- Purchased 3 laptop computers
- Purchased van for human services transportation

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	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,371,800	\$ 2,151,262	\$ 330,158	\$ 330,158	\$ 2,701,958	\$ 2,481,420
Buildings and system	5,939,066	3,088,911	7,430,336	7,640,858	13,369,392	10,729,769
Machinery and equipment	820,455	897,045	201,573	229,351	1,022,028	1,126,396
Vehicles and motorized equipment	729,413	822,140	4,211	7,676	733,624	829,816
Construction in progress	896,866	3,298,259			896,866	3,298,259
Total	\$ 10,757,590	\$ 10,257,617	\$ 7,966,278	\$ 8,208,043	\$ 18,723,868	\$ 18,465,660

Long-term Debt. As of June 30, 2012, Washington County had no bonded debt.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Installment Purchase	\$ 784,212	\$ 961,610	\$ -		\$ 784,212	\$ 961,610
Revenue Bonds	-	-	5,017,255	5,113,328	5,017,255	5,113,328
TOTAL	\$ 784,212	\$ 961,610	\$ 5,017,255	\$ 5,113,328	\$ 5,801,467	\$ 6,074,938

Washington County's total debt decreased by \$273,471 during the past fiscal year primarily due to payments on revenue bonds and installment purchase debt made during the year.

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Washington County is \$62,743,970.

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

Economic Factors and Next Year's Budget and Rates

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

- The County is currently experiencing an unemployment rate of 11.1%, higher than the state average of 9.12%;
- Poverty rate is approximately 23.2%;

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities:

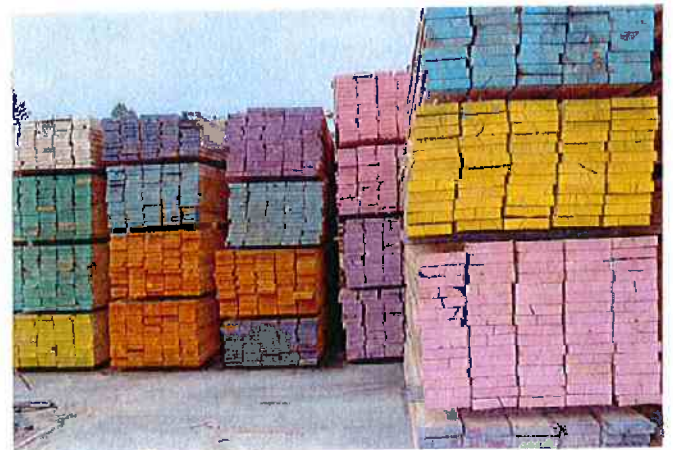
- Ad valorem tax rate remains at \$0.79; this is the seventh consecutive year taxes have not been increased;
- Sales tax revenues are projected to be \$200,000 more than prior year; Each County now forfeits a final portion of one of its one-half cent sales taxes and redirects the tax collection is estimated to be 6% lower.
- There was no employees pay plan step increase and no lay offs.
- School system funding did not change;
- Emergency Medical Services including EMS Transport are projected to be \$1,512,427 which is a \$20,210 decrease. Other changes have been implemented all of which should increase revenue: greater number of interfaculty transports, converted to new charting software, contracted with a new billing company and implementation of debt setoff.

Business – type Activities:

- The FY 2013 Waterworks Fund budget totals \$1,322,893 which represents a decrease of \$588 below FY 2012; Water rates for consumption did not increase from \$10 per 1,000 gallons. The base rate which includes the first 2,000 gallons of water remained unchanged.
- The FY 2013 Sanitation Fund budget totals \$1,323,908 which represents an increase of \$1,203 above FY 2012.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the monies it receives for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Washington County, 120 Adams Street, Courthouse, Post Office Box 1007, Plymouth, NC 27962.



Washington County, North Carolina
Statement of Net Assets
June 30, 2012

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Washington County ABC Board
ASSETS				
Cash and cash equivalents	\$ 2,661,787	\$ 790,499	\$ 3,452,286	\$ 201,203
Receivables (net)	2,092,249	745,810	2,838,059	-
Inventories	-	17,035	17,035	85,885
Prepaid expenses	-	-	-	3,382
Restricted cash	39,247	-	39,247	-
Capital assets:				
Land, improvements, and construction in progress	3,268,666	330,158	3,598,824	4,692
Other capital assets, net of depreciation	<u>7,488,924</u>	<u>7,636,120</u>	<u>15,125,044</u>	<u>17,455</u>
Total capital assets	<u>10,757,590</u>	<u>7,966,278</u>	<u>18,723,868</u>	<u>22,147</u>
Total assets	<u>15,550,873</u>	<u>9,519,622</u>	<u>25,070,495</u>	<u>312,617</u>
LIABILITIES				
Accounts payable and accrued liabilities	102,456	80,139	182,595	82,162
Unearned revenue	57,905	-	57,905	-
Customer deposits	-	120,032	120,032	-
Long-term liabilities:				
Due within one year	268,952	112,453	381,405	-
Due in more than one year	<u>952,071</u>	<u>4,933,994</u>	<u>5,886,065</u>	<u>43,223</u>
Total liabilities	<u>1,381,384</u>	<u>5,246,618</u>	<u>6,628,002</u>	<u>125,385</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,973,378	2,949,023	12,922,401	22,147
Restricted for:				
Stabilization by State Statute	2,092,249	-	2,092,249	-
Register of Deeds	7,500	-	7,500	-
Capital improvements	-	-	-	9,491
Working capital	-	-	-	23,645
Construction purposes	40,531	-	40,531	-
Unrestricted	<u>2,055,831</u>	<u>1,323,981</u>	<u>3,379,812</u>	<u>131,949</u>
Total net assets	<u>\$ 14,169,489</u>	<u>\$ 4,273,004</u>	<u>\$ 18,442,493</u>	<u>\$ 187,232</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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,106,105	\$ 173,429	\$ -	\$ -
Public safety	3,481,938	356,735	326,050	-
Economic & physical development	547,287	77,409	220,869	409,612
Human services	6,386,495	1,181,603	2,980,210	120,000
Cultural & recreation	287,368	15,577	-	-
Education	1,933,526	-	119,369	77,918
Interest on long-term debt	34,657	-	-	-
Total governmental activities	<u>14,777,376</u>	<u>1,804,753</u>	<u>3,646,498</u>	<u>607,530</u>
Business-type activities:				
Sanitation	1,238,513	1,353,316	-	-
Water	1,170,259	1,257,013	-	-
Total business-type activities	<u>2,408,772</u>	<u>2,610,329</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 17,186,148</u>	<u>\$ 4,415,082</u>	<u>\$ 3,646,498</u>	<u>\$ 599,478</u>
Component unit:				
ABC Board	<u>\$ 629,137</u>	<u>\$ 614,768</u>	<u>\$ -</u>	<u>\$ -</u>

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
(\$ 1,932,676)	\$ -	(\$ 1,932,676)	
(2,799,153)	-	(2,799,153)	
160,603	-	160,603	
(2,104,682)	-	(2,104,682)	
(271,791)	-	(271,791)	
(1,736,239)	-	(1,736,239)	
(34,657)	-	(34,657)	
(8,718,595)	-	(8,718,595)	
-	114,803	114,803	
-	86,754	86,754	
-	201,557	201,557	
(8,718,595)	201,557	(8,517,038)	
			(\$ 14,369)
6,421,241	-	6,421,241	-
1,708,979	-	1,708,979	-
323,984	-	323,984	-
20,458	174	20,632	326
154,665	-	154,665	4,773
223,241	(223,241)	-	-
8,852,568	(223,067)	8,629,501	5,099
133,973	(21,510)	112,463	(9,270)
14,035,516	4,294,514	18,330,030	196,502
\$ 14,169,489	\$ 4,273,004	\$ 18,442,493	\$ 187,232

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

Washington County, North Carolina
BALANCE SHEET
Governmental Funds
June 30, 2012

EXHIBIT 3

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,126,137	\$ 535,650	\$ 2,661,787
Restricted cash	39,247	-	39,247
Receivables, net	<u>2,066,630</u>	<u>25,619</u>	<u>2,092,249</u>
Total assets	<u>\$ 4,232,014</u>	<u>\$ 561,269</u>	<u>\$ 4,793,283</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 99,721	\$ 2,735	\$ 102,456
Unearned revenue	57,905	-	57,905
Deferred revenue	<u>1,095,914</u>	<u>-</u>	<u>1,095,914</u>
Total liabilities	<u>1,253,540</u>	<u>2,735</u>	<u>1,256,275</u>
Fund balances:			
Restricted:			
State Statute	2,066,630	25,619	2,092,249
Register of Deeds	7,500	-	7,500
Construction purposes	-	40,531	40,531
Committed:			
Tax Revaluation	39,221	-	39,221
Assigned:			
Subsequent year's expenditures	50,820	-	50,820
Unassigned	<u>814,303</u>	<u>492,384</u>	<u>1,306,687</u>
Total fund balances	<u>2,978,474</u>	<u>558,534</u>	<u>3,537,008</u>
Total liabilities and fund balances	<u>\$ 4,232,014</u>	<u>\$ 561,269</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,757,590
Liabilities for earned but deferred revenues in fund statements	1,095,914
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(<u>1,221,023</u>)
Net assets of governmental activities	<u>\$ 14,169,489</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
Governmental Funds
For the Year Ended June 30, 2012

EXHIBIT 4

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 6,326,879	\$ -	\$ 6,326,879
Local option sales taxes	1,708,979	-	1,708,979
Other taxes and licenses	142,153	181,831	323,984
Unrestricted intergovernmental	36,655	-	36,655
Restricted intergovernmental	3,640,119	529,612	4,169,731
Permits and fees	213,070	-	213,070
Sales and services	1,711,052	-	1,711,052
Investment earnings	20,448	10	20,458
Miscellaneous	78,349	-	78,349
Total revenues	<u>13,877,704</u>	<u>711,453</u>	<u>14,589,157</u>
EXPENDITURES			
Current:			
General government	1,996,477	198,466	2,194,943
Public safety	3,318,778	24,580	3,343,358
Economic and physical development	651,890	490,983	1,142,873
Human services	6,290,905	-	6,290,905
Cultural and recreation	280,998	-	280,998
Intergovernmental:			
Education	1,933,526	-	1,933,526
Debt service:			
Principal	153,324	24,074	177,398
Interest	34,657	-	34,657
Total expenditures	<u>14,660,555</u>	<u>738,103</u>	<u>15,398,658</u>
Excess (deficiency) of revenues over expenditures	(782,851)	(26,650)	(809,501)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	295,355	-	295,355
Transfers to other funds	-	(72,114)	(72,114)
Sale of capital assets	20,986	-	20,986
Total other financing sources (uses)	<u>316,341</u>	<u>(72,114)</u>	<u>244,227</u>
Net change in fund balance	(466,510)	(98,764)	(565,274)
Fund balances - beginning	<u>3,444,984</u>	<u>657,298</u>	<u>4,102,282</u>
Fund balances - ending	<u>\$ 2,978,474</u>	<u>\$ 558,534</u>	<u>\$ 3,537,008</u>

(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, 2012

EXHIBIT 4 (continued)

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

Net changes in fund balances - total governmental funds	(\$ 565,274)
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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	948,713
Depreciation expense for governmental assets	(432,342)

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	94,362
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Cost of capital assets disposed of during the year, not recognized on the modified accrual basis.	(16,397)
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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.

Principal payments on long-term debt	177,398
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(57,431)
Net pension obligation	(15,056)

Total changes in net assets of governmental activities	<u>\$ 133,973</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, 2012

EXHIBIT 5

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 6,346,170	\$ 6,346,170	\$ 6,326,879	(\$ 19,291)
Local option sales tax	1,631,000	1,631,000	1,708,979	77,979
Other taxes and licenses	110,850	114,850	142,153	27,303
Unrestricted intergovernmental	36,000	36,000	36,655	655
Restricted intergovernmental	3,622,761	4,156,718	3,640,119	(516,599)
Permits and fees	160,950	161,450	213,070	51,620
Sales and services	2,062,875	2,009,775	1,711,052	(298,723)
Investment earnings	20,000	20,000	20,419	419
Miscellaneous	46,058	56,858	78,349	(21,491)
Total revenues	<u>14,036,664</u>	<u>14,532,821</u>	<u>13,877,675</u>	<u>(655,146)</u>
EXPENDITURES				
Current:				
General government	1,969,625	1,969,625	1,946,628	22,997
Public safety	3,246,173	3,414,925	3,318,778	96,147
Economic and physical development	449,065	697,018	651,890	45,128
Human services	6,366,210	6,573,575	6,290,905	282,670
Cultural and recreational	287,131	291,131	280,998	10,133
Intergovernmental:				
Education	1,848,899	1,933,526	1,933,526	-
Debt service:				
Principal retirement	153,324	153,324	153,324	-
Interest and other charges	34,760	34,760	34,657	103
Total expenditures	<u>14,355,187</u>	<u>15,067,884</u>	<u>14,610,706</u>	<u>457,178</u>
Revenues over (under) expenditures	(318,523)	(535,063)	(733,031)	(197,968)
Other financing sources (uses):				
Transfers to other funds	(36,500)	(36,500)	(36,500)	-
Transfers from other funds	296,855	296,855	295,355	(1,500)
Sale of capital assets	1,000	1,000	20,986	19,986
Contingency	(12,988)	(12,998)	-	12,988
Total other financing sources (uses)	<u>248,367</u>	<u>248,367</u>	<u>279,841</u>	<u>31,474</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(70,156)	(286,696)	(453,190)	(166,494)
Appropriated fund balance	<u>70,156</u>	<u>286,696</u>	-	(286,696)
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(453,190)	(\$ 453,190)
Fund balances:				
Beginning of year, July 1			<u>3,392,443</u>	
End of year, June 30			<u>\$ 2,939,253</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, 2012

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		\$ 2,939,253
Tax Mapping and Revaluation Fund		
Transfer from General Fund	36,500	
Operating expenditures	(49,820)	
Fund balance, beginning	<u>52,541</u>	
		<u>39,221</u>
Ending Fund Balance (Exhibit 4)		<u>\$ 2,978,474</u>

Washington County, North Carolina
STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2012

EXHIBIT 6

ASSETS	Enterprise Funds		
	Sanitation Fund	Water Fund	Total
Current assets:			
Cash and cash equivalents	\$ 234,600	\$ 555,899	\$ 790,499
Receivables, net	580,291	165,519	745,810
Inventories	-	17,035	17,035
Total current assets	814,891	738,453	1,553,344
Non-current assets:			
Capital assets:			
Land, improvements, and construction in progress	294,294	35,864	330,158
Other capital assets, net of depreciation	173,104	7,463,016	7,636,120
Total capital assets	467,398	7,498,880	7,966,278
Total assets	1,282,289	8,237,333	9,519,622
 LIABILITIES			
Current liabilities:			
Accounts payable	75,266	4,873	80,139
Customer deposits	-	120,032	120,032
Compensated absences	-	11,378	11,378
Revenue bonds payable	-	101,075	101,075
Total current liabilities	75,266	237,358	312,624
Non-current liabilities:			
Compensated absences	7,622	10,192	17,814
Revenue bonds payable	-	4,916,180	4,916,180
Total non-current liabilities	7,622	4,926,372	4,933,994
Total liabilities	82,888	5,163,730	5,246,618
 NET ASSETS			
Invested in capital assets, net of related debt	467,398	2,481,625	2,949,023
Unrestricted	732,003	591,978	1,323,981
Total net assets	\$ 1,199,401	\$ 3,073,603	\$ 4,273,004

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, 2012

EXHIBIT 7

	Enterprise Funds		
	Sanitation Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,353,316	\$ 1,204,667	\$ 2,557,983
Tap and connection fees	-	52,346	52,346
Total operating revenues	<u>1,353,316</u>	<u>1,257,013</u>	<u>2,610,329</u>
OPERATING EXPENSES			
Landfill and collections	1,217,371	-	1,217,371
Operation and maintenance	-	464,073	464,073
Treatment plant	-	233,232	233,232
Depreciation	21,142	220,622	241,764
Total operating expenses	<u>1,238,513</u>	<u>917,927</u>	<u>2,156,440</u>
Operating income (loss)	<u>114,803</u>	<u>339,086</u>	<u>453,889</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest on investments	5	169	174
Interest and other charges	-	(252,332)	(252,332)
Total non-operating revenue (expenses)	<u>5</u>	<u>(252,163)</u>	<u>(252,158)</u>
Income (loss) before transfers	114,808	86,923	201,731
Transfers to other funds	(50,103)	(173,138)	(223,241)
Change in net assets	64,705	(86,215)	(21,510)
Total net assets - beginning	<u>1,134,696</u>	<u>3,159,818</u>	<u>4,294,514</u>
Total net assets - ending	<u>\$ 1,199,401</u>	<u>\$ 3,073,603</u>	<u>\$ 4,273,004</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, 2012

EXHIBIT 8

	<u>Sanitation Fund</u>	<u>Water Fund</u>	<u>Total</u>
<u>Cash flows from operating activities:</u>			
Cash received from customers	\$ 1,227,862	\$ 1,269,297	\$ 2,497,159
Cash paid for goods and services	(1,032,063)	(284,615)	(1,316,678)
Cash paid to employees for services	(109,563)	(425,898)	(535,461)
Customer deposits received	-	14,511	14,511
Customer deposits returned	-	(4,693)	(4,693)
Net cash provided by operating activities	<u>86,236</u>	<u>568,602</u>	<u>654,838</u>
<u>Cash flows from non-capital financing activities:</u>			
Transfers out	(50,103)	(173,138)	(223,241)
<u>Cash flows from capital and related financing activities:</u>			
Principal paid on bond maturities	-	(96,073)	(96,073)
Interest paid on bond maturities	-	(252,332)	(252,332)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(348,405)</u>	<u>(348,405)</u>
<u>Cash flows from investing activities:</u>			
Interest on investments	<u>5</u>	<u>169</u>	<u>174</u>
Net increase (decrease) in cash and cash equivalents	<u>36,138</u>	<u>47,228</u>	<u>83,366</u>
Cash and cash equivalents, July 1	198,462	508,671	707,133
Cash and cash equivalents, June 30	<u>\$ 234,600</u>	<u>\$ 555,899</u>	<u>\$ 790,499</u>

(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, 2012

EXHIBIT 8 (continued)

	Sanitation Fund	Water Fund	Total
<u>Reconciliation of operating income to net cash provided by operating activities:</u>			
Operating income (loss)	\$ 114,803	\$ 339,086	\$ 453,889
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	21,142	220,622	241,764
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(125,454)	12,284	(113,170)
(Increase) decrease in inventory	-	(9,288)	(9,288)
Increase (decrease) in accounts payable and accrued liabilities	72,918	(3,385)	69,533
Increase (decrease) in customer deposits	-	9,818	9,818
Increase (decrease) in accrued vacation pay	<u>2,827</u>	<u>(535)</u>	<u>2,292</u>
Total adjustments	<u>(28,567)</u>	<u>229,516</u>	<u>200,949</u>
Net cash provided by operating activities	<u>\$ 86,236</u>	<u>\$ 568,602</u>	<u>\$ 654,838</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, 2012

EXHIBIT 9

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 35,705</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous liabilities	<u>\$ 35,705</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, 2012

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, 2012

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, and Community Development Block Grants Fund are reported as non-major special revenue funds. The Commerce Center Project, Airport Grant Capital Projects, and Health Clinic Construction Project are reported as capital project funds.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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, 2012

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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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

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

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

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data

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

D. Assets, Liabilities, 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, 2012

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, 2012

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, 2012

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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Net Assets/Fund Balances (continued)

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

E. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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 \$10,632,481 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)	\$ 15,164,669
Less accumulated depreciation	(4,407,079)
Net capital assets	10,757,590
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	1,095,914
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	(784,212)
Compensated absences	(387,146)
Net pension obligation	(49,665)
Total adjustment	<u>\$ 10,632,481</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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 \$699,247 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 948,713
Cost of disposed capital assets not recorded on fund statements	(16,397)
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.	(432,342)
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	177,398
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.	(15,056)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(57,431)
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 7/1/11	(1,001,552)
Recording of tax receipts deferred in the fund statements as of 6/30/12	<u>1,095,914</u>
Total adjustment	<u>\$ 699,247</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriation

For the fiscal year ended June 30, 2012, the expenditures made in the Tax Mapping and Revaluation Fund exceeded the authorized appropriation made by the governing board by \$51.

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, 2012, the County's deposits had a carrying amount of \$1,943,175 and a bank balance of \$2,370,578. Of the bank balance, \$638,797 was covered by federal depository insurance and \$1,731,781 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2012, Washington County had \$1,450 cash on hand.

At June 30, 2012, the carrying amount of deposits for Washington County ABC Board was \$200,003 and the bank balance was \$201,824. All of the bank balance was covered by federal depository insurance.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

2. Investments

At June 30, 2012, the County's investment balances were as follows:

At June 30, 2012, Washington County had \$1,511,203 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>
2009	\$ 274,203	\$ 89,796	\$ 363,999
2010	276,982	65,782	342,764
2011	277,292	40,900	318,192
2012	<u>287,659</u>	<u>16,540</u>	<u>304,199</u>
Total	<u>\$ 1,116,136</u>	<u>\$ 213,018</u>	<u>\$ 1,329,154</u>

4. Receivables

Receivables at the government-wide level at June 30, 2012, 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	\$ 563,658	\$ 1,245,661	\$ 407,058	\$ 2,216,377
Other governmental	<u>25,619</u>	<u>-</u>	<u>-</u>	<u>25,619</u>
Total receivables				
Allowance for doubtful accounts	<u>-</u>	<u>(149,747)</u>	<u>-</u>	<u>(149,747)</u>
Total governmental activities	<u>\$ 589,277</u>	<u>\$ 1,095,914</u>	<u>\$ 407,058</u>	<u>\$ 2,092,249</u>
Business-type activities:				
Sanitation	\$ 613,504	\$ -	\$ 6,787	\$ 620,291
Water	235,519	-	-	235,519
Allowance for doubtful accounts	<u>(110,000)</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>
Total business-type activities	<u>\$ 739,023</u>	<u>\$ -</u>	<u>\$ 6,787</u>	<u>\$ 745,810</u>

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

Local option sales tax	\$ 400,271
White goods disposal tax	1,048
Scrap tire tax	4,138
Disposal tax	<u>1,601</u>
Total	<u>\$ 407,058</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

5. Capital Assets

Capital asset activity for the year ended June 30, 2012, 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	\$ 2,151,262	\$ 220,538	\$ -	\$ 2,371,800
Construction in progress	<u>3,298,259</u>	<u>582,257</u>	<u>2,983,650</u>	<u>896,866</u>
Total capital assets not being depreciated	<u>5,449,521</u>	<u>802,795</u>	<u>2,983,650</u>	<u>3,268,666</u>
Capital assets being depreciated:				
Buildings	4,961,439	2,983,650	-	7,945,089
Furniture and equipment	2,402,388	68,101	-	2,470,489
Vehicles & motor equipment	<u>1,446,260</u>	<u>77,817</u>	<u>43,652</u>	<u>1,480,425</u>
Total capital assets being depreciated	<u>8,810,087</u>	<u>3,129,568</u>	<u>43,652</u>	<u>11,896,003</u>
Less accumulated depreciation for:				
Buildings	1,872,528	133,505	-	2,006,033
Furniture and equipment	1,505,343	144,691	-	1,650,034
Vehicles & motor equipment	<u>624,120</u>	<u>154,146</u>	<u>27,254</u>	<u>751,012</u>
Total accumulated depreciation	<u>4,001,991</u>	<u>\$ 432,342</u>	<u>\$ 27,254</u>	<u>4,407,079</u>
Total capital assets being depreciated, net	<u>4,808,096</u>			<u>7,488,924</u>
Governmental activity capital assets, net	<u>\$ 10,257,617</u>			<u>\$ 10,757,590</u>

Primary Government

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

General government	\$ 105,998
Public safety	181,320
Economic and physical development	8,050
Human services	132,175
Cultural and recreational	<u>4,799</u>
Total depreciation expense	<u>\$ 432,342</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

5. Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
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	346,323	-	-	346,323
Less accumulated depreciation for:				
Furniture & maintenance equipment	96,578	21,142	-	117,720
Vehicles	55,499	-	-	55,499
Total accumulated depreciation	152,077	21,142	-	173,219
Total capital assets being depreciated, net	194,246			173,104
Landfill capital assets, net	488,540			467,398
<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	10,781,830	-	-	10,781,830
Less accumulated depreciation for:				
Plant & distribution systems	2,869,845	210,522	-	3,080,367
Furniture & maintenance equipment	145,281	6,636	-	151,917
Vehicles	83,066	3,464	-	86,530
Total accumulated depreciation	3,098,192	\$ 220,622	\$ -	3,318,814
Total capital assets being depreciated, net	7,683,647			7,463,016
Washington County Water capital assets, net	7,719,503			7,498,880
Business-type activities capital assets, net	\$ 8,208,043			\$ 7,966,278

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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, 2012. The project is for the County airport. At June 30, 2012, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Airport Construction Grant	\$ <u>896,866</u>	\$ <u>100,821</u>

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ <u>4,692</u>	\$ -	\$ -	\$ <u>4,692</u>
Capital assets being depreciated:				
Buildings	63,998	-	-	63,998
Furniture and equipment	<u>74,212</u>	-	-	<u>74,212</u>
Total capital assets being depreciated	<u>138,210</u>	-	-	<u>138,210</u>
Less accumulated depreciation for:				
Buildings	56,882	1,224	-	58,106
Furniture and equipment	<u>59,247</u>	<u>3,402</u>	-	<u>62,649</u>
Total accumulated depreciation	<u>116,129</u>	<u>\$ 4,626</u>	<u>\$ -</u>	<u>120,755</u>
Total capital assets being depreciated, net	<u>22,081</u>			<u>17,455</u>
ABC capital assets, net	<u>\$ 26,773</u>			<u>\$ 17,455</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities

1. Payables

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

	Vendors	Other	Total
Governmental activities:			
General	\$ 74,006	\$ 25,715	\$ 99,721
Other governmental	2,735	-	2,735
Total governmental activities	\$ 76,741	\$ 25,715	\$ 102,456
Business-type activities			
Landfill	\$ 73,638	\$ 1,628	\$ 75,266
Water Fund	4,795	78	4,873
Total business-type activities	\$ 78,433	\$ 1,706	\$ 80,139

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 11.98% and 12.04%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.96% 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, 2012, 2011, and 2010 were \$646,291, \$619,485, and \$498,533, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$4,794, \$4,429, and \$3,326, 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, 2012

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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	22
Total	22

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

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

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

3. Contributions.

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

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25%-7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

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

3. Contributions. (continued)

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

Employer annual required contribution	\$ 20,036
Interest on net pension obligation	1,731
Adjustment to annual required contribution	(2,065)
Annual pension cost	19,702
Contributions made	(4,646)
Increase (decrease) in net pension obligation	15,056
Net pension obligation, beginning of year	34,610
Net pension obligation, end of year	<u>\$ 49,666</u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligated
2010	16,809	125.34%	26,153
2011	20,693	59.13%	34,610
2012	19,702	23.58%	49,666

4. Funded Status and Funding Progress.

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$124,788. The covered payroll (annual payroll of active employees covered by the plan) was \$735,654, and the ratio of the UAAL to the covered payroll was 16.96%.

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

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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, 2012 were \$48,812 for law enforcement officers and \$254,150 for non-law enforcement employees with the County's contribution being \$37,572 for law enforcement and \$124,850 for non-law enforcement. The employee's contribution was \$11,240 from law enforcement and \$129,300 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, 2012, the County's required and actual contributions were \$698.

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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, 2012, the County made contributions to the State for death benefits of \$5,753. 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, 2012

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, 2012 and 2011, the County paid all annual required contributions to the Plan for post-employment healthcare benefits in the amount of \$258,878 and \$264,974, 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)	\$ -	\$ 57,905
Taxes receivable, net (General)	1,095,914	-
Total	\$ 1,095,914	\$ 57,905

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in one self-funded risk-financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$1 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request. The pool is reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. The pool is reinsured through commercial carrier for individual losses in excess of \$100,000.

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

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

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

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

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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, 2012, 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, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations

a. Installment Purchase

The County has entered into five installment purchase contracts as of June 30, 2012.

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 September 2010 for the purchase of an ambulance. The contract calls for seven annual installments of \$13,217 including interest of 2.92%. The fourth contract was entered into in February 2011 for the construction of a building at the Commerce Center. The contract calls for ten annual installments of \$50,000 plus interest at 4.41%. The final contract was entered into in May 2011 for the purchase of communication equipment. The contract calls for five annual installments of \$24,351 including interest.

The future minimum payments of the installment purchases as of June 30, 2012, including interest, are as follows:

Year Ending June 30	Governmental activities	
	Principal	Interest
2013	\$ 108,952	\$ 33,619
2014	112,341	28,025
2015	114,865	23,297
2016	117,500	18,455
2017	95,895	13,505
2018-2021	234,659	23,507
Total present value of minimum payments	\$ 784,212	
Total interest payments		\$ 140,408

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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
2013	\$ 101,075	\$ 247,577
2014	106,129	242,574
2015	111,238	237,321
2016	115,405	231,815
2017	121,634	226,102
2018-2022	703,483	1,034,108
2023-2027	895,961	841,736
2028-2032	1,131,680	597,395
2033-2037	1,124,650	304,531
2038-2040	606,000	59,085
Total	\$ 5,017,255	\$ 4,022,244

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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, 2012:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 961,610	\$ -	\$ 177,398	\$ 784,212	\$ 108,952
Compensated absences	329,715	152,729	95,298	387,146	160,000
Net pension obligation	34,610	15,055	-	49,665	-
Total governmental activities	<u>\$ 1,325,935</u>	<u>\$ 167,784</u>	<u>\$ 272,696</u>	<u>\$ 1,221,023</u>	<u>\$ 268,952</u>
Business-type activities:					
Revenue bonds	\$ 5,113,328	\$ -	\$ 96,073	\$ 5,017,255	\$ 101,075
Compensated absences	26,900	12,120	9,828	29,192	11,378
Total business-type activities	<u>\$ 5,140,228</u>	<u>\$ 12,120</u>	<u>\$ 105,901</u>	<u>\$ 5,046,447</u>	<u>\$ 112,453</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, 2012

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, 2012, consist of the following:

To the General Fund from the Emergency Telephone System Fund to assist in administrative expenses	\$ 72,114
To the General Fund from the Sanitation Fund to assist in administrative expenses	50,103
To the General Fund from the Water Fund to assist in administrative expenses	<u>173,138</u>
Total	<u>\$ 295,355</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	\$ 2,978,474
Less:	
Stabilization by State Statute	2,066,630
Appropriated Fund Balance in 2013 Budget	50,820
Register of Deeds	7,500
Tax Revaluation	<u>39,221</u>
Remaining Fund Balance	<u>\$ 814,303</u>

Washington County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$154,005 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, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$131,619 to the Health Department to supplement its activities. Complete financial statements for the Health Department can be obtained from their offices at Highway 45 N, Plymouth, NC 27962.

The County also participates in a joint venture to operate East Carolina Behavioral Health Center with eighteen other local governments. Each participating local government appoints four board members to the twenty member board of East Carolina Behavioral Health Center. The County has an ongoing financial responsibility for the joint venture because East Carolina Behavioral Health Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in East Carolina Behavioral Health Center, so no equity interest has been reflected in the financial statements at June 30, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$29,562 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, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$26,030 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, 2012

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, 2012.

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	\$ 157,438	\$ -
Medicaid	15,744,786	9,067,677
Energy assistance	198	-
Adoption assistance	110,568	29,587
Adult assistance	-	154,523
Title IV-E, foster care	10,300	2,747
CWS adoption benefits	-	6,293
Food Stamps	5,770,356	-
State Foster Care	-	5,816
	<u>\$ 21,793,646</u>	<u>\$ 9,266,643</u>
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%
12/31/2011	-	124,788	124,788	0.00%	735,654	16.96%

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

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

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	12/31/11
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed
Remaining amortization period	19 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, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

Revenues:	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Ad valorem taxes:			
Taxes	\$	\$ 6,151,163	\$
Penalties and interest		175,716	
Total	<u>6,346,170</u>	<u>6,326,879</u>	<u>(19,291)</u>
Local option sales taxes:			
Article 39 and 44		667,826	
Article 40 one - half of one percent		659,479	
Article 42 one - half of one percent		381,674	
Total	<u>1,631,000</u>	<u>1,708,979</u>	<u>77,979</u>
Other taxes and licenses:			
Payments in lieu of taxes		13,703	
Occupancy tax		126,868	
Privilege licenses		625	
Gross receipts tax		957	
Total	<u>114,850</u>	<u>142,153</u>	<u>27,303</u>
Unrestricted intergovernmental:			
Beer and wine tax	<u>36,000</u>	<u>36,655</u>	<u>655</u>
Restricted intergovernmental:			
State grants		643,687	
Federal grants		2,965,359	
Court facility fees		26,695	
ABC bottles taxes		4,378	
Total	<u>4,156,718</u>	<u>3,640,119</u>	<u>(516,599)</u>
Permits and fees:			
Building permits		58,918	
Officer and sheriff fees		71,853	
Cable franchise fees		21,200	
Register of deeds		61,099	
Total	<u>161,450</u>	<u>213,070</u>	<u>51,620</u>
Sales and services:			
School resource officer fees		119,369	
Rents, concessions, and fees		112,330	
Jail fees		204,764	
EMS fees		1,181,603	
Recreation fees		15,577	
Airport sales		77,409	
Total	<u>2,009,775</u>	<u>1,711,052</u>	<u>(298,723)</u>
Investment earnings	<u>20,000</u>	<u>20,419</u>	<u>419</u>
Miscellaneous:			
Other	<u>56,858</u>	<u>78,349</u>	<u>21,491</u>
Total revenues	<u>14,532,821</u>	<u>13,877,675</u>	<u>(655,146)</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, 2012

Expenditures:	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
General government:			
Governing body:			
Salaries and employee benefits		38,849	
Other operating expenditures		47,819	
Total	87,652	86,668	984
Administration:			
Salaries and employee benefits		322,331	
Other operating expenditures		36,951	
Total	359,811	359,282	529
Elections:			
Salaries and employee benefits		64,367	
Other operating expenditures		26,665	
Total	91,002	91,032	(30)
Finance:			
Salaries and employee benefits		195,584	
Other operating expenditures		44,813	
Total	251,612	240,397	11,215
Tax administration:			
Salaries and employee benefits		223,027	
Other operating expenditures		21,362	
Total	247,370	244,389	2,981
Legal and professional services:			
Contracted services	68,625	68,625	-
Register of deeds:			
Salaries and employee benefits		108,127	
Other operating expenditures		21,198	
Total	129,284	129,325	(41)
Facility services:			
Salaries and employee benefits		262,519	
Other operating expenditures		298,170	
Total	568,472	560,689	7,783
Information technology:			
Salaries and employee benefits		58,901	
Other operating expenditures		46,092	
Total	104,501	104,993	(492)
Geographic information:			
Salaries and employee benefits		52,194	
Other operating expenditures		9,034	
Total	61,296	61,228	68
Total general government	1,969,625	1,946,628	22,997

(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, 2012

(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		1,302,393	
Other operating expenditures		349,915	
Capital outlay		18,000	
Total	<u>1,745,216</u>	<u>1,670,308</u>	<u>74,908</u>
CJPP criminal justice:			
Salaries and employee benefits		3,149	
Other operating expenditures		56,123	
Total	<u>59,149</u>	<u>59,272</u>	<u>(123)</u>
Detention center:			
Salaries and employee benefits		509,591	
Other operating expenditures		245,549	
Capital outlay		16,116	
Total	<u>786,248</u>	<u>771,256</u>	<u>14,992</u>
School resource officer - Union:			
Salaries and employee benefits		48,609	
Other operating expenditures		5,453	
Total	<u>57,386</u>	<u>54,062</u>	<u>3,324</u>
School resource officer - Creswell:			
Salaries and employee benefits		46,465	
Other operating expenditures		3,179	
Total	<u>50,154</u>	<u>49,644</u>	<u>(510)</u>
COPS Grant:			
Salaries and employee benefits	<u>46,548</u>	<u>53,518</u>	<u>(6,970)</u>
School resource officer - Plymouth:			
Salaries and employee benefits		46,663	
Other operating expenditures		3,017	
Total	<u>51,501</u>	<u>49,680</u>	<u>1,821</u>
Fire protection:			
Assistance to local fire departments	<u>269,407</u>	<u>268,912</u>	<u>495</u>
Planning and safety:			
Salaries and employee benefits		166,975	
Other operating expenditures		50,593	
Capital outlay		46,565	
Total	<u>271,108</u>	<u>264,133</u>	<u>6,975</u>
Medical examiner			
Contracted services	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Forestry:			
County contribution	<u>70,208</u>	<u>69,993</u>	<u>215</u>
Total public safety	<u>3,414,925</u>	<u>3,318,778</u>	<u>96,147</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Economic and physical development:			
Cooperative extension service:			
Salaries and employee benefits		62,444	
Other operating expenditures		26,610	
Total	<u>89,193</u>	<u>89,054</u>	<u>139</u>
Economic development/planning:			
Other operating expenditures	<u>9,250</u>	<u>9,044</u>	<u>206</u>
Chamber of commerce:			
Salaries and employee benefits	<u>37,028</u>	<u>37,028</u>	<u>-</u>
Travel and tourism:			
Salaries and employee benefits		27,920	
Other operating expenditures		61,005	
Total	<u>112,156</u>	<u>88,925</u>	<u>23,231</u>
Soil and water conservation:			
Salaries and employee benefits		44,720	
Other operating expenditures		5,318	
Total	<u>50,040</u>	<u>50,038</u>	<u>2</u>
Waterways Commission:			
Salaries and employee benefits	<u>1,320</u>	<u>1,319</u>	<u>1</u>
Airport operations:			
Salaries and employee benefits		46,187	
Other operating expenses		109,757	
Capital outlay		220,538	
Total	<u>398,031</u>	<u>376,482</u>	<u>21,549</u>
Total economic and physical development	<u>697,018</u>	<u>651,890</u>	<u>45,128</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Human services:			
Contribution to District Health Department	131,619	131,619	-
Contribution to Mental Health Department	29,592	29,592	-
EMS:			
Salaries and employee benefits		1,145,277	
Other operating expenditures		290,395	
Capital outlay		23,822	
Total	<u>1,527,419</u>	<u>1,459,494</u>	<u>67,925</u>
Senior citizens center:			
Salaries and employee benefits		112,957	
Other operating expenditures		52,366	
Total	<u>176,834</u>	<u>165,323</u>	<u>11,511</u>
Juvenile justice:			
Other operating expenditures	74,541	73,506	1,035
Social services:			
Administration:			
Salaries and employee benefits		2,461,063	
Other operating expenditures		232,571	
Total	<u>2,667,531</u>	<u>2,693,634</u>	<u>(26,103)</u>
Day care:			
Assistance payments	758,729	693,179	65,550
Economic support:			
Other assistance programs	643,202	537,444	105,758
Social service transportation:			
Salaries and employee benefits		180,280	
Other operating expenditures		119,992	
Other operating expenditures		41,415	
Total	<u>395,698</u>	<u>341,687</u>	<u>54,011</u>
Community alternatives program:			
Salaries and employee benefits		103,660	
Other operating expenditures		50,065	
Total	<u>156,461</u>	<u>153,725</u>	<u>2,736</u>
Veterans service officer:			
Salaries and employee benefits		10,538	
Other operating expenditures		1,194	
Total	<u>11,979</u>	<u>11,732</u>	<u>247</u>
Total human services	<u>6,573,575</u>	<u>6,290,905</u>	<u>282,670</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		74,752	
Other operating expenditures		<u>52,241</u>	
Total	<u>137,126</u>	<u>126,993</u>	<u>10,133</u>
Library:			
Contribution to regional library		150,000	
Other operating expenditures		<u>4,005</u>	
Total	<u>154,005</u>	<u>154,005</u>	<u>-</u>
Total culture and recreation	<u>291,131</u>	<u>280,998</u>	<u>10,133</u>
Education:			
Public schools - current		1,525,000	
Public schools - capital outlay		384,627	
Community colleges - current		<u>23,899</u>	
Total	<u>1,933,526</u>	<u>1,933,526</u>	<u>-</u>
Debt service:			
Principal retirement		153,324	
Interest and other charges		<u>34,657</u>	
Total	<u>188,084</u>	<u>187,981</u>	<u>103</u>
Total expenditures	<u>15,067,884</u>	<u>14,610,706</u>	<u>457,178</u>
Revenues over (under) expenditures	(<u>535,063</u>)	(<u>733,031</u>)	(<u>197,968</u>)
Other financing sources (uses):			
Transfers to other funds:			
Revaluation Fund	(36,500)	(36,500)	-
Transfers from other funds:			
Drainage Fund	1,500	-	(1,500)
Enterprise Fund	223,241	223,241	-
Emergency Telephone System Fund	<u>72,114</u>	<u>72,114</u>	-
Total net transfers	<u>260,355</u>	<u>258,855</u>	(<u>1,500</u>)
Sale of capital assets	1,000	20,986	19,986
Contingency	(12,988)	-	<u>12,988</u>
Total other financing sources (uses)	<u>248,367</u>	<u>279,841</u>	(<u>31,474</u>)
Revenues and other financing sources over (under) expenditures and other financing uses	(<u>286,696</u>)	(<u>453,190</u>)	(<u>166,494</u>)
Appropriated fund balance	<u>286,696</u>	-	(<u>286,696</u>)
Revenues, other sources, and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	(<u>453,190</u>)	(<u>\$ 453,190</u>)
Fund balances:			
Beginning of year, July 1		<u>3,392,443</u>	
End of year, June 30		<u>\$ 2,939,253</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, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 29	\$ 29
Expenditures:			
Current:			
General government:			
Salaries and employee benefits		16,398	
Professional services		26,400	
Other operating expenditures		7,051	
Total expenditures	49,798	49,849	(51)
Revenues over (under) expenditures	(49,798)	(49,820)	(22)
Other financing sources:			
Transfer in:			
General Fund	36,500	36,500	-
Revenues and other financing sources over (under) expenditures	(13,298)	(13,320)	(22)
Appropriated fund balance	13,298	-	(13,298)
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	(13,320)	(\$ 13,320)
Fund balances:			
Beginning of year, July 1		52,541	
End of year, June 30		\$ 39,221	



COMBINING STATEMENTS FOR NON-MAJOR FUNDS

Special Revenue Funds

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

Washington County, North Carolina
Combining Balance Sheet
 Non-major Governmental Funds
 June 30, 2012

	Special Revenue Funds			Total
	Emergency Telephone System Fund	Drainage Fund	Community Development Block Grants	Non-major Special Revenue Funds
ASSETS				
Cash and cash equivalents	\$ 411,197	\$ 91,974	(\$ 8,052)	\$ 495,119
Accounts receivable, net	<u>17,567</u>	<u>-</u>	<u>8,052</u>	<u>25,619</u>
Total assets	<u>\$ 428,764</u>	<u>\$ 91,974</u>	<u>\$ -</u>	<u>\$ 520,738</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,735	\$ -	\$ -	\$ 2,735
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,735</u>	<u>-</u>	<u>-</u>	<u>2,735</u>
Fund balances:				
Restricted:				
Stabilization by State Statute	17,567	-	8,052	25,619
Construction projects	-	-	-	-
Unassigned	<u>408,462</u>	<u>91,974</u>	<u>(8,052)</u>	<u>492,834</u>
Total fund balances	<u>426,029</u>	<u>91,974</u>	<u>-</u>	<u>518,003</u>
Total liabilities and fund balances	<u>\$ 428,764</u>	<u>\$ 91,974</u>	<u>\$ -</u>	<u>\$ 520,738</u>

Capital Projects

<u>Commerce Center Project</u>	<u>Airport Grant Capital Projects</u>	<u>Health Clinic Construction Project</u>	<u>Total Non-major Capital Projects</u>	<u>Total Non-major Governmental Funds</u>
\$ 25,059	\$ 2,448	\$ 13,024	\$ 40,531	\$ 535,650
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,619</u>
<u>\$ 25,059</u>	<u>\$ 2,448</u>	<u>\$ 13,024</u>	<u>\$ 40,531</u>	<u>\$ 561,269</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,735
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,735</u>
-	-	-	-	25,619
25,059	2,448	13,024	40,531	40,531
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,384</u>
<u>25,059</u>	<u>2,448</u>	<u>13,024</u>	<u>40,531</u>	<u>558,534</u>
<u>\$ 25,059</u>	<u>\$ 2,448</u>	<u>\$ 13,024</u>	<u>\$ 40,531</u>	<u>\$ 561,269</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, 2012

	Special Revenue Funds			Total Non-major Special Revenue Funds
	Emergency Telephone System Fund	Drainage Fund	Community Development Block Grants	
REVENUES				
Other taxes and licenses	\$ 175,239	\$ 6,592	\$ -	\$ 181,831
Restricted intergovernmental	-	-	42,403	42,403
Investment earnings	-	10	-	10
Total revenues	<u>175,239</u>	<u>6,602</u>	<u>42,403</u>	<u>224,244</u>
EXPENDITURES				
Current:				
Public safety	24,580	-	-	24,580
Economic and physical development	-	64,789	42,403	107,192
Capital outlay	-	-	-	-
Debt service	24,074	-	-	24,074
Total expenditures	<u>48,654</u>	<u>64,789</u>	<u>42,403</u>	<u>155,846</u>
Excess (deficiency) of revenues over expenditures	<u>126,585</u>	<u>(58,187)</u>	<u>-</u>	<u>68,398</u>
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds				
General Fund	(72,114)	-	-	(72,114)
Net change in fund balances	54,471	(58,187)	-	(3,716)
Fund balances – beginning	<u>371,558</u>	<u>150,161</u>	<u>-</u>	<u>521,719</u>
Fund balances – ending	<u>\$ 426,029</u>	<u>\$ 91,974</u>	<u>\$ -</u>	<u>\$ 518,003</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>
\$ -	\$ -	\$ -	\$ -	\$ 181,831
-	367,209	120,000	487,209	529,612
-	-	-	-	10
-	<u>367,209</u>	<u>120,000</u>	<u>487,209</u>	<u>711,453</u>
-	-	-	-	24,580
-	-	-	-	107,192
138,329	383,791	60,137	582,257	582,257
-	-	-	-	24,074
<u>138,329</u>	<u>383,791</u>	<u>60,137</u>	<u>582,257</u>	<u>738,103</u>
(<u>138,329</u>)	(<u>16,582</u>)	<u>59,863</u>	(<u>95,048</u>)	(<u>26,650</u>)
-	-	-	-	(<u>72,114</u>)
(138,329)	(16,582)	59,863	(95,048)	(98,764)
<u>163,388</u>	<u>19,030</u>	(<u>46,839</u>)	<u>135,579</u>	<u>657,298</u>
<u>\$ 25,059</u>	<u>\$ 2,448</u>	<u>\$ 13,024</u>	<u>\$ 40,531</u>	<u>\$ 558,534</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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Sales and services			
Telephone surcharge	\$ 144,647	\$ 175,239	\$ 30,592
 Expenditures:			
Current:			
Public safety operating expenses		24,580	
Debt service		24,074	
Total expenditures	<u>72,553</u>	<u>48,654</u>	<u>23,879</u>
Revenues over expenditures	<u>72,114</u>	<u>126,585</u>	<u>54,471</u>
Other financing sources (uses):			
Transfer out:			
General Fund	(72,114)	(72,114)	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	54,471	<u>\$ 54,471</u>
 Fund balances:			
Beginning of year, July 1		<u>371,558</u>	
End of year, June 30		<u>\$ 426,029</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes and licenses:			
Drainage assessments	\$	\$ 6,592	\$
Investment earnings		<u>10</u>	
Total revenues	<u>-</u>	<u>6,602</u>	<u>6,602</u>
Expenditures:			
Current:			
Economic and physical development:			
Contracted services	<u>70,000</u>	<u>64,789</u>	<u>5,211</u>
Revenues over (under) expenditures	(70,000)	(58,187)	11,813
Appropriated fund balance	<u>70,000</u>	<u>-</u>	(<u>70,000</u>)
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	(58,187)	(<u>\$ 58,187</u>)
Fund balances:			
Beginning of year, July 1		<u>150,161</u>	
End of year, June 30		<u>\$ 91,974</u>	

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, 2012

	Project Authorization	Prior Year	Actual Current Year	Year to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Intergovernmental					
CDBG -2010	\$ 560,000	\$ 13,478	\$ 32,403	\$ 45,881	(\$ 514,119)
Talent enhancement	<u>50,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>(40,000)</u>
Total	<u>610,000</u>	<u>13,478</u>	<u>42,403</u>	<u>55,881</u>	<u>(554,119)</u>
Expenditures:					
Economic and physical development					
CDBG – 2010					
Administration	63,000	-	34,602	34,602	28,398
Rehabilitation	<u>547,000</u>	<u>13,478</u>	<u>7,801</u>	<u>21,279</u>	<u>525,721</u>
Total expenditures	<u>610,000</u>	<u>13,478</u>	<u>42,403</u>	<u>55,881</u>	<u>554,119</u>
Revenues over (under) expenditures	<u>\$ _____</u>	<u>(\$ 37,430)</u>	<u>-</u>	<u>\$ _____</u>	<u>\$ _____</u>
Fund balances:					
Beginning of year, July 1			<u>_____</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, 2012

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Year to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Aviation Grants	\$ 922,745	\$ 457,163	\$ 367,209	\$ 824,372	(\$ 98,373)
Expenditures:					
Construction and improvements	997,687	513,075	383,791	896,866	100,821
Revenues over (under) expenditures	(74,942)	(55,912)	(16,582)	(72,494)	2,448
Other financing sources:					
Transfer from General Fund	74,942	74,942	-	74,942	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 19,030</u>	<u>(16,582)</u>	<u>\$ 2,448</u>	<u>\$ 2,448</u>
Fund balances:					
Beginning of year, July 1			<u>19,030</u>		
End of year, June 30			<u>\$ 2,448</u>		

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, 2012

	Project Authorization	Prior Year	Actual Current Year	Year to Date	Variance Positive (Negative)
Revenues:					
Golden Leaf Grant	\$ 600,000	\$ 480,000	\$ 120,000	\$ 600,000	\$ -
HRSA Grant	633,600	633,600	-	633,600	-
Creswell Rural Center Grant	<u>71,851</u>	<u>71,601</u>	-	71,601	(250)
Total	<u>1,305,451</u>	<u>1,185,201</u>	<u>120,000</u>	<u>1,305,201</u>	(250)
Expenditures:					
Architect engineer	74,568	74,239	1,676	75,915	(1,347)
Advertising	2,500	2,219	281	2,500	-
Surveys	19,680	20,342	-	20,342	(662)
Construction	<u>1,208,703</u>	<u>1,135,240</u>	<u>58,180</u>	<u>1,193,420</u>	<u>15,283</u>
Total	<u>1,305,451</u>	<u>1,232,040</u>	<u>60,137</u>	<u>1,292,177</u>	<u>13,274</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(\$ 46,839)</u>	59,863	<u>\$ 13,024</u>	<u>\$ 13,024</u>
Fund balances:					
Beginning of year, July 1			(46,839)		
End of year, June 30			<u>\$ 13,024</u>		

Washington County, North Carolina
Commerce Center Project
Schedule of Revenues, and Expenditures – Budget and Actual
From Inception and for the Year Ended June 30, 2012

	Project Authorization	Prior Year	Actual Current Year	Year to Date	Variance Positive (Negative)
Revenues:					
Golden Leaf Grant	\$ 1,216,461	\$ 1,216,461	\$ -	\$ 1,216,461	\$ -
Interest income	-	71	-	71	71
Total	<u>1,216,461</u>	<u>1,216,532</u>	<u>-</u>	<u>1,216,532</u>	<u>71</u>
Expenditures:					
Ads, permits, surveys	32,000	33,239	505	33,744	(1,744)
Soil report	16,889	16,888	-	16,888	1
Professional services	229,655	229,155	390	229,545	110
Construction	<u>1,422,035</u>	<u>1,273,862</u>	<u>137,434</u>	<u>1,411,296</u>	<u>10,739</u>
Total	<u>1,700,579</u>	<u>1,553,144</u>	<u>138,329</u>	<u>1,691,473</u>	<u>9,106</u>
Revenues over (under) expenditures	(484,118)	(336,612)	(138,329)	(474,941)	9,177
Other financing sources: Loan proceeds	<u>484,118</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>15,882</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 163,388</u>	<u>(138,329)</u>	<u>\$ 25,059</u>	<u>\$ 25,059</u>
Fund balances:					
Beginning of year, July 1			<u>163,388</u>		
End of year, June 30			<u>\$ 25,059</u>		



Enterprise Funds

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

Washington County, North Carolina
Enterprise Fund - Sanitation Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Solid waste fees	\$	\$ 1,302,440	\$
White goods disposal fee and grants		16,947	
Penalties		3,013	
Scrap tire tax and grants		23,985	
Solid waste disposal tax		6,931	
Total	1,259,600	1,353,316	93,716
Non-operating revenues:			
Investment earnings	200	5	(195)
Total revenues	1,259,800	1,353,321	93,521
 Expenditures:			
Landfill and collections:			
Salaries and employee benefits		109,563	
Garbage collection fees		657,267	
Landfill fees		319,079	
Scrap tire services		31,048	
Other operating expenditures		97,590	
Total	1,304,197	1,214,547	89,650
Total expenditures			
Revenues over (under) expenditures	(44,397)	138,774	183,171
Other financing uses:			
Transfers out:			
General Fund	(50,103)	(50,103)	-
Revenues and other sources over (under) expenditures and other uses	(94,500)	88,671	183,171
Appropriated net assets	94,500	-	(94,500)
Revenues and appropriated net assets over (under) expenditures and other uses	\$ -	88,671	\$ 88,671
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(21,142)	
(Increase) decrease in accrued vacation pay		(2,827)	
Total reconciling items		(23,969)	
Change in net assets		\$ 64,702	

Washington County, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales	\$	\$ 1,204,667	\$
Tap and connection fees		52,346	
Total operating revenues	1,313,971	1,257,013	(56,958)
Non-operating revenues:			
Interest earnings	500	169	(331)
Total revenues	1,314,471	1,257,182	(57,289)
Expenditures:			
Operation and maintenance:			
Salaries and employee benefits		287,992	
Professional services		7,635	
Other operating expenditures		168,446	
Total	471,952	464,073	7,879
Treatment plant:			
Salaries and employee benefits		137,906	
Utilities		19,996	
Chemicals		15,375	
Other operating expenditures		60,490	
Total	282,735	233,767	48,968
Debt service:			
Interest and other charges		252,332	
Debt principal		96,073	
Total	395,656	348,405	47,251
Total expenditures	1,150,343	1,046,245	104,098
Revenues over expenditures	164,128	210,937	46,809
Other financing sources (uses):			
Transfer out	(173,138)	(173,138)	-
Revenues over (under) expenditures and other uses	(9,010)	37,799	46,809

(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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Appropriated net assets	<u>9,010</u>	<u>-</u>	(<u>9,010</u>)
Revenues and appropriated net assets over (under) expenditures and other uses	<u>\$ -</u>	37,799	<u>\$ 37,799</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt payments		96,073	
(Increase) decrease in accrued vacation pay		535	
Depreciation		(<u>220,622</u>)	
Total reconciling items		(<u>124,014</u>)	
Change in net assets		(<u>\$ 86,215</u>)	

Washington County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 17,177	\$ 143,648	\$ 135,638	\$ 25,187
Liabilities:				
Miscellaneous liabilities	\$ 17,177	\$ 143,648	\$ 135,638	\$ 25,187
 <u>Detention Center</u>				
Assets:				
Cash and cash equivalents	\$ 10,390	\$ 29,198	\$ 30,913	\$ 8,675
Liabilities:				
Miscellaneous liabilities	\$ 10,390	\$ 29,198	\$ 30,913	\$ 8,675
 <u>Motor Vehicle Tax</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 131,013	\$ 129,170	\$ 1,843
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 131,013	\$ 129,170	\$ 1,843
 <u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 27,567	\$ 303,859	\$ 295,721	\$ 35,705
Liabilities:				
Miscellaneous liabilities	\$ 27,567	\$ 303,859	\$ 295,721	\$ 35,705

Washington County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 17,177	\$ 143,648	\$ 135,638	\$ 25,187
Liabilities:				
Miscellaneous liabilities	\$ 17,177	\$ 143,648	\$ 135,638	\$ 25,187
 <u>Detention Center</u>				
Assets:				
Cash and cash equivalents	\$ 10,390	\$ 29,198	\$ 30,913	\$ 8,675
Liabilities:				
Miscellaneous liabilities	\$ 10,390	\$ 29,198	\$ 30,913	\$ 8,675
 <u>Motor Vehicle Tax</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 131,013	\$ 131,013	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 131,013	\$ 131,013	\$ -
 <u>Motor Vehicle Interest</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ -	\$ -	\$ -
 <u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 27,567	\$ 303,859	\$ 297,564	\$ 33,862
Liabilities:				
Miscellaneous liabilities	\$ 27,567	\$ 303,859	\$ 297,564	\$ 33,862

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, 2012

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 6,274,268	\$ 5,721,808	\$ 552,460
2010-2011	506,732	3,605	277,803	232,534
2009-2010	189,652	476	66,734	123,394
2008-2009	95,681	146	27,372	68,455
2007-2008	84,883	126	18,825	66,184
2006-2007	70,027	70	12,555	57,542
2005-2006	53,047	42	8,828	44,261
2004-2005	45,928	5	7,742	38,191
2003-2004	40,191	6	7,279	32,918
2002-2003	34,857	22	5,157	29,722
2001-2002	31,396	-	31,396	-
	<u>\$ 1,152,394</u>	<u>\$ 6,278,766</u>	<u>\$ 6,185,499</u>	<u>1,245,661</u>
Less: allowance for uncollectible accounts:				
General Fund				(149,747)
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 1,095,914</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 6,326,879
Reconciling items:				
Interest collected				(172,776)
Taxes written off				<u>31,396</u>
Total reconciling items				(141,380)
Total collections and credits				<u>\$ 6,185,499</u>

Washington County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Year Ended June 30, 2012

	<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	\$ 794,698,477	.79	\$ 6,278,118	\$ 5,631,534	\$ 646,584
Penalties			860	723	137
Total			<u>6,278,978</u>	<u>5,632,257</u>	<u>646,721</u>
Discoveries:					
Current year taxes	<u>965,949</u>		<u>7,631</u>	<u>3,379</u>	<u>4,252</u>
Abatements	(<u>1,562,152</u>)		(<u>12,341</u>)	(<u>6,668</u>)	(<u>5,673</u>)
Total property valuation	<u>\$ 794,102,274</u>				
Net levy			6,274,268	5,628,968	645,300
Uncollected taxes at June 30, 2012			<u>552,460</u>	<u>417,371</u>	<u>135,089</u>
Current year's taxes collected			<u>\$ 5,721,808</u>	<u>\$ 5,211,597</u>	<u>\$ 510,211</u>
Current levy collection percentage			<u>91.19%</u>	<u>92.59%</u>	<u>79.07%</u>

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

Secondary Market Disclosures:

Assessed Valuation:	
Assessment Ratio ¹	100%
Real Property	\$639,792,750
Personal Property	117,370,194
Public Service Companies ²	<u>28,022,333</u>
Total Assessed Valuation	785,185,277
Tax Rate per \$100	0.79
Levy (includes discoveries, releases and abatements) ³	6,202,964

¹Percentage of appraised value has ben estaglished by statute.

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

³The levy includes interest and penalties.

Washington County, North Carolina

Ten Largest Taxpayers

6/30/2012

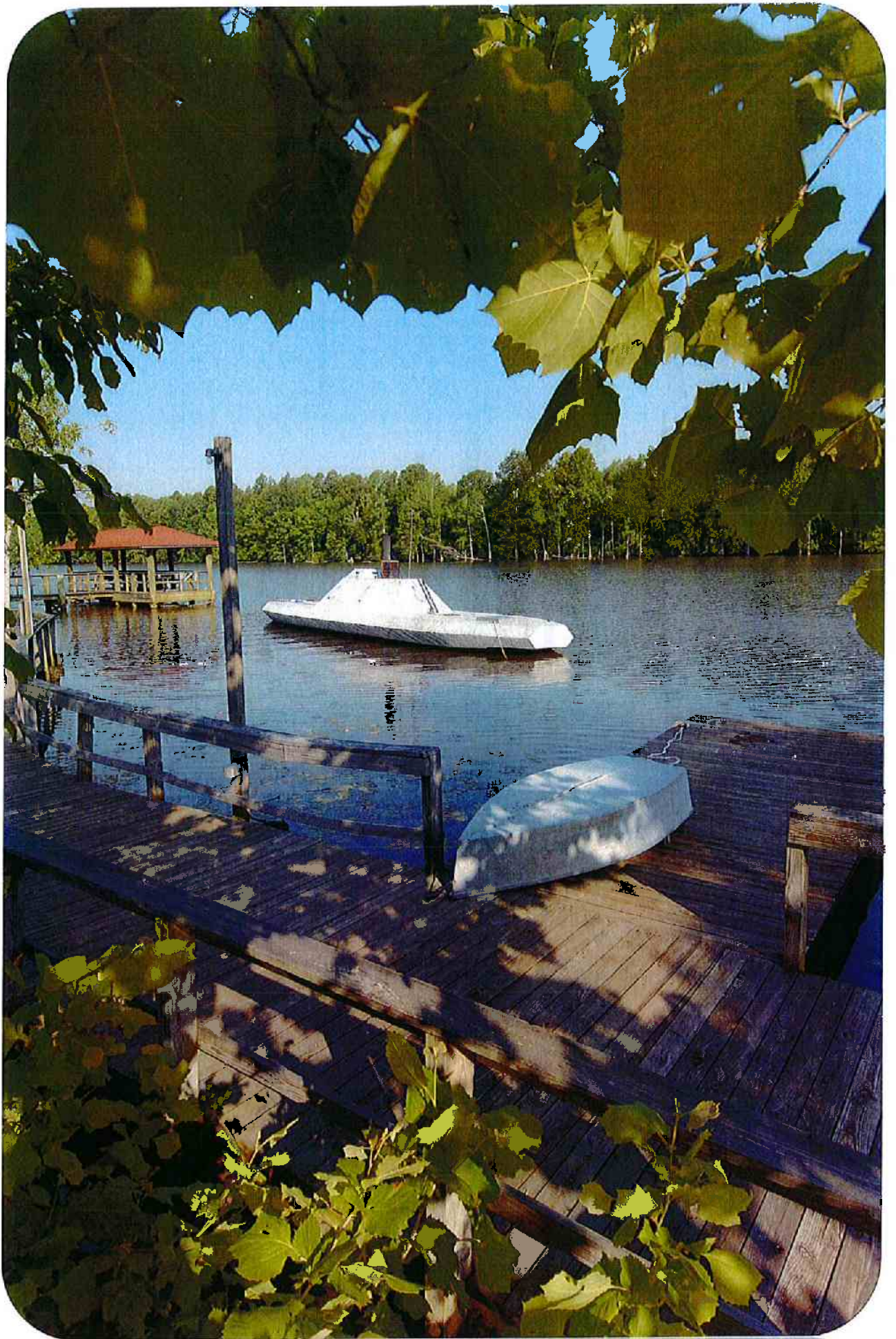
2011 - 2012

2002 - 2003

<u>Employer</u>	<u>2011 - 2012</u>			<u>2002 - 2003</u>		
	<u>Full-time Equivalent Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Full-time Equivalent Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Domtar Company	427	1	27.00	709	1	29.90
Washington County Schools	390	2	25.00	331	2	22.40
Weyerhaeuser Company	171	3	11.00	150	3	9.80
Washington County Government	163	4	10.00	122	4	9.10
Plumlee Nursing Home (Britthaven)	115	5	7.00	115	5	7.00
Washington County Hospital	93	6	6.00	75	6	6.60
Covenant Health Care LLC	60	7	4.00	75	7	5.60
State of North Carolina	75	8	5.00	35	8	4.20
Mackey's Ferry Sawmill	70	9	4.00	30	9	3.90
Diversified Wood Products	23	10	1.00	29	10	1.50
Total	<u>1,587</u>		<u>100.00%</u>	<u>1,671</u>		<u>100.00%</u>

Source: Contacted each employer
*Estimate only

Information from nine years ago not available



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.



**NEW CHAPEL
BAPTIST CHURCH**
Established in 1867. Rev. Abraham
Mekane entered into a lease agreement
with the local Colored School
Society, giving New Chapel the right
to erect a church on lot No. 41 in
the town of Plymouth.

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

Schedule 1

	Fiscal Year					
	2007	2008	2009	2010	2011	2012
Governmental activities						
Invested in capital assets, net of related debt	\$ 2,947,555	\$ 3,354,790	\$ 3,102,394	\$ 6,877,735	\$ 9,296,007	\$ 9,973,378
Restricted					2,579,956	2,132,228
Unassigned	6,417,958	6,899,656	7,386,521	6,365,461	2,159,553	2,055,831
Total government activities net assets	<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>	<u>\$ 14,161,437</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 2,642,884	\$ 2,955,531	\$ 3,388,284	\$ 3,245,967	\$ 3,094,715	\$ 2,949,023
Restricted						
Unassigned	1,943,407	1,745,558	1,392,900	1,209,370	1,199,799	1,323,981
Total business-type activities net assets	<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>	<u>\$ 4,273,004</u>
Primary government						
Invested in capital assets, net of related debt	\$ 5,590,439	\$ 6,310,321	\$ 6,490,678	\$ 10,123,702	\$ 12,390,722	\$ 12,922,401
Restricted					2,579,956	2,132,228
Unassigned	8,361,365	8,645,214	8,779,421	7,574,831	3,359,352	3,379,812
Total primary government net assets	<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>	<u>\$ 18,434,441</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

	2007	2008	2009	2010	2011	2012
Expenses						
Governmental activities:						
General government						
Public Safety	\$ 1,661,571	\$ 1,806,270	\$ 1,950,393	\$ 1,988,696	\$ 2,026,071	\$ 2,106,105
Economic & physical development	3,124,711	3,144,896	3,351,861	3,455,636	3,697,483	3,481,938
Human Services	906,456	823,481	860,774	762,024	506,253	547,287
Culture & recreation	5,709,342	6,575,808	6,167,851	6,002,067	6,221,993	6,386,495
Education	284,006	337,650	304,343	285,577	296,577	287,368
Interest on long-term debt	1,992,061	2,478,733	2,287,629	2,379,286	1,927,016	1,933,526
Total governmental activities expenses	\$ 13,773,999	\$ 15,236,957	\$ 14,977,870	\$ 14,918,593	\$ 14,703,776	\$ 14,777,376
Business-type activities:						
Sanitation						
Water	1,155,165	1,188,237	1,214,825	1,175,543	1,180,991	1,238,513
Total business-type activities expenses	1,148,927	1,283,986	1,419,946	1,315,705	1,251,027	1,170,259
Total primary government expenses	\$ 2,304,092	\$ 4,776,315	\$ 2,634,771	\$ 2,491,248	\$ 2,432,018	\$ 2,408,772
Program Revenues	\$ 16,078,091	\$ 17,709,180	\$ 17,612,641	\$ 17,409,841	\$ 17,135,794	\$ 17,186,148
Governmental activities:						
Charges for services:						
General government						
Public Safety	\$ 180,101	\$ 199,988	\$ 161,584	\$ 147,564	\$ 147,564	\$ 173,429
Human Services	566,422	979,799	522,715	313,233	313,233	356,735
Other activities	15,548	517,770	684,147	676,619	676,619	1,181,603
Operating grants and contributions	39,992	14,514	13,969	50,443	50,443	92,986
Capital grants and contributions	3,660,422	3,385,365	3,910,831	50,443	-	3,646,498
Total governmental activities program revenues	\$ 267,189	\$ 691,051	\$ 782,019	\$ -	\$ -	\$ 599,478
Total primary government revenues	\$ 4,729,674	\$ 5,788,487	\$ 6,075,265	\$ 1,187,859	\$ 1,187,859	\$ 6,050,729
Business-type activities:						
Charges for services:						
Sanitation						
Water	\$ 1,157,754	\$ 1,327,938	\$ 1,247,312	\$ 1,165,285	\$ 1,165,285	\$ 1,353,316
Capital grants and contributions	1,128,400	1,152,085	1,216,220	1,308,358	1,308,358	1,257,013
Total business-type activities program revenues	142,924	239,387	438,364	-	-	-
Total primary government program revenues	\$ 2,429,078	\$ 2,719,410	\$ 2,901,896	\$ 2,473,643	\$ 2,473,643	\$ 2,610,329
Total primary government revenues	\$ 7,158,752	\$ 8,507,897	\$ 8,977,161	\$ 9,735,595	\$ 3,661,502	\$ 8,661,058

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

	Fiscal Year					
	2007	2008	2009	2010	2011	2012
Net (expense) revenue	\$ (9,044,325)	\$ (9,448,470)	\$ (8,902,605)	\$ (7,531,631)	\$ (7,625,137)	\$ (8,726,647)
Governmental activities	124,986	247,187	267,125	(142,615)	41,625	201,557
Business -type activities	<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>	<u>\$ (8,525,090)</u>
Total primary government net expense						
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 6,151,550	\$ 6,152,716	\$ 6,075,661	\$ 6,274,048	\$ 6,324,595	\$ 6,421,241
Sales Taxes	2,670,100	3,005,697	2,371,413	1,644,393	1,677,773	2,032,963
Other taxes and licenses	500,155	568,433	37,832	132,456	147,279	175,123
Unrestricted grants and contributions						
Investment earnings	175,312	248,147	99,105	45,667	18,871	-
Miscellaneous	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 dor						
Sale of Capital Assets				1,934,640		
Transfers	146,214	89,159	-			
Total government activities	<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>	<u>\$ 8,852,568</u>
Business-type activities:						
Investment earnings	\$ 65,086	\$ 52,426	\$ 21,185	\$ 1,538	\$ 964	\$ 174
Miscellaneous						
Sale of Capital Assets						
Transfers	(146,214)	(184,815)	14,100	-		
Total business-type activities	<u>(81,128)</u>	<u>(132,389)</u>	<u>(222,315)</u>	<u>(186,450)</u>	<u>(203,412)</u>	<u>(223,241)</u>
Total Primary government	<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>	<u>\$ 8,629,501</u>
Change in Net Assets						
Governmental activities	\$ 2,636,721	\$ 888,933	\$ 234,469	\$ 2,754,281	\$ 792,320	\$ 125,921
Business-type activities	43,858	114,798	80,095	(325,847)	(160,823)	(21,510)
Total primary government	<u>\$ 2,680,579</u>	<u>\$ 1,003,731</u>	<u>\$ 314,564</u>	<u>\$ 2,428,434</u>	<u>\$ 631,497</u>	<u>\$ 104,411</u>

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

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

Schedule 3

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Restricted										
Committed	\$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	\$2,074,130
Assigned									\$52,598	\$39,221
Unassigned	1,259,356	1,353,767	1,855,902	2,150,570	4,303,616	4,458,651	4,457,703	2,980,935	\$72,498	\$50,820
Total General Fund	\$2,197,650	\$2,719,532	\$3,035,584	\$3,398,585	\$5,841,873	\$6,173,588	\$5,997,475	\$4,520,362	\$1,450,659	\$2,144,303
All other governmental Funds									\$3,444,984	\$2,978,474
Restricted	\$25,892	\$27,270	\$117,172	\$27,828	\$349,240	\$106,789	\$48,974	\$28,578	\$710,727	\$58,098
Unassigned, reported in:										
Commerce Center Project										492,384
Special revenue funds	484,686	425,962	199,056	486,511	427,067	429,109	697,638	784,827		
Total all other Governmental Funds	\$510,578	\$453,232	\$316,228	\$514,339	\$776,307	\$535,898	\$746,612	\$1,476,479	\$657,298	\$550,482

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

Schedule 4

(modified accrual basis of accounting)

	<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>	<u>2012</u>
Revenues										
Local Option Taxes	\$ 5,297,310	\$ 5,613,298	\$ 5,550,970	\$ 5,964,556	\$ 5,971,937	\$ 6,023,843	\$ 6,317,071	\$ 6,251,892	\$ 6,301,406	\$ 6,326,879
Local Option sales taxes	1,755,667	2,211,447	2,531,163	2,530,289	2,670,100	3,005,697	2,257,641	1,644,393	1,677,773	1,708,979
Other taxes & licenses	162,191	189,676	188,097	213,658	188,662	253,335	176,815	102,536	453,775	323,984
Restricted Intergovernmental										
Restricted Governmental	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	36,655
Permits & fees	186,957	196,641	214,526	238,786	230,557	326,784	183,699	189,840	214,090	4,161,679
Sales & services	630,581	844,112	1,007,619	855,315	970,597	1,505,113	1,623,137	1,733,324	1,111,576	213,070
Investment earnings	43,818	29,915	63,676	148,965	175,312	248,147	98,106	46,173	18,871	1,711,052
Miscellaneous	100,820	54,873	75,533	76,386	85,959	88,436	81,398	81,860	20,602	20,458
Total revenues	11,416,596	13,020,330	13,518,564	14,408,465	14,206,450	15,723,043	15,003,728	15,480,962	15,298,187	14,581,105
Expenditures										
General government	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	2,194,943
Public safety	2,419,608	2,539,682	2,698,279	2,567,887	3,119,025	3,331,253	3,309,659	3,483,358	3,957,894	3,343,358
Economic & physical development	659,570	1,271,959	1,331,058	1,234,356	906,466	1,086,650	857,794	1,318,196	2,274,405	1,142,873
Human Services	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	6,290,905
Culture & recreation	212,663	241,498	252,292	245,073	282,276	349,889	302,313	280,650	291,670	280,998
Education	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	1,933,526
Debt Service- Principal	554,589	1,972,462	648,808	595,970	585,849	501,479	479,587	825,451	249,154	177,398
Interest	200,982	135,289	115,368	93,475	84,526	58,793	43,693	33,981	17,058	34,657
Other charges	101,933	-	-	-	-	-	-	-	-	-
Total expenditures	11,816,789	14,297,190	13,581,356	14,007,354	14,388,589	16,177,499	15,419,469	16,453,020	18,139,330	16,347,371
Excess of revenues over (under) expenditures	(400,173)	(1,276,860)	(62,792)	(401,111)	(182,149)	(454,456)	(415,741)	(992,058)	(2,841,143)	(1,766,266)
Other financing sources (uses)										
Transfers in										
Transfer out	176,200	201,499	189,823	205,467	240,534	788,984	340,275	326,975	506,218	295,355
Insurance proceeds	(77,800)	(98,099)	(84,823)	(92,467)	(94,320)	(604,169)	(117,960)	(140,525)	(302,806)	(72,114)
Debt proceeds	2,830,000	-	-	-	-	-	-	-	-	-
Insurance proceeds	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)										
Total other financing sources (uses)	723,728	1,741,396	241,840	160,000	2,536,838	545,762	227,706	-	28,605	20,986
Net change in fund balances	\$ 323,555	\$ 464,536	\$ 179,048	\$ 561,111	\$ 2,705,256	\$ 91,306	\$ 34,601	\$ (747,246)	\$ (1,894,533)	\$ (1,522,039)
Debt service as a percentage of non capital expenditures	6.39%	14.74%	5.63%	4.92%	4.74%	3.59%	5.66%	5.59%	1.47%	1.63%

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

Schedule 5

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

¹ Includes NC hold harmless monies

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

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

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, 2012

Schedule 7

Taxpayer	Type of Business	2011		Percentage of		2003	Tax	Percentage of
		Assessed	Value	Tax	Assessed			
Dominion NC Power	Utility	20,030,427	\$ 158,240	0.79%	126,924	12,504,825	1.02%	
Weyerhaeuser Company	Lumber, plywood, and wood	12,335,381	97,450	0.79%	96,325	9,490,145	1.02%	
Barnes, Edsel Grayson, Jr., et ux	Logging	6,439,210	50,942	0.79%	61,477	6,056,801	1.02%	
Waterside @ The Point	Real Estate	6,095,380	48,154	0.79%	48,816	4,809,492	1.01%	
Albemarle Beach Farms	Agriculture	5,057,385	39,953	0.79%	27,590	2,718,200	1.02%	
Porter, James F., Jr. et ux	Real Estate, commercial	4,634,785	36,615	0.79%	25,718	2,533,749	1.02%	
Respass, H. L., Jr., et ux	Agriculture	4,605,054	36,380	0.79%	24,781	2,441,430	1.02%	
JCT, LLC	Swine, agriculture	4,534,110	35,819	0.79%	23,476	2,312,922	1.01%	
CAH Acquisition Company #1	Hospital	4,264,463	36,947	0.87%	23,476	2,216,308	1.02%	
Mackeys Ferry Sawmill, Inc.	Lumber products	4,130,072	32,628	0.79%	22,496	2,172,154	1.01%	
Carolina Telephone	Utility	4,112,225	32,487	0.79%	22,047			
Daniel G. Kamin; Plymouth Landing		3,427,700	27,079	0.79%				
Alvah Alexander	Agricultural Production	3,270,780	25,839	0.79%				
Kendricks Creek Properties &	Real Estate	3,217,054	25,415	0.79%				
Plymouth Hospitality, LLC	Motel	2,953,397	23,332	0.79%				
DOMTAR	Pulp and paper	2,907,836	22,972	0.79%				
Kanban Industries	Commercial storage/shippir	2,904,476	22,945	0.79%				
Totals		\$ 94,919,735		13.51%				
Grand total of assessments		\$ 794,102,274				\$ 47,256,026	10.15%	
						524039174		

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		Total Collections To Date		
		Fiscal Year	Amount	Fiscal Year of the Levy	Percentage of Levy	Subsequent Years	Amount	Percentage of Levy
June 30								
2012								
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	

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

Schedule 9

Fiscal Year Ended June 30	Population ¹	Assessed Value ²	Gross Debt ³	Debt Payable from Enterprise Revenues [*]	Less Capital Leases and Installment Purchase Obligations [*]	Net Bonded Debt [*]	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
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
2012	13,004	794,102	5,801	5,017	7,842	-	-	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, 2012**

<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			<u>\$ 784,212.00</u>
Total direct and overlapping debt			<u>\$ 784,212.00</u>

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

Schedule 11

	<u>Fiscal Year</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>	<u>2012</u>
Debt limit		42,371,449	43,678,760	43,735,921	59,013,527	61,689,162	61,001,044	62,496,471	62,005,991	62,814,822	63,528,182
Total net debt applicable to limit		<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>	<u>784,212</u>
Legal debt margin		<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>	<u>62,743,970</u>
Total net debt applicable to the limit as a percentage of debt limit		9.96%	8.80%	7.61%	4.60%	3.67%	3.04%	2.08%	0.83%	1.50%	1.25%

Assessed value of taxable property 794,102,274

Debt limit - 8 percent of assessed value 63,528,182

Gross Debt:

Outstanding bonded debt:

General governmental bonds

Water Revenue Bonds

Other:

Capital leases, installment purchase obligations

Total Gross Debt 5,801,467

Statutory Deductions:

Bonded debt included in gross debt incurred or authorized for water (5,017,255)

Net Debt-Total amount of debt applicable To debt limit 784,212

Legal debt margin 62,743,970

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		
2012	-	784,212	-	5,017,255	5,801,487	1.21%	437		

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	127
2003	1,048,389	481,556	566,833	103,934	307,196	411,130	137
2004	1,078,791	320,583	758,208	111,867	299,029	410,896	185
2005	1,360,302	343,399	1,016,903	121,132	293,731	414,863	245
2006	1,129,782	353,582	776,200	131,732	291,875	423,607	183
2007	1,196,626	422,893	773,733	143,268	285,744	429,012	180
2008	1,185,456	588,999	596,457	155,843	275,361	431,204	138
2009	1,231,748	789,941	441,807	83,359	265,284	348,643	127
2010	1,195,848	693,178	502,670	87,218	261,159	348,377	144
2011	1,308,358	832,892	475,462	91,122	256,842	347,964	136
2012	1,257,013	874,252	2,131,265	96,073	252,332	348,405	136

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
2003	13,600	285,115,493	20,969	2,343	8.2	180	4,305,843
2004	13,435	288,850,400	21,239	2,270	7.6	182	3,682,274
2005	13,428	308,776,605	22,983	2,370	6.7	104	6,429,502
2006	13,418	316,909,000	23,858	2,317	7.7	165	5,822,466
2007	13,360	338,678,000	26,323	2,223	7.1	152	11,586,788
2008	13,214	385,331,000	29,735	2,180	7.1	144	8,714,795
2009	13,172	N/A	N/A	2,042	12.2	120	4,900,218
2010	13,004	384,383,000	29,133	1,910	11.2	131	4,027,239
2011	13,004	N/A	N/A	1,819	11.8	137	19,521,878
2012	13,004	N/A	N/A	1,807	11.1	184	24,285,112

Data Sources:

¹NC Association of County Commissioners²NC Employment Security Commission³Washington County Board of Education⁴Bureau of Economic Analysis, US Department of Commerce, Figures are for prior calendar year

N/A - Not Available

**Washington County, North Carolina
Principal Employers
6/30/2012**

Schedule 15

<u>Employer</u>	<u>Full-time Equivalent Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employer</u>	<u>Full-time Equivalent Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Domtar Company	427	1	27.00	Weyerhaeuser Company	709	1	29.90
Washington County Schools	390	2	25.00	Washington County Schools	331	2	22.40
Weyerhaeuser Company	171	3	11.00	Washington County Govt.	150	3	9.80
Washington County Government	163	4	10.00	Washington County Hospital	122	4	9.10
Plumlee Nursing Home (Britthaven)	115	5	7.00	Plumlee Nursing Home	115	5	7.00
Washington County Hospital	93	6	6.00	Mackey's Ferry Sawmill	75	6	6.60
Covenant Health Care LLC	60	7	4.00	State of North Carolina (DOT)	75	7	5.60
State of North Carolina	75	8	5.00	Edsel Grayson Barnes	35	8	4.20
Mackey's Ferry Sawmill	70	9	4.00	Diversified Wood Products	30	9	3.90
Diversified Wood Products	23	10	1.00	Carolina Mat, Inc.	29	10	1.50
Total	<u>1,587</u>		<u>100.00%</u>		1,671		100.00%

Source: Contacted each employer
*Estimate only

Information from nine years ago not available

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

<u>Function /Program</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>	<u>2012</u>
General government	31	33	35	36	30	27	27	26	34	34
Public safety	42	45	45	45	45	46	46	45	56	56
Human Services	55	55	56	57	78	78	83	85	61	61
Economic and physical development	1	1	1	1	2	2	2	2	0	0
Cultural and recreation	1	1	1	1	1	2	2	2	2	2
Water/Sanitation (Business activity)	<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>	<u>10</u>
Total	141	146	149	150	166	166	171	171	163	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, 2012**

<u>Rank</u>	<u>Name</u>	<u>Annual Water Sales (MG)</u>	<u>Revenues</u>
1	Pines Elementary	1,544	\$ 15,440
2	Wendy's Restaurant	659	\$ 6,590
3	Wilcohes, LLC	423	\$ 4,230
4	NCDOT Rest Area-Highway 64	401	\$ 4,010
5	Mackeys Marina	271	\$ 2,710
6	Wash. Co. Resources Ctr.	267	\$ 2,670
7	Albemarle Beach Farm	259	\$ 2,590
8	Ready Mix Concrete	252	\$ 2,520
9	Mackeys Ferry Sawmill	219	\$ 2,190
10	NCDOT-Highway 94 North	117	\$ 1,170
	Total	4,412	\$ 44,120

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

Schedule 18

Fiscal Year	# of Customers	Average Daily Demand (MGD)	Peak Daily Demand (MGD)	Maximum Capacity (MGD)
2012	2581	374,000	517,000	750,000
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**

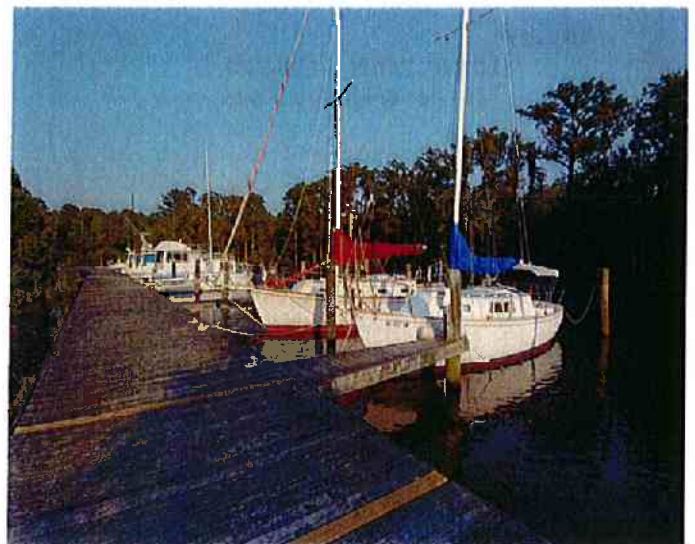
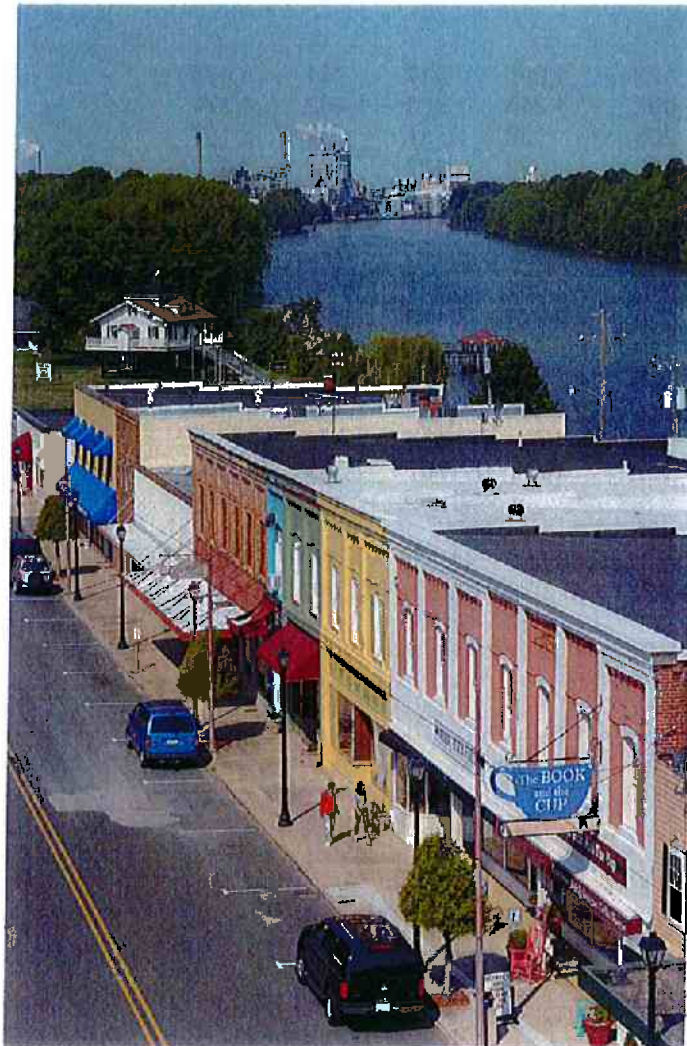
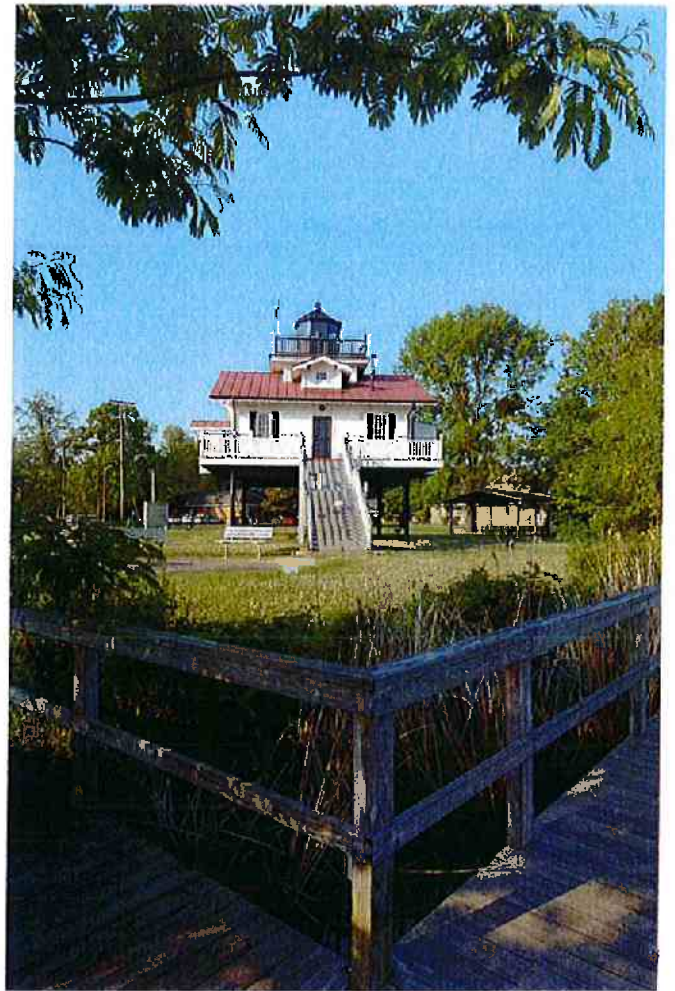
Function/Program	<u>Fiscal Year</u>				
	2008	2009	2010	2011	2012
Public Safety					
# Stations	2	2	2	2	2
# Patrol Units	34	34	36	37	25
Transportation					
Standard Vans	1	1	1	1	1
Conversion Vans	5	5	5	3	3
Lift Vans	3	3	3	2	2
Buses	2	2	2	2	2
Minivans	1	1	1	1	2
# Of Standard Vehicles	5	5	5	7	5
EMS-Ambulances	5	5	5	7	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	8	6
Facility Services					
# Maintenance Units	5	5	5	6	6
Emergency Management					
# of Vehicles	2	2	2	2	2
Culture/Recreation					
# of Vehicles	1	1	1	1	1
# of Buses	1	1	1	2	2
Landfill					
# of Vehicles	1	1	1	1	1
County Manager					
# of Vehicles	1	1	1	1	1

N/A-Not Available

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

Function/Program	Fiscal Year				
	2008	2009	2010	2011	2012
Inspections Department					
Building permits issued	285	255	307	390	207
Sheriff					
Arrests	465	356	320	276	541
Property Crime (Breaking/Entering)	125	214	303	290	255
Emergency Medical Services					
Calls	1,762	1,976	2,014	3,820	2,530
Solid Waste Disposal-County landfill					
Construction & Demolition (tons)	1,122	1,055	417	751	1,675
Land Clearing-Inert Debris (tons)	1,092	1,246	1,223	1,402	4,279
Recycle White Goods (tons)	205	59	51	169	157
C&D & LCID-contractors portion (tons)	900	695	427	652	4,172
Department of Social Services					
Adult Assisted Living Facility cases	53	61	61	60	59
Family and Children's Medicaid (active cases)	2,792	2,061	2,079	1,574	2,086
Food and Nutrition Services Program	1,128	2,874	3,116	1,580	1,829
Children in Foster Care	16	15	7	6	10
Community Alternatives Program	65	77	53	55	55
Child Support caseload	1,325	1,449	1,442	1,436	1,394
Disability Medicaid cases	N/A	N/A	664	670	676
Adult Medicaid cases	N/A	N/A	387	385	373
Library					
Library Items Circulated	40,621	43,512	40,358	48,542	47,080
Number of Library Visits	59,825	52,075	59,589	60,097	61,484

N/A-Not Available



COMPLIANCE SECTION

**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, 2012, which collectively comprises Washington County's basic financial statements, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [2012-1]

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. [2012-2, 2012-3]

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 13, 2012.

This report is intended solely for the information and use of management, others within the entity, members of the 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.

New Bern, North Carolina
December 13, 2012

**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, 2012. 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, 2012.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 the 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.

New Bern, North Carolina
December 13, 2012

Washington County, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

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 no

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

Non-compliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? yes no

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

Non-compliance material to federal awards yes 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 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	
93.558	Temporary Assistance for Needy Families

Washington County, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

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: \$ 568,087

Auditee qualified as low-risk auditee? yes no

Section II. Financial Statement Findings

Material Weakness

2012-1 Fraudulent activity by employee

Criteria: The County must adopt sound internal controls and financial reporting objectives to properly account for and safeguard assets and resources.

Condition: An employee used the County credit card to purchase items for personal use.

Effect: The County suffered a financial loss due to the improper use of County credit cards by an employee. The full extent of which has not been determined at this time.

Cause: Improper segregation of duties and review procedures resulted in fraudulent use of the County's credit card by an employee.

Recommendation: After the finance office staff discovered the fraud, the internal controls and job duties were redistributed in an effort to strengthen controls.

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

Significant Deficiency

2012-2 Improper recording of budget amendments

Criteria: The County is required to monitor its budget in accordance with the G.S. 159, and approve all necessary budget amendments prior to year end to ensure all expenditures are properly approved.

Condition: The budgeted and actual expenditures were both misstated for the fiscal year end 6/30/2012.

Effect: Actual expenditures were misstated and excess expenditures over appropriations could occur.

Cause: The finance office staff made an error in entering and posting approved budget amendments to the accounting system.

Recommendation: The finance office staff should exercise extreme caution in entering and maintaining budget to ensure all are recorded correctly.

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, 2012

Section II. Financial Statement Findings

Significant Deficiency

2012-3 Improper filing of Form W-2

Criteria: The County is required to properly file Form W-2 by January 31st of each year.

Condition: The W-2 for at least one employee was incorrectly filed for calendar year 2011 due to a software problem.

Effect: Wages of the affected employee was incorrectly reported to the Internal Revenue Service.

Cause: A software problem and improper review procedures caused the W-2 of at least one employee to be reported incorrectly.

Recommendation: The finance office staff should file an amended W-2 for the affected employee(s).

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

Section III. Federal Awards Findings and Questioned Costs

None reported.

Washington County, North Carolina
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2012

Material Weaknesses

2012-1 Fraudulent activity by an employee

Name of contact person: Frank Milazi – Finance Officer

Corrective Action: The internal controls and job duties within the finance office were redistributed in an effort to strengthen controls.

Proposed Completion Date: The County has implemented the above procedures.

Significant Deficiencies

2012-2 Improper recording of budget amendments

Name of contact person: Frank Milazi – Finance Officer

Corrective Action: The finance office staff will exercise extreme caution when entering and maintaining the budget to ensure all amendments are recorded correctly.

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

2012-3 Improper filing of Form W-2

Name of contact person: Frank Milazi – Finance Officer

Corrective Action: The finance office staff will file an amended W-2 for the affected employee(s) to ensure earnings are properly reported to the Internal Revenue Service.

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, 2012

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

Status: This item has been corrected.

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2012

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
Federal Awards:			
U.S. Dept. of Agriculture			
<u>Food and Nutrition Program:</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Administration:			
Supplemental Nutrition Assistance			
Program Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561	\$ 218,655	\$ -
U.S. Dept. of Housing and Urban Development			
Passed-through N.C. Dept. of Commerce:			
Community Development Block Grant - States Program			
	14.228	48,291	-
Department of Transportation			
Passed-through N.C. Dept. of Transportation:			
Highway Safety Program			
	20.509	126,314	-
Airport Grant			
	20.106	44,463	-
Total			
		170,777	-
U.S. Elections Assistance Commission			
Passed-through N.C. Dept. of Administration:			
HAVA Grant			
	90.401	4,624	-
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	81,479	-
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	430,897	-
Work First/TANF – Direct Benefit Payments			
	93.558	157,438	-
Family Preservation			
	93.556	541	-

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012

(continued)

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures
Child Support Enforcement	93.563	\$ 352,827	\$ -
Low Income Energy Assistance:			
Administration	93.568	232,367	-
Benefit Payments	93.568	198	-
State Children's Insurance Program	93.767	13,841	595
Links	93.674	709	177
Permanency Planning	93.645	3,665	-
Social Services Block Grant	93.667	107,420	10,263
<u>Foster Care and Adoption (Note 2)</u>			
Title IV-E Foster Care - Administration	93.658	46,661	4,225
Foster Care - Direct Benefits	93.658	10,300	2,747
Adoption Assistance - Administration	93.659	7,980	7,675
Adoption Assistance - Direct Benefits	93.659	<u>110,568</u>	<u>29,587</u>
Total Foster Care and Adoption (Note 2)		<u>175,509</u>	<u>44,234</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	265,403	-
Child Care and Development Fund - Mandatory	93.596	89,017	-
Child Care and Development Fund - Match	93.596	<u>110,118</u>	<u>40,563</u>
Total Child Care Development Fund Cluster		<u>544,538</u>	<u>40,563</u>
Foster Care Title IV-E	93.658	4,584	-
TANF	93.558	118,760	-
ARRA – Emergency Contingency Fund for Temporary Assistance Needy Families	93.714	13,100	-
State Appropriations		-	<u>66,063</u>
Total Subsidized Child Care (Note 2)		<u>680,982</u>	<u>106,626</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	367,549	44,370
Division of Medical Assistance:			
Direct Benefit Payments	93.778	<u>15,744,786</u>	<u>9,067,677</u>
Total U.S. Dept. of Health and Human Services		<u>18,350,208</u>	<u>9,273,942</u>

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012

(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:			
Public Assistance Grant Program for Infrastructure Support	97.039	108,407	36,136
Emergency Management	97.042	35,261	-
Total U.S. Dept. of Homeland Security		<u>143,668</u>	<u>36,136</u>
Total federal awards		<u>18,936,223</u>	<u>9,310,078</u>
State Awards:			
<u>N.C. Dept. of Health & Human Services</u>			
Division of Social Services:			
State/County Special Assistance:			
Domiciliary Care - Direct Benefit Payments		-	154,523
State Foster Care Benefits		-	5,816
CWS Adoption Benefits		-	6,293
Total N.C. Dept. of Health & Human Services		<u>-</u>	<u>166,632</u>
<u>N.C. Dept. of Transportation</u>			
ROAP		-	108,825
<u>N.C. Dept. of Administration</u>			
Division of Veterans Affairs		-	1,452
<u>N.C. Dept. of Corrections</u>			
Criminal Justice Partnership Program		-	59,149
<u>Office of the Governor</u>			
Juvenile Crime Prevention Program		-	75,506
<u>Golden Leaf Foundation</u>			
Health Clinic Construction		-	120,000
Total State awards		<u>-</u>	<u>531,564</u>
Total federal and State awards		<u>\$ 18,936,223</u>	<u>\$ 9,841,642</u>

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012

(continued)

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

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

2. The following are clustered by the N.C. Department of Health and Human Services and are treated separately for State audit requirement purposes: Subsidized Child Care and Foster Care and Adoption.

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, 2012, 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 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.

In testing credit cards, we noted a significant improvement in documentation after new procedures were put in place to decentralize duties in an effort to strengthen controls.

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.

New Bern, North Carolina
December 13, 2012