

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hyde County ABC Board
ASSETS				
Cash and cash equivalents	\$ 9,466,364	\$ 1,156,955	\$ 10,623,319	\$ 10,972
Receivables (net)	2,179,898	244,758	2,424,656	-
Due from other governments	395,031	152,183	547,214	-
Inventories	-	-	-	79,786
Restricted cash and cash equivalents	1,449,486	-	1,449,486	-
Capital assets:				
Land, improvements, and construction in progress	11,271,368	4,979,538	16,250,906	-
Other capital assets, net of depreciation	14,012,510	8,038,560	22,051,070	5,918
Total capital assets	25,283,878	13,018,098	38,301,976	5,918
Total assets	38,774,657	14,571,994	53,346,651	96,676
LIABILITIES				
Accounts payable and accrued expenses	971,799	112,687	1,084,486	57,767
Unearned revenue	195,761	-	195,761	-
Customer deposits	-	107,771	107,771	-
Long-term liabilities:				
Due within one year	645,485	104,979	750,464	19,000
Due in more than one year	6,765,334	3,261,000	10,026,334	-
Total long-term liabilities	7,410,819	3,365,979	10,776,798	19,000
Total liabilities	8,578,379	3,586,437	12,164,816	76,767
NET ASSETS				
Invested in capital assets, net of related debt	18,372,495	9,702,098	28,074,593	5,918
Restricted for:				
State statute	1,188,618	-	1,188,618	-
Debt service	95,748	-	95,748	-
Register of Deeds	29,354	-	29,354	-
Other purposes	24,000	-	24,000	16,060
Unrestricted (deficit)	10,486,063	1,283,459	11,769,522	(2,069)
Total net assets	\$ 30,196,278	\$ 10,985,557	\$ 41,181,835	\$ 19,909

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, 2011

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			Total	
					Governmental Activities	Business-type Activities			
Primary government:									
Governmental Activities:									
General government	\$ 2,058,273	\$ 51,194	\$ -	\$ -	\$ (2,007,079)	\$ -	\$ -	\$ (2,007,079)	
Public safety	2,205,548	665,661	119,764	-	(1,420,123)	-	-	(1,420,123)	
Transportation	118,392	37,726	-	-	(80,666)	-	-	(80,666)	
Economic and physical development	1,155,804	3,072	379,398	675,540	(97,794)	-	-	(97,794)	
Human services	4,730,367	1,063,563	1,385,414	-	(2,281,390)	-	-	(2,281,390)	
Cultural and recreation	157,899	27,101	13,059	-	(117,739)	-	-	(117,739)	
Environmental protection	1,231,217	987,179	190,977	-	(53,061)	-	-	(53,061)	
Education	1,565,330	-	-	55,965	(1,509,365)	-	-	(1,509,365)	
Interest on long-term debt	127,834	-	-	-	(127,834)	-	-	(127,834)	
Total governmental activities	13,350,664	2,835,496	2,088,612	731,505	(7,695,051)	-	-	(7,695,051)	
Business-type activities:									
Water and Sewer	1,733,097	1,693,370	-	1,942,303	-	1,902,576	1,902,576	1,902,576	
Total business-type activities	1,733,097	1,693,370	-	1,942,303	-	1,902,576	1,902,576	1,902,576	
Total primary government	\$ 15,083,761	\$ 4,528,866	\$ 2,088,612	\$ 2,673,808	(7,695,051)	1,902,576	(5,792,475)	(5,792,475)	
Component unit:									
ABC Board	118,135	130,254	-	-	-	-	-	-	\$ 12,119
Total component units	\$ 118,135	\$ 130,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,119
General revenues:									
Taxes:									
Property taxes, levied for general purpose					6,109,108	-	-	6,109,108	-
Local option sales tax					1,529,059	-	-	1,529,059	-
Other taxes and licenses					731,887	-	-	731,887	-
Investment earnings, unrestricted					213,591	11,967	11,967	225,558	20
Miscellaneous, unrestricted					31,497	-	-	31,497	(7,838)
Total general revenues, special items, and transfers					8,615,142	11,967	11,967	8,627,109	(7,818)
Change in net assets					920,091	1,914,543	1,914,543	2,834,634	4,301
Net assets, beginning as previously stated					29,218,845	9,071,014	9,071,014	38,289,859	15,608
Prior period adjustment					57,342	-	-	57,342	-
Net assets, beginning as restated					29,276,187	9,071,014	9,071,014	38,347,201	15,608
Net assets, ending					\$ 30,196,278	\$ 10,985,557	\$ 10,985,557	\$ 41,181,835	\$ 19,909

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

Hyde County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2011

	Major		Non-Major		Total Governmental Funds
	General	Ocracoke Occupancy Tax	Qualified School Construction Bond	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 4,803,212	\$ 1,026,312	\$ -	\$ 3,636,840	\$ 9,466,364
Restricted cash	-	-	1,449,486	-	1,449,486
Receivables, net:					
Property taxes	654,058	-	-	1,263	655,321
Accounts	942,528	-	-	96,811	1,039,339
Other	54,456	-	-	430,782	485,238
Due from other governments	395,031	-	-	-	395,031
Due from (to) other funds	105,376	-	-	(105,376)	-
Total assets	<u>\$ 6,954,661</u>	<u>\$ 1,026,312</u>	<u>\$ 1,449,486</u>	<u>\$ 4,060,320</u>	<u>\$ 13,490,779</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 640,579	\$ 10,393	\$ 272,999	\$ 47,943	\$ 971,914
Deferred revenue	1,516,689	317,000	-	38,975	1,872,664
Unearned revenue	195,761	-	-	-	195,761
Total liabilities	<u>2,353,029</u>	<u>327,393</u>	<u>272,999</u>	<u>86,918</u>	<u>3,040,339</u>
Fund balances:					
Restricted:					
Stabilization by State Statute	634,760	-	-	553,858	1,188,618
Debt service	95,748	-	-	-	95,748
Other purposes	24,000	676,774	-	42,956	743,730
Register of Deeds	29,354	-	-	-	29,354
Public safety	-	-	-	173	173
Cultural and recreation	-	-	-	709	709
Economic and physical development	-	-	-	333,341	333,341
Education	-	-	1,176,487	-	1,176,487
Committed:					
Public safety	-	-	-	188,756	188,756
Human services	-	-	-	1,178,572	1,178,572
Environmental protection	-	-	-	1,163,218	1,163,218
Economic and physical development	-	-	-	282,426	282,426
Tax Revaluation	-	-	-	157,777	157,777
Cultural and recreation	-	-	-	(21,143)	(21,143)
Assigned:					
Subsequent year's expenditures	416,958	22,145	-	92,761	531,864
Unassigned:	3,400,812	-	-	-	3,400,812
Total fund balances	<u>4,601,632</u>	<u>698,919</u>	<u>1,176,487</u>	<u>3,973,404</u>	<u>10,450,442</u>
Total liabilities and fund balances	<u>\$ 6,954,661</u>	<u>\$ 1,026,312</u>	<u>\$ 1,449,486</u>	<u>\$ 4,060,322</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,283,876
Liabilities for earned but deferred revenues in fund statements.	1,872,780
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>(7,410,818)</u>
Net assets of governmental activities	<u>\$ 30,196,280</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, 2011

	Major			Non-Major	Total Governmental Funds
	General Fund	Ocracoke Occupancy Tax	Qualified School Construction Bond	Other Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 6,076,409	\$ -	\$ -	\$ 19,026	\$ 6,095,435
Local option sales taxes	1,529,057	-	-	-	1,529,057
Other taxes and licenses	99,473	375,502	-	68,119	543,094
Unrestricted intergovernmental	240,521	-	-	-	240,521
Restricted intergovernmental	2,390,448	-	-	828,504	3,218,952
Permits and fees	60,139	-	-	-	60,139
Sales and services	1,334,886	-	-	845,141	2,180,027
Investment earnings	91,456	16,365	2,244	103,527	213,592
Miscellaneous	24,776	7,600	-	5,576	37,952
Total revenues	<u>11,847,165</u>	<u>399,467</u>	<u>2,244</u>	<u>1,869,894</u>	<u>14,118,770</u>
EXPENDITURES					
Current:					
General government	1,822,517	-	-	122,889	1,945,406
Public safety	3,347,585	-	-	243,262	3,590,847
Environmental protection	1,175,786	-	-	40,713	1,216,499
Transportation	67,862	-	-	-	67,862
Economic and physical development	502,865	305,417	-	376,874	1,185,156
Human services	2,567,187	-	-	745,712	3,302,899
Cultural and recreational	42,000	-	-	-	42,000
Intergovernmental:					
Education	1,565,330	-	-	-	1,565,330
Capital outlay	-	-	1,808,749	134,865	1,943,614
Debt service:					
Principal	154,681	-	-	-	154,681
Interest	127,834	-	-	-	127,834
Total expenditures	<u>11,363,648</u>	<u>305,417</u>	<u>1,808,749</u>	<u>1,664,313</u>	<u>15,142,127</u>
Excess (deficiency) of revenues over expenditures	<u>483,517</u>	<u>94,050</u>	<u>(1,806,505)</u>	<u>205,580</u>	<u>(1,023,357)</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	-	2,982,992	148,914	3,131,906
Transfers from other funds	381,710	-	-	286,197	667,907
Transfers to other funds	(268,443)	-	-	(399,463)	(667,906)
Proceeds from QZAB	55,965	-	-	-	55,965
Sale of capital assets	2,048	-	-	-	2,048
Total other financing sources and uses	<u>171,280</u>	<u>-</u>	<u>2,982,992</u>	<u>35,648</u>	<u>3,189,920</u>
Net change in fund balance	654,797	94,050	1,176,487	241,228	2,166,563
Fund balances, beginning as stated	3,946,839	604,869	-	3,823,745	8,375,453
Prior period adjustment	-	-	-	(91,572)	(91,572)
Fund balances, beginning as restated	<u>3,946,839</u>	<u>604,869</u>	<u>-</u>	<u>3,732,173</u>	<u>8,283,881</u>
Fund balances, ending	<u>\$ 4,601,636</u>	<u>\$ 698,919</u>	<u>\$ 1,176,487</u>	<u>\$ 3,973,401</u>	<u>\$ 10,450,444</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, 2011

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

Net changes in fund balances - total governmental funds	\$ 2,166,563
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	1,676,552
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(1,462)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	109,893
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.	164,613
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>(3,196,068)</u>
Total changes in net assets of governmental activities	<u>\$ 920,091</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, 2011

	Original Budget	Final Budget	Actual	Variance With Final Positive Negative
Revenues:				
Ad valorem taxes	\$ 5,752,500	\$ 5,852,500	\$ 6,076,409	\$ 223,909
Local option sales tax	1,429,000	1,369,000	1,529,057	160,057
Other taxes and licenses	100,700	100,700	99,473	(1,227)
Unrestricted intergovernmental	68,126	68,126	240,521	172,395
Restricted intergovernmental	2,491,489	2,992,658	2,390,448	(602,210)
Permits and fees	62,637	62,637	60,139	(2,498)
Sales and services	1,591,000	1,437,500	1,334,886	(102,614)
Investment earnings	150,000	150,000	91,456	(58,544)
Miscellaneous	3,500	3,500	24,776	21,276
Total revenues	<u>11,648,952</u>	<u>12,036,621</u>	<u>11,847,165</u>	<u>(189,456)</u>
Expenditures				
Current:				
General government	1,589,326	1,906,407	1,822,517	83,889
Public safety	3,431,440	3,360,162	3,347,585	12,577
Environmental protection	1,124,660	1,145,618	1,175,786	(30,168)
Transportation	114,467	114,467	67,862	46,605
Economic and physical development	711,366	709,566	502,865	206,701
Human services	2,786,549	3,067,990	2,557,187	510,803
Cultural and recreational	42,000	43,000	42,000	1,000
Intergovernmental:				
Education	1,498,568	1,498,568	1,565,330	(66,762)
Debt service:				
Principal retirement	303,993	176,429	154,681	21,748
Interest and other charges	-	127,834	127,834	-
Total expenditures	<u>11,602,369</u>	<u>12,150,041</u>	<u>11,363,648</u>	<u>786,392</u>
Revenues over (under) expenditures	<u>46,583</u>	<u>(113,420)</u>	<u>483,517</u>	<u>596,937</u>
Other financing sources (uses):				
Transfers from other funds	101,654	108,654	381,710	273,056
Transfers to other funds	(90,396)	(90,396)	(268,443)	(178,047)
Proceeds from QZAB	55,965	55,965	55,965	-
Sale of capital assets	12,143	12,143	2,048	(10,095)
Total other financing sources (uses)	<u>79,366</u>	<u>86,366</u>	<u>171,280</u>	<u>84,914</u>
Revenues and other sources over (under) expenditures and other uses	125,949	(27,054)	654,797	681,851
Contingency	(186,907)	(33,904)	-	33,904
Fund balance appropriated	60,958	60,958	-	(60,958)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>654,797</u>	<u>\$ 654,797</u>
Fund balance, beginning			3,946,839	
Fund balance, ending			<u>\$ 4,601,636</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, 2011

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Other taxes and licenses	\$ 321,300	\$ 328,800	\$ 375,502	\$ 46,702
Sales and services	2,000	2,000	-	(2,000)
Investment earnings	11,000	11,000	16,365	5,365
Miscellaneous	5,000	10,000	7,600	(2,400)
Total revenues	<u>339,300</u>	<u>351,800</u>	<u>399,467</u>	<u>47,667</u>
Expenditures				
Current:				
Economic and physical development	343,110	355,610	305,417	50,193
Total expenditures	<u>343,110</u>	<u>355,610</u>	<u>305,417</u>	<u>50,193</u>
Revenues over (under) expenditures	<u>(3,810)</u>	<u>(3,810)</u>	94,050	97,860
Fund balance appropriated	3,810	3,810	-	(3,810)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	94,050	<u>\$ 94,050</u>
Fund balance, beginning			604,869	
Fund balance, ending			<u>\$ 698,919</u>	

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

Hyde County, North Carolina
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,156,955
Receivables, net	244,758
Grant receivable	152,183
Total current assets	1,553,896
Noncurrent assets:	
Capital assets:	
Land and construction in progress	4,979,538
Other capital assets, net of depreciation	8,038,560
Total capital assets	13,018,098
Total assets	14,571,994
LIABILITIES	
Current liabilities:	
Accounts payable	112,687
Customer deposits	107,771
Compensated absences	49,979
General obligation bonds payable	55,000
Total current liabilities	325,437
Noncurrent liabilities:	
General obligation bonds payable	3,261,000
Total noncurrent liabilities	3,261,000
Total liabilities	3,586,437
NET ASSETS	
Invested in capital assets, net of related debt	9,702,098
Unrestricted	1,283,459
Total net assets	\$ 10,985,557

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

Hyde County, North Carolina
 Statement of Revenues, Expenses, and Changes in Net Assets
 Proprietary Fund
 For the Year Ended June 30, 2011

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 1,661,390
Meter installations	9,050
Miscellaneous	22,930
Total operating revenues	1,693,370
OPERATING EXPENSES	
Water and sewer operations	1,287,762
Depreciation	330,160
Total operating expenses	1,617,922
Operating income (loss)	75,448
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	11,967
Interest expense	(115,175)
Total nonoperating revenue (expenses)	(103,208)
Income (loss) before contributions and transfers	(27,760)
Capital contributions	1,942,303
Change in net assets	1,914,543
Total net assets, beginning	9,071,014
Total net assets, ending	\$ 10,985,557

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

Hyde County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,566,945
Cash paid for goods and services	(473,980)
Cash paid to employees for services	(658,345)
Customer deposits received, net	11,125
Other operating revenue	22,930
Net cash provided by operating activities	<u>468,675</u>
Cash flows from capital and related financing activities:	
Due to (from) other funds	<u>(200,000)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(2,075,475)
Principal paid on bond maturities and equipment contracts	(52,000)
Interest paid on bond maturities and equipment contracts	(115,175)
Capital contributions - federal grant	1,942,303
Net cash used by capital and related financing activities	<u>(300,347)</u>
Cash flows from investing activities:	
Interest on investments	<u>11,967</u>
Net increase (decrease) in cash and cash equivalents	(19,705)
Cash and cash equivalents, beginning	<u>1,176,660</u>
Cash and cash equivalents, ending	<u><u>\$ 1,156,955</u></u>

(continued)

Hyde County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

(continued)

Totals

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

Operating income	\$ 75,448
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	330,160
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(103,495)
(Increase) decrease in due from other governments	336,869
Increase (decrease) in accounts payable and accrued liabilities	(188,675)
Increase (decrease) in customer deposits	11,126
Increase (decrease) in accrued vacation pay	7,242
Total adjustments	<u>393,227</u>
Net cash provided by operating activities	<u>\$ 468,675</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, 2011

	Total Agency Funds
Assets	
Cash and cash equivalents	\$ 102,771
Taxes receivable	6,262
Total assets	\$ 109,033
Liabilities	
Miscellaneous liabilities	\$ 6,613
Deferred revenues	6,262
Accounts payable	96,158
Total liabilities	109,033
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 non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental fund:

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

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

Qualified School Construction Bond Fund. This fund accounts for the construction expenditures of school addition located in Hyde County.

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.

Nonmajor Funds. The County maintains twenty-eight legally budgeted funds. The Hydeland Home Health Fund, Mattamuskeet Opportunities Fund, Revaluation Fund, West Quarter Fund, Mainland Occupancy Tax Fund, 4-H Fund, E-911 Fund, Hyde County Senior Center Fund, Evans Road Fire Fund, Revolving Loan Fund, Capital Reserve Fund, CAPS / Personal Care Chore Health Fund, HMGP – Isabel Elevation Project Fund, CDBG Supplemental Assistance Fund, CDBG Scattered Site Project Fund, CDBG SBEA Hyde Project Fund, CDBG Program Repayment Fund, NCHFA Single Family Rehabilitation Project Fund, CDBG Recovery Fund, CDBG – TEDG Fund, Swan Quarter Water Shed District Fund, and CDBG – Revitalization Strategy Fund are reported as nonmajor special revenue funds. The Ocracoke School Fund, Swan Quarter Community Park Fund, Hyde County EMS Facility Fund, County Government Public Safety Center Fund, Swan Quarter Dike Fund, Wanchese Seafood Industrial Park Fund are reported as capital projects funds.

Measurement Focus, Basis of Accounting

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

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

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 Center Fund, Evans Road Fire Fund, Revolving Loan Fund, Capital Reserve Fund, Hydeland Home Health Fund, CAPS/Personal Care Chore Health Fund, Mattamuskeet Opportunities Fund, Swan Quarter Water Shed District Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the following Capital Projects Funds: Qualified School Construction Bond Fund, Ocracoke School Capital Projects Fund, Swan Quarter Community Park Access Fund, Hyde County EMS Facility Fund, County Government Public Safety Center Fund, Swan Quarter Dike Fund, Wanchese Seafood Industrial Park 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: HMGP-Hurricane Isabel Elevation Project Fund, CDBG Supplemental Assistance Fund, CDBG Scattered Site Project Fund, CDBG SBEA Hyde Project Fund, CDBG Program Repayment Fund, NCHFA Single Family Rehabilitation Project Fund, CDBG Recovery Fund, CDBG - TEDG Fund and the CDBG – Revitalization Strategy 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

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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. Restricted Assets

The unexpended bond proceeds of the Qualified School Construction Bonds are classified as restricted assets within the Qualified School Construction Bond Fund because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the 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.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost 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

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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.

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

8. Long-term Obligations

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

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

9. 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.

10. Net Assets/Fund Balances

Net Assets

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Debt Service – portion of fund balance that is restricted for future debt service expenditures by the United States Department of Agriculture.

Restricted for Public Safety – portion of fund balance that is restricted for public safety expenditures.

Restricted for Cultural and Recreation – portion of fund balance restricted for cultural and recreation expenditures.

Restricted for Economic and Physical Development – portion of fund balance restricted for economic and physical development.

Restricted for Education – portion of fund balance restricted for school construction expenditures (QSCB).

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Hyde County's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$10,000.

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

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Hyde County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officers will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

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 \$19,746,144 consists of several elements as follows:

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)	\$ 30,573,812
Less accumulated depreciation	<u>(5,289,936)</u>
Net capital assets	25,283,876
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	1,872,780
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	(6,911,383)
Compensated absences	(234,142)
Other postemployment benefits	<u>(265,293)</u>
Total adjustment	<u>\$ 19,745,838</u>

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 \$(1,246,472) as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,270,003
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.	(593,449)
Cost of disposed capital asset not recorded in fund statements	(1,462)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(3,131,908)
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	154,680
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	9,933
Other postemployment benefits	(64,162)
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	109,893
Total adjustment	<u>\$ (1,246,472)</u>

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Net Assets of Individual Funds

For the fiscal year ended June 30, 2011, 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 \$35,718. The Mattamuskeet Opportunities Fund has a deficit fund balance of \$89,181. 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, 2011, expenditures made in the County's Swan Quarter Dike Fund exceeded the authorized appropriations by \$88,921 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 West Quarter District Fund, expenditures exceeded appropriations at the functional level by \$360. In the County's Mainland Occupancy Tax Fund, expenditures exceeded appropriations at the functional level by \$400. In the County's 4-H Fund, expenditures exceeded appropriations at the functional level by \$2,285. In the County's County Government / Public Safety Center Fund, expenditures exceeded appropriations at the functional level by \$55,479. The expenditures made in the County's General Fund exceeded the authorized appropriations made by the governing board for environmental protection activities and education activities by \$30,168 and \$66,762, respectively. Management and the Board will more closely review the budget reports to ensure compliance in future years.

C. Capital Reserve Expenditures

For the fiscal year ended June 30, 2011, expenditures were made in the County's Capital Reserve Fund in the amount of \$40,713. In accordance to state law [G.S. 159-22], Capital Reserve Funds have a statutory definition and cannot have expenditures. Capital Reserve Funds may accumulate funds for each purpose and transfer funds to other funds for capital purchases.

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.

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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.

At June 30, 2011, the County's deposits had a carrying amount of \$12,075,038 and a bank balance of \$12,255,104. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$363,203 in non-interest bearing deposits and \$11,141,901 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2011, Hyde County had \$264 cash on hand.

At June 30, 2011, the carrying amount of deposits for Hyde County ABC Board was \$10,372 and the bank balance was \$56,164. All of the bank balance was covered by federal depository insurance.

At June 30, 2011, Hyde County ABC Board had \$600 cash on hand.

2. Investments

At June 30, 2011, 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, 2011, 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
2011	642,008	-	642,008
Total	<u>\$ 1,601,022</u>	<u>\$ 6,955</u>	<u>\$ 1,607,977</u>

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. Receivables

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

	Accounts	Taxes and Related Accrued Interest	Other	Total
Governmental Activities:				
General	\$ 1,000,120	\$ 965,184	\$ 54,456	\$ 2,019,760
Other Governmental	96,811	1,363	430,782	528,956
Total receivables	1,096,931	963,821	485,238	2,548,716
Allowance for doubtful accounts	(57,592)	(308,500)	-	(366,092)
Total-governmental activities	<u>\$ 1,039,339</u>	<u>\$ 655,321</u>	<u>\$ 485,238</u>	<u>\$ 2,182,624</u>
Business-type Activities				
Water and Sewer Fund	\$ 394,758	\$ -	\$ 152,183	\$ 546,941
Total receivables	291,263	-	152,183	546,941
Allowance for doubtful accounts	(150,000)	-	-	(150,000)
Total - business-type activities	<u>\$ 141,263</u>	<u>\$ -</u>	<u>\$ 152,183</u>	<u>\$ 396,941</u>

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

Governmental activities:	
Local option sales tax	\$ 341,142
Department of revenue	<u>53,889</u>
Total	<u>\$ 395,031</u>

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,292,036	\$ -	\$ -	\$ 1,292,036
Construction in progress	8,036,631	1,942,701	-	9,979,332
Total capital assets not being depreciated	9,328,667	1,942,701	-	11,271,368
Capital assets being depreciated:				
Buildings	14,463,483	-	-	14,463,483
Computer equipment	188,649	12,251	456	200,444
Equipment	606,178	266,555	10,592	862,141
Vehicles	1,485,723	48,496	-	1,534,219
Infrastructure	2,242,157	-	-	2,242,157
Total capital assets being depreciated	18,986,190	327,302	11,048	19,302,444
Less accumulated depreciation for:				
Buildings	1,799,306	288,889	-	2,088,195
Computer equipment	156,700	17,775	-	174,475
Equipment	343,366	57,605	456	400,515
Vehicles	909,677	184,337	9,130	1,084,884
Infrastructure	1,497,024	44,843	-	1,541,867
Total accumulated depreciation	4,706,073	\$ 593,449	\$ 9,586	5,289,936
Total capital assets being depreciated, net	14,280,117			14,012,508
Governmental activity capital assets, net	\$ 23,608,784			\$ 25,283,876

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

General government	\$ 176,605
Public safety	301,879
Transportation	50,530
Human services	41,938
Environmental protection	12,585
Economic and physical development	9,912
Total depreciation expense	<u>\$ 593,449</u>

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

	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	2,869,618	2,052,081	-	4,921,699
Total capital assets not being depreciated	2,927,457	2,052,081	-	4,979,538
Capital assets being depreciated:				
Buildings	12,856,980	-	-	12,856,980
Computer equipment	14,617	-	-	14,617
Equipment	264,105	659	702	264,062
Vehicles	145,063	22,735	11,866	155,932
Total capital assets being depreciated	13,280,765	23,394	12,568	13,291,591
Less accumulated depreciation for:				
Buildings	4,665,897	283,958	-	4,949,855
Computer equipment	12,596	813	-	13,409
Equipment	164,702	25,997	702	189,997
Vehicles	92,245	19,392	11,866	99,771
Total accumulated depreciation	4,935,440	\$ 330,160	\$ 12,568	5,253,032
Total capital assets being depreciated, net	8,345,325			8,038,559
Water capital assets, net	\$ 11,272,782			\$ 13,018,097

Construction commitments

The government has active construction projects as of June 30, 2011. The projects include the HMGP – Hurricane Isabel Elevation Project, the CDBG Jumpstart Hyde Project, the NCHFA Single Family Rehabilitation 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 CDBG Recovery Project, the CDBG TEDG 08-T-1903 Project, the CDBG – Revitalization Strategy, the Qualified School Construction Bond Project, and the Wanchese Seafood Industrial Park Project. At June 30, 2011, the government’s commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
HMGP - Hurricane Isabel Elevation Project	1,762,502	1,217,266
CDBG Jumpstart Hyde Project	275,369	219,631
NCHFA Single Family Rehabilitation Project	188,803	11,197
Swan Quarter Community Park Access Project	94,192	21,208
Engelhard Water Treatment Plant	4,451,739	169,261
Mattamuskeet Lodge Sewer Project	469,960	3,530,040
Swan Quarter Dike Fund	6,816,417	-
CDBG Recovery	299,961	39
CDBG TEDG 08-T-1903	75,000	-
CDBG - Revitalization Strategy	61,269	788,731
Qualified School Construction Bond Project	1,808,749	4,157,235
Wanchese Seafood Industrial Park Project	-	531,600
Total	\$ 16,303,961	\$ 10,646,208

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Discretely presented component unit

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets being depreciated:				
Vehicles	\$ -	\$ 3,500	\$ -	\$ 3,500
Equipment	32,675	-	3,302	29,373
Total capital assets being depreciated	32,675	3,500	3,302	32,873
Less accumulated depreciation for:				
Vehicles	-	700	-	700
Equipment	26,400	3,157	3,302	26,255
Total accumulated depreciation	26,400	\$ 3,857	\$ 3,302	26,955
ABC capital assets, net	\$ 6,275			\$ 5,918

B. Liabilities

1. Payables

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

	Vendors	Other	Total
Governmental Activities:			
General	\$ 235,255	\$ 405,324	\$ 640,579
Other Governmental	75,176	256,159	331,335
Total-governmental activities	\$ 310,431	\$ 661,483	\$ 971,914
Business-type Activities			
Water and Sewer Fund	83,307	29,380	112,687
Total - business-type activities	\$ 83,307	\$ 29,380	\$ 112,687

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 6.35% and 6.82%, 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, 2011, 2010, and 2009 were \$276,215, \$161,212, and \$163,080, 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, 2011, 2010, and 2009 were \$1,412, \$2,085, and \$2,203, 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
For the Fiscal Year Ended June 30, 2011

2. Summary of Significant Accounting Policies:

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

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

3. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the 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.

Annual required contribution	\$ 12,100
Interest on net pension obligation	4,003
Adjustment to annual required contribution	<u>(5,044)</u>
Annual pension cost	11,059
Contributions made	-
Increase in net pension obligation	<u>11,059</u>
Net pension obligation beginning of year	<u>80,052</u>
Net pension obligation end of year	<u>\$ 91,111</u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	5,117	0%	72,344
2010	7,708	0%	80,052
2011	11,059	0%	87,760

4. 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 \$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. 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, 2011 were \$57,239, which consisted of \$27,518 from the County and \$29,721 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.

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2011, the County's required and actual contributions were \$390.

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	108	16

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
For the Fiscal Year Ended June 30, 2011

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	\$ 79,754
Interest on net OPEB obligation	4,843
Adjustment to annual required contribution	4,178
Annual OPEB cost (expense)	<u>88,775</u>
Contributions made	<u>(35,672)</u>
Increase (decrease) in net OPEB obligation	53,103
Net OPEB obligation, beginning of year	121,079
Net OPEB obligation, end of year	<u><u>\$ 174,182</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 2011 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
2011	\$ 88,775	40.18%	\$ 174,182

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
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 2011

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)	\$ -	\$ 10,864
Taxes receivable, net (General), less penalties	748,910	-
Taxes receivable, net (Special Revenue)	1,264	-
Grant related proceeds (General)	104,470	-
Grant related proceeds (Special Revenue)	318,745	-
Judgement proceeds (General)		60,958
QZAB Bond (General)		123,939
Accounts Receivable - Patient fees (General)	663,308	-
Accounts Receivable - Patient fees (Special Revenue)	35,967	-
Total	<u>\$ 1,872,664</u>	<u>\$ 195,761</u>

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
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 and the finance officer is bonded in the amount of \$50,000, 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:

	2012	10,665
	2013	<u>1,778</u>
Total		<u>12,443</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, 2011, the County leased vehicles and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	\$ 82,718	\$ 62,039	\$ 20,679
Total	<u>\$ 82,718</u>	<u>\$ 62,039</u>	<u>\$ 20,679</u>

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

For Hyde County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

<u>Year Ending June 30</u>		
	2012	18,564
	2013	6,188
Total minimum lease payments		<u>24,752</u>
Less: amount representing interest		793
Present value of the minimum lease paymen	\$	<u><u>23,959</u></u>

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
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

c. Installment Purchases

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.

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%.

The third installment purchase was executed on July 16, 2010, for the purchase of the E911 equipment in the amount of \$148,914. The transaction requires 5 principal payments of \$29,783 plus interest at 2.68%.

For Hyde County, the future minimum lease payments as of June 30, 2011, including \$2,170,124 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2012	157,662	140,925
2013	160,672	137,117
2014	163,808	133,182
2015	167,076	129,116
2016	170,480	124,914
2017-2021	531,771	564,305
2022-2026	577,155	455,062
2027-2031	708,413	320,933
2032-2036	869,544	156,246
2037	188,859	8,324
	<u>3,695,440</u>	<u>2,170,124</u>
QZAB principal payments from interest earned	208,992	-
Total	<u>\$ 3,904,432</u>	<u>\$ 2,170,124</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
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

The County's general obligation bonds payable at June 30, 2011 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.	\$1,179,500
\$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.	175,000
\$1,420,000 Water and Sewer Bonds, series 2011, due in annual installments of \$16,000 to \$74,000 in principal through June 2050, interest at 4.25%	1,420,000
\$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>541,500</u>
Total	<u>\$3,316,000</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
2012	\$ 55,000	\$ 151,984
2013	73,500	149,294
2014	76,500	145,803
2015	80,500	142,163
2016	84,500	138,334
2017-2021	484,500	641,076
2022-2026	617,000	565,949
2027-2031	655,500	366,259
2032-2036	358,000	227,002
2037-2041	324,000	146,538
2042-2046	296,000	83,640
2047-2050	211,000	18,233
Total	<u>\$ 3,316,000</u>	<u>\$ 2,776,275</u>

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

e. Qualified School Construction Bonds

The County has issued a bond in order to finance school construction.

\$3,002,692 Qualified School Construction Bond issued on October 18, 2010; due in annual installments of \$200,179 in principal plus interest at 0.93 percent through October 2025.

\$2,982,992

Year Ending June 30	Governmental type Activities	
	Principal	Interest
2012	200,179	27,925
2013	200,179	26,063
2014	200,179	24,202
2015	200,179	22,340
2016	200,179	20,478
2017-2021	1,000,895	74,467
2022-2026	981,202	27,925
Total	2,982,992	223,400

At June 30, 2011, Hyde County had a legal debt margin of \$81,029,099.

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, 2011:

	Beginning Balance, restated	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Capitalized leases	\$ 39,594	\$ -	\$ 15,635	\$ 23,959	\$ 17,830
Installment purchase	3,894,563	148,914	139,045	3,904,432	157,662
Qualified school construction bonds	-	2,982,992	-	2,982,992	200,179
Compensated absences	244,075	-	9,933	234,142	234,142
Net pension obligation	80,052	11,059	-	91,111	-
Other postemployment benefits	121,079	53,103	-	174,182	35,672
Total governmental activities	\$ 4,379,363	\$ 3,196,068	\$ 164,613	\$ 7,410,818	\$ 645,485
Business-type activities:					
General obligation debt	\$ 1,948,000	\$ 1,420,000	\$ 52,000	\$ 3,316,000	\$ 55,000
Bond anticipation notes	1,420,000	-	1,420,000	-	-
Compensated absences	42,737	7,242	-	49,979	49,979
Total business-type activities	\$ 2,017,606	\$ 1,427,242	\$ 1,472,000	\$ 3,365,979	\$ 104,979

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.

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2011, consist of the following:

From the General Fund to the CDBG Scattered Sites Fund to close the CDBG Scattered Sites Fund	\$ 226
From the Ocracoke School Fund to the General Fund to close the Ocracoke School Fund	48,943
From Hydeland Home Health Fund to the CAPS / Personal Care Chore Health Fund to assist with current year expenditures	17,754
From the General Fund to the Hyde County EMS Facility Fund to close the Hyde County EMS Facility Fund	177,821
From the County Government Public Safety Center Fund to the General Fund to close the County Government Public Safety Center Fund	296,965
From the E-911 Fund to the General Fund to assist with current year expenditures	35,801
From the General Fund to the Revaluation Fund to accumulate resources for the County's upcoming revaluation	25,000
From the General Fund to the Senior Center Fund to assist with current year expenditures	65,396
	<u>\$667,906</u>

Balances due to/from other funds at June 30, 2011, consist of the following:

From the General Fund to the Swan Quarter Dike Fund for payment of construction costs	\$ 25,000
From the Hyde County Senior Center to the General Fund for payment of expenditures	30,795
From the Mattamuskeet Opportunities Fund to the General Fund for payment of expenditures	81,827
From the CAPS / Personal Chore Health Fund to the General Fund for the payment of expenditures	17,754
Total	<u>\$155,376</u>

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

D. Fund Balance

Hyde County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officers will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Total fund balance - General Fund	\$	4,601,632
Less:		
Stabilization by State Statute		634,760
Debt service		95,748
Other purposes		24,000
Register of Deeds		29,354
Appropriated Fund Balance in 2012 budget		416,958
Remaining Fund Balance	\$	3,400,812

IV. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2011, Hyde County has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$52,159 for the 156 volunteer firemen who perform firefighting duties for the County's fire departments and on-behalf payments of \$14,506 as a revenue and an expenditure for the 55 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 \$4,170 to the Council during the fiscal year ended June 30, 2011. The County was the sub recipient of a grant for \$1,562 from the Division of Aging of the North Carolina Department of Aging and Adult Services that was passed through the Council.

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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.

	Federal	State
Temporary assistance to needy families	\$ 58,378	\$ -
Medicaid	4,803,735	2,025,598
Food stamp program	1,351,601	-
Energy assistance	58,574	-
Adoption assistance		10,935
Adult assistance	-	37,212
State foster care	-	951
Title IV-E, foster care	18,007	4,005
Total	<u>\$ 6,290,295</u>	<u>\$ 2,078,701</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, 2011, 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 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, 2011, the balance of the County's ADM allocation account was \$120,603. 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, 2011, the balance of the County's Lottery Fund account was \$171,318. 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, 2011, the Boards has not submitted a grant application to the Commission on School Facility Needs.

HYDE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

X. Economic Dependence

The County receives a substantial amount of revenue each year from the Hyde County Prison. For the year ended June 30, 2011, revenue from the Hyde County Prison represented 38% of the total Water and Sewer Fund revenues.

XI. Prior Period Adjustments

During the fiscal year ended June 30, 2011, the County determined that long term liabilities 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 net assets has been recorded to adjust for the long term liabilities, the net effect of which increased net assets by \$148,914.

During the fiscal year ended June 30, 2011, the County determined that contract retainage in the governmental type activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance in the Ocracoke School Fund were overstated in the prior year. This adjustment affected the Statement of Net Assets for the governmental type activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance in the Ocracoke School Fund. Therefore, an adjustment to beginning net assets and fund balance has been recorded to adjust for the other receivables, the net effect of which increased net assets and fund balance in the Ocracoke School Fund by \$37,537.

During the fiscal year ended June 30, 2011, the County determined that cash and cash equivalents in the governmental type activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance in the Swan Quarter Dike Fund was overstated in the prior year. This adjustment affected the Statement of Net Assets for the governmental type activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance in the Swan Quarter Dike Fund. Therefore, an adjustment to beginning net assets has been recorded to adjust for these cash and cash equivalents, the net effect of which decreased net assets and fund balance in the Swan Quarter Dike Fund by \$103,559.

During the fiscal year ended June 30, 2011, the County determined that the account receivables in the governmental type activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance in the Swan Quarter Dike Fund were overstated in the prior year. This adjustment affected the Statement of Net Assets for the governmental activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance in the Swan Quarter Dike Fund. Therefore, an adjustment to beginning net assets has been recorded to adjust for these accounts receivables, the net effect which decreased net assets and fund balance in the Swan Quarter Dike Fund by \$25,550.

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%
2011	11,059	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%
2011	79,753	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%