

PAMLICO COUNTY, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2008

Pamlico County, North Carolina

County Representatives

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John A. Philyaw Finance Officer

County Commissioners

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Pamlico County, North Carolina
 TABLE OF CONTENTS
 June 30, 2008

Exhibit		Pages
FINANCIAL SECTION		
	Independent Auditor's Report	1
	Management's Discussion and Analysis	2-10
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
1	Statement of Net Assets	11
2	Statement of Activities	12-13
	Fund Financial Statements:	
3	Balance Sheet Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
4	Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	15-16
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund	17-18
6	Statement of Net Assets Proprietary Fund	19
7	Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Fund	20
8	Statement of Cash Flows Proprietary Fund	21-22
9	Statement of Fiduciary Net Assets Fiduciary Fund	23
	Notes to the Financial Statements	24-47
	Required Supplemental Financial Data:	
	Law Enforcement Officers' Special Separation Allowance- Schedule of Funding Progress	48
	Law Enforcement Officers' Special Separation Allowance- Schedule of Employer Contributions and Notes to the Required Statements	49

Combining and Individual Fund Statements and Schedules:

Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual	50-54
Schedule of Revenues, Expenditures and Changes in Fund Balance - Law Enforcement Center Fund	55
Schedule of Revenues, Expenditures and Changes in Fund Balance - School Cafeteria Fund	56
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Capital Reserve Fund	57
Combining Balance Sheet Nonmajor Governmental Funds	58-59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	60-61

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

All Fire Districts Fund	62
Reappraisal Fund	63
Hurricane Recovery Fund	64
Enhanced 911 Fund	65
Baird Shores Special Assessment Fund	66
CDBG Scattered Site	67
CDBG Hurricane Fund	68
Enhanced/Perservation Fund	69
Human Service Building Fund	70
School Facilities Fund	71

Enterprise Fund:

Water Fund - Schedule of Revenues, and Expenditures- Budget and Actual (Non-GAAP)	72-73
Southeast Water Tower Fund- Schedule of Revenues, and Expenditures and Changes in Fund Balance- Budget and Actual (Non-GAAP)	74

Agency Fund:

Agency Fund - Statement of Changes in Assets and Liabilities	75
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Other Schedules:

Schedule of Ad Valorem Taxes Receivable	76
Analysis of Current Tax Levy-County Wide Levy	77-78
Schedule of Ten Largest Taxpayers	79

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting And On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	80-81
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	82-83
Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	84-85
Schedule of Findings and Questioned Costs	86-88
Corrective Action Plan	89
Schedule of Expenditures of Federal and State Awards	90-94

MANAGEMENT LETTER

95-96

Financial Section



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Independent Auditor's Report

To the Board of County Commissioners
Pamlico County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pamlico County, North Carolina, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pamlico County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Pamlico County ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Pamlico County ABC Board is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Pamlico County ABC Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pamlico County, North Carolina as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Capital Reserve Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2008 on our consideration of Pamlico County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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

Thompson Price Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
December 17, 2008

Management's Discussion and Analysis

As management of Pamlico County, we offer readers of Pamlico County's financial statements this narrative overview and analysis of the financial activities of Pamlico County for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The assets of Pamlico County exceeded its liabilities at the close of the fiscal year by \$22,564,161 (*net assets*).
- The government's total net assets increased by \$6,513,528, primarily due to increases in net assets in the General Fund and the Capital Reserve Fund.
- As of the close of the current fiscal year, Pamlico County's governmental funds reported combined ending fund balances of \$12,106,536, an increase of \$6,065,224 in comparison with the prior year. Approximately 92% of this total amount, or \$11,155,522, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,260,805 or 38% of total general fund expenditures for the fiscal year. In 2007 unreserved fund balance in the General Fund was \$4,458,247 or approximately 31% of total general fund expenditures.
- Pamlico County's total debt increased by \$4,899,591 during the current fiscal year.

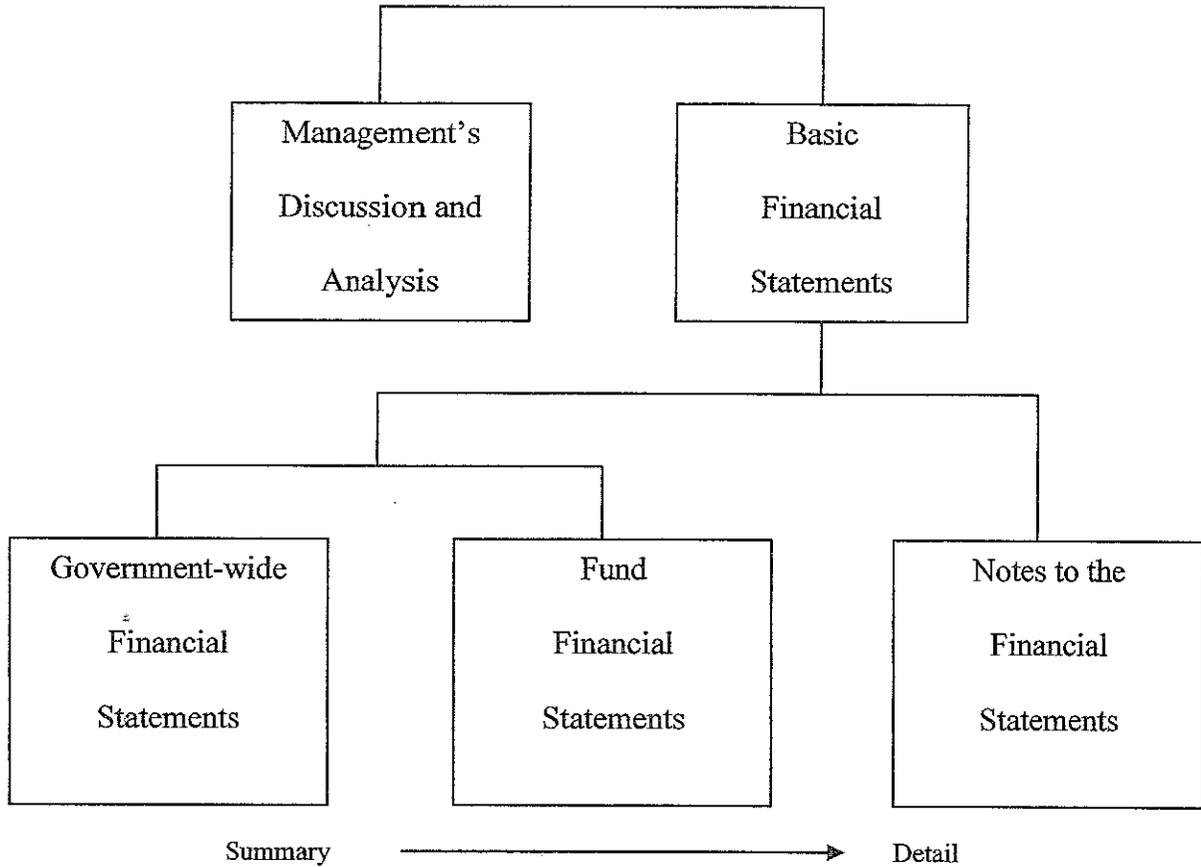
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Pamlico County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Pamlico County.

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Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide the service to the community. Pamlico County has one business type activity, which is the water fund, which provides water service to the community. The final category is the component unit. Although legally separate from the County, the ABC Board is important to the County because the County is financially accountable for the Board by appointing its members, and because the Board is required to distribute its profits to the County.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pamlico County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Pamlico County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Pamlico County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Pamlico County has one kind of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Pamlico County uses enterprise

funds to account for its water department activity. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Pamlico County’s progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

PAMLICO COUNTY’S NET ASSETS

Figure 2

	Governmental Activities		Business-type Activities		Totals	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 10,302,132	\$ 17,956,429	\$ 2,220,102	\$ 1,983,945	\$ 12,522,234	\$ 19,940,374
Capital assets	<u>11,486,453</u>	<u>15,983,507</u>	<u>8,371,863</u>	<u>8,999,173</u>	<u>19,858,316</u>	<u>24,982,680</u>
Total assets	<u>21,788,585</u>	<u>33,939,936</u>	<u>10,591,965</u>	<u>10,983,118</u>	<u>32,380,550</u>	<u>44,923,054</u>
Current liabilities	2,052,872	3,944,954	816,869	63,462	2,869,741	4,008,416
Long-Term liabilities	<u>11,709,406</u>	<u>15,768,307</u>	<u>1,752,852</u>	<u>2,582,170</u>	<u>13,462,258</u>	<u>18,350,477</u>
Total liabilities	<u>13,762,278</u>	<u>19,713,261</u>	<u>2,569,721</u>	<u>2,645,632</u>	<u>16,331,999</u>	<u>22,358,893</u>
Net assets:						
Invested in capital assets, net of related debt	131,412	215,200	6,634,388	6,435,529	6,765,800	6,650,729
Restricted	-	-	-	-	-	-
Unrestricted	<u>7,894,895</u>	<u>14,011,475</u>	<u>1,387,856</u>	<u>1,901,957</u>	<u>9,282,751</u>	<u>15,913,432</u>
Total net assets	<u>\$ 8,026,307</u>	<u>\$ 14,226,675</u>	<u>\$ 8,022,244</u>	<u>\$ 8,337,486</u>	<u>\$ 16,048,551</u>	<u>\$ 22,564,161</u>

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of Pamlico County exceeded liabilities by \$22,564,161 as of June 30, 2008. The County’s net assets increased by \$6,513,528 for the fiscal year ended June 30, 2008. One of the largest portions (30%) reflects the County’s investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. Pamlico County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Pamlico County’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. At the end of the current fiscal year unrestricted net assets of Pamlico County totaled \$15,913,432.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 95.66%.
- Increased property tax values.
- Increased charges for services revenue due to growth in the County.

Pamlico County Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues:						
Charges for services	\$ 2,062,731	\$ 5,941,556	\$ 1,391,367	\$ 1,616,010	\$ 3,454,098	\$ 7,557,566
Operating grants & contributions	2,892,214	3,287,760	-	-	2,892,214	3,287,760
Capital grants & contributions	422,211	1,684,685	-	-	422,211	1,684,685
General revenues:						
Property taxes	8,164,354	9,086,300	-	-	8,164,354	9,086,300
Other taxes	3,352,004	3,349,040	-	-	3,352,004	3,349,040
Grants and contributions not restricted to specific programs	327,286	450,169	40,000	59,495	367,286	509,664
Other	30,566	98,780	266,936	-	297,502	98,780
Total revenues	17,251,366	23,898,290	1,698,303	1,675,505	18,949,669	25,573,795
Expenses:						
General government	2,038,060	2,020,919	-	-	2,038,060	2,020,919
Public safety	3,215,427	2,483,515	-	-	3,215,427	2,483,515
Economic and physical development	919,349	4,815,741	-	-	919,349	4,815,741
Human services	5,237,297	5,813,852	-	-	5,237,297	5,813,852
Cultural and recreation	437,657	552,594	-	-	437,657	552,594
Education	3,299,835	819,997	-	-	3,299,835	819,997
Interest on long-term debt	422,531	547,924	-	-	422,531	547,924
Environmental Protection	223,153	436,295	-	-	223,153	436,295
Water and sewer	-	-	1,751,105	1,254,188	1,751,105	1,254,188
Total expenses	15,793,309	17,490,837	1,751,105	1,254,188	17,544,414	18,745,025
Increase in net assets before transfers and special items	1,458,057	6,407,453	(52,802)	421,317	1,405,255	6,828,770
Transfers	106,075	106,075	(106,075)	(106,075)	-	-
Increase in net assets	1,564,132	6,513,528	(158,877)	315,242	1,405,255	6,828,770
Net assets, July 1, Restated	6,462,175	7,713,147	8,181,121	8,022,244	14,643,296	15,735,391
Net assets, June 30	\$ <u>8,026,307</u>	\$ <u>14,226,675</u>	\$ <u>8,022,244</u>	\$ <u>8,337,486</u>	\$ <u>16,048,551</u>	\$ <u>22,564,161</u>

- **Governmental activities.** Governmental activities increased the County's net assets by \$6,513,528.
- **Business-type activities:** Business-type activities increased the County's net assets by \$315,242.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Pamlico County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Pamlico County's financing requirements.

Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Pamlico County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,260,805, while total fund balance reached \$7,211,819. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 38% of total General Fund expenditures, while total fund balance represents 45% of that same amount.

At June 30, 2008, the governmental funds of Pamlico County reported a combined fund balance of \$12,106,536, a \$6,065,224 increase over last year.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$1,331,074. These amendments were due in large part to an increase in fees and grants received.

Proprietary Funds. Pamlico County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water District equaled \$1,901,957. Other factors concerning the finances of this fund have already been addressed in the discussion of Pamlico County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Pamlico County's capital assets for its governmental and business -type activities as of June 30, 2008, totals \$24,982,680 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Several new vehicles
- New voting machines
- New server, software & computer hardware

Additional information on the County's capital assets can be found in the notes to the financial statements of this audited financial report.

Long-term Debt. As of June 30, 2008, Pamlico County had total bonded debt outstanding of \$1,086,000 all of which is debt backed by the full faith and credit of the County.

**Pamlico County's Outstanding Debt
General Obligation and Revenue Bonds**

Figure 4

	Governmental Activities		Business-type Activity		Totals	
	2007	2008	2007	2008	2007	2008
General Obligation Bonds (Backed by the County)	\$ -	\$ -	\$ 1,192,000	\$ 1,086,000	\$ 1,192,000	\$ 1,086,000

Pamlico County's total debt increased by \$4,899,591 during the past fiscal year, primarily due to new long-term debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Pamlico County is \$89,430,322. The County has no in bonds authorized but un-issued at June 30, 2008.

Additional information regarding Pamlico County's long-term debt can be found in the notes to the financial statements of this audited financial report.

Economic Factors and Next Year's Budgets and Rates:

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

- Housing starts in the County have increased over the last several years due to 15 identified subdivisions. One in the northeastern section of the County, under construction, has a master plan with a total of 620 home sites on 1,325 acres with a 400 slip marina and a 28 acre lake. This subdivision has 16 completed units and 2 under construction. Another is a community in the western part of the County. This property has approximately 30 lots. These developers have opened a new 25 lot phase within the existing community. The first phase of this community is complete. The second phase has 7 lots sold and 5 completed units. The other major subdivisions consist of a master plan of 1,900 lots in the southern part of the County which has 3 completed units, 1 under construction, and a club house; another has a master plan of 509 lots and a 400 slip marina; and a third major subdivision has a master plan of 891 lots in the central part of the County. Each of these major subdivisions has many water front lots as well as interior lots. The other 9 will have home sites of 8 to 38 lots, some water front and some as interior. A new subdivision in the northeastern part of the County, started since the last CAFR was issued, has 2 phases. One phase will have 21 lots and the second phase will have 8 lots. All of these 14 previously noted subdivisions and the new one will have homes priced in the \$200K to \$1.25 million range each, with water front homes approaching \$3.0 million each. Other projects include several condominium communities totaling 57 units with prices ranging from \$350K to \$550K. When all of these subdivisions are complete, it is estimated they will add from \$1.5 to \$1.75 billion to the County's tax base.
- Commercial construction starts in the County include 4 projects. These consist of several new strip mall type buildings that have been built to replace the commercial buildings that were razed due to the NC Highway 55 widening. Several displaced businesses have built new facilities with extra store front additions for future commercial use. A new concrete manufacturer, to provide materials to the construction projects in the County, has been completed and is operational. This project, financed with a NC State economic development grant, is providing employment for 10 (ten) people; an annual payroll of \$300,000; and a \$1.2 million increase to the County's tax base. Other projects include the addition of a State Employees Credit Union financial operation and the future addition of another financial institution; a NC based fast food restaurant (now under construction); a charter school; a Preschool (K-5) facility; and, possibly, a limited service hotel. The County has also seen an increase in inquiries about commercial possibilities. These possibilities include a food processing operation; industrial/marine park; and a furniture manufacturer.
- Currently, work is complete on all but the last section of a 4 year project to widen NC Highway 55 that runs west to east through the County from two lanes to five lanes from New Bern, NC to Bayboro, NC, which should

benefit the tourism trade and commercial development in the County. The County has already seen substantial interest in residential and commercial development because of this project.

- The County has received 6 grants, totaling approximately \$2.8 million, from federal and state agencies. Approximately \$1.4 million is currently being used in the Concentrated Needs, Scattered Site, and Urgent Needs programs to renovate and replace structures and infrastructure in economically depressed areas of the County. The other Hazard Mitigation Grants, of approximately \$1.4 million, were closed during the current Fiscal Year and were used to purchase or relocate homes that were flooded or damaged during recent hurricanes.
- The County has completed the construction of a new 500,000 gallon, 65' water tower to serve some of the new housing construction in the northeastern part of the County. The \$1.5 million tank, constructed in the southeastern part of the County, has been tied into the existing system and is providing increased water pressure for some of the County's existing utility customers in that portion of the County.
- The County's low unemployment rate of 3.8% in June 2007 increased to 5.3%, like the rest of the nation and state because of the prevailing economic conditions, as of the statement date. However, this is lower than the national and state average during the same period of 6.7%.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities

- Budgeted expenditures in the General Fund are expected to rise less than 1.43% because of the current and projected decrease in available revenues due to the economic condition in the nation, state, and county. Most of this increase is limited to non-discretionary costs such as Medicare, Medicaid, and Social Services programs, as well as, a Cost of Living Salary Adjustment for all County employees.
- The County will budget for the fourth year the FY2003 approved one-half cent local option sales tax, with revenues expected to decrease to \$542,248 in the budget year 2008-2009. This is a decrease of less than 0.5% from the previous year. However, this figure, as well as some of the other Local Option Sales and Use Taxes will be reduced in the Fiscal Year 2008-2009 and the Fiscal Year 2009-2010 since the State of NC is taking over the burden of increasing Medicaid expenses currently paid by the County. The Fiscal Year 2008-2009 budgeted figures are 6.1% less than the preceding year. Some of these revenues will be used to offset the increased State expenditures. The County is expected to reduce its expenditures far more than the reduced revenues identified by the State.
- The County will increase its budgeted funding for Fiscal Year 2008-2009 to the Pamlico County Community College by 12.0%, in the current expenditure line item. The Pamlico County Board of Education budgeted funding for Fiscal Year 2008-2009 increased by 4.0%. However, this was somewhat low since the capital budget for the Board of Education increased by \$4,550,000 due to the funding of a new high school cafeteria and addition to the Board of Education Administration Building. This new cafeteria/Administration addition will be completed during the Fiscal Year.
- The County completed its eight year revaluation process in Fiscal Year 2005-2006. The revaluation added between 32.0% and 36.0% of property value to the amount levied for the Fiscal Year 2005-2006. The values were budgeted in the Fiscal Year 2006-2007 budget. However, the FY2006-2007 levy amount was somewhat less. The State of North Carolina purchased a privately owned prison facility in the County. This facility, under private ownership, was the County's largest taxpayer. The loss of this revenue was shown in the Fiscal Year 2006-2007 tax levy. Since the revaluation figures increased substantially, a tax decrease was realized. This was a decrease of approximately \$178,437. However, increased debt service for the new Department of Human Services building, the debt service and employee additions associated with the new Law Enforcement Center, and the loss of the County's largest taxpayer resulted in a "hold the line" on a tax decrease and actually increased the tax rate. Development of the Fiscal Year 2008-2009 budget showed a substantial projected increase of \$546,907. This is due to many new subdivision plats being recorded that increased the tax base and a slight increase in the collection percentage for the previous year.

Business-Type Activities

- The Fiscal Year 2008-2009 budgeted revenues and expenditures in the Water Fund, exclusive of capital projects, are expected to stay approximately the same. This situation is due to an overly aggressive projection of Fiscal Year 2006-2007 revenues that were not received.
- Funds have been budgeted to continue to enhance the automated utility meter-reading program. New hand-held meter reading technology, including migrating to radio read meters, will help the County to more efficiently and cost effectively collect the usage data required for the water billing processes. A Request for Proposal (RFP) was postponed during the current fiscal year until a better determination of future revenues could be made to support the predetermined debt service on this type of equipment. The best case assumption for the implementation of this

technology could be in the spring of Fiscal Year 2008-2009. With this technology, a complete change out of all outdated water meters will be performed. Additional funds are budgeted, with a 50%-50% matching local grant, for implementation of a dechlorination process to improve the quality of the drinking water in the County Water System.

- New capital expenditures are being developed to handle increased capacity for new development. A new water tower, as stated above, was completed and put into operation in Fiscal Year 2007-2008 to serve a six hundred (600) home sub-division plus increase capacity and water pressure for other service areas in the northeastern part of the County. The County has implemented a Capital Reserve Fee (Impact Fee) of \$1,500 to \$6,000 for each new home or facility built in the County to offset the cost of infrastructure improvements. A new water treatment facility is in the developmental stage.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Pamlico County Finance Office, 302 Main Street (Post Office Box 776), Bayboro, NC 28515.

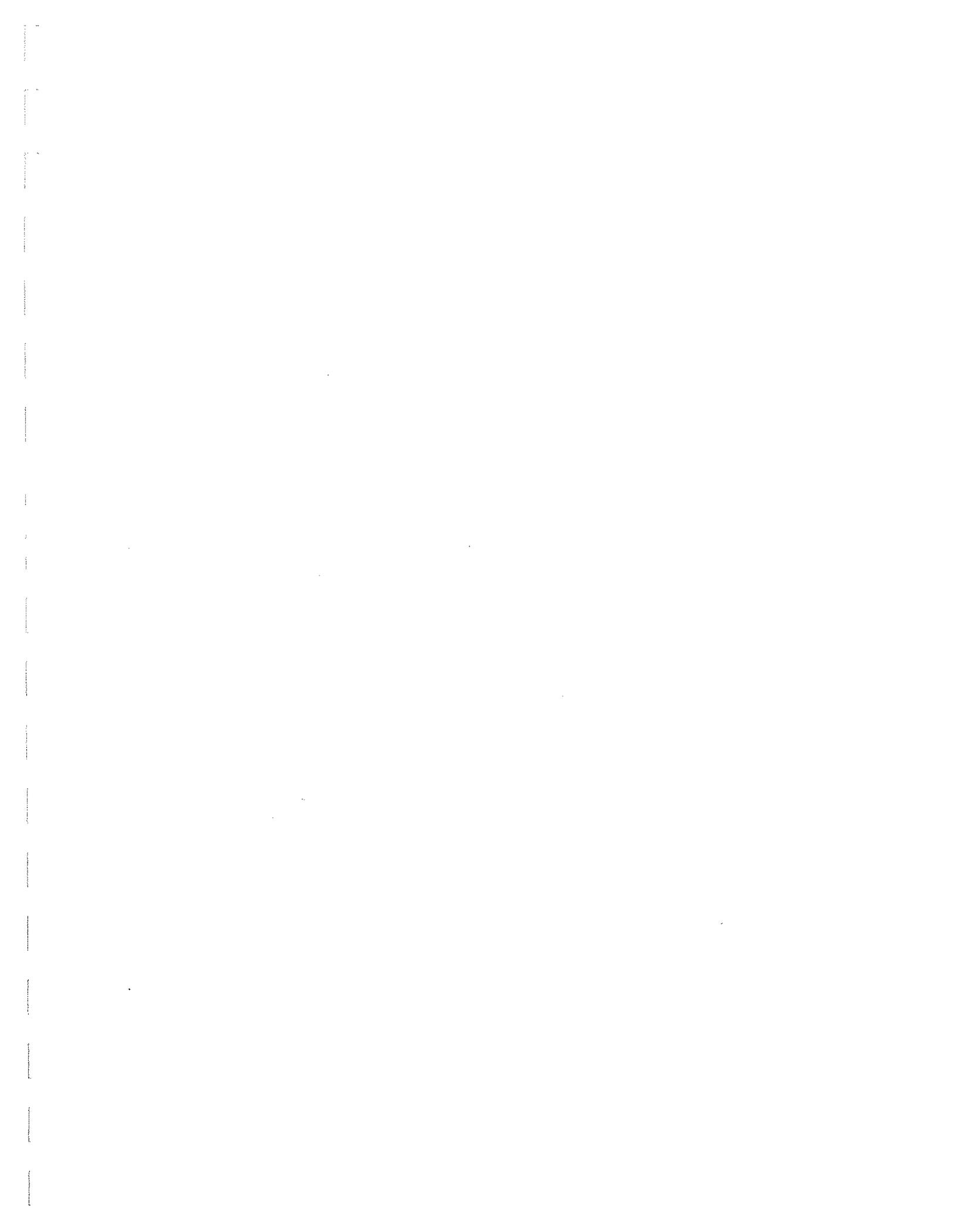
Basic Financial Statements

Pamlico County, North Carolina
Statement of Net Assets
June 30, 2008

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pamlico County ABC Board
ASSETS				
Cash and cash equivalents	\$ 15,082,625	\$ 1,272,519	\$ 16,355,144	\$ 231,571
Receivables (net)	1,849,511	688,166	2,537,677	-
Inventories	-	23,260	23,260	217,558
Prepaid items	12,018	-	12,018	
Due from Bay River Metropolitan Sewer District	1,012,275	-	1,012,275	-
Capital assets:				
Land, improvements, and construction in progress	3,226,514	667,855	3,894,369	36,749
Other capital assets, net of depreciation	12,756,993	8,331,318	21,088,311	107,848
Total capital assets	<u>15,983,507</u>	<u>8,999,173</u>	<u>24,982,680</u>	<u>144,597</u>
Total assets	<u><u>33,939,936</u></u>	<u><u>10,983,118</u></u>	<u><u>44,923,054</u></u>	<u><u>593,726</u></u>
LIABILITIES				
Accounts payable and accrued expenses	3,849,926	21,701	3,871,627	135,738
Unearned revenue	77,178	-	77,178	-
Accrued interest payable	17,850	8,825	26,675	-
Customer deposits	-	32,936	32,936	-
Long-term liabilities:				
Due within one year	1,223,497	276,362	1,499,859	1,500
Due in more than one year	14,544,810	2,305,808	16,850,618	-
Total liabilities	<u>19,713,261</u>	<u>2,645,632</u>	<u>22,358,893</u>	<u>137,238</u>
NET ASSETS				
Invested in capital assets, net of related debt	479,613	6,435,529	6,915,142	143,097
Restricted for:				
Capital Improvements	-	-	-	137,194
Working Capital	-	-	-	34,258
Register of Deeds	33,526	-	33,526	-
Unrestricted (deficit)	13,713,536	1,901,957	15,615,493	141,939
Total net assets	<u><u>\$ 14,226,675</u></u>	<u><u>\$ 8,337,486</u></u>	<u><u>\$ 22,564,161</u></u>	<u><u>\$ 456,488</u></u>

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



Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Pamlico County ABC Board
\$ (1,756,491)	\$ -	\$ (1,756,491)	
(905,550)	-	(905,550)	
(340,189)	-	(340,189)	
584,640	-	584,640	
(2,720,623)	-	(2,720,623)	
(514,056)	-	(514,056)	
(376,643)	-	(376,643)	
(547,924)	-	(547,924)	
<u>\$ (6,576,836)</u>	<u>-</u>	<u>(6,576,836)</u>	
-	361,822	361,822	
-	361,822	361,822	
<u>(6,576,836)</u>	<u>\$ 361,822</u>	<u>\$ (6,215,014)</u>	
			\$ 10,000
			<u>10,000</u>
9,086,300	-	9,086,300	-
2,628,806	-	2,628,806	-
720,234	-	720,234	-
-	-	-	-
450,169	59,495	509,664	-
98,780	-	98,780	-
106,075	(106,075)	-	-
<u>13,090,364</u>	<u>(46,580)</u>	<u>13,043,784</u>	<u>-</u>
6,513,528	315,242	6,828,770	10,000
7,713,147	8,022,244	15,735,391	446,488
<u>\$ 14,226,675</u>	<u>\$ 8,337,486</u>	<u>\$ 22,564,161</u>	<u>\$ 456,488</u>

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

Pamlico County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

Exhibit 3

	Major Funds					Total Governmental Funds
	Law		Cafeteria		Total Non-Major Funds	
	General	Enforcement Center Fund	Capital Reserve Fund	Capital Project Fund		
ASSETS						
Cash and cash equivalents	\$ 6,725,007	\$ -	\$ 5,126,416	\$ 2,015,866	\$ 1,215,336	\$ 15,082,625
Property tax receivable, net	770,211	-	-	-	26,487	796,698
Accounts receivable, net	789,544	-	-	-	149,452	938,996
Due from other funds	149,452	-	-	-	-	149,452
Prepaid items	12,018	-	-	-	-	12,018
Total assets	\$ 8,446,232	\$ -	\$ 5,126,416	\$ 2,015,866	\$ 1,391,275	\$ 16,979,789
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	387,024	1,398,959	-	437,333	1,626,609	3,849,925
Due to other funds	-	-	-	-	149,452	149,452
Unearned revenue	77,178	-	-	-	-	77,178
Deferred revenue	770,211	-	-	-	26,487	796,698
Total liabilities	1,234,413	1,398,959	-	437,333	1,802,548	4,873,253
Fund balances:						
Reserved for:						
State statute	938,996	-	-	-	-	938,996
Register of deeds	-	-	-	-	-	-
Prepays items	12,018	-	-	-	-	12,018
Unreserved, available for appropriation:						
Designated for subsequent years' expenditure	-	-	-	-	-	-
Undesignated	6,260,805	-	-	-	-	6,260,805
Unreserved, reported in:						
Capital project funds	-	(1,398,959)	-	1,578,533	(947,022)	(767,448)
Special revenue funds	-	-	5,126,416	-	535,749	5,662,165
Total fund balances	7,211,819	(1,398,959)	5,126,416	1,578,533	(411,273)	12,106,536
Total liabilities and fund balances	\$ 8,446,232	\$ -	\$ 5,126,416	\$ 2,015,866	\$ 1,391,275	

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

Accrued interest receivable not reported on the fund basis, but reported for full accrual.	113,816
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,983,507
Liabilities for earned but deferred revenues in fund statements.	796,698
Amounts due from Bay River Metropolitan Sewer District for revolving loan not available resource for fund statements, but are recorded in the net asset schedules as a receivable	1,012,275
Some liabilities, including bonds payable, revolving loan, and installment purchases are not due and payable in the current period and therefore are not reported in the funds (Note 3).	(15,786,157)
Net assets of governmental activities	\$ 14,226,675

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

Pamlico County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

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

Net changes in fund balances - total governmental funds	\$ 6,065,224
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,497,054
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	100,026
--	---------

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.	(4,165,447)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>16,671</u>
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Total changes in net assets of governmental activities	<u><u>\$ 6,513,528</u></u>
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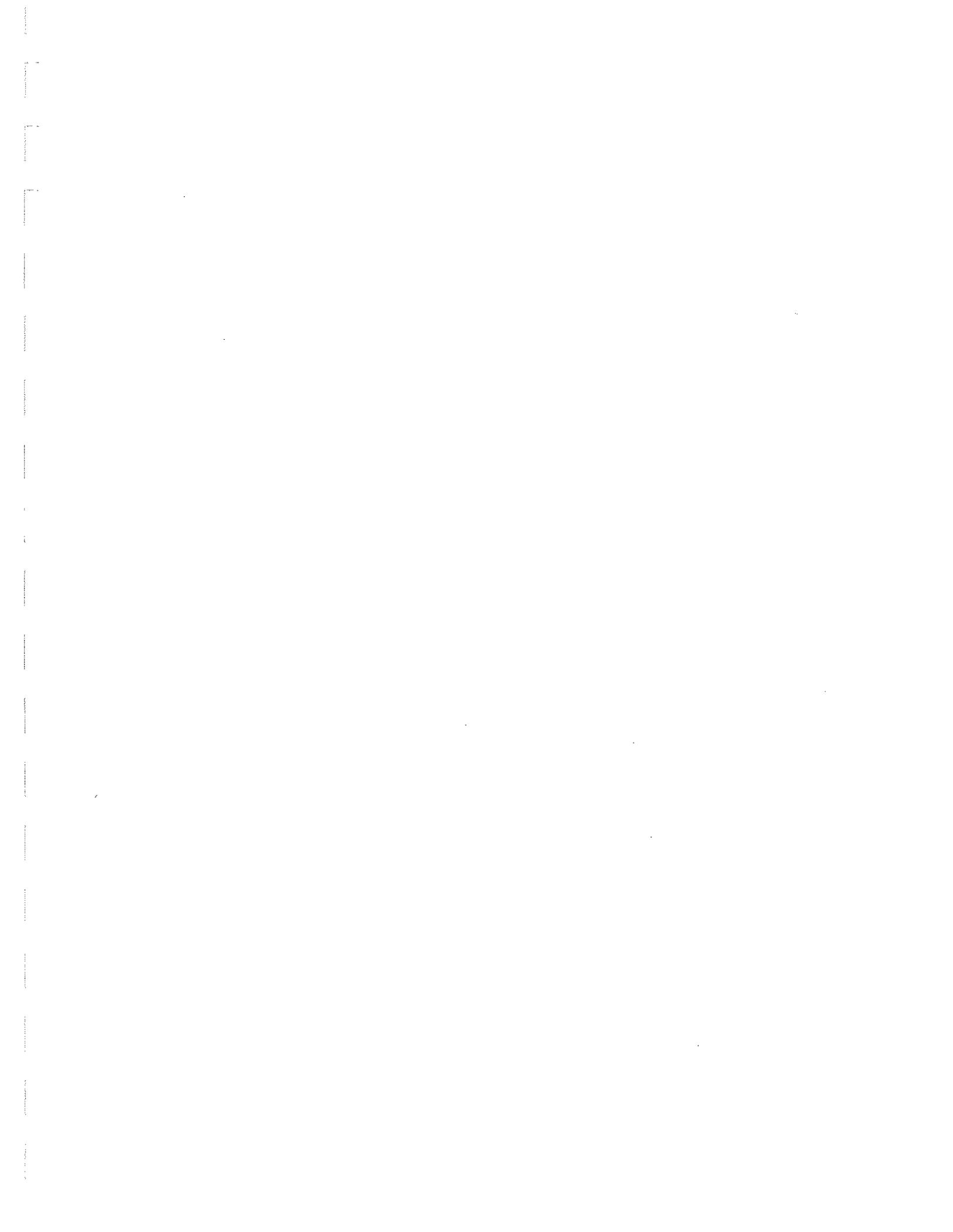
The notes to the financial statements are an integral part of this statement.

Pamlico County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

Exhibit 4

	Major Funds				Total Non-Major Funds	Total Governmental Funds
	Law		Capital Reserve Fund	Cafeteria Capital Project Fund		
	General Fund	Enforcement Center Fund				
REVENUES						
Ad valorem taxes	\$ 8,572,219	\$ -	\$ -	\$ -	\$ 414,055	\$ 8,986,274
Local option sales taxes	2,628,806	-	-	-	-	2,628,806
Other taxes and licenses	704,571	-	-	-	303,582	1,008,153
Unrestricted intergovernmental	38,756	-	-	-	-	38,756
Restricted intergovernmental	3,425,286	-	-	-	1,241,331	4,666,617
Permits and fees	279,955	-	4,159,050	-	-	4,439,005
Sales and services	1,481,704	-	-	-	-	1,481,704
Other revenues	-	50,920	-	-	-	50,920
Investment earnings	356,604	-	-	82,836	10,729	450,169
Miscellaneous	47,860	-	-	-	-	47,860
Total revenues	17,535,761	50,920	4,159,050	82,836	1,969,697	23,798,264
EXPENDITURES						
Current:						
General government	2,410,285	-	-	-	21,452	2,431,737
Public safety	3,282,575	-	-	-	534,765	3,817,340
Environmental protection	417,542	-	-	-	-	417,542
Economic and physical development	-	430,486	-	2,810,726	1,570,160	4,811,372
Health & human services	5,258,352	-	-	-	-	5,258,352
Welfare	498,167	-	-	-	-	498,167
Cultural and recreational	589,308	-	-	-	-	589,308
Intergovernmental:						
Education	3,630,670	-	-	-	-	3,630,670
Debt service:						
Principal	90,566	61,200	-	151,667	351,383	654,816
Interest	104,943	261,250	-	91,910	91,708	549,811
Total expenditures	16,282,408	752,936	-	3,054,303	2,569,468	22,659,115
Excess (deficiency) of revenues over expenditures	1,253,353	(702,016)	4,159,050	(2,971,467)	(599,771)	1,139,149
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	106,075	-	-	-	71,704	177,779
Transfers to other funds	(71,704)	-	-	-	-	(71,704)
Installment Financing	270,000	-	-	4,550,000	-	4,820,000
Total other financing sources and uses	304,371	-	-	4,550,000	71,704	4,926,075
Net change in fund balance	1,557,724	(702,016)	4,159,050	1,578,533	(528,067)	6,065,224
Fund balances-beginning, restated	5,654,095	(696,943)	967,366	-	116,794	6,041,312
Fund balances-ending	\$ 7,211,819	\$ (1,398,959)	\$ 5,126,416	\$ 1,578,533	\$ (411,273)	\$ 12,106,536

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



Capital Reserve Fund			
Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
4,100,000	4,100,000	4,159,050	59,050
-	-	-	-
-	-	-	-
-	-	-	-
<u>4,100,000</u>	<u>4,100,000</u>	<u>4,159,050</u>	<u>59,050</u>
-	-	-	-
-	-	-	-
-	-	-	-
4,100,000	4,100,000	-	4,100,000
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>4,100,000</u>	<u>4,100,000</u>	<u>-</u>	<u>4,100,000</u>
-	-	4,159,050	4,159,050
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>4,159,050</u>	<u>4,159,050</u>
<u>\$ -</u>	<u>\$ -</u>	<u>4,159,050</u>	<u>\$ 4,159,050</u>
		967,366	
		<u>\$ 5,126,416</u>	

Pamlico County, North Carolina
Statement of Net Assets
Proprietary Fund
June 30, 2008

Exhibit 6

		<u>Major</u> <u>Water Fund</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$	1,272,519
Trade Receivables, net		329,329
Other Receivables		358,837
Inventories		23,260
Total Current Assets		<u>1,983,945</u>
Noncurrent Assets:		
Capital Assets:		
Land, Improvements, and Construction in Progress		667,855
Other Capital Assets, Net of Depreciation		<u>8,331,318</u>
Total Capital Assets		<u>8,999,173</u>
Total Noncurrent Assets		<u>8,999,173</u>
Total Assets	\$	<u><u>10,983,118</u></u>
Liabilities and Net Assets		
Liabilities:		
Current Liabilities:		
Accounts Payable & Accrued Expenses	\$	21,701
Accrued Interest Payable		8,825
Customer Deposits		32,936
Compensated Absences Payable		18,526
Long Term Debt - Current Maturities		<u>257,836</u>
Total Current Liabilities		<u>339,824</u>
Noncurrent Liabilities:		
Long Term Debt - Noncurrent Portion		<u>2,305,808</u>
Total Other Liabilities		<u>2,305,808</u>
Total Liabilities		<u>2,645,632</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt		6,435,529
Unrestricted		<u>1,901,957</u>
Total Net Assets		<u>8,337,486</u>

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

Pamlico County, North Carolina
 Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Fund
 For The Fiscal Year Ended June 30, 2008

	Major Water Fund
Operating revenues:	
Charges for Services	\$ 1,433,920
Water Taps	148,409
Other Operating Revenues	33,681
Total Operating Revenues	1,616,010
Operating expenses:	
Water Services	196,110
Water Operations	732,755
Depreciation	260,508
Total operating expenses	1,189,373
Operating Income (Loss)	426,637
Nonoperating Revenues(Expenses):	
Interest Earned on Investments	59,495
Interest Expense	(64,815)
Other Nonoperating Income	
Total Nonoperating Revenue (Expenses)	(5,320)
Income (Loss) Before Contributions and Transfers	421,317
Capital Contribution	
Transfer to General Fund	(106,075)
Change in Net Assets	315,242
Net Assets, beginning	8,022,244
Net Assets, ending	\$ 8,337,486

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

Pamlico County, North Carolina
Statement of Cash Flow
Proprietary Fund
For The Fiscal Year Ended June 30, 2008

Exhibit 8

	Major
	Water Fund
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 1,151,294
Cash Paid for Goods and Services	(1,226,364)
Cash Paid to Employees for Services	(452,759)
Other Operating Receipts	33,681
Net Cash Provided by (Used for) Operating Activities	(494,148)
 Cash Flows from Noncapital Financing Activities:	
Transfers Out	(106,075)
Net Cash Provided by (Used for) Noncapital Financing Activities	(106,075)
 Cash Flows from Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(887,818)
Principal Paid on Bond Maturities and Capital Leases	(234,508)
Interest Paid on Bond\Note Maturities and Capital Leases	(64,815)
Note proceeds	1,060,677
Capital contribution	-
Net Cash Provided (Used for) Capital and Related Financing Activities	(126,464)
 Cash Flows from Investing Activities:	
Interest on investments	59,495
Net Cash Flows from Investing Activities:	59,495
 Net Increase (Decrease) in Cash and Cash Equivalents	(667,192)
 Cash and cash equivalents, beginning	1,939,711
Cash and cash equivalents, ending	\$ 1,272,519

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

Pamlico County, North Carolina
Statement of Cash Flow
Proprietary Fund
For The Fiscal Year Ended June 30, 2008

Exhibit 8

	Major Water Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Activities:	
Operating Income (Loss)	\$ <u>426,637</u>
Adjustments to Reconcile Operating Income to Net Cash Provided	
Operating Activities:	
Depreciation	260,508
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(431,035)
Increase (Decrease) in Accounts Payable & Accrued Liabilities	(753,396)
in Customer Deposits	(11)
in Accrued Vacation Pay	<u>3,149</u>
Total Adjustments	<u>(920,785)</u>
Net Cash Provided by Operating Activities	\$ <u><u>(494,148)</u></u>

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

Pamlico County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

Exhibit 9

	<u>All Agency Funds</u>
Assets	
Current Assets:	
Cash and Investments	\$ 13,094
Total assets	<u>13,094</u>
Liabilities	
Current Liabilities:	
Miscellaneous liabilities	13,094
Total liabilities	<u>\$ 13,094</u>

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

Notes to the Financial Statements

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

I. Summary of Significant Accounting Policies

The accounting policies of Pamlico County, North Carolina (the "County") and its component unit 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 seven-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 entity for which the County is financially accountable. The Pamlico 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 presentations). 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. There are no component units reported on the blended presentation method.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Pamlico County ABC Board	Discrete	The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.	Pamlico County ABC Board PO Box 86 Bayboro, NC 28515

B. Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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. The County of Pamlico has no non-major Enterprise Funds.

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

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

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.

Law Enforcement Center Fund: This fund is used to account for activity related to construction of a new Law Enforcement Center.

School Cafeteria Fund: This fund is used to account for activity related to construction of a new school cafeteria.

Capital Reserve Fund: This fund accounts for the savings for future capital expenditures.

The County reports the following major enterprise funds:

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

The County reports the following non-major special revenue (governmental) funds:

Reappraisal Fund: The County uses this fund to set aside money each year to pay for the revaluation for tax purposes of real property every eight years.

Hurricane Recovery Fund: This fund accounts for the receipt of federal and state funds to be used for repairing homes, providing relocation assistance and debris removal related to Hurricane Isabel.

All Fire Districts Fund: This fund accounts for property and local option sales and use taxes collected by the County and remitted to the fire district.

Enhanced 911 Fund: This fund accounts for the 911 and wireless revenues collected by the telephone industry and expenses related to the 911 emergency systems.

Enhancement Preservation Fund: This fund accounts revenues collected to preserve Pamlico County.

Baird Shores Special Assessment Fund: This fund is used to account for the disbursements of funds and collections of assessments related to street improvements at the Baird shores Subdivision.

CDBG Grant Funds: This fund accounts for the receipt of Community Development Block Grant funds and its restricted use.

The County reports the following non-major capital project (governmental) funds:

Prek-2 Grade School Fund: This fund is used to account for activity related to the construction of a new primary school.

Human Services Building Fund: This fund is a capital project fund used to account for construction of a new Human Service building.

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

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 Fund: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals by court order, the DMV Fund, which accounts 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

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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, Pamlico County is responsible for billing

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

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 2007 to February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes, which are billed during this period, are shown as a receivable on these financial statements.

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

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

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Fire District Special Revenue Funds, the Reappraisal Fund Special Revenue Fund, the Enhanced 911 Fund Special Revenue Fund, the Capital Reserve Special Revenue Fund, and the Water Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances have been adopted for the Baird Shores Special Assessment Fund, the Hurricane Recovery Fund Special Revenue Funds and the CDBG Grant Funds. Project ordinances have also been adopted for the Pamlico County Human Services Building Fund, the Law Enforcement Center Fund, School Cafeteria Fund and the Pre k-2 Fund Capital Project Funds. There are no Capital project funds during the current year, which are consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations of the functional level for all annually budgeted funds and at the object level for multi-year funds. The County Manager is not authorized to transfer any appropriation within a fund. The governing board must approve all amendments. During the year, several 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 Pamlico 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).

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

The County and the ABC Board's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2007. 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. Allowance for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the County and the ABC Board are valued at cost (first in, first out), which approximates market. The County's General Fund maintains no inventory, as expendable supplies are expensed when purchased. The inventory of the County's enterprise fund, as well as those of the Board, consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's Enterprise Fund and that of the ABC Board is recorded as an expense as consumed or sold.

Certain payments to vendors reflect costs applicable to future periods, 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 is \$5,000 for all capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Pamlico County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements have been met. The properties are reflected as

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

capital assets in the financial statements of the Pamlico County Board of Education.

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

Asset	Years
Buildings	50
Improvements	25
Furniture & Equipment	5 to 10
Vehicles	10
Computer Equipment	5

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset	Years
Buildings	30
Furniture & Equipment	7 to 10
Vehicles	3 to 5

8. Long-term Obligations

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

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

9. Compensated Absences

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

The sick leave policy of the County and the ABC Board provides 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 entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

In the governmental fund financial statements, reservations or restrictions of equity represent amounts that are not

PAMLICO COUNTY, NORTH CAROLINA

Notes to the financial statements

For the Fiscal Year Ended June 30, 2008

appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

The governmental fund types classify fund balances as follows:

Reserved

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

Reserved for Inventories - Portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for Prepaid Items - Portion of fund balance not available for appropriation because it represents the year-end fund balance of ending prepaid items which are not expendable for available resources.

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

Unreserved

Designated for Subsequent Year's Expenditures - Portion of total fund balance available for appropriation, which has been designated for the adopted 2008-2009 budget ordinance.

Undesignated - Portion of total fund balance available for appropriation, which is uncommitted at year-end.

E. Reconciliation of Government-wide and Fund Financial Statements

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

The government fund balance sheet included 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 \$2,120,139 consists of several elements as follows:

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

Description	Amount
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 19,210,021
Less accumulated depreciation	<u>(3,226,514)</u>
Net capital assets	15,983,507
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	113,816
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	796,698
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	(14,491,619)
Interest Payable	(17,850)
Compensated absences	(229,056)
Net Pension Obligation	<u>(35,357)</u>
Total adjustment	<u>\$ 2,120,139</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances included a reconciliation between net changes in fund balance-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 \$448,304 as follows:

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

Description	Amount
Capital outlay expenditures in the fund statements but capitalized as assets in the statement of activities	\$ 4,799,137
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.	(302,083)
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 statement.	654,553
New debt issued during the year is recorded as a source of funds in the fund statements; it has no effect on the statement of activities - it only affects the government-wide statement of net assets.	(4,820,000)
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, net pension and prepaids are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	16,671
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Reversal of deferred tax revenue recorded at 7/1/07	(810,488)
Recording of tax receipts deferred in the fund statement as of 6/30/08	910,514
Increase in accrued taxes receivable for year ended 6/30/08	100,026
Total adjustment	\$ 448,304

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

None.

B. Deficit Fund Balance or Net Assets of Individual Funds

The County had a negative fund balance in the Baird Shores Revenue Fund, All Fire District Fund, CDBG Hurricane, CDBG Scattered Site, Law Enforcement Center Fund, Enhancement Preservation Fund, & the School

PAMLICO COUNTY, NORTH CAROLINA

Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

School Facilities Capital Project at June 30, 2008. The County has assessed these as temporary cash shortfalls and will correct during the year June 30, 2009.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County and 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, 2008, the County's deposits had a carrying amount of \$9,463,779 and a bank balance of \$9,759,085. Of the bank balance, \$200,000 was covered by federal depository insurance, the remaining amount was covered by collateral and held under the Pooling Method.

At June 30, 2008, the carry amount of deposits for Pamlico County ABC Board was \$228,821 and the bank balance was \$229,223. Of the bank balance, \$133,127 was covered by federal depository insurance and \$96,096 was collateralized under the Pooling Method. Cash on hand was \$2,750.

2. Investments

At June 30, 2008, Pamlico County had \$6,904,459 invested with 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 regarding credit risk.

At June 30, 2008, the ABC Board had no money in the above type 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

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

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
2005	372,262	85,610	457,872
2006	369,645	54,528	424,173
2007	348,797	20,056	368,853
Total	<u>\$ 1,090,704</u>	<u>\$ 160,194</u>	<u>\$ 1,250,898</u>

4. Receivables

Receivables at the government-wide level at June 30, 2008, were as follows:

	Accounts	Taxes & Related Accrued		Due From Other		Total
		Interest	Governments	Other	Other	
Governmental Activities:						
General	\$ 398,863	\$ 983,723	\$ 530,986	\$ -	-	\$ 1,913,572
Other Governmental	149,452	26,487	-	-	-	175,939
Total Receivables	548,315	1,010,210	530,986	-	-	2,089,511
Allowance for Doubt Accounts	-	(240,000)	-	-	-	(240,000)
Total Governmental Activities	<u>\$ 548,315</u>	<u>\$ 770,210</u>	<u>\$ 530,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,849,511</u>
Business-Type Activities						
Water Fund	\$ 688,166	\$ -	\$ -	\$ -	\$ -	\$ 688,166
Allowance for Doubtful Accounts	-	-	-	-	-	-
Total Business-Type Activities	<u>\$ 688,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 688,166</u>

The County also has recorded an amount due from Bay River Metropolitan Sewer District (BRMSD) for \$1,012,275, at June 30, 2008, which represents the outstanding amount for the Revolving Loan debt due to the State of North Carolina, which is recorded on the County's books. Per the inter-local agreement, this debt is allocable to the Sewer District and the District is responsible for making the payments. The County acts as a pass through entity for this debt, and accordingly, has recorded both the liability due to the State and the asset, due from BRMSD, in the accompanying financial statements (see note III (B) 6).

5. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

Primary Government

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

	Beginning Balances	Adjustments	Increases	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 415,841	\$ -	\$ -	\$ -	\$ 415,841
Construction in progress	6,491,198	-	2,810,673	6,491,198	2,810,673
Total capital assets not being depreciated	<u>6,907,039</u>	-	<u>2,810,673</u>	<u>6,491,198</u>	<u>3,226,514</u>
Capital assets being depreciated:					
Buildings	4,397,973	-	7,719,378	-	12,117,351
Equipment and Vehicles	3,368,356	-	760,284	-	4,128,640
Total capital assets being depreciated	<u>7,766,329</u>	-	<u>8,479,662</u>	-	<u>16,245,991</u>
Less accumulated depreciation:					
Buildings	809,004	-	100,276	-	909,280
Other Improvements	-	-	1,547	-	1,547
Equipment and Vehicles	2,377,911	-	200,260	-	2,578,171
Total accumulated depreciation	<u>3,186,915</u>	<u>\$ -</u>	<u>\$ 302,083</u>	<u>\$ -</u>	<u>3,488,998</u>
Total capital assets being depreciated, Net	<u>4,579,414</u>				<u>12,756,993</u>
Governmental activity capital assets, Net	<u>\$ 11,486,453</u>				<u>\$ 15,983,507</u>

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

General government	\$ 49,807
Public safety	122,309
Environmental protection	20,235
Economic and physical development	694
Cultural & recreation	7,596
Human services	<u>101,442</u>
Total depreciation expense	<u>\$ 302,083</u>

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

A summary of the capital activity of the Enterprise Fund is as follows:

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Business-type activities:					
Pamlico County Water Fund:					
Capital assets not being depreciated:					
Construction in Progress	\$ 259,074	-	\$ 363,671	-	\$ 622,745
Land	45,110	-	-	-	45,110
Total capital assets not being depreciated	<u>304,184</u>	<u>-</u>	<u>363,671</u>	<u>-</u>	<u>667,855</u>
Capital assets being depreciated:					
Buildings	4,054,582	-	-	-	4,054,582
Plant and distribution	9,105,369	-	443,860	-	9,549,229
Machinery and Equipment	48,746	-	63,596	-	112,342
Vehicles	277,919	-	16,691	-	294,610
Total capital assets being depreciated	<u>13,486,616</u>	<u>-</u>	<u>524,147</u>	<u>-</u>	<u>14,010,763</u>
Less accumulated depreciation for:					
Buildings	2,283,298	-	108,322	-	2,391,620
Plant and distribution	2,975,076	-	133,283	-	3,108,359
Machinery and Equipment	23,561	-	9,340	-	32,901
Vehicles	137,002	-	9,563	-	146,565
Total accumulated depreciation	<u>5,418,937</u>	<u>-</u>	<u>\$ 260,508</u>	<u>\$ -</u>	<u>5,679,445</u>
Total capital assets being depreciated, net	<u>8,067,679</u>	<u>-</u>	<u>263,139</u>	<u>-</u>	<u>8,330,818</u>
Enterprise Water Fund capital assets, net	<u>8,371,863</u>	<u>-</u>	<u>263,139</u>	<u>-</u>	<u>8,635,002</u>
Business-type activities capital assets, net	<u>\$ 8,371,863</u>	<u>-</u>	<u>263,139</u>	<u>-</u>	<u>\$ 8,635,002</u>

Construction commitments

The County has one active construction project as of June 30, 2008. The project is the construction of a School Cafeteria. At June 30, 2008, the County's construction and design commitments that existed with vendors were as follows:

Project	Spent to Date	Remaining Commitment
Pamlico High School Cafeteria \$	3,054,303	940,697

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2008, was as follows:

PAMLICO COUNTY, NORTH CAROLINA

Notes to the financial statements

For the Fiscal Year Ended June 30, 2008

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 36,749	\$ -	\$ -	\$ 36,749
Total capital assets not being depreciated	36,749	-	-	36,749
Capital assets being depreciated:				
Buildings	299,335	-	-	299,335
Furniture & Equipment	60,940	7,788	-	68,728
Total capital assets being depreciated	360,275	7,788	-	368,063
Less accumulated depreciation for:				
Buildings	208,939	9,672	-	218,611
Furniture & Equipment	38,316	3,288	-	41,604
Total accumulated depreciation	247,255	\$ 12,960	\$ -	\$ 260,215
Total capital assets being depreciated, net	113,020			107,848
Total capital assets	\$ 149,769			144,597

B. Liabilities

1. Payables

Payables at the government-wide level, at June 30, 2008, were as follows :

	Vendors	Salaries and Benefits	Others	Total
Governmental Activities:				
General	\$ 285,411	\$ 101,614	\$ -	\$ 387,025
Other Governmental	3,462,901	-	-	3,462,901
Total-governmental activities	3,748,312	101,614	-	3,849,926
Business-type Activities				
Water Fund	21,701	-	-	21,701
Total - business-type activities	\$ 21,701	\$ -	\$ -	\$ 21,701

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description – Pamlico County and the ABC Board contributes to the statewide Local Government Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS's 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,

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

or by calling (919)-981-5454.

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.96% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of Pamlico 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, 2008, 2007, and 2006 were \$206,229, \$189,142 and \$184,245, respectively. The ABC board does not participate in the above plan. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

- (1) Plan Description - Pamlico 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 provision to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2007, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	1
Terminated Plan Members Entitled to, But Not Yet Receiving Benefits	-
Active Plan Members	13
Total	<u>14</u>

(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 cost. 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. For the current year, the County contributed \$14,465 or 0.85% of annual covered payroll. 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, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

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

Annual Required Contribution	\$	14,112
Interest on Net Pension Obligation		2,317
Adjustment to Annual Required Contribution		(1,964)
Annual Pension Cost	\$	14,465
Contributions Made		11,071
Increase (Decrease) in Net Pension Obligation		3,394
Net Pension Obligation-Beginning of Year		31,963
Net Pension Obligation-End of Year	\$	35,357

3 Year Trend Information

For Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 13,160	84.13%	\$ 30,585
2007	\$ 12,449	88.93%	\$ 31,963
2008	\$ 14,465	76.54%	\$ 35,357

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.

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, 2008 were \$204,205, which consisted of \$131,659 from the County and \$72,546 from the law enforcement officers.

d. Register of Deeds' Supplemental Pension Fund

Plan Description - Pamlico County also contributes to the Register 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 county register of deeds that 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.

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 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the Fiscal year ended June 30, 2008, the County's required and actual contributions were \$4,172.

e. Other Employment Benefits-Pamlico County

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,

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

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.

3. Deferred/ Unearned Revenues

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

	Unearned or Deferred Revenue
Taxes receivable, net (General)	\$ 770,211
Taxes receivable, net (Special revenue)	26,487
Total	\$ 796,698

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions injuries to employees; and natural disasters.

The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. These pools provide property insurance coverage of \$10.5 million per occurrence, general liability coverage of \$2 million per occurrence, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for general liability coverage.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years. The County carries flood insurance in the amounts of \$50,000 for contents and \$500,000 for property through a private insurer. The finance officer and tax collector are individually bonded for \$50,000 and \$50,000, respectively.

Pamlico 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.

5. Contingent Liabilities

At June 30, 2008, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

PAMLICO COUNTY, NORTH CAROLINA

Notes to the financial statements

For the Fiscal Year Ended June 30, 2008

6. Long-term Obligations

Serviced by the General Fund:

a. Notes Payable/Installment Obligations

Installment Purchase Contract – Norris Building: The County is financing the purchase of a building through a purchase contract. The interest rate is 4.75% for years one through five, 5.13% for years six through ten, and 5.33% for years eleven through fifteen. Interest is calculated and imposed on the unpaid balance of the purchase price. The obligation is due in annual installments of principal and interest in the amount of \$14,682 each until paid in full. The balance of the installment purchase contract at June 30, 2008 is \$75,075.

Installment Purchase Contract – Register of Deeds Automated System: The County is financing the purchase of a Register of Deeds Automated System through an installment loan purchase contract. The installment purchase contract has a face amount approximating \$55,653. The interest rate is approximated at 7% per annum. Interest is calculated and imposed on the unpaid balance of the purchase price. The obligation is due in annual installments of principal and interest in the amount of \$12,574. The balance of this installment purchase contract at June 30, 2008 is \$45,316.

Revolving Loan – Sewer System Improvements: In 1995, the County undertook a Sewer System Improvement project. In 1999, the County obtained a Revolving Loan from the State Department of Environment and Natural Resources to help finance the construction of these sewer system improvements and in 2000, the County transferred the assets and liabilities of this project to the Bay River Metropolitan Sewer District (BRMSD). As part of this inter-local agreement, the BRMSD assumed responsibility to pay the principal and interest related to this loan, directly to the State, from revenues derived from the Sewer System. Although the County does not physically make payments on this debt, since the debt was obtained in the County's name, and balances are still outstanding on this note at June 30, 2007, the debt amount is recorded in the County's financial statements as the liability, as the legal requirement for payment of this loan ultimately lies with the County. An offsetting receivable is recorded in the same amount, due from BRMSD in the accompanying financial statements, to report the asset for the monies owed by the BRMSD to the County related to this obligation, in accordance with the Inter-local agreement entered into in 1995. The obligation is due to the state in bi-annual installments of interest, computed on the outstanding balances, and annual principal installments in the amount of \$92,025. The revolving loan has an original face amount of \$1,840,000 and carries an annual interest rate of 3.035%. The amount outstanding at December 31, 2008 is \$1,012,275.

Installment Purchase Contract – Police Vehicles: The County is financing two police vehicle by installment purchase contract. The interest rate is 3.84% per annum. The obligation is payable in three annual payments of principal and interest in the amount of \$12,574 until paid in full. The balance of this installment purchase contract at June 30, 2008 is \$23,770.

Installment Purchase Contract – Police Vehicles: The County is financing police vehicles (3) by installment purchase contract with an original amount of \$61,936. The interest rate is 3.96% per annum. The obligation is payable in three annual payments of principal and interest in the amount of \$22,302 until paid in full. The balance of this installment purchase contract at June 30, 2008 is \$21,452.

Installment Purchase Contract – School Project Fund: The County is financing the construction of the Pamlico County primary school and related improvements through an installment purchase contract in the face amount of \$4,000,000. The installment purchase contract bears an interest rate of 5.62% and has a balance of \$1,438,385 as of June 30, 2008. The property is in the County's name for collateral purposes until the debt is repaid, after which the property title will be conveyed to the school district. The property is reported in the schools' combined balance sheet and not the County's.

Installment Purchase Contract – School Cafeteria Project Fund: The County is financing the construction of the Pamlico County High School Cafeteria and related improvements through an installment purchase contract in the face

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

amount of \$4,550,000. The installment purchase contract bears an interest rate of 5.62% and has a balance of \$4,398,333 as of June 30, 2008. The property is in the County's name for collateral purposes until the debt is repaid, after which the property title will be conveyed to the school district. The property is reported in the schools' combined balance sheet and not the County's.

Installment Purchase Contract – USDA Human Service Building: The County entered into a financing agreement for payment on a Human Service Building in the amount of \$2,306,800. The agreement bears an interest rate of 4.125%. The obligation is payable in yearly installments of \$118,731 over forty years. The balance of this installment purchase contract at June 30, 2008 is \$2,283,134.

Installment Contract – Equipment and Vehicles: The County is financing vehicles and equipment by installment purchase contract with an original amount of \$270,000. The interest rate is 3.48% per annum. The obligation is payable in three annual payments of principal and interest in the amount of \$96,335 until paid in full. The balance of this installment purchase contract at June 30, 2008 is \$270,000.

Installment Purchase Contract – USDA Law Enforcement Center: The County entered into a financing agreement for payment on a Law Enforcement Center in the amount of \$6,000,000. The agreement bears an interest rate varying between 4.250% and 4.375%. The obligation is payable in yearly installments of \$322,450 over forty years. The balance of this installment purchase contract at June 30, 2008 is \$5,936,003.

Governmental fund installment purchase contract and revolving loan required payments for each of the next five years and the aggregate of payments thereafter are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 994,441	\$ 649,013	\$ 1,643,454
2010	1,002,218	603,838	1,606,056
2011	1,021,473	557,185	1,578,658
2012	786,443	509,613	1,296,056
2013	513,503	483,234	996,737
2014-2018	2,585,312	2,112,511	4,697,823
2019-2023	2,190,198	1,613,391	3,803,589
2024-2028	904,597	1,301,309	2,205,906
2029-2033	903,343	889,756	1,793,099
2034-2038	1,406,429	948,027	2,354,456
2039-2043	1,655,556	550,350	2,205,906
2044-2049	1,540,381	165,546	1,705,927
Total	<u>\$ 15,503,894</u>	<u>\$ 10,383,773</u>	<u>\$ 15,622,373</u>

Serviced by the Water Fund:

Installment Purchase Contract – Water Tower & Improvements: The County Water Department financed the construction of a water tower and system improvements in the Kershaw Community through an installment purchase contract. Semi-annual payments of \$67,025 include interest. The installment purchase contract bears an interest rate of 3.41% and has a balance of \$65,903 as of June 30, 2008.

Installment Purchase Contract – Southeast Water Tower: The County Water Department financed the construction of a water tower through an installment purchase contract. Annual payments of \$112,385 include interest. The installment purchase contract bears an interest rate of 2.305% and has a balance of \$1,411,742 as of June 30, 2008.

Enterprise fund installment payments for each of the next five years and aggregate of payments thereafter are as follows:

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

Year Ending June 30,	Principal	Interest	Total
2009	\$ 145,836	\$ 33,575	\$ 179,411
2010	81,687	30,698	112,385
2011	83,570	28,815	112,385
2012	85,496	26,889	112,385
2013	87,467	24,918	112,385
2014-2018	468,523	93,405	561,928
2019-2023	525,066	36,859	561,925
Total	<u>\$ 1,477,645</u>	<u>\$ 275,159</u>	<u>\$ 1,752,804</u>

ABC Board:

Installment Purchase Contract – Carolina Data Systems: The ABC Board entered into a financing contract with Carolina Data Systems on August 10, 2006 for the balance of the purchase price of new cash registers, a computer and new credit card machines. The contract called for \$12,000 down and the remaining \$12,000 to be paid \$500 per month over the next 24 months at zero interest. The final payment is due September 2008.

Future minimum payments as of June 30, 2008, are:

June 30, 2009	\$ <u>1,500</u>
Total	\$ <u>1,500</u>

b. General Obligation Indebtedness

Serviced by the County's Water Fund

Bonds payable serviced by the enterprise fund but backed by the full faith and credit of the County consist of the following:

General obligation bonds, issued in 1979, bear an interest rate of 5%. Principal is paid in varying annual installments to allow retirement of the bonds in 2018. Principal payments for the year ending June 30, 2008 were \$101,000. Principal balance at June 30, 2008 is \$1,086,000.

Enterprise fund bond payments for each of the next five years and the aggregate of payments thereafter are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 112,000	\$ 54,300	\$ 166,300
2010	116,000	48,700	164,700
2011	116,000	42,900	158,900
2012	116,000	347,000	463,000
2013	116,000	31,300	147,300
2014-2018	510,000	69,500	579,500
Total	<u>\$ 1,086,000</u>	<u>\$ 593,700</u>	<u>\$ 1,679,700</u>

At June 30, 2008, Pamlico County had a legal debt margin of \$89,430,322.

c. Long-term Obligation Activity

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2008:

	Balance 07/01/07	Additions	Retirements	Balance 6/30/2008	Current Portion of Balance
Governmental Activities:					
Installment Purchases	\$ 10,326,172	\$ 4,820,000	\$ (654,553)	\$ 14,491,619	\$ 902,416
Revolving Loan	1,104,300	-	(92,025)	1,012,275	92,025
Compensated Absences	246,971	84,712	(102,627)	229,056	229,056
Net Pension Obligation	31,963	3,394	-	35,357	-
Total	\$ 11,709,406	\$ 4,908,106	\$ (849,205)	\$ 15,768,307	\$ 1,223,497

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion of Balance
Business Type Activities:					
Installment Purchases	\$ 545,476	\$ 1,060,677	\$ (128,508)	\$ 1,477,645	\$ 145,836
General Obligation Bonds	1,192,000	-	(106,000)	1,086,000	112,000
Compensated Absences	15,377	4,333	(1,184)	18,526	18,526
Total	\$ 1,752,853	\$ 1,065,010	\$ (235,692)	\$ 2,582,171	\$ 276,362

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

C. Interfund Balances and Activity

Transfers From/To Other Funds at June 30, 2008
consists of the following:

From the Water fund to the General fund to supplement other funding sources	\$ 106,075
	<u>\$ 106,075</u>

Interfund balances	
Special revenue fund-Baird Shores Special Assessment Fund owes the General fund	\$ 149,452

This was created to finance street improvements within the community and is being repaid as the assessment is collected

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

IV. Joint Ventures

The County, in conjunction with Carteret County and Craven County, participates in the Coastal Regional Solid Waste Management Authority. Pamlico County appoints two members of the seven-member board. The Authority is a joint venture established to provide solid waste management within these counties. The County has an ongoing financial responsibility for the Authority because it and the other counties are legally obligated under the intergovernmental agreement that created the Authority to honor any deficiencies in the event that proceeds from other sources are insufficient. The County did not contribute any funds to the Authority during the fiscal year ended June 30, 2008. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2008. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 7400 Old Highway 70 West, P.O. Box 128, Cove City, North Carolina 28560.

The County, in conjunction with Jones, Carteret and Craven Counties, participates in a joint venture to operate Neuse Center for Mental Health, Mental Retardation, and Substance Abuse Services. One commissioner from each County serves on the board of twenty members. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' funding in conjunction with funding from the state of North Carolina. None of the participating governments have any equity interest in the Center, therefore, no equity interest has been reflected in the financial statements at June 30, 2008. Money received from the ABC Board designated for alcohol education is passed through to the Center. Complete financial statements for the Center can be obtained from the Center's administrative offices at 800 Cardinal Road, New Bern, North Carolina 28560.

The County, in conjunction with the State of North Carolina and the Pamlico County Community College trustees, participates in a joint venture to operate Pamlico County Community College. The County appoints four members of the twelve-member board of trustees of the community college. The college is included as a component unit of the State of North Carolina. The County has an on going financial responsibility for providing funding for the facilities of the community college and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College's facilities. The County contributed \$554,260 to the Community College during the fiscal year ended June 30, 2008. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements at June 30, 2008. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at Highway 306 South, Grantsboro, North Carolina 28529.

V. Jointly Governed Organization

Global TransPark Development Commission: The County, in conjunction with twelve other counties, governs the Global TransPark Development Commission. Its purpose is to allow participating counties, including Pamlico County, which have the potential to derive direct economic benefit from the North Carolina Global TransPark, to create a special economic development district known as the Global TransPark Development Zone. The Commission's primary responsibility is to promote economic development within the territorial jurisdiction of the Zone by fostering development projects to provide land, buildings, facilities, programs, information and data systems, and infrastructure requirements for business and industry in the Global TransPark Development Zone.

The Commission is governed by a forty-five voting members, consisting of three members from Pamlico County and each of the twelve other participating counties, two members appointed by the Global TransPark authority, and one member appointed from each of the following organizations: North Carolina State Board of Community Colleges, North Carolina Ports Authority, East Carolina University, and, the Global TransPark Foundation. The voting members from each of the counties are appointed by the Board of County Commissioners of the respective counties. The Commission is responsible for a nonexpendable trust fund consisting of an initial State appropriation of \$7.5 million and 85% of the quarterly distributions of the five dollar motor vehicle license fee collected by the North Carolina Department of Transportation. The motor vehicle tax was adopted by the legislature and the participating counties and will be collected for a period of five years. The principal balance of the trust funds is nonexpendable and will revolve as loans are made and repaid to the Commission. At June 30, 2008, the portion of the trust available to be loaned exclusively to Pamlico County was \$773,592.

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

Craven-Pamlico-Carteret Regional Library: The County, in conjunction with two other counties, governs the operations of the Craven-Pamlico-Carteret Regional Library. Each of the participating governments appoints three board members to the nine-member board. The County has no ongoing financial responsibility for the operations because the library's continued existence depends on the State of North Carolina's continued funding.

On October 23, 1995 the Bay River Metropolitan Sewer District, the Town of Oriental and Pamlico County entered into an inter-local agreement which provides, among other things, that the District will lease (and ultimately own) and operate the Town of Oriental Sewer System, the District will expand geographically to include the Town of Oriental, and the County will contribute certain loan and grant funds to a project for the construction of a regional sewer system in Pamlico County that the District will ultimately own and operate. This project was completed and the assets were transferred to the sewer district during a prior fiscal year.

In conjunction with this agreement, the Town of Oriental transferred its sewer system to Pamlico County in exchange for the County assuming the Town's debt. The County subsequently leased the system to the District whereby the system and the related debt was transferred to the District at the end of the lease and therefore qualified as a direct financing lease for accounting purposes. In addition, the County had an ongoing project to construct a regional sewer system with private and government grant funds whereby, upon completion, the assets were donated to the District, and the District assumed liability for payment of the revolving loan proceeds received from the State used to finance the project, in the amount of \$1,840,500. Both the agreement and the project were completed during a prior fiscal year and the respective assets were transferred to the Bay River Metropolitan Sewer District. As the revolving loan debt was received by the County, and the debt is still outstanding, the County has reported the liability for this loan in the accompanying financial statements. The County has also recorded corresponding assets – due from Bay River Metropolitan Sewer District – in the same amount, which represents the outstanding loan due to the State at June 30, 2008, as the District assumed liability for payment of this loan, in accordance with the above mentioned inter-local agreement.

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
Medicaid	\$ 11,294,859	\$ 5,961,628
Food Stamp Program	1,333,221	-
Temporary Assistance to Needy Families	151,583	-
Energy Assistance	24,587	-
Adoption Assistance	16,246	4,537
Title IV-E, Foster Care	76,813	29,343
WIC	224,711	-
CWS Adoption	-	10,680
Special Assitance to Age/Disabled	-	96,127
State Foster Home	-	13,832
Total	<u>\$ 13,122,020</u>	<u>\$ 6,116,147</u>

VII. Summary Disclosure of Significant Commitments and Contingencies

The County is routinely involved in certain lawsuits related to the normal operations of the County. No amounts have been recorded in the financial statements for these contingencies as none of the issues presently outstanding can be determined with any degree of certainty as to the amount of potential damages the County could incur not covered by insurance and/or the actual determination as to any County liability related to these claims has not been determined.

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 monies to

PAMLICO COUNTY, NORTH CAROLINA
Notes to the financial statements
For the Fiscal Year Ended June 30, 2008

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 monies.

Additionally, the County entered into a grant agreement with the Clean Water Management Trust Fund (CWMTF) in the past related to sewer expansion projects. Pamlico County then assigned the assets and the grant to the Bay River Metropolitan Sewer District (BRMSD), with approval of the CWMTF. This agreement contained a provision that no pollution credits could be sold to third parties, without the approval of the CWMTF. Subsequent to year-end, it appears that the District sold some of these credits to a statutory town under the control of another department within the State. It appears that the County may be liable for repayment of the monies should the Department that provided the financing enforce this provision. It also appears that the County would have recourse against the BRMSD for this same amount, as the District received the proceeds from this sale, and appears to also be bound to the grant and loan stipulations related to this issue. At this time, the County, due to the complexity of this issue, cannot compute an amount that may become due and payable, as legal counsel is unable to determine if any such liability is likely to be determined against the County. Additionally, the County may have offsetting recourses in the amount of any potential liability. Accordingly, no provision for any liability for this issue is included in the accompanying financial statements.

Restatement of Net Assets

Net assets have been restated at June 30, 2008 by \$316,160 in the governmental activities to reflect a comprehensive asset examination. This resulted in several assets being deleted from the balance sheet.

Supplementary Statements

The section contains additional statements required by the Local Government Commission
in North Carolina.

Pamlico County, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress
June 30, 2008

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)
31-Dec-99	-	29,038	29,038	0.0%	320,773	9.05%
31-Dec-00	-	56,318	56,318	0.0%	322,026	17.49%
31-Dec-01	-	66,614	66,614	0.0%	323,262	20.61%
31-Dec-02	-	104,699	104,699	0.0%	319,865	32.73%
31-Dec-03	-	107,953	107,953	0.0%	310,853	34.73%
31-Dec-04	-	111,670	111,670	0.0%	348,106	32.08%
31-Dec-05	-	103,164	103,164	0.0%	402,867	25.61%
31-Dec-06	-	112,411	112,411	0.0%	477,343	23.55%
31-Dec-07	-	104,909	104,909	0.0%	457,115	22.95%

Pamlico County, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions
June 30, 2008

<u>Year Ended</u> <u>June 30,</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
1999	4,452	0.00%
2000	4,563	0.00%
2001	5,379	0.00%
2002	9,682	0.00%
2003	11,210	0.00%
2004	11,590	0.00%
2005	12,731	0.00%
2006	12,062	0.00%
2007	12,449	0.00%
2008	14,112	0.00%

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	December 31, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	23 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	4.5%-12.3%
Includes Inflation at	3.75%
Cost of Living Adjustments	N/A

Pamlico County, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes:			
Taxes	\$	\$ 8,445,437	\$
Penalties and Interest		126,782	
Total	<u>8,449,689</u>	<u>8,572,219</u>	<u>122,530</u>
Local Option Sales Taxes:			
Article 39 One Percent		829,990	
Article 40 One - Half of One Percent		669,364	
Article 42 One - Half of One Percent		666,327	
Article 44 One - Half of One Percent		463,125	
Total	<u>3,402,394</u>	<u>2,628,806</u>	<u>(773,588)</u>
Other Taxes and Licenses:			
Documentary stamps		141,291	
Scrap tire disposal tax		14,443	
White goods disposal tax		5,238	
Medicaid hold harmless		359,023	
Licenses		3,200	
Facility fees		20,847	
Refunds		160,335	
Miscellaneous		194	
Total	<u>406,700</u>	<u>704,571</u>	<u>297,871</u>
Unrestricted Intergovernmental:			
Beer and wine tax		37,948	
Controlled substance tax		808	
Total	<u>43,200</u>	<u>38,756</u>	<u>(4,444)</u>
Restricted Intergovernmental:			
State and Federal Grants		3,351,602	
ABC Tax/Distribution		73,684	
Total	<u>3,595,643</u>	<u>3,425,286</u>	<u>(170,357)</u>
Permits and Fees:			
Building Permits and Inspection Fees		183,374	
Register of Deeds		95,206	
Other		1,375	
Total	<u>341,600</u>	<u>279,955</u>	<u>(61,645)</u>

Pamlico County, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Sales and Services:			
Rent and Concessions		77,397	
Recreation revenue		38,538	
Recycling fees		26,223	
Environmental Health Fees		127,387	
Patient fees - Nursing home & Health Dept.		44,767	
School resource officer		38,557	
Reproduction fees		6,543	
Franchise fees		3,898	
Sheriff/Jail fees		1,073,957	
Senior services fees		40,819	
Other		3,618	
Total	1,578,790	1,481,704	(97,086)
Investment Earnings	365,000	356,604	(8,396)
Miscellaneous:			
Sale of Assets/Insurance Claims		21,099	
Miscellaneous		26,761	
Total	101,764	47,860	(53,904)
TOTAL REVENUES	18,284,780	17,535,761	(749,019)
Expenditures:			
General Government:			
Governing body		447,815	
County manager		161,213	
Personnel		133,164	
Finance		264,875	
Tax listing		473,254	
Data procesing		37,295	
Register of deeds		147,995	
Public buildings		404,682	
Elections		111,674	
Planning		85,121	
Planning board		32,271	
Soil conservation district tech.		43,330	
Soil conservation office assistant		67,596	
Total general government	2,646,538	2,410,285	236,253

Pamlico County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Public Safety:			
Sheriff		1,042,462	
Jail		1,572,588	
Criminal justice partnership		32,867	
Homeland security		33,577	
Emergency management		67,566	
Fire protection		64,148	
Inspections		168,287	
Ambulance/Rescue service		220,000	
Animal control		74,080	
Medical examiner		7,000	
Total	3,385,012	3,282,575	102,437
Health and Public Assistance:			
Health department		169,451	
Neuse center		43,795	
Communicable disease/immunizations		36,980	
Environmental health		156,711	
Women's and children's health		333,140	
Aids control		15,145	
Chore in home services		1,849	
Social services		2,292,371	
Family violence/Intervention programs		9,677	
Jobs program		18,142	
Mosquito control		37,225	
School nurse initiative		100,000	
Medicaid transportation		138,057	
Special assistance aged/disabled		102,294	
Foster care/Adoption assistance		78,797	
Medicaid payment to State		780,167	
Other health and public assistance		304,100	
Day Care social services		640,451	
Total Health and Public Assistance	5,652,205	5,258,352	393,853
Welfare:			
Senior services		224,647	
Senior service operations		7,611	
ECC Health promotion		4,220	
ECC Nutrition program		82,435	
ECC Medication/Disease management		12,957	
ECC Family caregiver program		9,746	
Veterans services		14,967	

Pamlico County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Small home repair		5,455	
Care management		23,345	
CAP - Division of Aging		112,784	
Total Welfare	<u>578,824</u>	<u>498,167</u>	<u>80,657</u>
Cultural and Recreational:			
Recreation		396,042	
Library		129,000	
Forest service		64,266	
Total Cultural and Recreational	<u>707,964</u>	<u>589,308</u>	<u>118,656</u>
Environmental protection:			
Landfill monitoring		8,003	
Recycling		409,539	
	<u>437,998</u>	<u>417,542</u>	<u>20,456</u>
Education:			
Cooperative extension		88,186	
DJJP services		66,948	
Craven evaluation and training		1,000	
Public Schools:			
Current Expense		2,530,276	
Capital Outlay		400,000	
Community Colleges:			
Current Expense		497,670	
Capital Outlay		46,590	
Total Education	<u>3,651,888</u>	<u>3,630,670</u>	<u>21,218</u>
Debt Service:			
Principal Retirement		90,566	
Interest and Fees		104,943	
Total Debt Service	<u>312,744</u>	<u>195,509</u>	<u>117,235</u>
TOTAL EXPENDITURES	<u>17,373,173</u>	<u>16,282,408</u>	<u>1,090,765</u>

Pamlico County, North Carolina
Major Capital Project Fund - Law Enforcement Center Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008

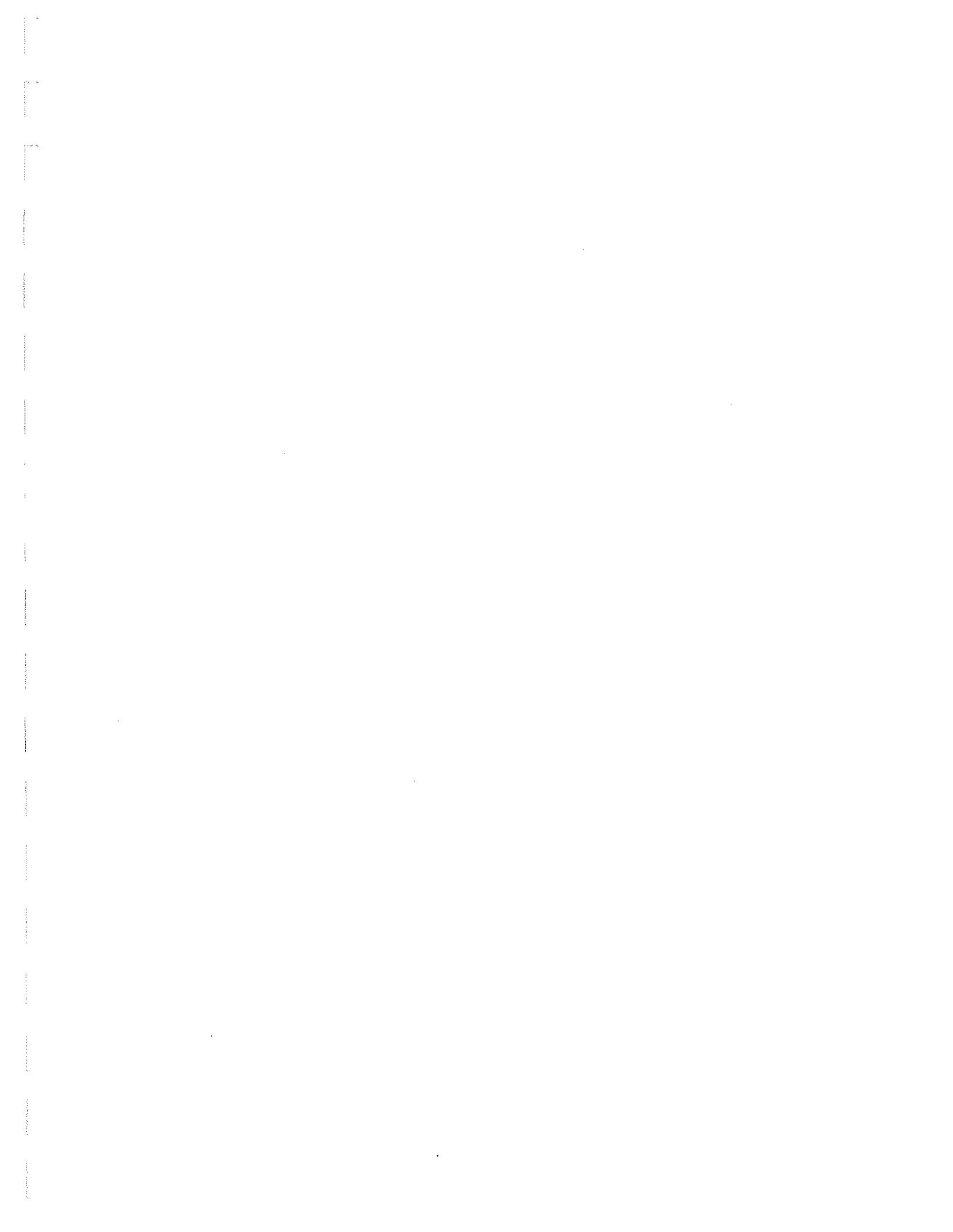
	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Interest Income	\$ 30,000	\$ 193,317	\$ 50,920	\$ 244,237	\$ 214,237
Total Revenues	<u>30,000</u>	<u>193,317</u>	<u>50,920</u>	<u>244,237</u>	<u>214,237</u>
Expenditures:					
Advertising	800	776		776	24
Departmental Supplies	-	-		-	-
Professional Services	6,735,237	5,950,945		5,950,945	784,292
Construction Costs	1,730,000	1,295,453	430,486	1,725,939	4,061
Capital Outlay	-	-		-	-
Debt Principal	6,939,389	6,200,000	61,200	6,261,200	678,189
Debt Interest	469,968	207,968	261,250	469,218	750
Contingency	-	-		-	-
Total Expenditures	<u>15,875,394</u>	<u>13,655,142</u>	<u>752,936</u>	<u>14,408,078</u>	<u>1,467,316</u>
Revenues over expenditures	<u>(15,845,394)</u>	<u>(13,461,825)</u>	<u>(702,016)</u>	<u>(14,163,841)</u>	<u>1,681,553</u>
Other Financing Sources (Uses):					
Transfers from General Fund	2,022,108	564,882	-	564,882	(1,457,226)
Installment Financing	13,823,286	12,200,000	-	12,200,000	(1,623,286)
Total Other Financing Sources	<u>15,845,394</u>	<u>12,764,882</u>	<u>-</u>	<u>12,764,882</u>	<u>(3,080,512)</u>
Revenues, Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (696,943)</u>	<u>(702,016)</u>	<u>\$ (1,398,959)</u>	<u>\$ (1,398,959)</u>
Fund balances:					
Beginning of year, July 1			<u>(696,943)</u>		
Ending of year, June 30			<u>\$ (1,398,959)</u>		

Pamlico County, North Carolina
Major Capital Project Fund - School Cafeteria
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Interest Income	\$ 95,000	\$ -	\$ 82,836	\$ 82,836	\$ (12,164)
Total Revenues	95,000	-	82,836	82,836	(12,164)
Expenditures:					
Departmental Supplies	300	-	53	53	247
Construction Costs	3,751,123	-	2,810,673	2,810,673	940,450
Debt Principal	151,667	-	151,667	151,667	-
Debt Interest	91,910	-	91,910	91,910	-
Contingency	-	-	-	-	-
Total Expenditures	3,995,000	-	3,054,303	3,054,303	940,697
Revenues over expenditures	(3,900,000)	-	(2,971,467)	(2,971,467)	928,533
Other Financing Sources (Uses):					
Transfers from General Fund	-	-	-	-	-
Installment Financing	3,900,000	-	4,550,000	4,550,000	650,000
Total Other Financing Sources	3,900,000	-	4,550,000	4,550,000	650,000
Revenues, Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	1,578,533	\$ 1,578,533	\$ 1,578,533
Fund balances:					
Beginning of year, July 1			-		
Enging of year, June 30			<u>\$ 1,578,533</u>		

Pamlico County, North Carolina
Special Revenue Fund - Capital Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
User fees		\$ 4,159,050	
Other Taxes and Licenses		-	
Total Revenues	\$ 4,100,000	4,159,050	\$ 59,050
Expenditures:			
Economic development:		-	
Total Expenditures	4,100,000	-	4,100,000
Revenues Over (Under) Expenditures	-	4,159,050	4,159,050
Other Financing Sources (Uses):			
Proceeds from Installment Loan	-	-	-
Transfer to General Fund	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Revenues and Other Financing Sources Over (Under) Uses	-	4,159,050	4,159,050
Fund Balance Appropriated	-	-	-
Net change in fund balance	\$ -	4,159,050	\$ 4,159,050
Fund Balance, beginning		967,366	
Fund Balance, ending		\$ 5,126,416	



**Capital
Project Funds**

CDBG Hurricane Fund	Enhancement Preservation Fund	Total Nonmajor Special Revenue Funds	Human Sevice Building Fund	Pre K - 2 Grade School	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,146,857	\$ 68,479	\$ -	\$ 68,479	\$ 1,215,336
-	-	149,452	-	-	-	149,452
-	-	26,487	-	-	-	26,487
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,322,796</u>	<u>\$ 68,479</u>	<u>\$ -</u>	<u>\$ 68,479</u>	<u>\$ 1,391,275</u>
\$ 251,577	\$ 92,819	\$ 611,108	\$ -	\$ 1,015,501	\$ 1,015,501	\$ 1,626,609
-	-	149,452	-	-	-	149,452
-	-	26,487	-	-	-	26,487
<u>251,577</u>	<u>92,819</u>	<u>787,047</u>	<u>-</u>	<u>1,015,501</u>	<u>1,015,501</u>	<u>1,802,548</u>
-	-	-	-	-	-	-
<u>(251,577)</u>	<u>(92,819)</u>	<u>535,749</u>	<u>68,479</u>	<u>(1,015,501)</u>	<u>(947,022)</u>	<u>(411,273)</u>
<u>(251,577)</u>	<u>(92,819)</u>	<u>535,749</u>	<u>68,479</u>	<u>(1,015,501)</u>	<u>(947,022)</u>	<u>(411,273)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,322,796</u>	<u>\$ 68,479</u>	<u>\$ -</u>	<u>\$ 68,479</u>	<u>\$ 1,391,275</u>

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**Capital
Project Funds**

CDBG Hurricane Fund	Enhacement Preservation Fund	Total Nonmajor Special Revenue Funds	Human Sevice Building Fund	Pre K - 2 Grade School	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 414,055	\$ -	\$ -	\$ -	\$ 414,055
-	-	8,789	1,940	-	1,940	10,729
-	-	303,582	-	-	-	303,582
536,318	-	1,241,331	-	-	-	1,241,331
-	-	-	-	-	-	-
<u>\$ 536,318</u>	<u>\$ -</u>	<u>\$ 1,967,757</u>	<u>\$ 1,940</u>	<u>\$ -</u>	<u>\$ 1,940</u>	<u>\$ 1,969,697</u>
\$ -	\$ 12,395	\$ 21,452	\$ -	\$ -	\$ -	\$ 21,452
-	-	534,765	-	-	-	534,765
-	-	-	-	-	-	-
-	-	-	-	443,091	443,091	443,091
776,589	-	1,570,160	-	-	-	1,570,160
<u>776,589</u>	<u>12,395</u>	<u>2,126,377</u>	<u>-</u>	<u>443,091</u>	<u>443,091</u>	<u>2,569,468</u>
(240,271)	(12,395)	(158,620)	1,940	(443,091)	(441,151)	(599,771)
-	-	71,704	-	-	-	71,704
-	-	-	-	-	-	-
-	-	<u>71,704</u>	-	-	-	<u>71,704</u>
<u>\$ (240,271)</u>	<u>\$ (12,395)</u>	<u>\$ (86,916)</u>	<u>\$ 1,940</u>	<u>\$ (443,091)</u>	<u>\$ (441,151)</u>	<u>\$ (528,067)</u>
(11,306)	(80,424)	622,665	66,539	(572,410)	(505,871)	116,794
<u>\$ (251,577)</u>	<u>\$ (92,819)</u>	<u>\$ 535,749</u>	<u>\$ 68,479</u>	<u>\$ (1,015,501)</u>	<u>\$ (947,022)</u>	<u>\$ (411,273)</u>

Pamlico County, North Carolina
Special Revenue Fund -All Fire Districts Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes	\$	\$ 414,055	\$
Other Taxes		101,271	
Total Revenue	<u>525,000</u>	<u>515,326</u>	<u>(9,674)</u>
Expenditures		512,288	
Public Safety	<u>525,000</u>	<u>512,288</u>	<u>12,712</u>
Total Expenditures	<u>525,000</u>	<u>512,288</u>	<u>12,712</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>3,038</u>	<u>3,038</u>
Other Financing Sources (Uses):			
Transfers from General Fund			-
Proceeds from Lease Purchase			-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>3,038</u>	<u>3,038</u>
Fund Balance Appropriated			-
Net change in fund balances	\$ <u>-</u>	3,038	\$ <u>3,038</u>
Fund Balance, beginning		<u>(4,796)</u>	
Fund Balance, ending		\$ <u>(1,758)</u>	

Pamlico County, North Carolina
Special Revenue Fund - Reappraisal Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted Intergovernmental	\$	\$	\$
Investment Earnings		8,789	
Other income		-	
Total revenues	<u>8,100</u>	<u>8,789</u>	<u>689</u>
Expenditures:			
General Government		-	
Total Expenditures	<u>49,100</u>	<u>-</u>	<u>49,100</u>
Revenues Over (Under) Expenditures	<u>(41,000)</u>	<u>8,789</u>	<u>49,789</u>
Other Financing Sources (Uses):			
Proceeds from Installment Loan	-	-	
Transfers in	<u>41,000</u>	<u>37,587</u>	
Total Other Financing Sources (Uses)	<u>41,000</u>	<u>37,587</u>	<u>(3,413)</u>
Revenues and Other Financing Sources Over (Under) Uses	-	46,376	46,376
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	46,376 \$	\$ <u>46,376</u>
Fund Balance, beginning		<u>153,910</u>	
Fund Balance, ending		\$ <u>200,286</u>	

*Transfer 3413 from
 6P*

Pamlico County, North Carolina
Capital Project Fund - Hurricane Recovery Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Hurricane Isabel	\$ 536,938	\$ 543,068	\$ -	\$ 543,068	\$ 6,130
United Way of NC	29,978	29,994	-	29,994	16
Investment Earnings	10,000	-	-	-	(10,000)
Total Revenues	<u>576,916</u>	<u>573,062</u>	<u>-</u>	<u>573,062</u>	<u>(3,854)</u>
Expenditures:					
Contracted Services	487,486	474,575	9,057	483,632	3,854
Rent	12,215	12,215	-	12,215	-
Other Expenditures	<u>77,215</u>	<u>77,215</u>	<u>-</u>	<u>77,215</u>	<u>-</u>
Total Expenditures	<u>576,916</u>	<u>564,005</u>	<u>9,057</u>	<u>573,062</u>	<u>3,854</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>9,057</u>	\$ (9,057)	\$ <u>-</u>	\$ <u>-</u>
Fund Balances, beginning			<u>9,057</u>		
Fund Balances, ending			\$ <u>-</u>		

Pamlico County, North Carolina
Special Revenue Fund - Enhanced 911 Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Other Taxes and Licenses:	\$	\$	\$
911 System Subscriber Fees		116,764	
Restricted Intergovernmental:			
Wireless 911 Funds		85,300	
Other Taxes and Licenses:			
Private Road Signs		247	
Total Revenues	<u>203,250</u>	<u>202,311</u>	<u>(939)</u>
Expenditures			
Contracted Services		19,798	
Supplies		2,024	
Repairs and Maintenance		655	
Total Expenditures	<u>237,367</u>	<u>22,477</u>	<u>214,890</u>
Revenues Over (Under) Expenditures	<u>(34,117)</u>	<u>179,834</u>	<u>213,951</u>
Other Financing Sources (Uses):			
Transfers in	<u>34,117</u>	<u>34,117</u>	-
Total Other Financing Sources (Uses)	<u>34,117</u>	<u>34,117</u>	-
Revenues and Other Financing Sources Over (Under) Uses	-	213,951	213,951
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, Other Sources and Appropriated Transfer in(out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>213,951</u>	<u>\$ 213,951</u>
Fund Balance:			
Beginning of Year, July 1			
E-911			
Wireless		<u>709,588</u>	
Beginning of Year Totals			
End of Year, June 30:			
E-911			
Wireless			
End of Year Totals		<u>\$ 923,539</u>	

Transfer to GF

Pamlico County, North Carolina
Special Revenue Fund - Baird Shores Special Assessment Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Owner Contributions	\$ 165,621	\$ 16,169	\$ -	\$ 16,169	\$ (149,452)
Total Revenues	<u>165,621</u>	<u>16,169</u>	<u>-</u>	<u>16,169</u>	<u>(149,452)</u>
Expenditures:					
Welfare:					
Professional Services	9,637	9,637	-	9,637	-
Engineering Fees	2,394	2,394	-	2,394	-
Contracted Services	3,240	3,240	-	3,240	-
Street Improvements	150,350	150,350	-	150,350	-
Total Expenditures	<u>165,621</u>	<u>165,621</u>	<u>-</u>	<u>165,621</u>	<u>-</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>(149,452)</u>	\$ -	\$ <u>(149,452)</u>	\$ <u>(149,452)</u>
Fund Balances, beginning			(149,452)		
Fund Balances, ending			<u>(149,452)</u>		

Pamlico County, North Carolina
CDBG Fund
Scattered Site
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental	\$ 1,355,000	\$ 557,002	\$ 705,013	\$ 1,262,015	\$ (92,985)
Interest Income	-	-	-	-	-
Total Revenues	<u>1,355,000</u>	<u>557,002</u>	<u>705,013</u>	<u>1,262,015</u>	<u>(92,985)</u>
Expenditures:					
Current:					
Economic and physical development:	<u>1,355,000</u>	<u>560,914</u>	<u>793,571</u>	<u>1,354,485</u>	<u>515</u>
Revenues over expenditures	-	(3,912)	(88,558)	(92,470)	(92,470)
Other Financing Sources (Uses):					
Local contribution	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net change in fund balance	\$ <u>-</u>	\$ <u>(3,912)</u>	(88,558)	\$ <u>(92,470)</u>	\$ <u>(92,470)</u>
Fund Balance, beginning			<u>(3,912)</u>		
Fund Balance, ending			\$ <u>(92,470)</u>		

Pamlico County, North Carolina
CDBG Fund
Hurricane

Schedule 18

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008**

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	\$ 1,556,832	\$ 49,224	\$ 536,318	\$ 585,542	\$ (971,290)
Interest Income	17,499	-	-	-	(17,499)
Total Revenues	<u>1,574,331</u>	<u>49,224</u>	<u>536,318</u>	<u>585,542</u>	<u>(988,789)</u>
Expenditures:					
Current:					
Economic and physical development:	<u>1,609,331</u>	<u>60,530</u>	<u>776,589</u>	<u>837,119</u>	<u>772,212</u>
Revenues over expenditures	(35,000)	(11,306)	(240,271)	(251,577)	(216,577)
Other Financing Sources (Uses):					
Local contribution	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Total Other Financing Sources (Uses)	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>(11,306)</u>	(240,271)	\$ <u>(251,577)</u>	\$ <u>(251,577)</u>
Fund Balance, beginning			<u>(11,306)</u>		
Fund Balance, ending			\$ <u>(251,577)</u>		

Pamlico County, North Carolina
Special Revenue Fund - Enhancement/Preservation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Fees	\$	\$	\$
Other Taxes and Licenses		-	
Total Revenue	<u>12,500</u>	<u>-</u>	<u>(12,500)</u>
Expenditures	<u>12,500</u>	<u>12,395</u>	<u>105</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>(12,395)</u>	<u>(12,395)</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Uses	<u>-</u>	<u>(12,395)</u>	<u>(12,395)</u>
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, Other Sources and Appropriated Transfer in(out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(12,395)</u>	<u>\$ (12,395)</u>
Fund Balance, beginning		<u>(80,424)</u>	
Fund Balance, ending		<u>\$ (92,819)</u>	

*Transfer from
GF*

7

Pamlico County, North Carolina
Capital Project Fund - Human Service Building Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From the Inception and For the Fiscal Year Ended June 30, 2008

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Interest Income	\$ 17,910	\$ 34,196	\$ 1,940	\$ 36,136	\$ 18,226
Total Revenues	17,910	34,196	1,940	36,136	18,226
Expenditures:					
Permits	5,000	-	-	-	5,000
Professional Services	516,191	515,340	-	515,340	851
Construction Costs	2,207,419	2,163,423	-	2,163,423	43,996
Contingency	39,300	39,300	-	39,300	-
Total Expenditures	2,767,910	2,718,063	-	2,718,063	49,847
Revenues over expenditures	(2,750,000)	(2,683,867)	1,940	(2,681,927)	68,073
Other Financing Sources (Uses):					
Transfers from General Fund	400,000	400,406	-	400,406	406
Interim Installment Financing	2,350,000	2,350,000	-	2,350,000	-
Total Other Financing Sources	2,750,000	2,750,406	-	2,750,406	406
Net Change in Fund Balance	\$ -	\$ 66,539	1,940	\$ 68,479	\$ 68,479
Fund Balance, beginning			66,539		
Fund Balance, ending			\$ 68,479		

Transfers to GF

Pamlico County, North Carolina
 Capital Project Fund - School Facilities Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Public School Bond Fund	\$ 566,939	\$ 387,413	\$ -	\$ 387,413	\$ (179,526)
Total Revenues	<u>566,939</u>	<u>387,413</u>	<u>-</u>	<u>387,413</u>	<u>(179,526)</u>
Expenditures:					
Construction Costs	184,647	184,213	-	184,213	434
Debt service: Principal	1,166,992	815,609	351,383	1,166,992	-
Debt service: Interest	605,375	513,666	91,708	605,374	1
Administrative	200	200		200	-
Total Expenditures	<u>1,957,214</u>	<u>1,513,688</u>	<u>443,091</u>	<u>1,956,779</u>	<u>435</u>
Revenues over expenditures	\$ <u>(1,390,275)</u>	\$ <u>(1,126,275)</u>	\$ <u>(443,091)</u>	\$ <u>(1,569,366)</u>	\$ <u>(179,091)</u>
Other Financing Sources (Uses):					
Transfers from General Fund	<u>1,390,275</u>	<u>553,865</u>	<u>-</u>	<u>553,865</u>	<u>(836,410)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>(572,410)</u>	<u>(443,091)</u>	<u>(1,015,501)</u>	\$ <u>(1,015,501)</u>
Fund Balance, beginning			<u>(572,410)</u>		
Fund Balance, ending			\$ <u>(1,015,501)</u>		

*Needs to be
 Transferred from
 GF*

Pamlico County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual - (Non-GAAP)
For The Fiscal Year Ended June 30, 2008

	2008		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Operating Revenues			
Charges for Service		\$ 1,433,920	
Tap on Fees and Connect Fees		148,409	
Other Operating Revenues		33,681	
Total Operating Revenues	\$ 1,881,825	1,616,010	\$ (265,815)
Nonoperating Revenues			
Other Nonoperating Income		-	
Interest on Investments		59,495	
Total Nonoperating Revenues	75,000	59,495	(15,505)
Total Revenues	<u>1,956,825</u>	<u>1,675,505</u>	<u>(281,320)</u>
Expenditures:			
Personnel Services		452,759	
Contractual Services		44,147	
Operating Expenses		268,094	
Utilities		101,645	
Printing and Binding		2,746	
Maintenance and Repair		62,283	
Budgetary Appropriations:			
Capital Outlay		524,147	
Interest Paid		65,155	
Debt Principal		234,508	
Total Expenditures	2,339,800	1,755,484	584,316
Revenues Over (Under) Expenditures	<u>(382,975)</u>	<u>(79,979)</u>	<u>302,996</u>
Other Financing Sources and (Uses):			
Appropriated Fund Balance	489,050	-	
Transfer to General Fund	(106,075)	(106,075)	
Total Other Financing Sources (Uses)	382,975	(106,075)	(489,050)
Revenues and Other Sources Over (Under) Expenses and Other Uses	<u>\$ -</u>	<u>\$ (186,054)</u>	<u>\$ (186,054)</u>

Pamlico County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual - (Non-GAAP)
For The Fiscal Year Ended June 30, 2008

	2008		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues, Other Sources and Appropriated			
Fund Balance Over (Under)			
Expenditures and Other Uses		\$ (186,054)	
Budgetary Appropriations:			
Capital Outlay		524,147	
Change in Accrued Vacation Payable		3,149	
Principal Payments		234,508	
Adjustments:			
Depreciation		(260,508)	
Total reconciling items		<u>501,296</u>	
Change in net assets		\$ <u><u>315,242</u></u>	

Pamlico County, North Carolina
Major Capital Project Fund - Southeast Water Tower Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From the Inception and For the Fiscal Year Ended June 30, 2008

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Construction Costs	1,513,819	1,041,682	363,671	1,405,353	108,466
Contingency	-	-	-	-	-
Total Expenditures	<u>1,513,819</u>	<u>1,041,682</u>	<u>363,671</u>	<u>1,405,353</u>	<u>108,466</u>
Revenues over expenditures	<u>(1,513,819)</u>	<u>(1,041,682)</u>	<u>(363,671)</u>	<u>(1,405,353)</u>	<u>108,466</u>
Other Financing Sources (Uses):					
Transfers from General Fund	-	-	-	-	-
Installment Financing	1,513,819	351,065	1,060,677	1,411,742	(102,077)
Total Other Financing Sources	<u>1,513,819</u>	<u>351,065</u>	<u>1,060,677</u>	<u>1,411,742</u>	<u>(102,077)</u>
Revenues, Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (690,617)</u>	<u>\$ 697,006</u>	<u>\$ 6,389</u>	<u>\$ 6,389</u>

Pamlico County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Social Services Fund:				
Cash and Investments	\$ 50,839	\$ 240,968	\$ 279,002	\$ 12,805
Liabilities	\$ 50,839	\$ 240,968	\$ 279,002	\$ 12,805
North Carolina DMV:				
Cash and Investments	\$ 646	\$ 4,585	\$ 4,942	\$ 289
Liabilities	\$ 646	\$ 4,585	\$ 4,942	\$ 289

OTHER SCHEDULES

This section includes additional information on property taxes, transfers, and cash and investments.

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

Pamlico County, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2008

Tax Levy Year	Uncollected Balance June 30, 2007	Additions	Collections And Credits	Uncollected Balance June 30, 2008
2008	\$ -	\$ 8,589,340	\$ 8,217,824	\$ 371,516
2007	331,251	21,816	200,540	152,527
2006	125,682	611	27,398	98,895
2005	78,357	187	17,248	61,296
2004 & Prior	275,075	-	37,850	237,225
TOTALS	\$ 810,365	\$ 8,611,954	\$ 8,500,860	\$ 921,459
Less: Allowance for uncollectable taxes				(240,000)
Plus: Uncollected Motor Vehicles for 2008 Levy				88,751
Ad valorem taxes - General Fund				\$ 770,210
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 8,572,219
Reconciling items:				
Penalties and Interest				(96,139)
Release				24,780
Total Reconciling Items				(71,359)
Total Collections and Credits				\$ 8,500,860

Pamlico County, North Carolina
 Analysis of Current Tax Levy
 County - Wide Levy
 For the Fiscal Year Ended June 30, 2008

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property Taxes at Current Year Rate	\$ 1,772,684,444	0.6525%	\$ 11,566,766	\$ 10,845,142	\$ 721,624
Special Assessment			16,848	16,848	-
Penalties and Advertising Cost			13,795	13,795	-
Total Original Levy	<u>1,772,684,444</u>		<u>11,597,409</u>	<u>10,875,785</u>	<u>721,624</u>
Discoveries:					
Current year taxes	11,507,126	0.6525%	75,084	75,084	-
Penalties			-	-	-
Total Discoveries	<u>11,507,126</u>		<u>75,084</u>	<u>75,084</u>	<u>-</u>
Abatements					
Current Year Taxes	(472,513,870)	0.6525%	(3,083,153)	(3,075,065)	(8,088)
Total Abatements	<u>(472,513,870)</u>		<u>(3,083,153)</u>	<u>(3,075,065)</u>	<u>(8,088)</u>
Total for Year	<u>\$ 1,311,677,701</u>		8,589,340	7,875,804	713,536
Uncollected taxes at June 30, 2008			<u>371,516</u>	<u>267,856</u>	<u>103,660</u>
Current year's taxes collected			<u>\$ 8,217,824</u>	<u>\$ 7,607,948</u>	<u>\$ 609,876</u>
Current levy collection percentage			<u>95.67%</u>	<u>96.60%</u>	<u>85.47%</u>

Pamlico County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2008

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio ¹	100 %
Real Property	\$ 1,094,842,342
Personal Property	186,165,465
Public Service Companies ²	<u>30,669,894</u>
Total Assessed Valuation	<u>1,311,677,701</u>
Tax Rate per \$100	0.6525
Levy (includes discoveries, releases, special assessments and abatements) ³	<u>\$ 8,589,340</u>

¹ Percentage of appraised value has been established by statute.

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

³ The levy includes penalties and multi-rate for motor vehicles.

Pamlico County, North Carolina
 Schedule of Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2008

Taxpayer	Type of Business	2007 Assessed Valuation	Percentage of Total Assessed Valuation
CBR Properties, Inc.	Real Estate Developer	\$ 40,099,297	3.40%
Tideland Electric Membership	Utilities	14,678,409	1.25%
Weyerhaeuser Co.	Timber Land	14,442,613	1.23%
River Dunes Corp	Real Estate Developer	11,347,643	0.96%
CP&L/Progress Energy Service Co.	Utilities	9,010,977	0.76%
Carolina Telephone & Telegraph	Communications	6,509,938	0.55%
Burton Farm Development	Real Estate Developer	6,322,904	0.54%
Bates Land and Timber LLC	Timber Land	5,992,696	0.51%
Reserveco, Inc.	Real Estate Developer	4,669,478	0.40%
C. Allen Propst, Jr & Angela Propst	Real Estate Developer	3,665,534	0.31%
Total		\$ 116,739,489	9.91%

Compliance Section



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**Report on Internal Control Over Financial Reporting And On Compliance
and Other Matters Based on An Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards***

To the Board of Commissioners
Pamlico County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of Pamlico County, North Carolina, as of and for the year ended June 30, 2008, which collectively comprises Pamlico County's basic financial statements and have issued our report thereon dated December 17, 2008. We did not audit the financial statements of the Pamlico County ABC Board. Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pamlico County ABC Board is based solely on the reports of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the Pamlico County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

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

Compliance and Other Matters

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

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

Thompson Price, Scott, Adams & Co., PA

Thompson, Price, Scott, Adams & Co., P.A.

December 17, 2008



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Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

To the Board of County Commissioners
Pamlico County, North Carolina

Compliance

We have audited the compliance of the Pamlico County, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. Pamlico County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pamlico County's management. Our responsibility is to express an opinion on the Pamlico County's compliance based on our audit.

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

In our opinion, Pamlico County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

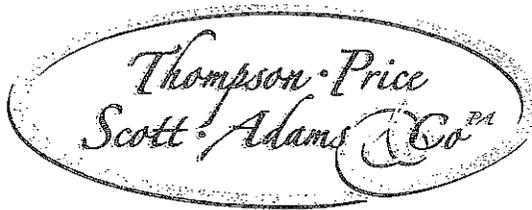
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

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

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
December 17, 2008



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Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

To the Board of County Commissioners
Pamlico County, North Carolina

Compliance

We have audited the compliance of the Pamlico County, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. Pamlico County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Pamlico County's management. Our responsibility is to express an opinion on the Pamlico County's compliance based on our audit.

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

In our opinion, Pamlico County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

Members

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the County's internal control.

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

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
December 17, 2008

Pamlico County, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2008

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses ___ yes X none reported

Noncompliance material to financial
statements noted ___ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses ___ yes X none reported

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

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
10.551/10.561	Food Stamp Cluster
14.228	CDBG
93.778	Medical Assistance Program
97.039	Public Assistance Grants Program for Infrastructure

Federal programs that did not meet the criteria for a major program using the criteria discussed on OMB Circular No. A-133 Section .520 but were tested as a major program because the State mandated the program be included are included in the list of major federal programs (WIC).

Pamlico County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 493,359

Auditee qualified as low-risk auditee? yes X no

State Awards

Internal control over major state programs:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses yes X none reported

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

Any audit findings disclosed that are
required to be reported in accordance
with State Single Audit Implementation
Act yes X no

Identification of major state programs:

Name of State Program or Cluster

Public School Building Bonds

The Medical Assistance Program which is a State match on a federal program also meets the criteria for a major state program, but this program has been included in the list of major federal programs above.

Pamlico County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Pamlico County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2008

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Pamlico County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
Food Stamp Cluster:					
Food Stamp Program - Direct Benefit Payment	10.551		\$ 1,333,221	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561		130,679	-	130,679
Total Food Stamp Cluster			<u>1,463,900</u>	<u>-</u>	<u>130,679</u>
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		50,862	6,064	-
Breastfeeding	10.557		-	1,593	-
Client Services	10.557		-	37,025	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		224,711	-	-
			<u>275,573</u>	<u>44,682</u>	<u>-</u>
<u>Rural Utilities Service</u>					
Direct Program:					
Community Facilities Loans and Grants (Note 4)	10.766		5,938,620	-	-
Total U.S. Dept. of Agriculture			<u>7,678,093</u>	<u>44,682</u>	<u>130,679</u>
<u>Dept. of Housing and Urban Development(HUD)</u>					
Passed-through the N.C. Dept. of Commerce:					
Community Development Block Grant	14.228		802,795	-	11,801
Total Dept. of Housing and Urban Development(HUD)			<u>802,795</u>	<u>-</u>	<u>11,801</u>
<u>U.S. Dept. of Health & Human Services</u>					
<u>Administration on Aging:</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Eastern Carolina Council of Governments:					
Aging Cluster					
Home & Community Care Block Grant:					
Access - Title III-B	93.044		-	9,158	14,188
In-home Services:					
Title III-B	93.044		-	4,938	4,808
Congregate Nutrition Title III-C	93.045		720	20,997	7,620
Home - Delivered Nutrition - Title III-C	93.045		-	36,040	17,778
Total Aging Cluster			<u>720</u>	<u>71,133</u>	<u>44,394</u>

Pamlico County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	State/ Pass-through Grantor's <u>Number</u>	Fed. (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>	Local <u>Expenditures</u>
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Work First/Temporary Assistance for Needy Families(TANF)	93.558		159,599	-	154,661
Work First/(TANF)-Direct Benefit Payments	93.558		151,583	-	5,316
AFDC Penalties and Payments	93.560		(23)	(6)	(6)
Child Support Enforcement	93.563		142,629	-	73,475
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		4,044	-	-
Direct Benefit Payments	93.568		24,587	-	-
Child Welfare Services-State Grants	93.645		6,223	1,018	1,056
Social Services Block Grant	93.667		56,645	5,658	20,407
Independent Living Grant	93.674		7,803	1,242	-
State Children's Insurance Program - N.C. Health Choice	93.767		11,636	807	3,079
			<u>564,726</u>	<u>8,719</u>	<u>257,988</u>
Foster Care and Adoption Cluster (Note 2):					
Title IV-E Foster Care-Administration	93.658		91,125	33,150	84,184
Foster Care-Direct Benefit Payments	93.658		76,813	2,934	2,934
Adoption Assistance-Direct Payments	93.659		16,246	4,537	4,537
Total Foster Care and Adoption Cluster (Note 2)			<u>184,184</u>	<u>40,621</u>	<u>91,655</u>
Division of Social Services:					
Child Care Development Fund	93.596		60,000	-	-
Division of Child Development:					
Subsidized Child Care Cluster (Note 2):					
Child Care and Development Fund - Discretionary	93.575		218,075	-	-
Child Care and Development Fund - Mandatory	93.596		80,872	-	-
Child Care and Development Fund - Match	93.596		87,125	46,896	-
Total Child Care Development Fund Cluster			<u>446,072</u>	<u>46,896</u>	-
Social Services Block Grant	93.667		5,512	-	-
Temporary Assist. for Needy Families	93.558		49,889	-	-
Smart Start			-	-	-
State Appropriations			-	-	-
TANF - MOE			-	147,033	-
Total Subsidized Child Care (Note 2)			<u>501,473</u>	<u>193,929</u>	-
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Division of Social Services:					
Medical Assistance Program Administration	93.778		375,675	30,194	327,247
Direct Benefit Payments:					
Medical Assistance Program	93.778		11,294,859	5,961,628	748,027
			<u>11,670,534</u>	<u>5,991,822</u>	<u>1,075,274</u>

Pamlico County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>U.S. Department of Health & Human Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Family Planning Services	93.217		29,267	-	-
Immunization Program/Aid to County Funding	93.268		5,278	-	-
Bioterrorism Grant	93.283		-	29,161	-
Temporary Assist. for Needy Families	93.558		1,278	-	-
Prevention Investigation and Technical Assistance	93.283		44,698	-	-
Coop Agreement for Breast and Cervical Cancer	93.919		6,125	-	-
Preventive Health and Health Services Block Grant	93.991		28,249	-	-
Maternal and Child Health Services Block Grant	93.994		194,363	-	-
			309,258	29,161	-
 Total U.S. Dept. of Health and Human Services			13,230,895	6,335,385	1,469,311
 <u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management					
Emergency Service Performance Grant	97.042		12,486	-	55,081
Public Assistance Grants Program for Infrastructure					
Support (FEMA)	97.039		659,256	164,814	118
 Total U. S. Department of Homeland Security			671,742	164,814	55,199
 Total Federal Awards			22,383,525	6,544,881	1,666,990
State Awards:					
 <u>Division of Veterans Affairs</u>					
Veterans Affairs			-	2,000	12,967
 <u>N.C. Dept. of Corrections</u>					
Passed-through the The Criminal Justice Partnership Program					
Criminal Justice Partnership Grant			-	55,627	22,760
 <u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services:					
AFDC Incentive			380	2	196
Work First Nonreimbursable			-	352	9,750
TANF Incentive			-	389	-
County Programs			-	-	222,415
Nonallocating Cost			-	-	180,537
State Aid to Counties			-	14,457	-
Energy Assistance - Private Grants			-	3,153	-
State/County Special Assistance - Admin			-	-	24,780
			380	18,353	437,678
Direct Benefit Payments:					
Special Assistance to Aged Disabled			-	96,127	98,207
State Foster Care			-	13,832	13,832
CWS Adopt Subsidy			-	10,680	1,800
			-	120,639	113,839

Pamlico County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Division of Public Health:					
AIDS-State			-	500	-
Communicable Disease			-	10,077	-
Cancer Control			-	2,070	-
General Health			-	33,726	-
Public Health Nurse Training			-	400	-
Risk Reduction/Health Promotion			-	2,915	-
Tuberculosis			-	2,653	-
			<u>-</u>	<u>52,341</u>	<u>-</u>
Division of Natural Resources:					
Cost Share District Technician			-	15,098	28,232
Soil and Water Conservation			-	17,819	49,778
N.C. Health & Wellness Trust Fund					
Prescription Assis/Med Mgr.			-	19,694	6,727
			<u>-</u>	<u>52,611</u>	<u>84,737</u>
Total N. C. Department of Health and Human Services			<u>380</u>	<u>243,944</u>	<u>636,254</u>
<u>N.C. Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Program			-	67,497	549
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance			-	60,612	19,136
- ROAP Rural General Public Program			-	31,151	7,801
- ROAP Work First Transitional - Employment Transportation Assistance Program			-	6,336	2,502
Total N. C. Dept. Of Transportation			<u>-</u>	<u>98,099</u>	<u>29,439</u>
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Bonds			-	443,354	243,315
Total State Awards			<u>380</u>	<u>910,521</u>	<u>880,118</u>
Total Federal and State Awards			<u>\$ 22,383,905</u>	<u>\$ 7,455,402</u>	<u>\$ 2,547,108</u>

Pamlico County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2008

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	State/ Pass-through Grantor's <u>Number</u>	Fed. (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>	Local <u>Expenditures</u>
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Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. Basis of Presentation

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

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

3. Subrecipients

Of the federal and State expenditures presented in the schedule, Pamlico County provided federal awards to subrecipients as follows:

<u>Program Title</u>	Federal CFDA <u>Number</u>	State/ Pass-through Grantor's <u>Number</u>	Fed. (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>	Local <u>Expenditures</u>
None			-	-	-

4. Loans Outstanding

Pamlico County had the following loan balances outstanding at June 30, 2008. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	CFDA <u>Number</u>	Amount <u>Outstanding</u>
Community Facilities Loans and Grants	10.766	\$ 5,938,620

Management Letter



CERTIFIED PUBLIC ACCOUNTANTS

Gregory S. Adams, CPA
R. Bryon Scott, CPA
Alan W. Thompson, CPA

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Offices:
Wilmington, NC
Elizabethtown, NC
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To the Board of County Commissioners
Pamlico County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pamlico County for the year ended June 30, 2008, and have issued our report thereon dated December 17, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters in May of 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Pamlico County are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter that has been signed and delivered to us.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issue

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of County Commissioners and management of Pamlico County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
December 17, 2008