

**Hyde County
North Carolina**

Financial Statements

For the Fiscal Year Ended June 30, 2010

Financial Statements

Hyde County, North Carolina

**FINANCIAL STATEMENTS and
INDEPENDENT AUDITOR'S REPORT**

Year Ended June 30, 2010

**Hyde County, North Carolina
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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of County Commissioners
Hyde County, North Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Hyde County, North Carolina, as of and for the year then ended June 30, 2010, which collectively comprise Hyde County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hyde County, North Carolina's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of Hyde County ABC Board. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion on the financial statements, insofar as it relates to the amounts included for the Hyde County ABC Board is based on the report of the other auditors.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Hyde County, North Carolina as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Ocracoke Occupancy Tax Fund, and the Hydeland Home Health 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*, I have also issued our report dated October 30, 2010 on our consideration of Hyde County's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose the report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of

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inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Andrew Harris, CPA".

Farmville, North Carolina
October 30, 2010

Management Discussion & Analysis

HYDE COUNTY, NORTH CAROLINA MANAGEMENT'S DISCUSSION & ANALYSIS

As management of Hyde County, we offer readers of Hyde County's financial statements this narrative overview and analysis of the financial activities of Hyde County for the fiscal year ended June 30, 2010. 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.

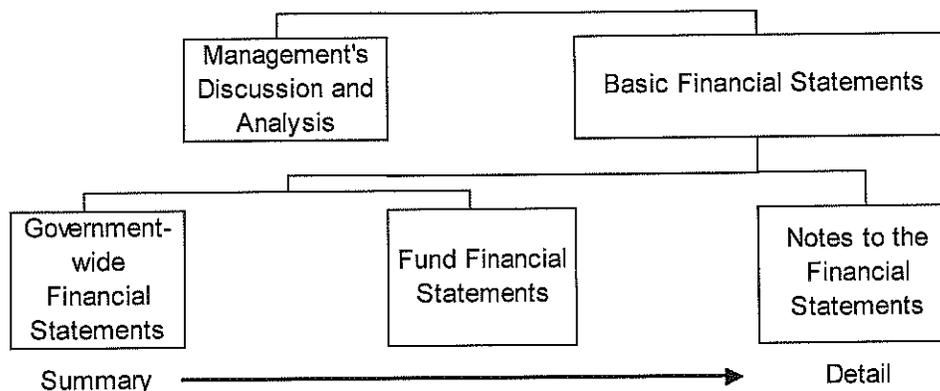
Financial Highlights

- The assets of Hyde County exceeded its liabilities at the close of the fiscal year by \$38,289,859 (*net assets*).
- The government's total net assets increased by \$2,710,427, primarily due to increased net assets in the governmental funds.
- As of the close of the current fiscal year, Hyde County's governmental funds reported combined ending fund balances of \$8,375,454, after a net decrease in fund balance of \$1,620,521. Approximately, 64.2 percent of this total amount, or \$5,377,366, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,169,815, or 25.16 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Hyde 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 Hyde County.

**Required Components of Annual Financial Report
Figure 1**



HYDE COUNTY, NORTH CAROLINA MANAGEMENT'S DISCUSSION & ANALYSIS

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 supplementary 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 gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety 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 sewer services offered by Hyde County. The only sewer operated by Hyde County is operated and maintained for the benefit of the State prison. The final category is the component unit. 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.

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. Hyde 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 Hyde County can be divided into three categories: governmental funds, 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*. 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

HYDE COUNTY, NORTH CAROLINA MANAGEMENT'S DISCUSSION & ANALYSIS

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.

Hyde 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 – Hyde County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Hyde County uses enterprise funds to account for its water and sewer activity. 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. Hyde County has three fiduciary funds, the Social Services Trust fund, the Ocracoke Mosquito fund, and the Fines and Forfeitures fund.

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 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Hyde County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Hyde County exceeded liabilities by \$38,095,369 as of June 30, 2010. The County's net assets increased by \$2,904,915 for the fiscal year ended June 30, 2010. One of the largest portions \$27,430,496 (71.64%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was used to acquire those items. Hyde County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hyde 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 Hyde County's net assets \$56,973 (0.15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,802,390 (28.21%) is unrestricted.

**HYDE COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION & ANALYSIS**

**Hyde County's Net Assets
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 10,857,753	\$ 12,060,105	\$ 1,606,975	\$ 611,916	\$ 12,464,728	\$ 12,672,021
Capital assets	23,608,784	19,165,028	11,272,783	10,507,630	34,881,567	29,672,658
Total assets	<u>\$ 34,466,537</u>	<u>\$ 31,225,133</u>	<u>\$ 12,879,758</u>	<u>\$ 11,119,546</u>	<u>\$ 47,346,295</u>	<u>\$ 42,344,679</u>
Long-term liabilities outstanding	\$ 4,528,277	\$ 4,240,345	\$ 3,410,737	\$ 2,017,606	\$ 7,939,014	\$ 6,257,951
Other liabilities	719,415	521,372	398,007	115,481	1,117,422	636,853
Total Liabilities	<u>\$ 5,247,692</u>	<u>\$ 4,761,717</u>	<u>\$ 3,808,744</u>	<u>\$ 2,133,087</u>	<u>\$ 9,056,436</u>	<u>\$ 6,894,804</u>
Net assets:						
Invested in capital assets	\$ 19,525,713	\$ 15,219,559	\$ 7,904,783	\$ 8,509,630	\$ 27,430,496	\$ 23,729,189
Restricted	56,973	54,735	-	-	56,973	54,735
Unrestricted	9,636,159	11,124,191	1,166,231	476,829	10,802,390	11,601,020
Total net assets	<u>\$ 29,218,845</u>	<u>\$ 26,398,485</u>	<u>\$ 9,071,014</u>	<u>\$ 8,986,459</u>	<u>\$ 38,289,859</u>	<u>\$ 35,384,944</u>

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

- The County's collection of property taxes by 92.96% compares unfavorably with the State-wide average of 97.18%, but in comparison with other small counties (94.98%), the County's collection rate is comparable.

**HYDE COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION & ANALYSIS**

**Hyde County's Changes in Net Assets
Figure 3**

Governmental activities. Governmental activities increased the County's net assets by \$2,886,931, thereby accounting for 89.41% of the total growth in the net assets of Hyde County. Key elements of this increase include the capitalization of the various construction projects.

Business activities. Business-type activities increased the County's net assets by \$342,001, thereby accounting for 10.4% of the total growth in the net assets of Hyde County. Key elements of this increase include the capitalization of the various construction projects.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 2,808,345	\$ 2,369,195	\$ 1,633,956	\$ 1,590,740	\$ 4,442,301	\$ 3,959,935
Operating grants and contributions	1,970,639	2,360,063	-	-	1,970,639	2,360,063
Capital grants and contributions	3,814,539	416,000	663,605	274,339	4,478,144	690,339
General revenues:						
Property taxes	5,863,543	6,198,363	-	-	5,863,543	6,198,363
Other taxes	1,927,548	2,399,553	-	-	1,927,548	2,399,553
Investment earnings	251,171	333,977	11,627	8,909	262,798	342,886
Other	120,027	176,904	-	-	120,027	176,904
Total revenues	16,755,812	14,254,055	2,309,188	1,873,988	19,065,000	16,128,043
Expenses:						
General government	2,453,940	3,236,690	-	-	2,453,940	3,236,690
Public safety	2,233,528	2,794,373	-	-	2,233,528	2,794,373
Transportation	190,043	75,308	-	-	190,043	75,308
Economic and physical development	995,874	1,325,315	-	-	995,874	1,325,315
Human services	4,988,092	3,362,370	-	-	4,988,092	3,362,370
Cultural and recreation	144,756	39,250	-	-	144,756	39,250
Environmental protection	1,071,896	971,168	-	-	1,071,896	971,168
Education	1,702,206	1,729,642	-	-	1,702,206	1,729,642
Interest on long-term debt	88,546	2,937	-	-	88,546	2,937
Water and Sewer	-	-	1,644,795	1,454,243	1,644,795	1,454,243
Total expenses	13,868,881	13,537,053	1,644,795	1,454,243	15,513,676	14,991,296
Transfers	-	(1,272)	-	1,272	-	-
Increase/(Decrease) in net assets	2,886,931	715,730	664,393	421,017	3,551,324	1,136,747
Net assets, beginning as stated	26,398,485	25,682,755	8,986,459	8,565,442	35,384,944	34,248,197
Prior period adjustment	(66,571)	-	(579,838)	-	(646,409)	-
Net assets, beginning as restated	26,331,914	25,682,755	8,406,621	8,565,442	34,738,535	34,248,197
Net assets, ending	\$ 29,218,845	\$ 26,398,485	\$ 9,071,014	\$ 8,986,459	\$ 38,289,859	\$ 35,384,944

HYDE COUNTY, NORTH CAROLINA MANAGEMENT'S DISCUSSION & ANALYSIS

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Hyde County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Hyde County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Hyde County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,169,815, while total fund balance reached \$3,946,839. 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. Unreserved fund balance represents 25.16 percent of total General Fund expenditures, while total fund balance represents 31.33 percent of that same amount.

At June 30, 2010 the governmental funds of Hyde County reported a combined fund balance of \$8,375,454, a 13.5 percent decrease over last year. The primary reason for this decrease is the decrease in fund balance in the General Fund.

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 were made to increase revenues because the County did not expect to receive certain funds that later became available. Expenditures were held in check to comply with the County's budgetary requirements.

Proprietary Funds. Hyde County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets for the Water and Sewer Fund at the end of the fiscal year amounted to \$1,166,231. The total change in net assets the Water and Sewer Fund was \$664,393. Other factors concerning the finances of these funds have already been addressed in the discussion of Hyde County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Hyde County's capital assets for its governmental and business – type activities as of June 30, 2010, totals \$34,881,567 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Construction in progress for the Swan Quarter Dike.
- Purchase of ABC Board Building
- Purchase of EMS Facility Land

**HYDE COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION & ANALYSIS**

**Hyde County's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,292,036	\$ 1,242,036	\$ 57,839	\$ 57,839	\$ 1,349,875	\$ 1,299,875
Buildings and systems	13,409,310	13,666,542	8,191,083	8,475,041	21,600,393	22,141,583
Computer equipment	31,949	33,028	2,021	683	33,970	33,711
Machinery and equipment	262,812	245,969	99,404	118,267	362,216	364,236
Vehicles and motorized equipment	576,046	735,749	52,818	72,893	628,864	808,642
Construction in progress	8,036,631	3,730,147	2,869,618	1,203,068	10,906,249	4,933,215
Total	\$ 23,608,784	\$ 19,653,471	\$ 11,272,783	\$ 9,927,791	\$ 34,881,567	\$ 29,581,262

Additional information on the County's capital assets can be found in note III.A.5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2010, Hyde County had total bonded debt outstanding of \$1,948,000 all of which is debt backed by the full faith and credit of the County.

**Hyde County's Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ -	\$ -	\$ 1,948,000	\$ 1,998,000	\$ 1,948,000	\$ 1,998,000
Capitalized leases	39,594	55,912	-	-	39,594	55,912
Installment purchases	4,043,477	4,165,693	-	-	4,043,477	4,165,693
Compensated absences	244,075	222,532	42,737	19,606	286,812	242,138
Net pension obligation	80,052	72,344	-	-	80,052	72,344
Other postemployment benefits	121,079	64,931	-	-	121,079	64,931
Bond anticipation notes	-	-	1,420,000	-	1,420,000	-
Total	\$ 4,528,277	\$ 4,581,412	\$ 3,410,737	\$ 2,017,606	\$ 7,939,014	\$ 6,599,018

Hyde County's total debt increased by \$1,344,042 (20.37 percent) during the past fiscal year, which includes compensated absences and net pension obligation, primarily due to bond anticipation notes obtained by the County in the business-type activities.

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 Hyde County is \$79,583,785.

HYDE COUNTY, NORTH CAROLINA MANAGEMENT'S DISCUSSION & ANALYSIS

Additional information regarding Hyde County's long-term debt can be found in note III.B.8 beginning on page 50 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County:

- Tourism is a major economic contributor to Hyde County especially on Ocracoke Island, which was named America's #1 beach in 2007.
- Ecotourism, including hunting, fishing, and other more massive wildlife activities, are major economic factors for Hyde County.
- Hyde County has seen a precipitous drop in home construction and property sales, mirroring national trends.
- Hyde County's unemployment rate average was 6.1% for September 2010.
- Agriculture, government, hospitality (tourism), and seafood are the largest employers in Hyde County.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Carl Classen, County Manager, Hyde County, Swan Quarter, NC 27885.

BASIC FINANCIAL STATEMENTS

Hyde County, North Carolina
Statement of Net Assets
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hyde County ABC Board
ASSETS				
Cash and cash equivalents	\$ 8,167,393	\$ 1,176,660	\$ 9,344,053	\$ 69,850
Receivables (net)	2,141,773	141,263	2,283,036	-
Due from other governments	348,588	489,052	837,640	-
Inventories	-	-	-	19,895
Internal balances	200,000	(200,000)	-	-
Capital assets:				
Land, improvements, and construction in progress	9,328,667	2,927,457	12,256,124	-
Other capital assets, net of depreciation	14,280,117	8,345,326	22,625,443	6,275
Total capital assets	23,608,784	11,272,783	34,881,567	6,275
Total assets	34,466,537	12,879,758	47,346,295	96,020
LIABILITIES				
Accounts payable and accrued expenses	528,778	301,361	830,139	60,412
Contract retainage	37,537	-	37,537	-
Unearned revenue	153,100	-	153,100	-
Customer deposits	-	96,646	96,646	-
Long-term liabilities:				
Due within one year	419,581	1,514,737	1,934,318	20,000
Due in more than one year	4,108,696	1,896,000	6,004,696	-
Total long-term liabilities	4,528,277	3,410,737	7,939,014	20,000
Total liabilities	5,247,692	3,808,744	9,056,436	80,412
NET ASSETS				
Invested in capital assets, net of related debt	19,525,713	7,904,783	27,430,496	6,275
Restricted for:				
Register of Deeds	32,973	-	32,973	-
Other purposes	24,000	-	24,000	14,416
Unrestricted (deficit)	9,636,159	1,166,231	10,802,390	(5,083)
Total net assets	\$ 29,218,845	\$ 9,071,014	\$ 38,289,859	\$ 15,608

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

Hyde County, North Carolina
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
General government								
Public safety	\$ 2,453,940	\$ 60,133	\$ -	\$ -	\$ (2,393,807)	\$ -	\$ (2,393,807)	
Transportation	2,233,528	775,913	62,923	-	(1,394,692)	-	(1,394,692)	
Economic and physical development	190,043	25,489	125,321	-	(39,233)	-	(39,233)	
Human services	995,874	2,223	299,525	3,731,161	3,037,035	-	3,037,035	
Cultural and recreation	4,988,092	1,195,350	1,225,402	-	(2,567,340)	-	(2,567,340)	
Environmental protection	144,756	14,446	16,668	27,413	(86,229)	-	(86,229)	
Education	1,071,896	734,791	240,800	-	(96,305)	-	(96,305)	
Interest on long-term debt	1,702,206	-	-	55,965	(1,646,241)	-	(1,646,241)	
Total governmental activities	13,868,881	2,808,345	1,970,639	3,814,539	(5,275,358)	-	(5,275,358)	
Business-type activities:								
Water and Sewer	1,644,795	1,633,956	-	663,605	-	652,766	652,766	
Total business-type activities	1,644,795	1,633,956	-	663,605	-	652,766	652,766	
Total primary government	\$ 15,513,676	\$ 4,442,301	\$ 1,970,639	\$ 4,478,144	\$ (5,275,358)	\$ -	\$ (4,622,592)	
Component unit:								
ABC Board	124,873	94,674	-	-	-	-	-	\$ (33,549)
Total component units	\$ 124,873	\$ 94,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (33,549)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					5,863,543	-	5,863,543	
Local option sales tax					1,325,153	-	1,325,153	
Other taxes and licenses					602,395	-	602,395	
Investment earnings, unrestricted					251,171	11,627	262,798	21
Miscellaneous, unrestricted					120,027	-	120,027	72,728
Total general revenues, special items, and transfers					8,162,289	11,627	8,173,916	72,749
Change in net assets					2,886,931	664,393	3,551,324	39,200
Net assets, beginning as previously stated					26,398,485	8,986,459	35,384,944	(23,592)
Prior period adjustment					(66,571)	(579,838)	(646,409)	-
Net assets, beginning as restated					26,331,914	8,406,621	34,738,535	(23,592)
Net assets, ending					\$ 29,218,845	\$ 9,071,014	\$ 38,289,859	\$ 15,608

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

Hyde County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2010

	Major			Non-Major		Total Governmental Funds
	General	Ocracoke Occupancy Tax	Hydeland Home Health	Swan Quarter Dike	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 3,572,082	\$ 890,551	\$ 1,330,718	\$ 107,351	\$ 2,266,691	\$ 8,167,393
Receivables, net:						
Property taxes	648,257			-	125	648,382
Accounts	792,160		80,858	100,950	17,214	991,182
Other	188,601			-	313,607	502,208
Due from other governments	286,896			61,692	-	348,588
Due from (to) other funds	446,241			25,000	(271,241)	200,000
Total assets	\$ 5,934,237	\$ 890,551	\$ 1,411,576	\$ 294,993	\$ 2,326,396	\$ 10,857,753
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 453,355	\$ 3,682	\$ 6,226	\$ 13,600	\$ 51,915	\$ 528,778
Contract retainage	-	-	-	-	37,537	37,537
Deferred revenue	1,380,943	282,000	82,603	-	17,339	1,762,885
Unearned revenue	153,100	-	-	-	-	153,100
Total liabilities	1,987,398	285,682	88,829	13,600	106,791	2,482,300
Fund balances:						
Reserved for:						
State statute	720,051	(282,000)	(1,745)	93,751	313,607	843,664
Other purposes	24,000	-	-	-	-	24,000
Register of Deeds	32,973	-	-	-	-	32,973
Unreserved, undesignated	3,169,815	883,059	1,324,492	-	-	5,377,366
Unreserved, designated for subsequent year's expenditures	-	3,810	-	-	212,301	216,111
Unreserved, reported in nonmajor:						
Special revenue funds	-	-	-	-	1,564,582	1,564,582
Capital projects funds	-	-	-	187,642	129,115	316,757
Total fund balances	3,946,839	604,869	1,322,747	281,393	2,219,605	8,375,453
Total liabilities and fund balances	\$ 5,934,237	\$ 890,551	\$ 1,411,576	\$ 294,993	\$ 2,326,396	

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.	23,608,784
Liabilities for earned but deferred revenues in fund statements.	1,762,885
Some liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,528,277)</u>
Net assets of governmental activities	<u>\$ 29,218,845</u>

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

Hyde County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2010

	Major				Non-Major Other Governmental Funds	Total Governmental Funds
	General Fund	Ocracoke Occupancy Tax	Hydeland Home Health	Swan Quarter Dike		
REVENUES						
Ad valorem taxes	\$ 5,708,669	\$ -	\$ -	\$ -	\$ 3,871	\$ 5,712,540
Local option sales taxes	1,325,154	-	-	-	-	1,325,154
Other taxes and licenses	112,844	367,664	-	-	7,443	487,951
Unrestricted intergovernmental	79,204	-	-	-	-	79,204
Restricted intergovernmental	2,310,257	-	-	3,691,930	317,828	6,320,015
Permits and fees	69,384	-	-	-	-	69,384
Sales and services	1,186,634	2,495	409,857	-	502,243	2,101,229
Investment earnings	129,731	12,849	45,875	-	64,309	252,764
Miscellaneous	45,469	16,000	-	61,693	5,850	129,012
Total revenues	<u>10,967,346</u>	<u>399,008</u>	<u>455,732</u>	<u>3,753,623</u>	<u>901,544</u>	<u>16,477,253</u>
EXPENDITURES						
Current:						
General government	2,284,577	-	-	-	103,894	2,388,471
Public safety	3,427,338	-	-	-	51,675	3,479,013
Environmental protection	1,077,341	-	-	-	-	1,077,341
Transportation	139,513	-	-	-	-	139,513
Economic and physical development	1,079,373	324,117	-	3,551,880	274,750	5,230,120
Human services	2,615,865	-	472,842	-	446,149	3,534,856
Cultural and recreational	43,000	-	-	-	-	43,000
Intergovernmental:						
Education	1,646,242	-	-	-	-	1,646,242
Capital outlay	-	-	-	-	66,970	66,970
Debt service:						
Principal	194,499	-	-	-	-	194,499
Interest	88,546	-	-	-	-	88,546
Total expenditures	<u>12,596,295</u>	<u>324,117</u>	<u>472,842</u>	<u>3,551,880</u>	<u>943,438</u>	<u>17,888,572</u>
Excess (deficiency) of revenues over expenditures	<u>(1,628,949)</u>	<u>74,891</u>	<u>(17,110)</u>	<u>201,743</u>	<u>(41,894)</u>	<u>(1,411,319)</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	32,861	-	-	-	142,747	175,608
Transfers to other funds	(142,747)	-	-	-	(32,861)	(175,608)
Proceeds from QZAB	55,965	-	-	-	-	55,965
Sale of capital assets	5,666	-	-	-	-	5,666
Total other financing sources and uses	<u>(48,255)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,886</u>	<u>61,631</u>
Net change in fund balance	(1,677,204)	74,891	(17,110)	201,743	67,992	(1,349,688)
Fund balances, beginning as stated	5,624,043	529,978	1,339,857	79,651	2,422,446	9,995,975
Prior period adjustment	-	-	-	-	(270,833)	(270,833)
Fund balances, beginning as restated	5,624,043	529,978	1,339,857	79,651	2,151,613	9,725,142
Fund balances, ending	<u>\$ 3,946,839</u>	<u>\$ 604,869</u>	<u>\$ 1,322,747</u>	<u>\$ 281,394</u>	<u>\$ 2,219,605</u>	<u>\$ 8,375,454</u>

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

Hyde County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2010

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

Net changes in fund balances - total governmental funds	\$ (1,349,688)
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 outlays exceeded depreciation in the current period	3,966,337
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(11,011)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	228,158
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.	138,534
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(85,399)</u>
Total changes in net assets of governmental activities	<u><u>\$ 2,886,931</u></u>

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

Hyde County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 6,124,676	\$ 6,124,676	\$ 5,708,669	\$ (416,007)
Local option sales tax	1,561,460	1,561,460	1,325,154	(236,306)
Other taxes and licenses	145,100	145,100	112,844	(32,256)
Unrestricted intergovernmental	53,126	53,126	79,204	26,078
Restricted intergovernmental	2,276,822	2,978,719	2,310,257	(668,462)
Permits and fees	69,259	69,259	69,384	125
Sales and services	1,716,501	1,717,348	1,186,634	(530,714)
Investment earnings	200,000	200,000	129,731	(70,269)
Miscellaneous	1,500	7,355	45,469	38,114
Total revenues	<u>12,148,444</u>	<u>12,857,043</u>	<u>10,967,346</u>	<u>(1,889,697)</u>
Expenditures				
Current:				
General government	2,167,530	2,389,423	2,284,577	104,846
Public safety	3,143,783	3,627,935	3,427,338	200,597
Environmental protection	1,120,909	1,127,409	1,077,341	50,068
Transportation	208,767	208,767	139,513	69,254
Economic and physical development	761,759	1,255,363	1,079,373	175,990
Human services	2,629,431	2,981,554	2,615,865	365,689
Cultural and recreational	43,250	43,250	43,000	250
Intergovernmental:				
Education	1,679,568	1,679,568	1,646,242	33,326
Debt service:				
Principal retirement	342,508	-	194,499	(194,499)
Interest and other charges	-	-	88,546	(88,546)
Total expenditures	<u>12,097,505</u>	<u>13,313,269</u>	<u>12,596,295</u>	<u>716,974</u>
Revenues over (under) expenditures	<u>50,939</u>	<u>(456,226)</u>	<u>(1,628,949)</u>	<u>(1,172,723)</u>
Other financing sources (uses):				
Transfers from other funds	15,924	15,924	32,861	16,937
Transfers to other funds	(127,828)	(127,828)	(142,747)	(14,919)
Proceeds from QZAB	55,965	55,965	55,965	-
Sale of capital assets	5,000	5,000	5,666	666
Total other financing sources (uses)	<u>(50,939)</u>	<u>(50,939)</u>	<u>(48,255)</u>	<u>2,684</u>
Revenues and other sources over (under) expenditures and other uses	-	(507,165)	(1,677,204)	(1,170,039)
Fund balance appropriated	-	844,781	-	(844,781)
Net change in fund balance	<u>\$ -</u>	<u>\$ 337,616</u>	<u>(1,677,204)</u>	<u>\$ (2,014,820)</u>
Fund balance, beginning			5,624,043	
Fund balance, ending			<u>\$ 3,946,839</u>	

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

Hyde County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Ocracoke Occupancy Tax Fund
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Other taxes and licenses	\$ 315,000	\$ 321,300	\$ 367,664	\$ 46,364
Sales and services	4,500	4,500	2,495	(2,005)
Investment earnings	18,000	18,000	12,849	(5,151)
Miscellaneous	-	5,000	16,000	11,000
Total revenues	<u>337,500</u>	<u>348,800</u>	<u>399,008</u>	<u>50,208</u>
Expenditures				
Current:				
Economic and physical development	358,363	369,663	324,117	45,546
Total expenditures	<u>358,363</u>	<u>369,663</u>	<u>324,117</u>	<u>45,546</u>
Revenues over (under) expenditures	<u>(20,863)</u>	<u>(20,863)</u>	<u>74,891</u>	<u>95,754</u>
Fund balance appropriated	20,863	20,863	-	(20,863)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>74,891</u>	<u>\$ 74,891</u>
Fund balance, beginning			529,978	
Fund balance, ending			<u>\$ 604,869</u>	

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

Hyde County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Hydeland Home Health Fund
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Sales and services	\$ 475,719	\$ 475,719	\$ 409,857	\$ (65,862)
Investment earnings	65,336	65,336	45,875	(19,461)
Total revenues	<u>541,055</u>	<u>541,055</u>	<u>455,732</u>	<u>(85,323)</u>
Expenditures				
Current:				
Human services	492,800	492,800	472,842	19,958
Total expenditures	<u>492,800</u>	<u>492,800</u>	<u>472,842</u>	<u>19,958</u>
Revenues over (under) expenditures	<u>48,255</u>	<u>48,255</u>	<u>(17,110)</u>	<u>(65,365)</u>
Other financing sources (uses):				
Transfers to other funds	(48,255)	(48,255)	-	48,255
Total other financing sources (uses)	<u>(48,255)</u>	<u>(48,255)</u>	<u>-</u>	<u>48,255</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(17,110)</u>	<u>\$ (17,110)</u>
Fund balance, beginning			1,339,857	
Fund balance, ending			<u>\$ 1,322,747</u>	

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

Hyde County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,176,660
Receivables, net	141,263
Due from other governments	489,052
Total current assets	1,806,975
Noncurrent assets:	
Capital assets:	
Land and construction in progress	2,927,457
Other capital assets, net of depreciation	8,345,326
Total capital assets	11,272,783
Total assets	13,079,758
LIABILITIES	
Current liabilities:	
Accounts payable	301,362
Customer deposits	96,646
Compensated absences	42,737
General obligation bonds payable	52,000
Bond anticipation note	1,420,000
Due to other funds	200,000
Total current liabilities	2,112,744
Noncurrent liabilities:	
General obligation bonds payable	1,896,000
Total noncurrent liabilities	1,896,000
Total liabilities	4,008,744
NET ASSETS	
Invested in capital assets, net of related debt	7,904,783
Unrestricted	1,166,231
Total net assets	\$ 9,071,014

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

Hyde County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,598,595
Meter installations	18,079
Miscellaneous	17,282
Total operating revenues	<u>1,633,956</u>
OPERATING EXPENSES	
Water and sewer operations	1,216,136
Depreciation	332,036
Total operating expenses	<u>1,548,172</u>
Operating income (loss)	<u>85,784</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	11,627
Interest expense	(96,623)
Total nonoperating revenue (expenses)	<u>(84,996)</u>
Income (loss) before contributions and transfers	788
Capital contributions	663,605
Change in net assets	<u>664,393</u>
Total net assets, beginning as previously stated	8,986,459
Prior period adjustment	(579,838)
Total net assets, beginning as restated	<u>8,406,621</u>
Total net assets, ending	<u><u>\$ 9,071,014</u></u>

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

Hyde County, North Carolina
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2010

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,574,878
Cash paid for goods and services	(532,645)
Cash paid to employees for services	(639,874)
Customer deposits received, net	10,530
Other operating revenue	17,936
Net cash provided by operating activities	<u>430,825</u>
Cash flows from capital and related financing activities:	
Bond anticipation notes issued	1,420,000
Acquisition and construction of capital assets	(1,426,172)
Principal paid on bond maturities and equipment contracts	(50,000)
Interest paid on bond maturities and equipment contracts	(96,623)
Capital contributions - federal grant	341,213
Net cash used by capital and related financing activities	<u>188,418</u>
Cash flows from investing activities:	
Interest on investments	<u>11,627</u>
Net increase (decrease) in cash and cash equivalents	630,870
Cash and cash equivalents, beginning	545,790
Cash and cash equivalents, ending	<u><u>\$ 1,176,660</u></u>

(continued)

**Hyde County, North Carolina
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2010**

(continued)

Totals

**Reconciliation of operating income
to net cash provided by operating
activities:**

Operating income	\$ 85,784
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	332,036
Provision for uncollectible accounts	60,000
Disposal of fixed assets	654
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(87,342)
(Increase) decrease in due from other governments	(16,501)
Increase (decrease) in accounts payable and accrued liabilities	22,533
Increase (decrease) in customer deposits	10,530
Increase (decrease) in accrued vacation pay	23,131
Total adjustments	<u>345,041</u>
Net cash provided by operating activities	<u>\$ 430,825</u>

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

**Hyde County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010**

	Total Agency Funds
Assets	
Cash and cash equivalents	\$ 119,744
Taxes receivable	12,105
Total assets	\$ 131,849
 Liabilities	
Miscellaneous liabilities	\$ 8,249
Deferred revenues	12,105
Accounts payable	110,273
Unearned revenue	1,222
Total liabilities	131,849
Net assets	\$ -

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

I. Summary of Significant Accounting Policies

The accounting policies of Hyde 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 unit, legally separate entities for which the County is financially accountable. The Hyde 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). The blended presentation method presents component units as a department or unit of the County, and offers no separate presentation as with the discrete method.

Component Unit: Hyde County ABC Board

Reporting Method: Discrete

Criteria for inclusion: 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.

Separate Financial Statements: County of Hyde ABC Board, 20121 US Hwy 264, Swan Quarter, NC 27885

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 unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds 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 nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, result from

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental fund:

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

Ocracoke Occupancy Tax Fund. This fund accounts for the collection of the occupancy tax and payments to various programs on Ocracoke Island.

Hydeland Home Health Fund. This fund accounts for the operating of providing home health services to citizens of Hyde County.

Swan Quarter Dike Fund. This fund accounts for the construction expenditures of a dike located along the Pamlico River in the Swan Quarter community.

The County reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the operations of the water and sewer system 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 Ocracoke Special Mosquito Control Fund, which accounts for tax revenue assessed for mosquito control on Ocracoke Island; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Hyde County Board of Education and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and the Engelhard Municipal Sewer District, which accounts for the collection of sewer payments on behalf of Engelhard Municipal Sewer District.

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.

HYDE COUNTY, NORTH CAROLINA
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Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as 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, Hyde County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Revaluation Fund, West Quarter District Fund, Mainland Occupancy Tax Fund, Ocracoke Occupancy Tax Fund, 4-H Fund, E-911 Fund, Hyde County Senior

HYDE COUNTY, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2010

Center Fund, Evans Road Fire Fund, Revolving Loan Fund, Capital Reserve Fund, Hydeland Home Health Fund, CAPS/Personal Care Chore Health Fund, Retainage Fund, CDBG Program Repayment Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the following Capital Projects Funds: Ocracoke School Capital Projects Fund, Swan Quarter Community Park Access Fund, Hyde County EMS Facility Fund and the following Enterprise Capital Projects Funds, Engelhard Water Treatment Plant Fund, and Mattamuskeet Lodge Sewer Project Fund, which are consolidated with the enterprise operating funds for reporting purposes. Project ordinances are adopted for the following Special Revenue Funds: County Government / Public Safety Center Fund, Swan Quarter Dike Fund, HMGP-Hurricane Isabel Acquisition Project Fund, HMGP-Hurricane Isabel Elevation Project Fund, CDBG Supplemental Assistance Fund, CDBG Scattered Site Project Fund, CDBG Capacity Building Project Fund, CDBG Hyde Davis Business Enterprise Center Project Fund, CDBG Jumpstart Hyde Project, NCHFA Single Family Rehabilitation Project Fund, CDBG Recovery Fund, CDBG 08-T-1903 Fund and the Far Creek Maintenance Dredging Project Fund.

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 \$5,000. 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 Hyde 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. Hyde County ABC Board consider 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. 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.

4. 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.

5. Inventories and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The cost of the inventory carried in 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.

6. 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 is \$5,000. 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 Hyde 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 Hyde County Board of Education.

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

	<u>Years</u>
Buildings	50
Improvements	10-20
Furniture and equipment	10
Vehicles and motorized equipment	3-5
Computer equipment	3

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

	<u>Years</u>
Buildings	25
Furniture	10
Equipment	3-10

7. 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 a other financing source.

8. Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The vacation policies of the ABC Board provide for the accumulation of up to twenty days earned vacation leave with such leave being fully vested when earned. For the ABC Board only, accumulated earned vacation leave terminates at June 30 of each year. For the County's government-wide, 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 neither the County nor the ABC Board have any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

9. 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, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Reserved for Register of Deeds - portion of fund balance, which constituting the Automation Enhancement and Preservation Fund, is funded by 10% of the fees collected and maintained by the Register of Deeds office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the Register of Deeds office.

Reserved for Other Purposes – portion of fund balance, restricted by external sources for other purposes.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

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 \$20,971,296 consists of several elements as follows:

(continued on next page)

HYDE COUNTY, NORTH CAROLINA
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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)	\$ 28,314,857
Less accumulated depreciation	<u>(4,706,073)</u>
Net capital assets	23,608,784
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	1,762,885
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	(3,955,167)
Compensated absences	(244,075)
Other postemployment benefits	<u>(201,131)</u>
Total adjustment	<u>\$ 20,971,296</u>

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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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 \$4,297,370 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 4,593,194
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.	(626,857)
Cost of disposed capital asset not recorded in fund statements	(11,020)
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	199,294
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Compensated absences	(21,543)
Other postemployment benefits	(63,856)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Increase in deferred tax revenue at end of year	228,158
Total adjustment	<u>\$ 4,297,370</u>

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Net Assets of Individual Funds

For the fiscal year ended June 30, 2010, the County's Hyde County EMS Facility Fund has a deficit fund balance of \$177,821. The County's CDBG Recovery Fund has a deficit fund balance of \$65. The County's CDBG Scattered Site Project Fund has a deficit fund balance of \$226. The County's HMGP – Isabel Elevation Project Fund has a deficit fund balance of \$1,000. The County's Hyde County Senior Center has a deficit fund balance of \$24,766. The CAPS/Personal Care Chore Health Fund has a deficit fund balance of \$17,798. The Mattamuskeet Opportunities Fund has a deficit fund balance of \$52,238. Management and the Board will more closely review fund balances to ensure compliance in future years.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, expenditures made in the County's Swan Quarter Dike Fund exceeded the authorized appropriations by \$137,969 at the functional level. In the County's CDBG Scattered Site Fund, expenditures exceeded appropriations at the functional level by \$227. In the County's Far Creek Maintenance Dredging Project Fund, expenditures exceeded appropriations at the functional level by \$7,617. In the County's Ocracoke School Capital Projects Fund, expenditures exceeded appropriations at the functional level by \$21,251. In the County's County Government / Public Safety Center Fund, expenditures exceeded appropriations at the functional level by \$55,479. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. 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 under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County and the ABC Board rely 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 credit risk for deposits.

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

At June 30, 2010, the County's deposits had a carrying amount of \$9,364,029 and a bank balance of \$9,839,096. Of the bank balance, \$500,000 was covered by federal depository insurance, \$9,339,096 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2010, Hyde County had \$249 cash on hand.

At June 30, 2010, the carrying amount of deposits for Hyde County ABC Board was \$69,250 and the bank balance was \$79,046. All of the bank balance was covered by federal depository insurance.

At June 30, 2010, Hyde County ABC Board had \$600 cash on hand.

2. Investments

At June 30, 2010, the County's investments consisted of \$100,017 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

At June 30, 2010, the ABC Board had no investments.

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.

Year Levied	Tax	Interest	Total
2007	\$ 120,957	\$ 6,955	\$ 127,912
2008	120,112	-	120,112
2009	120,112	-	120,112
2010	597,833	-	597,833
Total	\$ 959,014	\$ 6,955	\$ 965,969

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. Receivables

Receivables at the government-wide level at June 30, 2010, were as follows:

	Accounts	Taxes and Related Accrued Interest	Other	Total
Governmental Activities:				
General	\$ 888,194	\$ 1,129,508	\$ 188,601	\$ 2,206,303
Other Governmental	199,022	226	313,607	512,855
Total receivables	1,087,216	1,129,282	502,208	2,719,158
Allowance for doubtful accounts	(96,034)	(480,900)	-	(576,934)
Total-governmental activities	\$ 991,182	\$ 648,382	\$ 502,208	\$ 2,142,224
Business-type Activities				
Water and Sewer Fund	\$ 291,263	\$ -	\$ -	\$ 291,263
Total receivables	291,263	-	-	291,263
Allowance for doubtful accounts	(150,000)	-	-	(150,000)
Total - business-type activities	\$ 141,263	\$ -	\$ -	\$ 141,263

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

Local option sales tax	\$ 232,806
Department of revenue	<u>115,782</u>
Total	<u>\$ 348,588</u>

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,242,036	\$ 50,000	\$ -	\$ 1,292,036
Construction in progress	3,730,147	4,306,484	-	8,036,631
Total capital assets not being depreciated	4,972,183	4,356,484	-	9,328,667
Capital assets being depreciated:				
Buildings	14,388,483	75,000	-	14,463,483
Computer equipment	169,873	18,776	-	188,649
Equipment	543,961	62,217	-	606,178
Vehicles	1,489,390	80,717	84,384	1,485,723
Infrastructure	2,242,157	-	-	2,242,157
Total capital assets being depreciated	18,833,864	236,710	84,384	18,986,190
Less accumulated depreciation for:				
Buildings	1,511,917	287,389	-	1,799,306
Computer equipment	136,845	19,855	-	156,700
Equipment	297,992	45,374	-	343,366
Vehicles	753,641	229,396	73,360	909,677
Infrastructure	1,452,181	44,843	-	1,497,024
Total accumulated depreciation	4,152,576	\$ 626,857	\$ 73,360	4,706,073
Total capital assets being depreciated, net	14,681,288			14,280,117
Governmental activity capital assets, net	\$ 19,653,471			\$ 23,608,784

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

General government	\$ 181,747
Public safety	325,963
Transportation	50,530
Human services	45,855
Environmental protection	14,131
Economic and physical development	8,631
Total depreciation expense	<u>\$ 626,857</u>

HYDE COUNTY, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2010

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 57,839	\$ -	\$ -	\$ 57,839
Construction in progress	1,203,068	1,666,550	-	2,869,618
Total capital assets not being depreciated	1,260,907	1,666,550	-	2,927,457
Capital assets being depreciated:				
Buildings	12,856,980	-	-	12,856,980
Computer equipment	12,541	2,076	-	14,617
Equipment	259,561	9,057	4,512	264,106
Vehicles	145,063	-	-	145,063
Total capital assets being depreciated	13,274,145	11,133	4,512	13,280,766
Less accumulated depreciation for:				
Buildings	4,381,939	283,958	-	4,665,897
Computer equipment	11,858	738	-	12,596
Equipment	141,294	27,265	3,857	164,702
Vehicles	72,170	20,075	-	92,245
Total accumulated depreciation	4,607,261	\$ 332,036	\$ 3,857	4,935,440
Total capital assets being depreciated, net	8,666,884			8,345,326
Water capital assets, net	\$ 9,927,791			\$ 11,272,783

Construction commitments

The government has active construction projects as of June 30, 2010. The projects include the the HMGP – Hurricane Isabel Acquisition Project, the HMGP – Hurricane Isabel Elevation Project, the CDBG Scattered Site Project, the CDBG Capacity Building Project, the CDBG Jumpstart Hyde Project, the NCHFA Single Family Rehabilitation Project, the Far Creek Maintenance Dredging Project, the Ocracoke Schools Capital Project, the Swan Quarter Community Park Access Project, the Engelhard Water Treatment Plant Project, the Mattamuskeet Lodge Sewer Project, the Swan Quarter Dike Project, the Hyde County EMS Facility Project, the CDBG Recovery Project, and the CDBG TEDG 08-T-1903 Project. At June 30, 2010, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
HMGP - Hurricane Isabel Acquisition Project	\$ 305,342	\$ 650,200
HMGP - Hurricane Isabel Elevation Project	1,762,502	1,217,266
CDBG Scattered Site Project	366,876	-
CDBG Capacity Building Project	49,630	25,370
CDBG Jumpstart Hyde Project	262,499	232,501
NCHFA Single Family Rehabilitation Project	182,540	17,460
Far Creek Maintenance Dredging Project	244,617	-
Ocracoke Schools Capital Project	1,109,251	-
Swan Quarter Community Park Access Project	94,201	21,199
Engelhard Water Treatment Plant	2,428,588	2,192,412
Mattamuskeet Lodge Sewer Project	441,030	3,558,970
Swan Quarter Dike Fund	6,682,465	-
Hyde County EMS Facility	281,925	3,075
CDBG Recovery	56,105	243,895
CDBG TEDG 08-T-1903	29,284	45,716
Total	\$ 14,296,855	\$ 8,208,064

Discretely presented component unit

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Activity for the ABC Board for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings	47,502	-	47,502	-
Furniture and fixtures	8,437	-	-	8,437
Equipment	24,238	-	-	24,238
Total capital assets being depreciated	80,177	-	47,502	32,675
Less accumulated depreciation for:				
Buildings	47,502	-	47,502	-
Furniture and fixtures	8,385	52	-	8,437
Equipment	14,844	3,119	-	17,963
Total accumulated depreciation	70,731	3,171	47,502	26,400
ABC capital assets, net	<u>\$ 9,446</u>			<u>\$ 6,275</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2010, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 224,840	\$ 228,515	\$ 453,355
Other Governmental	75,177	246	75,423
Total-governmental activities	<u>\$ 300,017</u>	<u>\$ 228,761</u>	<u>\$ 528,778</u>
Business-type Activities			
Water and Sewer Fund	276,688	13,996	290,684
Total - business-type activities	<u>\$ 276,688</u>	<u>\$ 13,996</u>	<u>\$ 290,684</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 5.27%, respectively, of annual covered payroll. The contribution requirements of members and of Hyde County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$138,805, \$163,080, and \$162,252, respectively. The contributions made by the County equaled the required contributions for each year. The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$2,085, \$2,203, and \$2,122 respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	16
Total	16

A separate report was not issued for the plan.

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies:

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

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 benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. 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, 2009 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 4.5-12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 22 years.

4. Funded Status and Funding Progress.

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	6,243	0%	67,227
2009	5,117	0	72,344
2010	7,708	0	80,052

As of December 31 2009, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$48,232, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$48,232. The covered payroll (annual payroll of active employees covered by the plan) was \$668,839, and the ratio of the UAAL to the covered payroll was 7.21 percent.

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.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County.

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2010 were \$48,066, which consisted of \$22,407 from the County and \$25,659 from the law enforcement officers.

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of Hyde County, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State CAFR includes financial statements and required supplementary information for the Firemen's and Rescue Squad Workers' 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. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The County does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. Registers of Deeds' Supplemental Pension Fund

Plan Description. Hyde County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2010, the County's required and actual contributions were \$338.

HYDE COUNTY, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2010

f. Other Postemployment Benefit

Plan Description. According to a county resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 20 years of creditable service with the County. The County pays a portion of the health care benefits. The portion paid by the County is based on a graduated scale based on the number of years the employee was with the retirement system. The County pays 30% for 20 years, 60% for 25 years and 100% for 30 years. The benefit is discounted when the retiree is eligible for Medicare. Currently, five retirees are eligible for post-retirement health benefits. The County obtains health care coverage through private insurers.

Membership of the Plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	6	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	102	16
Total	<u>108</u>	<u>16</u>

Funding Policy. The County pays the cost of coverage for the healthcare benefits paid to qualified retirees based on years of creditable service. The portion paid by the County is based on a graduated scale based on the number of years the employees was with the retirement system. The County pays 30% for 20 years, 60% for 25 years, and 100% for 30 years.

The current ARC rate is 2.17% of annual covered payroll. For the current year, the County contributed \$0 or 0.0% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0.0% and 0.0% of covered payroll, respectively. The County's obligation to contribute to the Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies: Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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The following table shows the components of the County's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 89,218
Interest on net OPEB obligation	2,597
Adjustment to annual required contribution	(2,241)
Annual OPEB cost (expense)	<u>89,574</u>
Contributions made	<u>(33,426)</u>
Increase (decrease) in net OPEB obligation	56,148
Net OPEB obligation, beginning of year	64,931
Net OPEB obligation, end of year	<u><u>\$ 121,079</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2010 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 85,993	24.5%	\$ 64,931
2010	\$ 89,574	37.3%	\$ 121,079

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$812,528, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$812,528. The covered payroll (annual payroll of active employees covered by the plan) was \$4,393,975, and the ratio of UAAL to the covered payroll was 18.5 percent.

HYDE COUNTY, NORTH CAROLINA
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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a 3.75 percent inflation assumption. The medical cost trend rate varied between 10.50 and 5.00 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at December 31, 2009, was 30 years.

g. Other Employment Benefits

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. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. 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:

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 12,860
Taxes receivable, net (General), less penalties	758,107	-
Taxes receivable, net (Special Revenue)	126	-
Grant related proceeds (General)	122,440	-
Grant related proceeds (Special Revenue)	283,745	-
Judgement proceeds (General)		60,958
QZAB Bond (General)		79,283
Accounts Receivable - Patient fees (General)	500,396	-
Accounts Receivable - Patient fees (Special Revenue)	98,072	-
Total	\$ 1,762,886	\$ 153,101

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 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, and health and dental insurance for County employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured 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. For health and dental insurance, the County is reinsured through the Pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through commercial carrier for individual losses in excess of \$100,000.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is 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 purchase coverage of \$500,000 per structure through the NFIP. The County also is eligible to and has purchased commercial flood insurance for various amounts of coverage per structure.

In accordance with G.S. 159-29, The County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$2,000,000.

HYDE COUNTY, NORTH CAROLINA
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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.

Hyde County ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; 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.

In accordance with G.S. 18B-700(i), each ABC Board member is bonded in the amount of \$5,000, secured by a corporate surety. In accordance with G.S. 18B-803(b) and (c) the ABC Board store managers are bonded for \$20,000. All other ABC Board employees that have access to funds are bonds under a blanket bond for \$20,000.

7. Operating Lease Commitments

The County has operating leases for the County's four copiers used in various departments throughout the County's operations, which expire through 2013.

The minimum commitments with initial or remaining terms in excess of one year under operating leases are as follows:

	2011	11,435
	2012	10,665
	2013	1,778
Total		<u>23,878</u>

8. Long-Term Obligations

a. Capital Leases

The County has entered into an agreement to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

For Hyde County, the agreement was executed in September 2007 to refinance an existing lease agreement for computer equipment. The new agreement requires 60 equal monthly payments of \$1,547. Under the terms of the agreement, title passes to the County at the end of the lease term.

At June 30, 2010, the County leased vehicles and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	\$ 82,718	\$ 45,495	\$ 37,223
Total	\$ 82,718	\$ 45,495	\$ 37,223

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

For Hyde County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

Year Ending June 30		
2011		18,564
2012		18,564
2013		4,641
Total minimum lease payments		41,769
Less: amount representing interest		2,175
Present value of the minimum lease paymen	\$	39,594

b. Qualified Zone Academy Bonds

In 1997, Congress enacted a four year authorization for Qualified Zone Academy Bonds (QZABs), codified in Section 1397E of the Internal Revenue Code. The legislation established a national limit of \$400 million of QZABs for each of the ten years of the program's authorization, and it is not certain that Congress will extend the program once the authorization expires. S.L. 2000-69 (H 1539) authorizes North Carolina counties to issue this specialized form of debt.

A qualified zone academy is a public school or program with a public school. The school must either be in a federal empowerment zone or enterprise community, or at least 35% of the children attending the school or participating in the program must be eligible for free or reduced-cost lunches under the federal School Lunch Act. In other words, the school or program must serve a significant number of children from low-income families. QZABs are issued to help finance the qualified zone academy, and under the new North Carolina Statute, the proceeds of these bonds may be used to rehabilitate or repair school facilities or to purchase equipment (other than computer equipment) associated with the rehabilitation or repair.

The loans are intended to be interest-free to the borrowing government. Instead of interest, the lenders receive federal tax credits in the amount that the interest would have been had there been interest. The federal legislation limits the potential buyers of QZABs to banks, insurance companies, and other corporations actively involved in lending money. Also, the federal legislation requires that the borrowing government receive private contributions to the bond-financed project in an amount equal to at least 10% of the bond proceeds.

As authorized by State law [G.S.160A-20 and 153A-158.1], the County financed various property acquisitions and improvements for use by Hyde County Board of Education during the fiscal year ended June 30, 2009 by installment purchase designated as a Qualified Zone Academy Bond. The installment purchase was issued pursuant to a deed of trust which requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Hyde County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

HYDE COUNTY, NORTH CAROLINA
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The first installment purchase was executed on November 19, 2004 for various property acquisitions and improvements for use by Hyde County Board of Education. The transaction requires fourteen principal payments by the County of \$55,965 with no interest.

c. Installment Purchases

The second installment purchase was executed on November 26, 2006, for the construction of the new courthouse building in the amount of \$3,530,000. The combined repayments of the two notes require 30 annual payments of principal and interest of \$208,847. The interest rates are 4.125% and 4.375%.

For Hyde County, the future minimum lease payments as of June 30, 2010, including \$2,165,988 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2011	\$ 126,443	\$ 138,370
2012	129,390	135,423
2013	132,461	132,352
2014	135,660	129,153
2015	138,993	125,820
2016-2020	699,662	564,305
2021-2025	577,155	455,062
2026-2030	708,413	320,933
2031-2035	869,544	156,246
2036	188,859	8,324
	<u>3,706,580</u>	<u>2,165,988</u>
QZAB principal payments from interest earned	208,992	-
Total	<u>\$ 3,915,572</u>	<u>\$ 2,165,988</u>

d. General Obligation Indebtedness

Hyde County issues general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Water Fund, are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

HYDE COUNTY, NORTH CAROLINA
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The County's general obligation bonds payable at June 30, 2010 are comprised of the following individual issues:

Serviced by the County's Water and Sewer Fund:

\$1,650,000 Water Serial Bonds due in annual installments of \$18,500 to \$68,000 in principal through June 1, 2031; interest at 5 percent.	\$1,217,500
\$222,000 2009 Water Serial Bonds, series 1995, due in annual installments of \$2,500 - \$10,000 in principal through June 1, 2034, interest at 5.125 percent.	179,000
\$631,000 Water Serial Bonds, series 1999, due in annual installments of \$7,000 to \$28,000 in principal through June 2040, interest at 4.375 percent.	<u>551,500</u>
Total	<u>\$1,948,000</u>

Annual debt service requirements to maturity for the County's general obligation bonds and bond anticipation notes are as follows:

Year Ending June 30	Principal	Interest
2011	\$ 52,000	\$ 94,177
2012	55,000	91,635
2013	57,500	88,944
2014	60,500	86,133
2015	63,500	83,173
2016-2020	366,500	366,151
2021-2025	453,000	267,591
2026-2030	491,500	152,375
2031-2035	236,500	50,394
2036	112,000	12,250
Total	<u>\$ 1,948,000</u>	<u>\$ 1,292,823</u>

e. Bond Anticipation Notes

The Water and Sewer Fund within Hyde County has issued a bond anticipation note, in order to finance sewer improvements.

\$1,420,000 Water and Sewer Notes issued on October 29, 2009; interest at 1.75 percent. The notes will be repaid from a \$1,420,000 bond issue expected to be sold in the next fiscal year.

\$1,420,000

Year Ending June 30	Business-type Activities	
	Principal	Interest
2011	<u>1,420,000</u>	<u>30,924</u>

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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At June 30, 2010, Hyde County had a legal debt margin of \$79,583,785.

f. 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, 2010:

	Beginning				Ending	Current
	Balance, restated	Increases	Decreases		Balance	Portion of Balance
Governmental activities:						
Capitalized leases	\$ 55,912	\$ -	\$ 16,318	\$	39,594	\$ 17,090
Installment purchase	4,165,693	-	122,216		4,043,477	124,990
Compensated absences	222,532	21,543	-		244,075	244,075
Net pension obligation	72,344	7,708	-		80,052	-
Other postemployment benefits	64,931	56,148	-		121,079	33,426
Total governmental activities	<u>\$ 4,581,412</u>	<u>\$ 85,399</u>	<u>\$ 138,534</u>	<u>\$</u>	<u>4,528,277</u>	<u>\$ 419,581</u>
Business-type activities:						
General obligation debt	\$ 1,998,000	\$ -	\$ 50,000	\$	1,948,000	\$ 52,000
Bond anticipation notes	-	1,420,000	-		1,420,000	1,420,000
Compensated absences	19,606	23,131	-		42,737	42,737
Total business-type activities	<u>\$ 2,017,606</u>	<u>\$ 1,443,131</u>	<u>\$ 50,000</u>	<u>\$</u>	<u>3,410,737</u>	<u>\$ 1,514,737</u>

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

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2010, consist of the following:

From the Far Creek Maintenance Dredging Project Fund to the General Fund to close the Far Creek Maintenance Dredging Project Fund	\$18,923
From the E-911 Fund to the General Fund to assist with current year expenditures	32,861
From the General Fund to the Revaluation Fund to accumulate resources for the County's upcoming revaluation	50,000
From the General Fund to the Senior Center Fund to assist with current year expenditures	73,824
	<u>\$175,608</u>

Balances due to/from other funds at June 30, 2010, consist of the following:

**HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

From the General Fund to the Mattamuskeet Sewer Lodge Project Fund for payment of construction costs	\$200,000
From the General Fund to the Swan Quarter Dike Fund for payment of construction costs	25,000
From the Hyde County EMS Facility Fund to the General Fund for payment of construction costs	177,820
From the Hyde County Senior Center to the General Fund for payment of expenditures	24,352
From the CDBG Scattered Site Fund to the General Fund for payment of expenditures	226
From the CAPS / Personal Chore Health Fund to the General Fund for the payment of expenditures	17,753
Total	\$445,151

IV. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2010, Hyde County has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$45,549 for the 160 volunteer firemen who perform firefighting duties for the County's fire departments and on-behalf payments of \$10,314 as a revenue and an expenditure for the 48 eligible employed rescue squad workers. The volunteers and employees elected to be members of the Firemen and Rescue Workers' Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

V. Jointly Governed Organization

The County, in conjunction with nine other counties and fourteen municipalities, established the Albemarle Commission Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The

County paid membership fees of \$4,666 to the Council during the fiscal year ended June 30, 2010. The County was the sub recipient of a grant for \$4,767 from the Division of Aging of the North Carolina Department of Human Resources that was passed through the Council.

VI. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. These amounts disclose 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.

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

	Federal	State
Temporary assistance to needy families	\$ 67,664	\$ -
Medicaid	5,406,719	1,973,093
Food stamp program	1,267,624	-
Energy assistance	45,946	-
Special supplemental nutrition program for women, infants, and children	94,832	-
State / County assistance domiciliary care	-	39,299
State foster care	-	1,457
Title IV-E, foster care	-	9,041
Total	<u>\$ 6,882,785</u>	<u>\$ 2,022,890</u>

VII. 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.

Employment Security Benefits

Hyde County has elected to pay direct costs of employment security benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following discharge of employees.

VIII. Supplemental and Additional Supplemental One-Half of One Percent Local Government Sales and Use Tax

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires that County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2010, the County reported these local option sales taxes within the General Fund. The County expended the restricted portion of these taxes for public school capital outlays.

IX. School Facilities Finance Act of 1987

The General Assembly passed the School Facilities Finance Act of 1987 (Act) to assist county governments in meeting their public school facility needs. The Act created two-State-funded programs for the construction and renewal of school facilities: the Public School Building Capital Fund administered by the Office of State Budget and Management and the Critical School Facilities Needs Fund administered by the State Board of Education. The Public School Building

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Capital Fund may also be used to finance equipment needs under the local school unit's technology plan.

Public School Building Capital Fund: This program is funded in part, using a portion of the corporate income taxes which are imposed on corporations doing business in the State. Each calendar quarter, the Department of Revenue shall remit to the State Treasurer for credit in the fund, an amount equal to the applicable fraction provided by the following table of the net School Facilities Needs Fund. For the period from October 1, 1999 to September 30, 2000, the applicable fraction was one-fourteenth (1/14) of the net collections; for periods after September 30, 2000, the applicable fraction is five sixty-ninths (5/69) of the net collections of corporate taxes.

Monies in the fund are allocated to Hyde County on the basis of the average daily membership (ADM) for the Hyde County Board of Education as determined and certified by the State Board of Education. The Office of State Budget and Management established and now maintains an ADM allocation account for the County. At June 30, 2010, the balance of the County's ADM allocation account was \$119,422. The County must match the balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a county match.

This program is also funded in part, using a portion of the lottery funds collected from the NC Education Lottery. Distributions of the lottery money are made based on the County's average daily membership (ADM) and on the tax rate of the County. At June 30, 2010, the balance of the County's Lottery Fund account was \$142,855. The County must match the balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a county match.

After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer.

Funds in the allocation and disbursing accounts are considered State monies until the County issues warrants to disburse them. At that time, they are recognized in the County's General Fund as restricted intergovernmental revenue.

Critical School Facilities Needs Fund: This program is funded by the net collections of State income taxes imposed on corporations and received by the Department of Revenue. Each quarter, the Department of Revenue deposits \$2.5 million into the fund.

The Commission on School Facilities Needs established a priority list of the Counties receiving grants. The Commission on School Facilities Needs has since been abolished. Grants are awarded by the State Board of Education based on the grant priority list. A joint application must be made by the Hyde County Board of Commissioners and the Hyde County Board of Education. At June 30, 2010, the Boards has not submitted a grant application to the Commission on School Facility Needs.

X. Economic Dependence

The County receives a substantial amount of revenue each year from the Hyde County Prison. For the year ended June 30, 2010, revenue from the Hyde County Prison represented 40% of the total Water and Sewer Fund revenues.

XI. Prior Period Adjustments

During the fiscal year ended June 30, 2010, the County determined that long term liabilities in the governmental type activities were understated in the prior year. This adjustment affected the Statement of Net Assets for the governmental type activities. Therefore, an adjustment to beginning fund balance and net assets has been recorded to adjust for the long term liabilities, the net effect of which decreased net assets by \$276,335.

During the fiscal year ended June 30, 2010, the County determined that other receivables in the governmental type activities were overstated in the prior year. This adjustment affected the Statement of Net Assets for the governmental type activities. Therefore, an adjustment to beginning fund balance and net assets has been recorded to adjust for the other receivables, the net effect of which decreased net assets by \$270,833.

During the fiscal year ended June 30, 2010, the County determined that other capital assets, net of depreciation in the business type activities was overstated in the prior year. This adjustment affected the Statement of Net Assets for the business type activities. Therefore, an adjustment to beginning net assets has been recorded to adjust for these other capital assets, the net effect of which decreased net assets by \$579,838.

During the fiscal year ended June 30, 2010, the County determined that the other capital assets, net of depreciation in the governmental type activities was understated in the prior year. This adjustment affected the Statement of Net Assets for the governmental activities. Therefore, an adjustment to beginning net assets has been recorded to adjust for these other capital assets, the net of depreciation, the net effect which increased net assets by \$479,252.

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
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Notes to the Required Schedules for the Other Postemployment Benefits

Hyde 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)
12/31/2007	-	18,651	18,651	0.0%	432,475	4.31%
12/31/2008	-	27,277	27,277	0.0%	613,944	4.44%
12/31/2009	-	48,232	48,232	0.0%	668,839	7.21%

Hyde 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
2008	\$ 6,243	0%
2009	5,117	0%
2010	7,708	0%

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	12/31/09
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5%
Projected salary increases*	4.5 – 12.3%
*Includes inflation at	3.75%
Cost of living adjustments	N/A

Hyde County, North Carolina
 Other Postemployment Benefits
 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)
12/31/2007	-	751,226	751,226	0.0%	3,209,473	23.4%
12/31/2008	-	789,127	789,127	0.0%	3,966,397	19.9%
12/31/2009	-	812,528	812,528	0.0%	4,393,975	18.5%

Hyde County, North Carolina
 Other Postemployment Benefits
 Required Supplementary Information
 Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2009	85,993	0.0%
2010	89,574	0.0%

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	12/31/09
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of Pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of Assets
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend	10.50 – 5.00%
Year of Ultimate trend rate	2017

*Includes inflation at 3.75%

Combining and Individual Fund Statements and Schedules