

Dare County, North Carolina FYE 6/30/06 Audit Summary

GASB 34 reporting----government-wide statements and fund statements.

Management's introductory section and MD & A are a great overview of the year.

Moody's GO Bond ratings upgraded to Aa3 from A1. Moody's also upgraded COPS to A1 from A2. Maintained A+ and AA- GO Bond ratings from Standard and Poor's and Fitch respectively.

15th consecutive year of awarded GFOA Cert. Of Achievement in Financial Reporting (6/30/05)

Independent Auditor's Report---unqualified for FYE 6/30/06

General Fund---3.0 months of budgeted expenditures in unappropriated Fund Balance. Said another way, unappropriated FB was 25% of expenditures. State average for 6/30/05 year for like population Counties was 27.62%

General Fund---expenditures exceeded revenues by \$1,290,000---final budget had appropriated Fund balance of \$5,397,000, therefore 6,687,000 favorable budget year.

Water fund increased net assets by \$996,000

Collected 99.21% of total real and personal property taxes. Collected 99.50% excluding motor vehicles and 90.05% of Motor vehicle. State average for like size Counties for 6/30/05 year were 95.86% total, 97.00 % excluding motor vehicle and 85.03 of Motor Vehicle.

10. Tax rate was \$.25 as compared to 6/30/05 State average of \$.5748
11. Investment earnings for 6/30/06 were \$4,247,000 as compared to \$2,885,000 for 6/30/05.
12. Compliance section---unqualified reports. No findings or questioned costs.
13. No management letter comments issued.

Government at the University of North Carolina at Chapel Hill offers courses in tax collection that may benefit tax collectors in carrying out their statutory responsibilities.

Given the role assumed in recent years by the counties in billing and collecting motor vehicle taxes for all residents, including those within municipalities, municipal officials should periodically consider consolidating the property tax functions of counties and municipalities. Again Section 50, "Tax Assessment, Billing, and Collection," contains a discussion on consolidated property tax functions. In addition, Memorandum #692, Consolidating County and Municipal Property Tax Functions and Memorandum #929, Results of Municipal and County Survey on Consolidating and Billing of Tax Functions, which discuss joint arrangements utilized by many counties and municipalities, are available from our web site. Consolidating the property tax functions should provide more economical use of equipment, office personnel, supplies, and postage. A single tax billing and collection office would simplify taxpayers' efforts to pay and inquire about the status of their taxes. Also, especially for smaller units, a consolidated office should be able to enforce tax collections (attachment and garnishment, levy and foreclosure) at a lower cost. Further, in a cooperative relationship, municipal officials may be able to provide information on delinquent taxpayers that may help collect county taxes due.

The statewide and population grouping tax collection percentages over the last five fiscal years are as follows:

Average Current Year Tax Collection Percentages

<u>Population Grouping</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Statewide	96.44%	96.50%	96.33%	96.70%	97.04%
100,000 and Above	97.16	97.17	97.03	97.28	97.59
50,000 to 99,999	95.32	95.42	95.00	95.70	96.10
25,000 to 49,999	95.07	95.01	95.15	95.50	95.86
24,999 and Below	93.68	94.01	94.12	94.78	95.03

The statewide tax collection percentage for 2005-05 increased slightly from the previous year. The high tax collection percentages over the last five fiscal years are a good indicator of the quality of county financial management; however, in some individual cases there is still room for improvement.

An overall trend that can be noted is that tax collection percentages for counties vary according to population, with the largest counties having the highest tax collection percentages. This trend is consistent for the four preceding years and generally continues to be so. Within each population grouping, there may be substantial variation in collection rates, meaning that not all small counties have lower tax collection rates and vice versa.

Average 2004-05 Tax Collection Percentages

<u>Population Grouping</u>	<u>Excluding Motor Vehicles</u>	<u>Motor Vehicles</u>
Statewide	98.02%	87.66%
100,000 and Above	98.48	88.77
50,000 to 99,999	97.22	86.44
25,000 to 49,999	97.00	85.03
24,999 and Below	96.42	82.99

The 1997-98 fiscal year was the first year collection rates for motor vehicles and property other than motor vehicles were separately reported. These figures are included in the report because the methods of billing and collecting taxes differ between motor vehicles and other classes of property. The same trend noted for all property is noted for motor vehicle taxes also. Tax collection percentages for counties vary according to population, with the largest counties generally having the highest tax collection percentages.

We spoke with tax collectors from those counties that had the higher collection percentages for motor vehicles. Those tax collectors indicated that they send out multiple late notices for vehicle taxes. Some of those counties also aggressively attached the assets and garnished the wages of a delinquent taxpayer. Units that rely solely upon the block upon subsequent year registrations placed with the Division of Motor Vehicles should eventually collect a high percentage of motor vehicle taxes, but their current year collection percentages of motor vehicle taxes will probably be lower.

The statewide and population grouping statistics on the unit-wide property tax rates over the last five fiscal years are as follows:

Average Unit-Wide Tax Rates (per \$100)

<u>Population Grouping</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Statewide	\$.6520	\$.6639	\$.6633	\$.6494	\$.6460
100,000 and Above	.6601	.6738	.6786	.6684	.6659
50,000 to 99,999	.6091	.6250	.6358	.6158	.6147
25,000 to 49,999	.6640	.6688	.6186	.5882	.5748
24,999 and Below	.6781	.6707	.6692	.6770	.6720

The staff sends letters to units if the amount of fund balance available for appropriation as a percentage of prior year expenditures in the General Fund falls below 8%. The staff also compares the percentage of fund balance available for appropriation to the prior year percentages for similar units. If that percentage is materially below the average of similar units, the staff will send a letter to alert the unit of this fact. Units will be encouraged to evaluate the amounts in reserves and determine if the level is adequate.

The chart below shows the average percentage of fund balance available for appropriation for similarly grouped counties and cities for the fiscal year ended June 30, 2005. Officials should use these figures to compare their unit to similar units and evaluate the adequacy of their unit's current reserves.

Average Available Fund Balances of North Carolina Counties and Cities

Type of Unit by Size	Number of Units	Average 2004-2005 Fund Balance	Average 2004-2005 Expenditures	Average FBA% 2004-2005 Expenditures
<i>Counties</i>				
All	100	17,048,362	83,747,219	20.36
100,000 or more	23	42,248,457	235,832,924	17.91
50,000 to 99,999	28	14,288,325	62,864,904	22.73
25,000 to 49,999	23	9,517,707	34,455,573	27.62
Under 25,000	26	4,390,053	15,302,660	28.69

The statistics presented in this report were gathered from various sources. The investment earnings, cash and investments, tax collection rates, and uncollected tax amounts were compiled from the 2005 Annual Financial Information Reports (LGC-36 or AFIR) submitted to the Department of State Treasurer. In some cases, financial information comes from the audited financial statements. The assessed valuation, tax rate, and last year of revaluation for each county were compiled from the Assessed Valuation and Property Tax Levies for the Fiscal Year Ended June 30, 2005 reports (TR-1-01) submitted to the Department of Revenue. The N.C. Department of Revenue calculates the assessment-to-sales ratios annually for each county. This ratio is based on a sample of selected real estate transactions within a county and equals the assessed valuation divided by the actual sales price. The county populations were provided by the Office of State Budget and Management and are estimates as of July 1, 2004. The tax rate equivalents and effective tax rates were calculated by the staff of the Department of State Treasurer. The average tax rates in this year's report are calculated on a dollar-weighted average basis. All data included in this report are the most recently available information. If you have any questions concerning this memorandum, please contact John Herron at (919) 807-2397.

County Governments in North Carolina
Summary of Cash and Investments, Property Tax Levies and General Fund Balance Available
For the Fiscal Year Ended June 30, 2005

County	Unit-Wide											
	General Fund	Percent Collected										
Pop	Fund Balance Available	FBA As % GF Exp	Cash and Invest (1)	Earnings Amt (1)	Invest Tax Rate	Next Yr Of Reval (2)	January 1, 2004 Assessed Valuation (3)	Assess to-Sales Ratio	2004-05 Property Tax Rate	All Motor Vehicles Excluding Motor Vehicles Only	2004-05 Amount	Tax Rate

Alexander	36,140	\$2,896,860	11.65	\$6,937,982	203,221	0.100	\$2,033,879,677	.4650	92.58	.4305	97.38	87.45	\$361,745	0.178
Anderson	26,726	1,869,468	8.64	6,310,347	208,935	0.174	1,203,836,101	8750	87.07	.7619	96.05	86.42	\$24,600	0.436
Ashe	26,104	6,366,969	30.72	10,856,231	194,157	0.099	1,953,168,894	5800	64.00	.3712	94.10	79.38	672,184	0.344
Beaufort	46,860	14,375,669	34.73	35,621,350	407,204	0.115	3,538,232,408	6000	92.22	.5633	95.66	87.52	1,113,908	0.315
Bladen	32,996	8,264,450	27.24	16,580,235	393,914	0.227	1,735,956,994	8600	75.40	.6484	96.39	77.13	906,276	0.522
Cherokee	26,690	4,655,874	17.65	8,666,794	210,543	0.093	2,271,013,859	5200	96.86	.6037	94.36	82.02	642,646	0.283
Dare	34,248	26,528,608	36.75	74,015,772	2,172,195	0.360	6,041,927,579	5400	40.64	2.195	99.38	89.11	380,157	0.063
Dave	37,927	9,996,098	26.51	21,926,154	543,905	0.182	2,990,195,483	6100	93.04	.5675	96.72	97.49	603,439	0.202
Hoke	38,626	4,818,758	18.89	12,288,313	182,852	0.128	1,433,822,370	7400	88.25	.6331	92.31	92.76	648,826	0.592
Jackson	36,629	11,874,696	30.63	18,906,577	474,284	0.085	5,576,781,543	3600	100.00	.3600	96.50	88.10	714,032	0.128
Macon	31,769	12,938,733	35.63	21,441,135	498,231	0.092	5,436,423,786	3700	96.00	.3552	98.22	86.01	476,041	0.088
McDowell	43,247	3,151,499	10.32	4,684,233	121,513	0.047	2,688,941,684	5500	99.29	.5461	95.92	84.61	583,229	0.225
Montgomery	27,163	2,721,347	11.61	7,531,051	160,456	0.078	2,050,093,190	6500	97.27	.6642	98.28	82.18	382,663	0.187
Fasquonank	37,606	4,487,378	12.77	15,218,224	356,691	0.228	1,562,876,204	8600	73.19	.6294	95.17	84.20	646,948	0.414
Fender	46,144	21,120,061	62.12	35,686,512	638,458	0.158	3,697,026,346	5900	65.43	.5040	96.79	83.62	696,896	0.189
Person	26,986	12,507,368	30.15	16,789,898	360,848	0.112	3,208,820,401	6700	80.80	.8034	88.18	88.06	585,598	0.182
Richmond	46,452	9,794,984	26.50	16,911,159	338,694	0.150	2,252,219,072	7800	100.00	.7800	96.24	84.06	932,964	0.414
Scotland	36,864	8,837,647	25.25	11,637,742	260,458	0.142	1,830,839,323	1,1000	100.00	1.1000	92.47	73.16	1,528,342	0.636
Stokes	46,887	2,826,894	7.90	5,241,921	181,185	0.068	2,659,472,176	6200	91.04	.5644	96.37	85.29	766,995	0.288
Transylvania	29,714	22,395,655	63.06	31,641,937	649,632	0.179	3,626,133,905	4800	91.17	.4376	98.22	91.06	309,156	0.085
Vance	43,829	9,270,166	22.68	10,569,963	263,448	0.129	2,049,194,242	1,9000	76.43	.6879	93.03	85.24	1,288,089	0.629
Watauga	42,864	13,516,621	33.23	25,848,739	600,033	0.089	5,643,432,490	3500	84.38	.2953	98.15	92.10	364,822	0.065
Yadkin	37,054	3,806,698	13.02	9,379,916	218,939	0.104	2,099,974,629	6800	81.42	.5537	94.61	83.00	767,648	0.366

Group Statistics:
 25,000 - 49,999

Range:

Lowest	7.90	.0047	.3500	40.64	.2195	92.31	92.24	73.16
Highest	26,528,608	.0360	1,1000	100.00	1.1000	98.83	99.38	92.76
Average	9,517,707	.0141	.5748	80.62	.4634	95.86	97.00	85.03