

Beaufort County, North Carolina

FINANCIAL REPORT

June 30, 2016



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Beaufort County, North Carolina
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INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Beaufort County, North Carolina

Report on the Financial Statements

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 Beaufort County, North Carolina, as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Beaufort County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Beaufort County ABC Board, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Beaufort County ABC Board is based solely on the report 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 from material misstatement. The financial statements of Beaufort County ABC Board were not audited in accordance with Governmental Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Beaufort County, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, the other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 4 through 14, and 67, and 68, and 69 through 70, and pages 71 through 72, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Beaufort County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 US Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 on our consideration of Beaufort County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaufort County's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Belhaven, North Carolina
November 30, 2016

Beaufort County, North Carolina Management's Discussion and Analysis

As management of Beaufort County, we offer this overview and analysis of the financial activities of Beaufort County for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with the County's financial statements and notes to those financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of Beaufort County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$58,778,394 (*net position*).
- Beaufort County's total net position increased by \$2,776,197.
- As of June 30, 2016, Beaufort County's governmental funds reported combined ending fund balances of \$26,067,878, a decrease of \$2,143,733 in comparison with the prior year. Approximately 27.87% of this total amount or \$7,266,272 is restricted or committed.
- Also at June 30, 2016, unassigned fund balance for the General Fund was \$18,195,534, or 31.29% of total general fund expenditures of \$58,147,521 for the fiscal year.
- Beaufort County's total debt decreased by \$1,992,031 or (3.13)% during the current fiscal year. The key factor in this decrease was the refinance of the 2006 School Bonds and the HVAC installment financing.

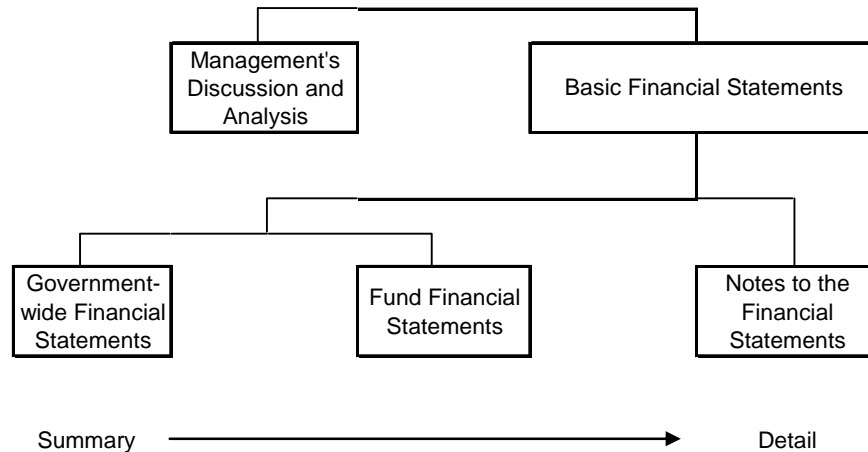
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Beaufort 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 views of the County's activities both from a broad government-wide and from a more focused fund perspective. This report contains supplemental information intended to enhance the understanding of the County's financial condition.

Beaufort County, North Carolina Management's Discussion and Analysis

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 and include four parts: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The **notes** to the financial statements follow the Fund Financial Statements, explaining in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's major and non-major governmental funds, with the non-major funds added together in one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes also can be found within the supplemental information.

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. These statements provide short and long-term information about the County's overall financial status as a whole.

Beaufort County, North Carolina Management's Discussion and Analysis

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, 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 and include the water services offered by the County. The final category is the County's single component unit, the ABC Board. Although legally separate, the County is financially accountable for the ABC Board through appointment of its members and because the ABC Board is required to distribute a portion of 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 purposes. Beaufort 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 North Carolina General Statutes or the County's budget ordinance. All of the funds of Beaufort County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for 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 has a current financial resources focus. As a result, the governmental fund financial statements give users a detailed short-term view that helps 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Beaufort 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

Beaufort County, North Carolina Management's Discussion and Analysis

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 – Beaufort County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Beaufort County uses enterprise funds to account for its water operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Beaufort County has several fiduciary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 25 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Beaufort County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 67 of this report.

Beaufort County, North Carolina Management's Discussion and Analysis

Government-Wide Financial Analysis

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 38,896,872	\$ 41,925,037	\$ 7,398,418	\$ 7,131,057	\$ 46,295,290	\$ 49,056,094
Capital assets	18,267,937	15,045,520	62,593,798	64,310,209	80,861,735	79,355,729
Deferred outflows of resources	1,680,436	1,652,115	61,575	62,690	1,742,011	1,714,805
Total assets and deferred outflows of resources	58,845,245	58,622,672	70,053,791	71,503,956	128,899,036	130,126,628
Current and other liabilities	1,469,899	1,145,946	163,927	1,361,860	1,633,826	2,507,806
Long-term liabilities outstanding	27,873,649	28,458,955	40,016,815	40,481,482	67,890,464	68,940,437
Deferred inflows of resources	561,207	3,023,568	35,145	214,309	596,352	3,237,877
Total liabilities and deferred inflows of resources	29,904,755	32,628,469	40,215,887	42,057,651	70,120,642	74,686,120
Net position:						
Net investment in capital assets	15,024,973	11,724,124	24,909,346	26,174,232	39,934,319	37,898,356
Restricted	6,469,825	7,817,266	-	-	6,469,825	7,817,266
Unrestricted	7,445,692	6,452,813	4,928,558	3,272,083	12,374,250	9,724,896
Total net position	\$ 28,940,490	\$ 25,994,203	\$ 29,837,904	\$ 29,446,315	\$ 58,778,394	\$ 55,440,518

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$58,778,394 as of June 30, 2016. The County's net position increased by \$2,776,197 for the fiscal year ended June 30, 2016. One of the largest portions \$39,934,319 (67.94%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Beaufort County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Beaufort County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Beaufort County's net position \$6,469,825 (11.01%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,374,250 is unrestricted.

The government's net investment in capital assets increased by \$2,035,963, or 5.37%. This increase is attributable to additional capital investments in land, buildings, vehicles, equipment and the water utility system during the fiscal year.

Beaufort County, North Carolina Management's Discussion and Analysis

**Beaufort County's Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 4,165,709	\$ 3,864,187	\$ 6,322,943	\$ 6,091,919	\$ 10,488,652	\$ 9,956,106
Operating grants and contributions	12,654,088	13,043,360	-	-	12,654,088	13,043,360
Capital grants and contributions	1,051,187	170,651	304,370	4,495,630	1,355,557	4,666,281
General revenues:						
Property taxes	33,723,300	34,653,688	-	-	33,723,300	34,653,688
Other taxes	8,294,864	8,724,043	-	-	8,294,864	8,724,043
Investment earnings	20,369	11,067	735,045	736,849	755,414	747,916
Miscellaneous	330,625	78,932	-	125,919	330,625	204,851
Total revenues	60,240,142	60,545,928	7,362,358	11,450,317	67,602,500	71,996,245
Expenses:						
General government	3,560,556	4,702,186	-	-	3,560,556	4,702,186
Public safety	12,271,040	11,047,562	-	-	12,271,040	11,047,562
Economic and physical development	2,541,207	1,404,848	-	-	2,541,207	1,404,848
Human services	16,401,820	16,712,928	-	-	16,401,820	16,712,928
Environmental protection	3,132,910	3,023,901	-	-	3,132,910	3,023,901
Cultural and recreational	414,595	359,481	-	-	414,595	359,481
Education	18,414,894	17,687,882	-	-	18,414,894	17,687,882
Interest and fees on long-term debt	973,416	956,536	-	-	973,416	956,536
	-	-	7,115,865	7,077,913	7,115,865	7,077,913
Total expenses	57,710,438	55,895,324	7,115,865	7,077,913	64,826,303	62,973,237
Increase in net position before transfers	2,529,704	4,650,604	246,493	4,372,404	2,776,197	9,023,008
Transfers	-	-	-	-	-	-
Increase in net position	2,529,704	4,650,604	246,493	4,372,404	2,776,197	9,023,008
Net position-beginning, previously reported	25,994,203	24,617,520	29,446,315	24,914,737	55,440,518	49,532,257
Prior period adjustment	416,583	(1,734,059)	145,096	276,744	561,679	(1,457,315)
Restatement	-	(1,539,862)	-	(117,570)	-	(1,657,432)
Net position-beginning, restated	26,410,786	21,343,599	29,591,411	25,073,911	56,002,197	46,417,510
Net position-ending	\$ 28,940,490	\$ 25,994,203	\$ 29,837,904	\$ 29,446,315	\$ 58,778,394	\$ 55,440,518

Governmental activities. Governmental activities increased the County's net position by \$2,529,704 due to a number of factors, both positive and negative, during the fiscal year. Key elements of this increase include:

- Capital grants and contributions totaling \$1,051,187
- Prior period adjustment of \$416,583 for previous year's unrecorded revenue
- Decrease of \$930,388 in property taxes
- General Fund actual expenditures were 4% less than budgeted in FY 2015-2016
- General Fund draw down of fund balance totaling \$1,998,132

Business-type activities: Business-type activities increased Beaufort County's net position by \$246,493. Key elements of this increase include:

- Water District increased revenues due to a 3% increase in rates
- Expenses remained relatively flat from fiscal year 2015 to 2016, increasing only .5%
- Prior period adjustment of \$145,583 for previous year's unrecorded water revenue

Beaufort County, North Carolina Management's Discussion and Analysis

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Beaufort County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Beaufort County's financing requirements. Specifically, fund balance available for appropriations 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 Beaufort County. At the end of the current fiscal year, Beaufort County's fund balance available in the General Fund was \$18,195,534, while total fund balance reached \$25,244,971. The Beaufort County Board of Commissioners has determined that the County should maintain an available fund balance of 35% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 31.29% of general fund expenditures, while total fund balance represents 43.42% of that same amount.

At June 30, 2016, the governmental funds of Beaufort County reported a combined fund balance of \$26,067,878, a (6.21)% decrease 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. Differences between the original budgeted revenues and final budgeted revenues for the General Fund amounted to a \$1,883,419 increase and are summarized as follows:

- \$32,355 increase in other taxes and licenses
- \$19,214 decrease in restricted revenues
- \$1,707,516 increase in restricted governmental revenues
- \$31,221 increase in permits and fees
- \$575,117 decrease in sales and service
- \$11,000 increase in investment earnings
- \$695,658 increase in miscellaneous revenue

Differences between the original budgeted expenditures and the final amended appropriations for the General Fund amounted to a \$3,193,469 increase and are summarized as follows:

- \$321,250 increase in general government activity
- \$1,842,939 increase in public safety

Beaufort County, North Carolina Management's Discussion and Analysis

- \$54,475 increase in economic and physical development
- \$702,115 increase in human services
- \$60,000 decrease in environmental protection
- \$2,491 increase in cultural and recreational
- \$220,000 increase in education
- \$110,199 increase in debt service

Transfers and appropriation of fund balance rebalanced the General Fund as follows:

- \$233,324 in transfers to other funds of which \$200,000 was for the County's local match for a CAMA grant that funded the Wright's Creek land acquisition, \$24,255 was transferred to the Courthouse Renovation Capital Project Fund to pay for the engineering services associated with the courthouse roof replacement, and \$9,069 was transferred to the Economic Development Fund to pay the cost of relocating the natural gas lines.
- \$1,543,374 increase in fund balance appropriated to cover the following major projects among other smaller items, during the fiscal year, purchase of land at Beaufort County Community College, purchase of the First Bank property, county-wide EMS start-up costs, and security equipment at the Courthouse.

During the year, General Fund revenue came in 3.3% lower than budgetary estimates and actual expenditures came in 4% less than appropriations. Originally, \$2,621,239 in fund balance was expected to be needed; however, \$1,998,132 was actually used. As mentioned previously, the drawdown of fund balance was mainly used for one time cash outlays to acquire several pieces of property and pay for courthouse security and monitoring equipment. Any portion of fund balance to pay for recurring annual expenses, such as those associated with the new county-wide EMS system, will need to have a sustainable revenue source identified to cover future operating expenditures.

Proprietary Funds. Beaufort County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water districts equaled \$4,928,558 at June 30, 2016. There was an increase in net position of \$246,493. Five of the seven water districts saw increases in their net position at the close of the year on the full accrual basis of accounting. District II and District VII were the two districts that experienced a negative change in net position as a result of the fiscal year operations. Future rate increases of 3% are anticipated for the next several years to not only allow these districts to overcome their annual losses, but also provide needed funds to satisfy laddered debt service on the limited obligations bonds.

Capital Asset and Debt Administration

Capital assets. Beaufort County's capital assets for its governmental and business – type activities as of June 30, 2016, totals \$80,861,735 (net of accumulated depreciation). This investment in capital assets includes buildings, land, equipment, vehicles, water utility system, and construction in progress. The total increase in the County's investment in capital assets for the current fiscal year

Beaufort County, North Carolina Management's Discussion and Analysis

was \$1,506,007, a 2.14% increase for governmental activities and a 2.67% decrease for business-type activities.

Major capital asset transactions during the year include:

- Land acquisitions (First Bank property, Wright's Creek property, and the Cooperage/Beasley donated property)
- Courthouse security and monitoring system
- Various vehicles for EMS, Sheriff's Office, Emergency Management, and the Water Districts
- Water District connectivity capital project completion

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 6,683,393	\$ 3,854,084	\$ 105,789	\$ 75,961	\$ 6,789,182	\$ 3,930,045
Building and system	8,328,418	8,594,189	62,399,434	56,881,702	70,727,852	65,475,891
Machinery and equipment	1,604,884	1,064,150	88,575	84,945	1,693,459	1,149,095
Construction in progress	1,651,242	1,533,096	-	7,267,601	1,651,242	8,800,697
Total	\$ 18,267,937	\$ 15,045,519	\$ 62,593,798	\$ 64,310,209	\$ 80,861,735	\$ 79,355,728

Additional information on the County's capital assets can be found in Note III.A.5.

Long-term Debt. As of June 30, 2016, Beaufort County had total debt outstanding of \$61,698,414, all of which is backed by the full faith and credit of the County. Of this amount, \$18,921,000 is owed in general obligation school bonds, \$35,530,000 is outstanding for the Water District limited obligation bonds, and \$7,247,414 is obligated for installment note balances.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 18,921,000	\$ 20,375,000	\$ -	\$ -	\$ 18,921,000	\$ 20,375,000
Limited obligation bonds	-	-	35,530,000	35,815,000	35,530,000	35,815,000
Installment purchases	5,092,964	5,179,469	2,154,450	2,320,976	7,247,414	7,500,445
Total	\$ 24,013,964	\$ 25,554,469	\$ 37,684,450	\$ 38,135,976	\$ 61,698,414	\$ 63,690,445

During the year, \$4,050,000 of 2006 general obligation school bonds were refunded. In addition, the County refinanced a 15 year energy savings installment note lowering the note interest rate from 4.25% to 2.132%.

The County maintained an Aa3 bond rating from Moody's Investor Service and a AA- bond rating from Standard and Poor's. This bond rating is a clear indication of the sound financial condition of Beaufort County, and a primary factor in keeping interest costs low on the County's outstanding debt and future borrowings.

Beaufort County, North Carolina Management's Discussion and Analysis

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 Beaufort County is \$443,753,161.

Additional information regarding Beaufort County's long-term debt can be found in Note III.B.6 beginning on page 57 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The original General Fund budget for FY 2016/2017 totals \$56,320,001, a decrease of \$1,383,621 when compared to FY 2015/2016 original budget of \$57,703,622. There was a \$3,085,100 decrease in General Fund expenditures due to the solid waste operations being removed as a department of the General Fund and shown as a separate enterprise fund. Isolating the solid waste revenues and expenditures exposed an approximate \$1,049,000 annual operating subsidy. In order to eliminate the subsidy, the annual solid waste fee was raised from \$90 per household to \$145. The Solid Waste Fund is now expected to operate at a slight positive net cash flow in order to build fund balance for future maintenance needs of the County's eleven convenience sites.

Public safety expenditures are up \$1.2 million dollars when compared to the previous year. The E-911 Communications department budget saw an increase of \$424,000 due to the addition of five emergency medical dispatch positions. The Emergency Management Services department increased by \$1,032,692 due to the 2016/2017 budget including a full year's funding for the new county-wide paramedic program.

Other General Fund departments had slightly higher budgets due to County employees receiving a 2% cost of living adjustment effective July 1, 2016. Despite a \$.02 tax increase, revenues were not sufficient to cover budgeted operating expenditures and capital outlays, requiring a fund balance appropriation of \$919,975 to balance the fund.

There is \$25,000 in General Fund contingency currently budgeted in fiscal year 2016-2017. Significant fund balance is available for appropriation at the Board's discretion should emergency items arise during the year.

Budget Highlights for the Fiscal Year Ending June 30, 2017

The following factors were also considered when preparing the County's budget for fiscal year 2016-2017:

- The unemployment rate for Beaufort County is currently 5.3%, a decrease of 1.7% from a rate of 7% in 2015. This compares unfavorably to the State's average unemployment rate of 4.7% and a national average of 5.0%.
- Ad valorem tax collections are expected to remain at 98%.
- Sales tax is expected to increase approximately 6% during fiscal year 2016-2017 due to improved economic conditions and recent State law changes that impose sales tax on labor.



Beaufort County, North Carolina Management's Discussion and Analysis

- The property tax rate increased by \$.02 from \$.53/\$100 assessed valuation to \$.55/\$100 assessed valuation for the 2016 levy.
- All seven Water Districts had a 3% increase in water rates to provide funds for the purchase of emergency generators and build reserves for future increasing debt service on the limited obligation bonds.

Requests for Information

This report is designed to provide an overview of the County's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Beaufort County Government
Chief Financial Officer
121 West Third Street
Washington, North Carolina 27889

Beaufort County, North Carolina
Statement of Net Position
June 30, 2016
Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Beaufort County ABC Board
Assets:				
Cash and cash equivalents	\$ 21,428,099	\$ 6,768,690	\$ 28,196,789	\$ 770,020
Receivables, (net)	6,180,674	1,008,490	7,189,164	-
Notes receivables	10,000,000	-	10,000,000	-
Internal balances	446,687	(446,687)	-	-
Inventories	-	-	-	506,248
Other assets	-	-	-	1,153
Restricted cash and cash equivalents	841,412	67,925	909,337	-
Total current assets	38,896,872	7,398,418	46,295,290	1,277,421
Net pension asset	-	-	-	38,676
Capital assets:				
Land, improvements, and construction in progress	8,334,635	7,401,074	15,735,709	-
Other capital assets, net of depreciation	9,933,302	55,192,724	65,126,026	1,030,145
Total capital assets	18,267,937	62,593,798	80,861,735	1,030,145
Total assets	57,164,809	69,992,216	127,157,025	2,346,242
Deferred Outflows of Resources	1,680,436	61,575	1,742,011	11,718
Liabilities:				
Accounts payable and accrued expenses	1,469,899	96,002	1,565,901	448,228
Customer deposits	-	67,925	67,925	-
Long-term liabilities				
Net pension liability - LGERS	882,541	66,037	948,578	-
Due within one year	2,246,275	900,149	3,146,424	-
Due in more than one year	24,744,833	39,050,629	63,795,462	-
Total long-term liabilities	27,873,649	40,016,815	67,890,464	-
Total liabilities	29,343,548	40,180,742	69,524,290	448,228
Deferred Inflows of Resources	561,207	35,145	596,352	44,041
Net Position:				
Net investment in capital assets	15,024,973	24,909,346	39,934,319	1,034,150
Restricted for:				
Stabilization by State Statute	5,670,636	-	5,670,636	-
Other	799,189	-	799,189	-
Working capital	-	-	-	831,541
Unrestricted (deficit)	7,445,692	4,928,558	12,374,250	-
Total net position	\$ 28,940,490	\$ 29,837,904	\$ 58,778,394	\$ 1,865,691

The accompanying notes are an integral part of these financial statements.

Beaufort County, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2016
Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Beaufort County ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 3,560,556	\$ 1,336,389	\$ 205,031	\$ -	\$ (2,019,136)	\$ -	\$ (2,019,136)	\$ -
Public safety	12,271,040	597,918	1,420,091	-	(10,253,031)	-	(10,253,031)	-
Economic and physical development	2,541,207	-	-	1,051,187	(1,490,020)	-	(1,490,020)	-
Human services	16,401,820	220,147	10,561,059	-	(5,620,614)	-	(5,620,614)	-
Environmental protection	3,132,910	2,011,255	17,907	-	(1,103,748)	-	(1,103,748)	-
Cultural and recreational	414,595	-	-	-	(414,595)	-	(414,595)	-
Education	18,414,894	-	450,000	-	(17,964,894)	-	(17,964,894)	-
Debt service:								
Interest and fees on long-term debt	973,416	-	-	-	(973,416)	-	(973,416)	-
Total governmental activities	57,710,438	4,165,709	12,654,088	1,051,187	(39,839,454)	-	(39,839,454)	-
Business-type activities:								
Water Districts	7,115,865	6,322,943	-	304,370	-	(488,552)	-	-
Total business-type activities	7,115,865	6,322,943	-	304,370	-	(488,552)	-	-
Total primary government	\$ 64,826,303	\$ 10,488,652	\$ 12,654,088	\$ 1,355,557	\$ (39,839,454)	\$ (488,552)	\$ (39,839,454)	\$ -
Component unit:								
ABC Board	\$ 3,774,110	\$ 3,889,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,776
General revenues:								
Taxes:								
Property taxes, levied for general purpose					33,723,300	-	33,723,300	-
Local option sales tax					7,978,947	-	7,978,947	-
Other taxes and licenses					315,917	-	315,917	-
Investment earnings, unrestricted					20,369	735,045	755,414	1,589
Miscellaneous, unrestricted					330,625	-	330,625	-
Total general revenues					42,369,158	735,045	43,104,203	1,589
Change in net position					2,529,704	246,493	2,776,197	117,365
Net position-beginning, previously reported					25,994,203	29,446,315	55,440,518	1,748,326
Prior period adjustment					416,583	145,096	561,679	-
Net position-beginning, restated					26,410,786	29,591,411	56,002,197	1,748,326
Net position-ending					\$ 28,940,490	\$ 29,837,904	\$ 58,778,394	\$ 1,865,691

The accompanying notes are an integral part of these financial statements.

Beaufort County, North Carolina
Balance Sheet – Governmental Fund
June 30, 2016
Exhibit 3

	Major	Non-Major	Total
	General Fund	Other Governmental Funds	Governmental Funds
Assets:			
Cash and cash equivalents	\$ 20,503,256	\$ 924,843	\$ 21,428,099
Taxes receivable, net	1,321,498	-	1,321,498
Accounts receivable, net	4,521,555	337,621	4,859,176
Hospital lease receivable	10,000,000	-	10,000,000
Due from other funds	805,407	-	805,407
Restricted cash	841,412	-	841,412
Total assets	37,993,128	1,262,464	39,255,592
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	1,389,062	80,837	1,469,899
Due to other funds	-	358,720	358,720
Total liabilities	1,389,062	439,557	1,828,619
Deferred Inflows of Resources:			
Taxes receivable	1,321,496	-	1,321,496
Prepaid taxes	37,599	-	37,599
Hospital lease receivable	10,000,000	-	10,000,000
Total deferred inflows of resources	11,359,095	-	11,359,095
Fund balances:			
Restricted:			
Stabilization for State Statute	5,333,015	337,621	5,670,636
Other	-	799,189	799,189
Committed:			
Tax Revaluation	796,447	-	796,447
Assigned:			
Subsequent year's expenditures	919,975	-	919,975
Unassigned	18,195,534	(313,903)	17,881,631
Total fund balances	25,244,971	822,907	26,067,878
Total liabilities, deferred inflows of resources, and fund balances	\$ 37,993,128	\$ 1,262,464	

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

Total Fund Balance, Governmental Funds	26,067,878
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,267,937
Deferred charges on refunding reported in governmental activities are not reported in the funds	751,982
Net pension liability	(882,541)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	928,454
Pension related deferrals	(523,608)
Deferred inflows of resources for taxes and special assessments.	11,321,496
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(26,991,108)
Net assets of governmental activities	\$ 28,940,490

The accompanying notes are an integral part of these financial statements.

Beaufort County, North Carolina
Statement of Revenues, Expenditures, and Changes
in Fund Balance – Governmental Fund
For the Fiscal Year Ended June 30, 2016
Exhibit 4

	Major	Non-Major	
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 31,401,059	\$ 2,594,516	\$ 33,995,575
Local option sales tax	7,978,947	-	7,978,947
Other taxes and licenses	315,917	-	315,917
Unrestricted intergovernmental revenues	216,368	-	216,368
Restricted intergovernmental revenues	12,540,232	1,270,546	13,810,778
Permits and fees	314,016	-	314,016
Sales and services	3,529,822	-	3,529,822
Investment earnings	20,369	-	20,369
Miscellaneous	282,890	47,735	330,625
Total revenues	56,599,620	3,912,797	60,512,417
Expenditures:			
Current:			
General government	6,255,130	-	6,255,130
Public safety	9,981,342	2,857,028	12,838,370
Economic and physical development	883,452	1,651,601	2,535,053
Human services	16,397,636	-	16,397,636
Environmental protection	3,132,910	-	3,132,910
Cultural and recreational	414,595	-	414,595
Education	18,257,331	-	18,257,331
Debt service:			
Principal	1,851,709	-	1,851,709
Interest and other charges	973,416	-	973,416
Total expenditures	58,147,521	4,508,629	62,656,150
 Excess (deficiency) of revenues over expenditures	 (1,547,901)	 (595,832)	 (2,143,733)
Other Financing Sources (Uses):			
Transfers from other funds	79,420	(79,420)	-
Transfers to other funds	(480,704)	480,704	-
Total other financing sources and uses	(401,284)	401,284	-
 Net change in fund balance	 (1,949,185)	 (194,548)	 (2,143,733)
Fund balances-beginning - as previously reported	26,777,573	1,017,455	27,795,028
Prior period adjustment	416,583	-	416,583
Beginning of year - restated	27,194,156	1,017,455	28,211,611
Fund balances-ending	\$ 25,244,971	\$ 822,907	\$ 26,067,878

The accompanying footnotes are an integral part of these financial statements.

Beaufort County, North Carolina
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance – Governmental Fund
For the Fiscal Year Ended June 30, 2016
Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (2,143,733)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(272,275)
Expenses related to compensated absences, OPEB, landfill post-closure care, and Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(152,506)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	3,776,028
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(553,610)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	7,715,505
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, they are not a revenue, rather they are an increase in liabilities.	(6,175,000)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.	79,848
Deferred charges on refunding reported in governmental activities are not reported in the funds.	(68,364)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	96,684
County's portion of collective pension expense.	227,127
Total changes in net position of governmental activities	\$ 2,529,704

The accompanying footnotes are an integral part of these financial statements.

Beaufort County, North Carolina
General Fund Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016
Exhibit 6

	General Fund			Variance With Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 32,876,440	\$ 32,876,440	\$ 31,401,059	\$ (1,475,381)
Local option sales tax	7,884,266	7,884,266	7,978,947	94,681
Other taxes and licenses	230,000	262,355	315,917	53,562
Unrestricted intergovernmental revenues	230,000	210,786	216,368	5,582
Restricted intergovernmental revenues	11,240,051	12,947,567	12,540,232	(407,335)
Permits and fees	275,000	306,221	314,016	7,795
Sales and services	3,800,000	3,224,883	3,529,822	304,939
Investment earnings	15,000	26,000	20,369	(5,631)
Miscellaneous	75,000	770,658	282,890	(487,768)
Total revenues	56,625,757	58,509,176	56,599,620	(1,909,556)
Expenditures:				
Current:				
General government	6,424,088	6,745,338	6,154,577	590,761
Public safety	8,511,076	10,354,015	9,981,342	372,673
Economic and physical development	870,316	924,791	883,452	41,339
Human services	17,091,234	17,793,349	16,397,636	1,395,713
Environmental protection	3,223,488	3,163,488	3,132,910	30,578
Cultural and recreational	424,873	427,364	414,595	12,769
Education	18,046,289	18,266,289	18,257,331	8,958
Debt service:				
Principal	1,825,893	1,851,935	1,851,709	226
Interest and other charges	889,485	973,642	973,416	226
Total expenditures	57,306,742	60,500,211	58,046,968	2,453,243
Revenues over (under) expenditures	(680,985)	(1,991,035)	(1,447,348)	543,687
Other Financing Sources (Uses):				
Transfers from other funds	-	-	79,420	79,420
Transfers to other funds	(396,880)	(630,204)	(630,204)	-
Total other financing sources and uses	(396,880)	(630,204)	(550,784)	79,420
Revenues and other financing sources over (under) expenditures and other financing uses	(1,077,865)	(2,621,239)	(1,998,132)	623,107
Appropriated fund balance	1,077,865	2,621,239	-	(2,621,239)
Net change in fund balance	\$ -	\$ -	(1,998,132)	\$ (1,998,132)
Fund balances-beginning - as previously reported			26,030,073	
Prior period adjustment			416,583	
Beginning of year - restated			26,446,656	
Fund balances-ending			\$ 24,448,524	
The legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Transfers in - General Fund			\$ 149,500	
Tax Listing			(100,553)	
Fund balance, beginning			747,500	
Fund balance, ending (Exhibit 4)			\$ 25,244,971	

The accompanying footnotes are an integral part of these financial statements.

Beaufort County, North Carolina
Statement of Net Position – Proprietary Funds
June 30, 2016
Exhibit 7

	Business-type Activities - Proprietary Funds - Major								Total
	Water District I	Water District II	Water District III	Water District IV	Water District V	Water District VI	Water District VII	County Water Service Fund	
Assets:									
Current assets:									
Cash and investments	\$ 749,145	\$ 1,207,148	\$ 1,190,475	\$ 1,100,458	\$ 113,782	\$ 1,779,619	\$ 628,063	\$ -	\$ 6,768,690
Accounts receivable, net	257,853	134,950	146,387	158,119	70,823	161,120	79,238	-	1,008,490
Due (to)/from other funds	(120,413)	(18,615)	(183,149)	(17,469)	(8,825)	85,893	(184,109)	-	(446,687)
Total current assets	886,585	1,323,483	1,153,713	1,241,108	175,780	2,026,632	523,192	-	7,330,493
Noncurrent assets:									
Restricted assets:									
Due from Districts	-	-	-	-	-	-	-	35,530,000	35,530,000
Cash and investments	9,425	11,625	11,925	9,750	4,500	15,000	5,700	-	67,925
Capital assets:									
Land and improvements	-	-	2,000	-	-	73,961	-	-	75,961
Construction in progress	3,658,565	-	-	-	-	3,666,548	-	-	7,325,113
Buildings, improvements, and equipment	8,928,593	4,943,429	6,535,336	12,831,242	8,887,275	20,065,709	9,563,789	-	71,755,373
Less accumulated depreciation	(1,502,772)	(3,042,475)	(3,281,003)	(2,314,458)	(1,514,117)	(3,237,381)	(1,670,443)	-	(16,562,649)
Total capital assets	11,084,386	1,900,954	3,256,333	10,516,784	7,373,158	20,568,837	7,893,346	-	62,593,798
Total noncurrent assets	11,093,811	1,912,579	3,268,258	10,526,534	7,377,658	20,583,837	7,899,046	35,530,000	98,191,723
Total assets	11,980,396	3,236,062	4,421,971	11,767,642	7,553,438	22,610,469	8,422,238	35,530,000	105,522,216
Deferred Outflows of Resources	6,694	10,065	10,101	10,416	4,513	12,355	7,431	-	61,575
Liabilities:									
Current liabilities:									
Accounts payable and accrued liabilities	12,328	18,698	18,482	22,357	11,831	8,338	3,968	-	96,002
Customer deposits	9,425	11,625	11,925	9,750	4,500	15,000	5,700	-	67,925
Compensated absences	7,904	11,842	11,936	12,292	5,311	14,588	8,776	-	72,649
Installment purchase	55,000	-	-	-	32,225	55,000	-	-	142,225
Due to County	-	15,000	15,000	190,000	95,000	215,000	120,000	-	650,000
Limited obligation bonds	-	-	-	-	-	-	-	650,000	650,000
Original issue discount/premium	9,746	14,635	14,752	15,192	6,563	18,029	10,845	-	89,762
Total current liabilities	94,403	71,800	72,095	249,591	155,430	325,955	149,289	650,000	1,768,563
Noncurrent liabilities:									
Installment purchase	990,000	-	-	-	32,227	990,000	-	-	2,012,227
Due to County	4,650,000	3,225,000	3,945,000	6,480,000	3,025,000	8,965,000	4,590,000	-	34,880,000
Net pension liability	7,179	10,794	10,833	11,171	4,840	13,250	7,970	-	66,037
Limited obligation bonds	-	-	-	-	-	-	-	34,880,000	34,880,000
Original issue discount/premium	224,145	336,605	339,287	349,405	150,956	414,662	249,460	-	2,064,520
Other postemployment benefits	4,285	6,422	6,467	6,667	2,887	7,909	4,758	-	39,395
Total noncurrent liabilities	5,875,609	3,578,821	4,301,587	6,847,243	3,215,910	10,390,821	4,852,188	34,880,000	73,942,179
Total liabilities	5,970,012	3,650,621	4,373,682	7,096,834	3,371,340	10,716,776	5,001,477	35,530,000	75,710,742
Deferred Inflows of Resources	3,821	5,745	5,765	5,945	2,576	7,052	4,241	-	35,145
Net Position:									
Net investment in capital assets	5,389,386	(1,339,046)	(703,667)	3,846,784	4,188,706	10,343,837	3,183,346	-	24,909,346
Unrestricted	623,871	928,807	756,292	828,495	(4,671)	1,555,159	240,605	-	4,928,558
Total net position	\$ 6,013,257	\$ (410,239)	\$ 52,625	\$ 4,675,279	\$ 4,184,035	\$ 11,898,996	\$ 3,423,951	\$ -	\$ 29,837,904

The accompanying footnotes are an integral part of these financial statements.

Beaufort County, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position –
Proprietary Funds
For the Fiscal Year Ended June 30, 2016
Exhibit 8

	Business-type Activities - Proprietary Funds - Major								Total
	Water District I	Water District II	Water District III	Water District IV	Water District V	Water District VI	Water District VII	County Water Service Fund	
Operating Revenues:									
Water sales	\$ 767,886	\$ 853,132	\$ 996,063	\$ 1,117,448	\$ 490,556	\$ 1,189,847	\$ 625,316	\$ -	\$ 6,040,248
Tap on fees	17,100	16,300	14,950	17,000	5,250	27,895	8,317	-	106,812
Miscellaneous	23,797	28,070	27,049	23,386	13,650	42,317	17,614	-	175,883
Total operating revenue	808,783	897,502	1,038,062	1,157,834	509,456	1,260,059	651,247	-	6,322,943
Operating Expenses:									
Salaries and benefits	126,421	202,937	190,804	196,710	85,181	233,338	140,357	-	1,175,748
Water purchase	112,589	176,311	172,597	180,098	78,798	22,280	-	-	742,673
Water operations and maintenance	138,179	196,729	191,103	187,134	87,730	313,762	162,629	-	1,277,266
Depreciation expense	195,988	293,621	295,963	304,790	131,679	361,713	217,604	-	1,801,358
Total operating expenses	573,177	869,598	850,467	868,732	383,388	931,093	520,590	-	4,997,045
Operating income (loss)	235,606	27,904	187,595	289,102	126,068	328,966	130,657	-	1,325,898
Nonoperating revenues (expenses):									
Investment earnings	-	-	-	-	-	-	-	735,045	735,045
Interest, fees and amortization	(180,517)	(123,515)	(153,633)	(259,158)	(125,226)	(358,397)	(183,329)	(735,045)	(2,118,820)
Total nonoperating revenues (expenses)	(180,517)	(123,515)	(153,633)	(259,158)	(125,226)	(358,397)	(183,329)	-	(1,383,775)
Income (loss) before contributions and operating transfers	55,089	(95,611)	33,962	29,944	842	(29,431)	(52,672)	-	(57,877)
Capital contributions	239,451	-	-	-	-	64,919	-	-	304,370
Total transfers and capital contributions	239,451	-	-	-	-	64,919	-	-	304,370
Change in net position	294,540	(95,611)	33,962	29,944	842	35,488	(52,672)	-	246,493
Net position, beginning, as previously reported	5,693,379	(344,113)	(16,128)	4,606,134	4,166,912	11,863,508	3,476,623	-	29,446,315
Prior period adjustment	25,338	29,485	34,791	39,201	16,281	-	-	-	145,096
Net position, beginning, restated	5,718,717	(314,628)	18,663	4,645,335	4,183,193	11,863,508	3,476,623	-	29,591,411
Net position, ending	6,013,257	(410,239)	52,625	4,675,279	4,184,035	11,898,996	3,423,951	-	29,837,904

The accompanying footnotes are an integral part of these financial statements.

Beaufort County, North Carolina
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2016
Exhibit 9

	Business-type Activities - Proprietary Funds - Major							Total
	Water District I	Water District II	Water District III	Water District IV	Water District V	Water District VI	Water District VII	
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers	\$ 782,033	\$ 873,167	\$ 1,018,290	\$ 1,131,859	\$ 499,854	\$ 1,217,381	\$ 642,020	\$ 6,164,604
Cash paid for goods and services	(253,409)	(374,552)	(365,215)	(365,640)	(164,258)	(339,242)	(169,927)	(2,032,243)
Cash paid to employees for services	(127,674)	(204,799)	(192,687)	(198,667)	(86,043)	(235,651)	(141,747)	(1,187,268)
Customer deposits (net)	1,400	3,000	3,975	1,200	1,500	3,150	1,425	15,650
Other operating revenues	23,797	28,070	27,049	23,386	13,650	42,317	17,614	175,883
Net cash provided (used) by operating activities	426,147	324,886	491,412	592,138	264,703	687,955	349,385	3,136,626
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Due to other funds	9,351	13,967	14,403	13,582	7,234	17,124	10,637	86,298
Net cash provided (used) from noncapital financing activities	9,351	13,967	14,403	13,582	7,234	17,124	10,637	86,298
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	(772,229)	(4,471)	(4,508)	(4,643)	(2,003)	(495,057)	(3,314)	(1,286,225)
Interest paid on construction debt	(190,263)	(138,150)	(168,385)	(274,350)	(131,789)	(376,426)	(194,175)	(1,473,538)
Principal paid on bond maturities and equipment contracts	(55,000)	(15,000)	(39,299)	(20,000)	(47,226)	(265,000)	(10,000)	(451,525)
Capital contributions - Federal grant	902,438	-	-	-	-	586,806	-	1,489,244
Net cash provided (used) for capital and related financing activities	(115,054)	(157,621)	(212,192)	(298,993)	(181,018)	(549,677)	(207,489)	(1,722,044)
Net increase (decrease) in cash and cash equivalents	320,444	181,232	293,623	306,727	90,919	155,402	152,533	1,500,880
Cash and cash equivalents, beginning	438,126	1,037,541	908,777	803,481	27,363	1,639,217	481,230	5,335,735
Cash and cash equivalents, ending	\$ 758,570	\$ 1,218,773	\$ 1,202,400	\$ 1,110,208	\$ 118,282	\$ 1,794,619	\$ 633,763	\$ 6,836,615
Reconciliation of operating income (loss) to net cash provided (used) by operating revenues								
Operating income (loss)	\$ 235,606	\$ 27,904	\$ 187,595	\$ 289,102	\$ 126,068	\$ 328,966	\$ 130,657	\$ 1,325,898
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	195,988	293,621	295,963	304,790	131,679	361,713	217,604	1,801,358
Change in assets and liabilities:								
(Increase) decrease in accounts receivable	(2,953)	3,735	7,277	(2,589)	4,048	(361)	8,387	17,544
(Increase) decrease in net pension asset	9,778	14,656	14,756	15,216	6,590	18,047	10,855	89,898
(Increase) decrease in deferred outflows of resources for pensions	127	153	199	191	70	233	142	1,115
Increase (decrease) in net pension liability	7,179	10,794	10,833	11,171	4,840	13,250	7,970	66,037
Increase (decrease) in deferred inflows of resources for pensions	(19,489)	(29,192)	(29,411)	(30,327)	(13,137)	(35,971)	(21,637)	(179,164)
Increase (decrease) in accounts payable and accrued liabilities	(2,641)	(1,512)	(1,515)	1,592	2,270	(3,200)	(7,298)	(12,304)
Increase (decrease) in customer deposits	1,400	3,000	3,975	1,200	1,500	3,150	1,425	15,650
Increase (decrease) in accrued vacation	283	425	428	441	191	524	315	2,607
Increase (decrease) in OPEB payable	869	1,302	1,312	1,351	584	1,604	965	7,987
Total adjustments	190,541	296,982	303,817	303,036	138,635	358,989	218,728	1,810,728
Net cash provided (used) by operating activities	\$ 426,147	\$ 324,886	\$ 491,412	\$ 592,138	\$ 264,703	\$ 687,955	\$ 349,385	\$ 3,136,626

The accompanying footnotes are an integral part of these financial statements.

Beaufort County, North Carolina
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2016
Exhibit 10

Assets

Current assets:		
Cash and investments	\$	200,800
Taxes receivable		510,836
Assessments receivable		95,721
Total assets	\$	807,357

Liabilities

Accounts payable	\$	807,357
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The accompanying footnotes are an integral part of these financial statements.

Beaufort County, North Carolina
Notes to Financial Statements

I. Summary of Significant Accounting Policies

The accounting policies of Beaufort County and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a 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 units, legally separate entities for which the County is financially accountable. Beaufort County Water Districts (the “Districts”) exists to construct and operate a water system for the County’s residents. The Districts are presented as if they were enterprise funds. Beaufort County ABC Board (the “Board”), which has a June 30 year-end, is presented as if they are separate proprietary funds of the County (discrete presentation).

Component Unit	Reporting Method	Criteria for Inclusion	For Separate Financial Statements
Beaufort County Water Districts I-VII	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing board for the districts.	None Issued
Beaufort 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.	Beaufort County ABC Board PO Box 552 Washington, NC 27889

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (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

Beaufort County, North Carolina Notes to Financial Statements

requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental fund:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

The County reports the following major enterprise funds:

Water Fund – This fund is used to account for the debt service of the Limited Obligation Bonds.

Beaufort County Water District I-VII Funds - These funds are used to account for the operations of the Water Districts within the County. All are major funds. The individual District statements are shown as supplementary statements. The Water District VI – Chocowinity Capital Project Fund is consolidated with Water District VI (the operating fund) for financial reporting purposes. The Water District I –Northside to Southside Connectivity Capital Project Fund is consolidated with Water District I (the operating fund) for financial reporting purposes.

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Social Services Department for the benefit of certain individuals; the Inmate Fund, which accounts for monies deposited with the Sheriff's Office; the Beaufort County Home Foundation Fund, which accounts for funds held for those who benefited from services of the County's extended care facility; Tax Collections Fund, which accounts for property taxes that are billed and collected by the County for various municipalities within the County; the Drainage Assessments Fund, which accounts for drainage assessments that are billed and collected by the

Beaufort County, North Carolina Notes to Financial Statements

County for various drainage districts within the County; the 4-H Fund, which accounts for the 4-H funds that the organization uses to run their program within the County; and the Cooperative Extension, which accounts for funds that are provided by seed manufacturers and fertilizer companies for use in the cooperative extension's annual field days, test plots, and demonstrations on the research conducted specific to the funding received.

Nonmajor Funds. The County maintains thirteen legally budgeted nonmajor governmental funds. The Economic Development Fund, the Fire and Rescue Tax Districts Fund, the Emergency Telephone System Fund, and the State and Federal Seizures Fund are reported as nonmajor special revenue funds. The Hazard Mitigation Fund, two FEMA Flood Mitigation Funds, the Stream Debris Removal Fund, the Oak Ridge Metal Works Grant Fund, the Courthouse Roof Replacement Fund, the Economic Development Fund, the Wright's Creek Project Fund, and the Capital Reserve Fund are reported as nonmajor capital projects funds.

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Beaufort County, North Carolina Notes to Financial Statements

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with the change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, special revenue funds (excluding grant and capital projects funds), and enterprise funds. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the capital projects funds except capital reserve.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the General Fund. Expenditures may not legally exceed appropriations at the fund level for all other annually budgeted funds and at the project level for multi-year funds. Amendments are required for revisions that alter total

Beaufort County, North Carolina Notes to Financial Statements

expenditures of any fund or that change functional appropriations by more than \$25,000. The governing board must approve all amendments. During the year several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the County and Beaufort County ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The County and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Non-participating interest earnings and investment contracts are reported at cost.

2. Cash and Cash Equivalents

The County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. 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. Money for future tax revaluation is classified as restricted assets in the General Fund because its use is restricted per North Carolina General Statute 153A-150.

Beaufort County, North Carolina
Notes to Financial Statements

Governmental Activities:

General Fund:	
Tax Revaluation	\$ 841,412
<u> Total governmental activities</u>	<u>841,412</u>

Business-type Activities:

Water Districts I - VII:	
Customer deposits	67,925
<u> Total business-type activities</u>	<u>67,925</u>
<u>Total Restricted Cash</u>	<u>\$ 909,337</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories

The inventories of the ABC Board are valued at the lower of cost or market and consist of products held for resale. The cost of this inventory is charged to cost of sales as the inventory is sold.

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. The County's minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant distributions systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Beaufort County Board of Education properties, which 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

Beaufort County, North Carolina
Notes to Financial Statements

Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as fixed assets in the financial statements of the Beaufort County Board of Education.

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

Assets	Estimated Useful Lives
Buildings	50 years
Improvements	25 years
Furniture and equipment	5-10 years
Vehicles	10 years
Computer equipment	5 years

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

Assets	Estimated Useful Lives
Buildings	25 years
Furniture and equipment	5-10 years
Motor vehicles	4 years

8. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion – a charge on refunding, pension related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has four items that meet the criterion for this category – prepaid taxes, taxes receivable, hospital lease receivable, and other pension related deferrals.

9. 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

Beaufort County, North Carolina Notes to Financial Statements

Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policies of the County and the ABC Board, generally provides for the accumulation of up to 240 hours earned vacation leave with such leave being fully vested when earned. The County's liability for accumulated earned vacation and the salary-related payments as of June 30, 2016, are recorded in the governmental activities of the government-wide financial statements. For the County's proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded within those funds as the benefits accrue to the employees. The County has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component unit.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Beaufort County, North Carolina
Notes to Financial Statements

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There is no nonspendable fund balance at June 30, 2016.

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

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

Restricted for Economic Development – portion of fund balance that is restricted by revenue source for economic development expenditures.

Restricted for Emergency Telephone - portion of fund balance that is restricted by revenue source for emergency telephone expenditures.

Restricted for State and Federal Drug Seizures - portion of fund balance that is restricted by revenue source for drug seizure expenditures.

Restricted for Capital Reserves - portion of fund balance that is restricted by revenue source for capital reserve expenditures.

Committed Fund Balance – This classification includes the portion of fund balance that can only be used for specific purpose imposed by majority vote of the County’s governing body (highest level of decision-making authority). The Board of Commissioners is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Tax Revaluation – portion of fund balance committed by the Board of Commissioners that can only be used for tax revaluation.

Purpose	General Fund	Other Governmental Funds
Tax revaluation	\$ 796,447	\$ -
Total	\$ 796,447	\$ -

Assigned Fund Balance – This classification is the portion of fund balance that the County’s governing board has budgeted. The County’s governing body approves the appropriation; however, the budget ordinance authorizes the Manager to modify the appropriations by resource or appropriation within funds up to \$5,000.

Beaufort County, North Carolina
Notes to Financial Statements

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance – This classification is the portion of fund balance that has not been restricted by revenue, committed, or assigned to specific purposes or other funds.

Within the General Fund, management strives to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 35 percent of budgeted expenditures. Any portion of the General Fund balance in excess of 35 percent of budgeted expenditures is typically utilized, with the Board’s approval, to fund approved capital projects or pay down outstanding County debt.

Management also follows a revenue spending convention utilizing resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification expenditures are typically spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 25,244,971
Less:	
Stabilization by State statute	5,333,015
Tax Revaluation	796,447
Subsequent year's expenditures	919,975
Total available fund balance	\$ 18,195,534

12. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

13. Defined Benefit Pension Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees’ Retirement System (LGERS) and the Registers of Deeds’ Supplemental Pension Fund (RODSPF) (collectively, the “state-administered defined benefit pension plans”). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit

Beaufort County, North Carolina Notes to Financial Statements

pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$2,872,612 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 31,955,243
Less accumulated depreciation	(13,687,306)
Net capital assets	18,267,937
Deferred charges on refunding reported in governmental activities are not reported in the funds	751,982
Contributions to the pension plan in the current fiscal year	928,454
Pension related deferrals	(523,608)
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	11,321,496
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 funds statements:	
Bonds, leases, and installment financing	(25,008,808)
Net pension obligation	(470,214)
Other postemployment benefit obligation	(486,468)
Net pension liability	(882,541)
Compensated absences	(1,025,618)
	(27,873,649)
Total adjustment	\$ 2,872,612

Beaufort County, North Carolina Notes to Financial Statements

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$4,673,347 as follows:

Description	Amount
Capital outlay expenditures recorded in the funds statements but capitalized as assets in the statement of activities.	\$ 3,776,028
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.	(553,610)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position.	(6,175,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	7,715,505
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	96,684
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Change in deferred revenue	(272,275)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental statements.	79,848
Deferred charges on refunding reported in governmental activities are not reported in the funds.	(68,364)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not reported as expenditures in fund statements.	
Compensated absences	(128,961)
Other postemployment benefit obligation	(47,919)
Landfill post-closure care	14,565
Net pension obligation	9,809
County's portion of collective pension expense	227,127
Total adjustment	\$ 4,673,437

F. Subsequent Events

Date of Management Evaluation

Management has evaluated subsequent events through November 30, 2016, the date on which the financial statements were available to be issued.

II. Stewardship, Compliance, and Accountability

Deficit Fund Balance or Net Position of Individual Funds

The County's Water District II had deficit net position of \$410,239. Both FEMA Flood Mitigation funds had deficit fund balances of \$5,940 and \$18,219. The deficit net positions will be eliminated with future revenues.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2016, the County's deposits had a carrying amount of \$13,994,558. The bank balances with financial institutions were \$15,058,753. Of these bank balances, \$1,009,856 was covered by federal depository insurance and \$14,048,897 was covered by collateral held under the Pooling Method.

At June 30, 2016, Beaufort County had \$1,525 in petty cash on hand.

Beaufort County, North Carolina Notes to Financial Statements

At June 30, 2016, the carrying amount of deposits for Beaufort County ABC Board was \$770,020 and the bank balance was \$861,320. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2016, the County's investments consisted of \$15,110,043 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

At June 30, 2016, the ABC Board had no investments.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2013	\$ 1,551,650	\$ 88,992	\$ 1,640,642
2014	1,395,371	80,257	1,475,628
2015	1,393,444	80,123	1,473,567
2016	1,448,562	83,292	1,531,854
Total	\$ 5,789,027	\$ 332,664	\$ 6,121,691

Beaufort County, North Carolina
Notes to Financial Statements

4. Receivables

Receivables at the government-wide level at June 30, 2016, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General	\$ 2,337,435	\$ 1,910,358	\$ 2,184,120	\$ 6,431,913
Other Governmental	337,621	-	-	337,621
Total receivables	2,675,056	1,910,358	2,184,120	6,769,534
Allowance for doubtful accounts	-	(588,860)	-	(588,860)
Total governmental activities	\$ 2,675,056	\$ 1,321,498	\$ 2,184,120	\$ 6,180,674
Business-type activities:				
Water Districts	\$ 1,635,885	-	-	\$ 1,635,885
Total receivables	1,635,885	-	-	1,635,885
Allowance for doubtful accounts	(627,395)	-	-	(627,395)
Total business-type activities	\$ 1,008,490	\$ -	\$ -	\$ 1,008,490

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

Local option sales tax	\$ 2,062,586
Sales tax receivable	121,534
	<u>\$ 2,184,120</u>

Beaufort County, North Carolina
Notes to Financial Statements

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2016, was as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 3,854,084	\$ 2,829,309	\$ -	\$ 6,683,393
Construction in progress	1,533,096	118,146	-	1,651,242
Total capital assets not being depreciated	5,387,180	2,947,455	-	8,334,635
Capital assets being depreciated:				
Buildings	17,731,313	-	-	17,731,313
Equipment and vehicles	5,293,566	828,573	232,844	5,889,295
Total capital assets being depreciated	23,024,879	828,573	232,844	23,620,608
Less accumulated depreciation for:				
Buildings	9,137,124	265,771	-	9,402,895
Equipment and vehicles	4,229,416	287,839	232,844	4,284,411
Total accumulated depreciation	13,366,540	553,610	232,844	13,687,306
Total capital assets being depreciated, net	9,658,339			9,933,302
Governmental activity capital assets, net	\$ 15,045,519			\$ 18,267,937

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

General government	\$ 132,352
Public safety	204,996
Economic and physical development	6,154
Human services	31,611
Education	157,563
Emergency Management	20,934
Total depreciation expense	\$ 553,610

Beaufort County, North Carolina Notes to Financial Statements

Business-type Activities:	Beginning			Ending
Water Districts	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 75,961	\$ 29,828	\$ -	\$ 105,789
Construction in progress	7,267,601	57,512	7,325,113	-
Total capital assets not being depreciated	7,343,562	87,340	7,325,113	105,789
Capital assets being depreciated:				
Plant and distribution systems	71,102,127	7,295,286	-	78,397,413
Furniture and equipment	179,105	-	-	179,105
Vehicles and motor equipment	446,705	27,436	-	474,141
Total capital assets being depreciated	71,727,937	7,322,722	-	79,050,659
Less accumulated depreciation for:				
Plant and distribution systems	14,220,426	1,777,553	-	15,997,979
Furniture and equipment	175,427	1,161	-	176,588
Vehicles and motor equipment	365,440	22,643	-	388,083
Total accumulated depreciation	14,761,293	1,801,357	-	16,562,650
Total capital assets being depreciated, net	56,966,644			62,488,009
Water Districts capital assets, net	\$ 64,310,206			\$ 62,593,798

Depreciation for the Water Districts was charged as follows:

Water District I	\$ 195,988
Water District II	293,621
Water District III	295,963
Water District IV	304,790
Water District V	131,679
Water District VI	361,712
Water District VII	217,604
Total depreciation expense	\$ 1,801,357

Beaufort County, North Carolina
Notes to Financial Statements

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2016, was as follows:

ABC Board:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 338,834	\$ -	\$ -	\$ 338,834
Total capital assets not being depreciated	338,834	-	-	338,834
Capital assets being depreciated:				
Buildings	1,066,389	102,514	-	1,168,903
Equipment and Furniture	577,047	31,247	-	608,294
Vehicles	17,963	-	-	17,963
Total capital assets being depreciated	1,661,399	133,761	-	1,795,160
Less accumulated depreciation for:				
Buildings	532,275	54,582	-	586,857
Equipment and Furniture	481,066	17,963	-	499,029
Vehicles	17,963	-	-	17,963
Total accumulated depreciation	1,031,304	72,545	-	1,103,849
ABC capital assets, net	\$ 968,929			\$ 1,030,145

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2016, were as follows:

	Vendors	Total
Governmental Activities:		
General	\$ 1,389,062	\$ 1,389,062
Other Governmental	80,837	80,837
Total governmental funds	\$ 1,469,899	\$ 1,469,899
Business-type Activities:		
Water Districts	\$ 96,002	\$ 96,002
Total business-type activities	\$ 96,002	\$ 96,002

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general

Beaufort County, North Carolina Notes to Financial Statements

employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees

Beaufort County, North Carolina Notes to Financial Statements

during the year. Contributions to the pension plan from the County were \$922,308 for the year ended June 30, 2016.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the County reported a liability of \$1,046,857 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County’s proportion was .23326%, which was an increase of .00517% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$583,130. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 246,071
Net difference between projected and actual earnings on pension plan investments	-	298,037
Changes in proportion and differences between County contributions and proportionate share of contributions	53,808	13,018
County contributions subsequent to the measurement date	922,308	-
Total	\$ 976,116	\$ 557,126

\$922,308 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Beaufort County, North Carolina
Notes to Financial Statements

Year ended June 30:	
2017	\$ (332,677)
2018	(332,677)
2019	(332,480)
2020	494,516
2021	-
Thereafter	-
Total	\$ (503,318)

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic

Beaufort County, North Carolina Notes to Financial Statements

real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.00%	2.20%
Global Equity	42.00%	5.80%
Real Estate	8.00%	5.20%
Alternatives	8.00%	9.80%
Credit	7.00%	6.80%
Inflation Protection	6.00%	3.40%
Total	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 7,299,880	\$ 1,046,857	\$ (4,221,176)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description.*

Beaufort County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	7
Active plan members	57
Total	64

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies.*

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administer, and plan members

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

3. *Contributions.*

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis

Beaufort County, North Carolina Notes to Financial Statements

through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2015, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.57 percent investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 3.50 to 7.35 percent per year. Both (a) and (b) included an inflation component of 3 percent. The assumptions did not include post-retirement benefit increases.

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	\$ 113,079
Interest on net OPEB obligation	24,001
Adjustment to annual required contribution	(42,183)
Annual OPEB cost (expense)	94,897
Contributions made	104,706
Increase (decrease) in net OPEB obligation	(9,809)
Net pension obligation, beginning of year	480,023
Net pension obligation, end of year	\$ 470,214

Three-Year Trend Information				
For Year Ended June 30	Annual Pension			Net Pension Obligation
	Cost (APC)	Percentage of APC Contributed	Net Pension	
2014	\$ 64,072	89.64%	\$ 498,230	
2015	\$ 79,801	122.82%	\$ 480,023	
2016	\$ 94,897	110.34%	\$ 470,214	

4. Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,053,938. The covered payroll (annual payroll of active employees covered by the plan) was \$2,750,952 and the ratio of the UAAL to the covered payroll was 38.31 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial

Beaufort County, North Carolina Notes to Financial Statements

value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$162,334 which consisted of \$126,908 from the County and \$35,426 from the law enforcement officers.

The County also elected to contribute an amount equal to one percent of each general employee's salary; however, if the employee contributes one percent, the County will contribute an amount equal to two percent of each general employee's salary. All amounts contributed are vested immediately. Also, the general employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$409,817 which consisted of \$201,124 from the County and \$208,693 from the general employees.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Carolina County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410

Beaufort County, North Carolina Notes to Financial Statements

Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,675 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the County reported an asset of \$98,279 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2015, the County's proportion was .42409, which was a decrease of .02724% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$332. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 481	\$ 1,627
Net difference between projected and actual earnings on pension plan investments	4,874	-
Changes in proportion and differences between County contributions and proportionate share of contributions	4,883	-
County contributions subsequent to the measurement date	3,675	-
Total	\$ 13,913	\$ 1,627

Beaufort County, North Carolina Notes to Financial Statements

\$3,675 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 3,302
2018	2,567
2019	1,426
2020	1,316
2021	-
Thereafter	-
Total	\$ 8,611

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.55 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%:

Beaufort County, North Carolina
Notes to Financial Statements

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate. The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (88,669)	\$ (98,279)	\$ (106,548)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

e. Other Post employment Benefit

Healthcare Benefits

Plan Description. Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System). The County provides these benefits according to the following guidelines: a) The County will pay 100% of the cost of premiums for the State Health Plan for employees who have 1) 20 years of service with Beaufort County, and are 60 years old, or 2) 30 years of service at any age. Coverage ends at age 65 or when Medicare begins. The cost for the employee’s share of the premiums, if any, will be determined on an annual basis. Service time credit with the County will be calculated based on actual service time and any sick leave time that is on a balance with the County at the time of retirement. The health insurance

Beaufort County, North Carolina
Notes to Financial Statements

provision of this article shall apply to County Commissioners. The County pays the full cost of coverage for these benefits through private insurers. Also the County’s retirees can purchase coverage for their dependents at the County’s group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	16	-
Active plan members	254	49
	270	49

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by County Commissioners. The County’s members pay \$13.56 per month if electing to participate in the County’s 80/20 plan. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 1.08% of annual covered payroll. For the current year, the County contributed \$74,348 or .547% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County’s required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented .430% and .117% of covered payroll, respectively. There were no contributions made by employees. The County’s obligation to contribute to HCB Plan is established and may be amended by the County Commissioners.

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

Annual OPEB Cost and Net OPEB Obligation. The County’s annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation for the healthcare benefits:

Beaufort County, North Carolina
Notes to Financial Statements

Annual Required Contribution	\$	129,518
Interest on net OPEB obligation		16,465
Adjustment to annual required contribution		(15,729)
<hr/>		
Annual OPEB cost (expense)		130,254
Contributions made		(74,348)
<hr/>		
Increase (decrease) in net OPEB obligation		55,906
Net OPEB obligation, beginning of year		469,957
<hr/>		
Net OPEB obligation, end of year	\$	525,863
<hr/>		

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 118,361	59.60%	\$ 411,624
2015	\$ 130,254	55.20%	\$ 469,957
2016	\$ 130,254	57.08%	\$ 525,863

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,125,518. The covered payroll (annual payroll of active employees covered by the plan) was \$12,002,003 and the ratio of the UAAL to the covered payroll was 9.4%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost

Beaufort County, North Carolina Notes to Financial Statements

trend increase of 5.0% to 7.5% annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of long-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

f. Other Employment Benefits

The County has elected to provide death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

3. Closure and Post-Closure Care Cost – Beaufort County Landfill Facility

State and Federal laws regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$116,518 reported as landfill post-closure liability at June 30, 2016, represents a cumulative amount reported to that date. These amounts are based on what it would cost to perform all post-closure care in 1994. Beaufort County closed the facility in the year 1994. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Beaufort County, North Carolina Notes to Financial Statements

4. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources at year-end is comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience		
LGERS	\$ -	\$ 246,071
Register of Deeds	481	1,627
Pensions - difference between projected and actual investment earnings	4,874	298,037
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	58,691	13,018
Contributions to pension plan in 2015 - 2016 fiscal year	925,983	-
Prepaid taxes not yet earned (General)	-	37,599
Taxes receivables, net (General)	-	1,321,496
Hospital lease receivable, net (General)	-	10,000,000
Unamortized bond refunding charge	751,982	-
	\$ 1,742,011	\$ 11,917,848

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. The pool is reinsured through commercial carrier for individual losses in excess of \$100,000.

The North Carolina State Health Plan provides the County's health insurance and the dental insurance is provided by Always Care.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. The County also is eligible to but has not purchased commercial flood insurance for another \$3,500,000 of coverage per structure.

Beaufort County, North Carolina
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In accordance with G.S. 159-29, the County’s employees that have access to \$100 or more at any given time of the County’s funds are performance bonded through a commercial surety bond. The Director of Finance, the Tax Collector, and the Register of Deeds are each individually bonded for \$50,000 each. The Sheriff is individually bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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

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

6. Long-Term Obligations

Installment Purchase

Serviced by the General Fund:

<p>On June 15, 2011, the County secured financing for the Allied Health Building at Beaufort County Community College in the amount of \$3,802,000. On May 1, 2013, the County entered into a permanent loan agreement with the United States Department of Agriculture's Division of Rural Development in the amount of \$3,231,285. The loan agreement offers simple interest financing at 3.5% for 30 years with annual payments of \$175,718.</p>	<p>\$ 3,036,764</p>
<p>On March 18, 2016, the County refinanced the their loan on the purchase of energy and HVAC upgrades, in the amount of \$1,929,000. The payments will be made in monthly payments for 129 payments including interest at 2.132% annually.</p>	<p>1,850,000</p>
<p>On October 10, 2014, the County entered into an installment purchase contract for the purchase of the building located at 117 West Third Street. The payments will be made in monthly payments of \$1,670.57 for 180 payments including interest at 4.00% annually.</p>	<p>206,200</p>
<p>Total installment purchases serviced by the General Fund</p>	<p>\$ 5,092,964</p>

Beaufort County, North Carolina Notes to Financial Statements

Serviced by the Water Districts

Beaufort County Water District V has entered into a loan agreement with the North Carolina Department of Environment, Health, and Natural Resources for the construction of a water distribution system. The total amount financed is \$644,506. The agreement requires repayment at 3.215% for 20 years. The entire amount of this loan is treated as a construction loan until the project is completed. 64,450

Beaufort County Water District I has entered into a loan agreement with the North Carolina Department of Environment, Health, and Natural Resources for the construction of a water distribution system. The total amount financed is \$1,100,000. The agreement requires equal annual installments of \$55,000 for 20 years. The interest rate is 0%. This debt is included in the enterprise funds. 1,045,000

Beaufort County Water District VI has entered into a loan agreement with the North Carolina Department of Environment, Health, and Natural Resources for the construction of a water distribution system. The total amount financed is \$1,100,000. The agreement requires equal annual installments of \$55,000 for 20 years. The interest rate is 0%. This debt is included in the enterprise funds. 1,045,000

Total revolving loans serviced by the enterprise funds **\$ 2,154,450**

For Beaufort County, the future minimum payments of these installment purchases as of June 30, 2016, including \$1,987,832 of interest, are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 224,457	\$ 152,440	\$ 142,225	\$ 2,072
2018	234,377	146,374	142,225	1,036
2019	246,403	140,014	110,000	-
2020	257,537	133,509	110,000	-
2021	269,783	126,585	110,000	-
2022-2026	1,546,853	518,069	550,000	-
2027-2031	616,514	357,641	550,000	-
2032-2036	623,771	254,819	440,000	-
2037-2041	740,844	137,746	-	-
2042-2044	332,425	17,527	-	-
Total	\$ 5,092,964	\$ 1,984,724	\$ 2,154,450	\$ 3,108

Water Bonds

In August 2012, the Water Districts (blended component units of the County) issued general obligation debt totaling \$36,005,000. The balance at June 30, 2016 was \$35,530,000. The County then issued Limited Obligation Bonds in an amount sufficient to purchase all of the Districts' GO debt. The Districts and the County assign their rights to a third-party trustee who receives the debt payments from the Districts and uses those funds to make debt service payments on the Limited Obligation Bonds.

Beaufort County, North Carolina Notes to Financial Statements

Due to the nature of this transaction and considering that the Districts are blended component units of the County, both the current and non-current portions of the GO debt have been reclassified to a “Due to County Water Fund” in the Districts and an equal and opposite “Due from Water Districts” in the Water Fund.

Limited Obligation Bonds

The Water Fund is responsible for accounting for the limited obligation bonds which should be accounted for as limited obligations in the Water Department.

The minimum payments for the limited obligation bonds as of June 30, 2016, in the business-type activities are as follows:

Year Ending	Business-type Activities	
June 30	Principal	Interest
2017	\$ 650,000	\$ 1,464,400
2018	1,125,000	1,444,900
2019	1,235,000	1,399,900
2020	1,305,000	1,350,500
2021	1,345,000	1,298,300
2022-2026	7,485,000	5,432,500
2027-2031	8,430,000	3,731,112
2032-2036	8,610,000	1,945,088
2037-2041	5,345,000	529,988
Total	\$ 35,530,000	\$ 18,596,688

General Obligation Indebtedness

All general obligation bonds serviced by the County’s General Fund are collateralized by the full-faith credit and taxing power of the County.

Beaufort County, North Carolina
Notes to Financial Statements

The County's general obligation bonds payable at June 30, 2016 are comprised of the following individual issues:

\$9,000,000 2006 School Bonds, dated November 1, 2006, and maturing annually on November 1, \$450,000 to 2026, inclusive; bearing interest payable on November 1 and May 1, ranging from 3.65% to 4%.	\$ 900,000
\$7,000,000 2008 School Bonds, dated February 19, 2008, and maturing semi-annually August 1 and February 1, \$350,000 inclusive; bearing interest payable on August 1 and February 1 ranging from 3% to 3.7%	4,200,000
\$10,545,000 Refunding Series 2012, dated August 8, 2012, due in semi-annual installments; beginning in 2013, from \$259,000 to \$1,200,000 through April 1, 2008; interest at 2% to 5%	9,575,000
\$4,246,000 Refunding Series 2015, dated November 18, 2015, due in annual installments; beginning in 2017, from \$41,000 to \$433,000 through November 1, 2026; interest at 2.15%.	4,246,000
	\$ 18,921,000

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

Year ending June 30	Governmental Activities	
	Principal	Interest
2017	\$ 1,671,000	\$ 605,073
2018	1,667,000	550,781
2019	1,660,000	492,687
2020	1,654,000	438,216
2021	1,627,000	399,936
2022-2026	7,984,000	1,200,971
2027-2030	2,658,000	134,905
Total	\$ 18,921,000	\$ 3,822,569

At June 30, 2016, Beaufort County had a legal debt margin of \$443,753,161.

Beaufort County, North Carolina Notes to Financial Statements

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 20,375,000	\$ 4,246,000	\$ 5,700,000	\$ 18,921,000	\$ 1,671,000
Unamortized premium	958,174	-	79,848	878,326	79,848
Installment purchases	5,179,469	1,929,000	2,015,505	5,092,964	224,457
Compensated absences	896,657	128,961	-	1,025,618	256,405
Net pension liability	-	882,541	-	882,541	-
Net pension obligation	480,023	-	9,809	470,214	-
Other postemployment benefits	438,549	47,919	-	486,468	-
Landfill post-closure care	131,083	-	14,565	116,518	14,565
Total governmental activities	\$ 28,458,955	\$ 7,234,421	\$ 7,819,727	\$ 27,873,649	\$ 2,246,275
Business-type activities:					
Unamortized premium	\$ 2,569,871	\$ -	\$ 102,795	\$ 2,467,076	\$ 102,795
Unamortized discounts	(325,825)	13,033	-	(312,792)	(13,033)
Limited obligation debt - Due to the County	35,815,000	-	285,000	35,530,000	650,000
Revolving loans	2,320,976	-	166,526	2,154,450	142,225
Compensated absences	70,042	2,607	-	72,649	18,162
Net pension liability	-	66,037	-	66,037	-
Other postemployment benefits	31,408	7,987	-	39,395	-
Total business-type activities	\$ 40,481,472	\$ 89,664	\$ 554,321	\$ 40,016,815	\$ 900,149

Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a FIFO basis, assuming that the employees are taking leave time as it is earned. The unfunded Special Separation Allowance had been liquidated in the General Fund. OPEB has been liquidated in the General Fund and Water Districts.

Beaufort County, North Carolina
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C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2016 consist of the following:

Due to the General Fund from the Hazard Mitigation Fund	\$ 139,422
Due to the General Fund from Water District I	11,792
Due to the General Fund from Water District II	18,615
Due to the General Fund from Water District III	183,149
Due to the General Fund from Water District IV	17,469
Due to the General Fund from Water District V	8,825
Due to the General Fund from Water District VI	21,765
Due to the General Fund from Water District VII	184,842
Due to the General Fund from the Water District I Project Fund	108
Due to the General Fund from the Water District VI Project Fund	122
Due to the General Fund from the FEMA Flood Fund	159,850
Due to the General Fund from the FEMA Flood Fund	42,573
Due to the General Fund from the Economic Development Fund	16,875
Due to the Water District VI Project Fund from the Water District I Project Fund	108,513
Due to Water District I from the Water District I Project Fund	883
Due to Water District VII from the Water District VI Project Fund	733

Beaufort County, North Carolina
Notes to Financial Statements

Transfers to/from other funds at June 30, 2016, consist of the following:

Transfer from the General Fund to the Revaluation Fund for operating expenses.	\$ 149,500
Transfer from the General Fund to the Economic Development Fund for operating expenses.	256,449
Transfer from the General Fund to the Community Development Block Grant Fund for operating expenses.	200,000
Transfer from the General Fund to the Courthouse Roof Replacement for capital expenditures.	24,255
Transfer from the Economic Development Capital Project Fund to the General Fund for project closeout.	79,420
Transfer from the Revaluation Fund to the Revaluation Project Fund for operating expenses.	897,000
Total	\$ 1,606,624

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 18,267,937	\$ 62,593,798
Less: long-term debt	24,013,964	37,684,452
Add: debt related to assets not owned by the County	20,771,000	-
Net investment in capital assets	\$ 15,024,973	\$ 24,909,346

E. Fund Balance

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

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriations.

Beaufort County, North Carolina
Notes to Financial Statements

Total fund balance - General Fund	\$ 25,244,971
Less:	
Stabilization by State Statute	5,333,015
Tax Revaluation	796,447
Working Capital/Fund Balance Policy	20,519,879
Remaining Fund Balance	<u>\$ (1,404,370)</u>

Beaufort County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 35% of budgeted expenditures.

IV. Joint Ventures

The County participates in a joint venture to operate BHM Regional Library (“the Library”) with three other local governments. Beaufort County appoints three members to the nine-member Board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library’s continued existence depends on the participating governments’ continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$202,500 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library’s offices at 158 North Market Street, Washington, North Carolina 27889.

The County, in conjunction with the State of North Carolina and the Beaufort County Board of Education, participates in a joint venture to operate the Beaufort County Community College (the “Community College”). Each of the three participants appoints five members of the 15-member Board of Trustees of the Community College. The President of the Community College’s student government serves as an ex officio non-voting member on the Board of Trustees. The Community College is included as a component unit of the State. The County has the basic support for the Community College’s operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities.

The County has an ongoing responsibility for the Community College because of the statutory responsibility to provide funding for the Community College’s facilities. The County contributed \$2,373,126 and \$851,042 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2016. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County’s financial statements at June 30, 2016. Complete financial statements for the Community College may be obtained from the Community College’s administrative offices at 1308 Highland Drive, Washington, NC 27889.

The County, in conjunction with nine other counties, participates in the East Carolina Behavioral Health (the “ECBH”) Local Management Entity for local mental health services. The County

Beaufort County, North Carolina Notes to Financial Statements

Commissioners appoint two members to the 20-member Board of ECBH. ECBH, a multi-County LME, is a separate and distinct subdivision charged by the State law with the responsibility of providing for drug and mental health prevention, treatment, and rehabilitation services. The County contributed \$173,599 to ECBH during the fiscal year ended June 30, 2016. Complete financial statements for ECBH can be obtained from the administrative offices at P.O. Box 1636, New Bern, North Carolina 28563.

V. Jointly Governed Organizations

The County, in conjunction with four other counties and 39 municipalities, established the Mid-East Commission (the "Commission"). The participating governments established the Commission to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$13,731 to the Council during the fiscal year ended June 30, 2016.

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
Medical Assistance Program	\$ 49,806,793	\$ 27,288,602
Food stamp program	509,395	-
State Children's Health Insurance Program - NC Health Choice	1,037,735	55,814
Special Supplemental Food Program, WIC	1,093,228	-
TANF	341,966	-
Foster Care	139,602	37,036
Adoption Assistance	484,222	124,032
CWS Adoption Subsidy	-	163,964
Foster Care at Risk Maximum	-	1,547
SC/SA Domiciliary Care	-	581,896
SFHF Maximization	-	6,679
State Foster Home	-	45,705
Total	\$ 53,412,941	\$ 28,305,275

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

VIII. Major Taxpayer

Beaufort County had property tax revenue from one taxpayer in 2016 of \$5,018,714.

IX. Prior Period Adjustment

During the fiscal year ended June 30, 2016, the County determined the accounts receivable and revenue in the General Fund were understated by \$291,882. The County also voided \$124,701 of outstanding checks that were erroneously created in past years. Therefore, an adjustment to beginning net position has been recorded to account for these items, the net effect of which increased beginning net position by \$416,583 in the Governmental Funds.

During the fiscal year ended June 30, 2016, the County determined the unbilled revenue and receivable accounts in Water Districts I through V were understated by \$145,096. Therefore, an adjustment to beginning net position has been recorded to account for those costs, the net effect of which increased beginning net position by \$145,096 in the Proprietary Funds.

X. Hospital Lease Receivable

Pursuant to an agreement executed between Beaufort County and Vidant Health Systems effective September 1, 2011, the County began leasing its Hospital facilities to Vidant Health Systems under the terms of a 30-year capital lease expiring on September 1, 2041. Under the terms of the agreement, the County received lease prepayments of \$18,331,754 in fiscal year 2012; in which \$17,607,125 and \$724,629 was consumed to retire County owned hospital related principal and interest, respectively. In accordance to the lease agreement, upon the expiration of the term, Vidant has the option to purchase the leased assets for \$10,000,000 less excluded liabilities, as defined in the assignment agreement. Therefore, \$10,000,000 is reflected as a long term lease receivable in the General Fund.

**Beaufort County, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplemental Information
Schedule of Employer Contributions
Schedule 1**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val Date (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2006	\$ -	\$ 324,408	\$ 324,408	0.00%	\$ 1,703,157	19.05%
12/31/2007	-	354,536	354,536	0.00%	1,880,073	18.86%
12/31/2008	-	465,780	465,780	0.00%	2,134,858	21.82%
12/31/2009	-	625,403	625,403	0.00%	2,050,330	30.50%
12/31/2010	-	591,027	591,027	0.00%	2,057,815	28.72%
12/31/2011	-	642,233	642,233	0.00%	2,100,270	30.58%
12/31/2012	-	604,453	604,453	0.00%	2,091,435	28.90%
12/31/2013	-	656,607	656,607	0.00%	2,239,966	29.31%
12/31/2014	-	816,932	816,932	0.00%	2,438,480	33.50%
12/31/2015	-	1,053,938	1,053,938	0.00%	2,750,952	38.31%

Schedule of Employer Contributions		
Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2007	\$ 44,866	26.23%
2008	48,213	24.05%
2009	52,036	33.25%
2010	64,092	26.99%
2011	76,924	29.93%
2012	73,254	47.74%
2013	79,675	55.50%
2014	79,543	72.20%
2015	96,977	101.06%
2016	113,079	92.60%

Notes to the Required Schedules:

The information presented above was determined as a part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.50 - 7.35%
*Includes inflation of	3.00%
Cost-of-living adjustments	N/A

**Beaufort County, North Carolina
Other Postemployment Benefits
Required Supplemental Information
Schedule of Funding Progress
Schedule 2**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val Date (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 920,907	\$ 920,907	0.00%	\$ 10,955,905	8.41%
12/31/2009	-	917,575	917,575	0.00%	11,754,362	7.81%
12/31/2010	-	1,011,362	1,011,362	0.00%	11,436,462	8.84%
12/31/2011	-	1,195,962	1,195,962	0.00%	11,703,701	10.22%
12/31/2012	-	1,022,544	1,022,544	0.00%	11,424,455	8.95%
12/31/2013	-	1,130,773	1,130,773	0.00%	12,087,038	9.36%
12/31/2014	-	1,125,518	1,125,518	0.00%	12,002,003	9.38%

Schedule of Employer Contributions		
Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2010	105,859	0.00%
2011	101,869	49.78%
2012	113,018	61.08%
2013	127,606	56.50%
2014	117,710	59.92%
2015	129,518	55.53%
2016	129,518	57.40%

Notes to the Required Schedules:

The information presented above was determined as a part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75% - 5.00%
*Includes inflation of	3.00%
Year of Ultimate trend rate	2020

**Beaufort County, North Carolina
Local Governmental Employees' Retirement System
Required Supplemental Information
Schedule of the County's Proportionate Share
of the Net Pension Liability (Asset)
Schedule 3**

	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.23326%	0.22809%	0.21770%
County's proportionate share of the net pension liability (asset) \$	\$ 1,046,857	\$ (1,345,151)	\$ 2,624,121
County's covered-employee payroll	\$ 13,577,675	\$ 12,908,791	\$ 12,497,637
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.71%	-10.42%	21.00%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

Beaufort County, North Carolina
Local Governmental Employee's Retirement System
Required Supplemental Information
Schedule of the County's Contributions
Schedule 4

	2016	2015	2014
Contractually required contribution	\$ 922,308	\$ 891,406	\$ 864,942
Contributions in relation to the contractually required contribution	922,308	891,406	864,942
Contribution deficiency (excess)	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 13,577,675	\$ 12,908,791	\$ 12,497,637
Contributions as a percentage of covered-employee payroll	6.79%	6.91%	6.92%

Beaufort County, North Carolina
Register of Deeds' Supplemental Pension Fund
Required Supplemental Information
Schedule of the County's Proportionate Share
of the Net Pension Liability (Asset)
Schedule 5

	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.42409%	0.45133%	0.45909%
County's proportionate share of the net pension liability (asset) \$	\$ (98,279)	\$ (102,287)	\$ (98,062)
County's covered-employee payroll	\$ 182,262	\$ 186,360	\$ 183,611
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-53.92%	-54.89%	-53.41%
Plan fiduciary net position as a percentage of the total pension liability	197.29%	193.88%	190.50%

Beaufort County, North Carolina
Register of Deeds' Supplemental Pension Fund
Required Supplemental Information
Schedule of the County's Contributions
Schedule 6

	2016		2015		2014
Contractually required contribution	\$ 3,675	\$	3,054	\$	3,685
Contributions in relation to the contractually required contribution	3,675		3,054		3,685
Contribution deficiency (excess)	\$ -	\$	-	\$	-
County's covered-employee payroll	\$ 182,262	\$	186,360	\$	183,611
Contributions as a percentage of covered-employee payroll	2.02%		1.64%		2.01%

Beaufort County, North Carolina
General Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 7

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes:				
Current year	\$ 32,561,323	\$ 31,118,009		\$ 31,751,111
Penalties and interest	315,117	283,050		339,868
Total	32,876,440	31,401,059	(1,475,381)	32,090,979
Local Option Sales Taxes:				
Local option sales tax	7,884,266	7,978,947		8,400,913
Total	7,884,266	7,978,947	94,681	8,400,913
Other Taxes and Licenses:				
Documentary stamps	121,045	130,385		167,325
Scrap tire disposal tax/grant	87,559	129,194		122,479
White goods disposal tax	26,661	30,600		8,795
Privilege licenses	-	-		626
Beer and wine licenses	3,090	3,317		3,393
Rental vehicles receipt tax	24,000	22,421		20,512
Total	262,355	315,917	53,562	323,130
Unrestricted Intergovernmental Revenues:				
Beer and wine tax	150,667	150,678		163,341
Other	60,119	65,690		64,715
Total	210,786	216,368	5,582	228,056
Restricted Intergovernmental Revenues:				
State and Federal Grants	12,841,843	12,384,912		11,991,094
ABC distributions/tax	105,724	155,320		141,034
Total	12,947,567	12,540,232	(407,335)	12,132,128
Permits and Fees:				
Building permits and inspection fees	129,160	133,390		112,275
Register of Deeds	174,190	177,666		171,441
Other permits and fees	2,871	2,960		364
Total	306,221	314,016	7,795	284,080
Sales and Services:				
Attorney fees/tax administration	71,224	88,636		128,760
Animal control fees	39,000	38,581		48,046
Tax collection fees	104,000	104,805		105,304
Sheriff fees	69,700	70,619		56,570
Electronic house arrest	-	-		7,900
IV-D deputy travel	69,000	69,317		68,430
Gun storage fees	850	809		374
State prisoner's reimbursement	16,500	13,817		6,613
Environmental health	48,575	51,370		47,180
Vending and phones	15,225	18,855		17,408
Health and immunizations	200,233	199,494		132,946
Solid waste	1,921,185	1,959,885		1,975,938
Rescue fees	143,300	366,017		146,519
Share of service fee	21,685	21,685		21,391
Rent	360,564	379,041		230,704
Cable franchise fee	127,630	127,633		133,723
DSS aging	3,062	4,908		4,638
NC Health Choice	13,150	14,350		11,260
Total	3,224,883	3,529,822	304,939	3,143,704

Beaufort County, North Carolina
General Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 7

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
Investment earnings	26,000	20,369	(5,631)	11,067
Miscellaneous:				
Proceeds from sale of assets/insurance claims	55,000	60,696		26,064
Donations	4,110	4,125		13,120
Miscellaneous	711,548	218,069		10,201
Total	770,658	282,890	(487,768)	49,385
 Total revenues	 58,509,176	 56,599,620	 (1,909,556)	 56,663,442
EXPENDITURES				
General Government:				
Governing body	1,320,862	1,235,772		227,612
County manager	450,150	394,903		903,940
Finance	566,065	515,762		496,479
Alternative finance	148,000	146,987		71,625
Human resources	177,772	147,657		-
Tax administration	1,004,856	986,002		1,749,860
Tax collector	605,267	553,839		-
Legal	-	-		100,466
Register of Deeds	407,998	372,095		336,382
Elections	374,621	332,640		302,230
Public buildings	1,359,977	1,241,485		1,251,238
Court facilities	329,770	227,435		133,868
Total	6,745,338	6,154,577	590,761	5,573,700
Public Safety:				
Sheriff	4,978,785	4,877,038		4,608,061
Jail	1,785,596	1,777,868		1,627,030
Criminal justice partnership	62,000	56,482		77,185
Emergency communications	890,044	858,262		648,639
Emergency management	337,389	250,580		235,763
Fire protection	132,172	128,904		107,115
Inspection	-	-		199,816
Ambulance/rescue service	761,150	761,149		148,999
Animal control	393,795	316,168		309,448
Emergency medical services	964,684	896,241		13,336
Medical examiner	48,400	58,650		33,350
Total	10,354,015	9,981,342	372,673	8,008,742
Economic and Physical Development:				
Economic development	572,825	564,874		452,891
Agricultural extension	231,175	217,910		205,037
Soil/water conservation	120,791	100,668		125,654
Total	924,791	883,452	41,339	783,582
Human Services:				
Administration - general	232,688	215,211		223,148
AIDS control/STD	268,342	260,077		237,880
TB program	65,153	65,477		62,673
Immunization	276,994	274,223		255,103
Health promotion	64,750	60,625		44,321

Beaufort County, North Carolina
General Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 7

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
Child health	490,277	487,483		475,248
Maternal health	419,258	382,679		320,210
WIC - administration	369,116	366,885		365,005
Environmental health	617,675	590,806		624,446
Family planning	353,291	338,535		321,461
Other health programs	357,846	330,747		321,866
Total	3,515,390	3,372,748	142,642	3,251,361
Mental Health:				
General appropriation	156,599	156,599		156,599
Alcohol rehabilitation	17,000	17,000		17,000
Total	173,599	173,599	-	173,599
Beaufort County Development Center	226,264	55,000	171,264	55,000
NC Elderly handicapped transportation/other	32,500	24,902	7,598	24,818
Social Services:				
Administration	6,669,462	6,227,607		5,897,221
State in-home aging services	629,290	472,793		432,601
Day Care	2,630,920	2,505,689		2,621,796
Medical assistance	667,145	609,401		577,254
Energy assistance	507,086	470,358		552,160
County provided assistance	606,051	589,764		550,634
Transportation	148,750	145,002		135,817
Child support enforcement	851,000	850,102		820,992
Aid to the blind program	10,595	6,495		6,835
Foster care	743,930	569,940		437,338
Work First Program	101,000	42,992		40,514
Total	13,565,229	12,490,143	1,075,086	12,073,162
Other Human Services:				
Veterans services	56,167	56,001		54,995
Youth services	224,200	225,243		210,788
Total	280,367	281,244	(877)	265,783
Total social services	13,845,596	12,771,387	1,074,209	12,338,945
Total human services	17,793,349	16,397,636	1,395,713	15,843,723
Cultural and Recreational:				
Recreation	49,073	38,273		49,073
Library and museum	214,300	214,300		211,300
Special appropriation	163,991	162,022		99,108
Total	427,364	414,595	12,769	359,481
Environmental Protection:				
Solid waste	3,163,488	3,132,910	30,578	3,023,901
Education:				
Public schools:				
Current expense	13,233,163	13,233,163		12,669,163
Capital outlay	1,800,000	1,800,000		1,961,125

Beaufort County, North Carolina
General Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 7

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
Community colleges:				
Current expense	2,373,126	2,373,126		2,270,934
Capital outlay	860,000	851,042		629,097
Total	18,266,289	18,257,331	8,958	17,530,319
Debt Service:				
Principal retirement	1,851,935	1,851,709		1,811,965
Interest and fees	973,642	973,416		956,536
Total	2,825,577	2,825,125	452	2,768,501
Total expenditures	60,500,211	58,046,968	2,453,243	53,891,949
Revenues over (under) expenditures	(1,991,035)	(1,447,348)	(543,687)	2,771,493
Other Financing Sources (Uses):				
Transfers (to) from other funds:				
Revaluation Fund	(149,500)	(149,500)	-	(747,500)
Capital project - CDBG Fund	(200,000)	(200,000)	-	-
Capital project - Administrative Building	-	-	-	(1,529,597)
Capital project - Economic Development Fund	-	79,420	79,420	-
Capital project - Courthouse Roof Replacement Fund	(24,255)	(24,255)	-	-
Capital project - BCCC Project Fund	-	-	-	122,066
Special revenue - Economic Development Fund	(256,449)	(256,449)	-	-
Special revenue - Fire Tax Districts	-	-	-	(488,000)
Special revenue - Drug Seizure Fund	-	-	-	5,000
Appropriated fund balance	2,621,239	-	(2,621,239)	-
Total other financing sources and (uses)	1,991,035	(550,784)	(2,541,819)	(2,638,031)
Net change in fund balance	\$ -	\$ (1,998,132)	\$ (1,998,132)	\$ 133,462
Fund Balance:				
Beginning of year - as previously reported		26,030,073		25,475,670
Prior period adjustment		416,583		420,941
Beginning of year - restated		26,446,656		25,896,611
End of year - June 30		\$ 24,448,524		\$ 26,030,073

Beaufort County, North Carolina
Revaluation Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 8

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
Other Financing Sources (Uses):				
Transfers in - General Fund	\$ -	\$ 149,500	\$ 149,500	\$ 747,500
Transfers out - Revaluation Project	(897,000)	(897,000)	-	-
Appropriated fund balance	897,000	-	(897,000)	-
<hr/>				
Other sources over (under) expenditures	\$ -	(747,500)	\$ (747,500)	747,500
<hr/>				
Fund Balance:				
Beginning of year - July 1		747,500		-
End of year - June 30		\$ -		\$ 747,500

Beaufort County, North Carolina
Revaluation Project Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
Schedule 9

	2016		Variance Positive (Negative)	2015	
	Final Budget	Actual		Actual	Actual
Expenditures:					
Tax listing	\$ 1,064,900	\$ 100,553	\$ 964,347	\$	-
Total expenditures	1,064,900	100,553	964,347		-
Other Financing Sources (Uses):					
Transfers in - Revaluation Fund	1,064,900	897,000	(167,900)		-
Other sources over (under) expenditures	\$ -	796,447	\$ 796,447		-
Fund Balance:					
Beginning of year - July 1		-			-
End of year - June 30		\$ 796,447		\$	-

Beaufort County, North Carolina
Nonmajor Governmental Funds - Combining Balance Sheet
June 30, 2016
Schedule 10

	Special Revenue Funds				
	Economic Development	Fire and Rescue Tax Districts	Emergency Telephone System	State and Federal Seizures	Total Nonmajor Special Revenue Funds
Assets:					
Cash and investments	\$ 38,393	\$ -	\$ 565,447	\$ 155,980	\$ 759,820
Accounts receivable (net)	1,446	-	15,901	-	17,347
Total assets	39,839	-	581,348	155,980	777,167
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	984	-	12,694	-	13,678
Due to other funds	-	-	-	-	-
Total liabilities	984	-	12,694	-	13,678
Fund Balances:					
Restricted:					
Stabilization by State Statute	1,446	-	15,901	-	17,347
Restricted, all other	37,409	-	552,753	155,980	746,142
Unassigned	-	-	-	-	-
Total fund balances	38,855	-	568,654	155,980	763,489
Total liabilities and fund balances	\$ 39,839	\$ -	\$ 581,348	\$ 155,980	\$ 777,167

Beaufort County, North Carolina
Nonmajor Governmental Funds - Combining Balance Sheet
June 30, 2016
Schedule 10

	Capital Project Funds						Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Hazard Mitigation	FEMA Flood Mitigation	FEMA Flood Mitigation	Courthouse Roof Replacement	Economic Development	Capital Reserves Fund		
Assets:								
Cash and investments	\$ 87,721	\$ -	\$ -	\$ 24,255	\$ -	\$ 53,047	\$ 165,023	\$ 924,843
Accounts receivable (net)	57,976	202,850	42,573	-	16,875	-	320,274	337,621
Total assets	145,697	202,850	42,573	24,255	16,875	53,047	485,297	1,262,464
Liabilities and Fund Balances:								
Liabilities:								
Accounts payable and accrued liabilities	-	48,940	18,219	-	-	-	67,159	80,837
Due to other funds	139,422	159,850	42,573	-	16,875	-	358,720	358,720
Total liabilities	139,422	208,790	60,792	-	16,875	-	425,879	439,557
Fund Balances:								
Restricted:								
Stabilization by State Statute	57,976	202,850	42,573	-	16,875	-	320,274	337,621
Restricted, all other	-	-	-	-	-	53,047	53,047	799,189
Unassigned	(51,701)	(208,790)	(60,792)	24,255	(16,875)	-	(313,903)	(313,903)
Total fund balances	6,275	(5,940)	(18,219)	24,255	-	53,047	59,418	822,907
Total liabilities and fund balances	\$ 145,697	\$ 202,850	\$ 42,573	\$ 24,255	\$ 16,875	\$ 53,047	\$ 485,297	\$ 1,262,464

Beaufort County, North Carolina
Nonmajor Governmental Funds - Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
For The Fiscal Year Ended June 30, 2016
Schedule 11

	Special Revenue Funds					Total Nonmajor Special Revenue Funds
	Economic Development	Fire and Rescue Tax Districts	Emergency Telephone System	State and Federal Seizures		
Revenues						
Ad valorem taxes	\$ -	\$ 2,594,516	\$ -	\$ -		\$ 2,594,516
Restricted intergovernmental	-	-	145,497	10,286		155,783
Other	200	-	29	7,953		8,182
Total revenues	200	2,594,516	145,526	18,239		2,758,481
Expenditures						
Current:						
Public safety	-	2,595,223	254,118	7,687		2,857,028
Economic and physical development	296,402	-	-	-		296,402
Total expenditures	296,402	2,595,223	254,118	7,687		3,153,430
Excess (deficiency) of revenues over (under) expenditures	(296,202)	(707)	(108,592)	10,552		(394,949)
Other Financing Sources (Uses)						
Transfers in	256,449	-	-	-		256,449
Total other financing sources (uses)	256,449	-	-	-		256,449
Net change in fund balance	(39,753)	(707)	(108,592)	10,552		(138,500)
Fund Balances						
Beginning of year, July 1	78,608	707	677,246	145,428		901,989
End of year - June 30	\$ 38,855	\$ -	\$ 568,654	\$ 155,980		\$ 763,489

Beaufort County, North Carolina
Nonmajor Governmental Funds - Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
For The Fiscal Year Ended June 30, 2016
Schedule 11

	Capital Project Funds					
	Hazard Mitigation	FEMA Flood Mitigation	FEMA Flood Mitigation	Stream Debris Removal	Oak Ridge Metal Works Grant	Courthouse Roof Replacement
Revenues						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	63,576	326,766	42,573	1,992	80,888	-
Other	39,553	-	-	-	-	-
Total revenues	103,129	326,766	42,573	1,992	80,888	-
Expenditures						
Current:						
Public safety	-	-	-	-	-	-
Economic and physical development	96,854	332,706	60,792	1,992	80,888	-
Total expenditures	96,854	332,706	60,792	1,992	80,888	-
Excess (deficiency) of revenues over (under) expenditures	6,275	(5,940)	(18,219)	-	-	-
Other Financing Sources (Uses)						
Transfers in (out)	-	-	-	-	-	24,255
Total other financing sources (uses)	-	-	-	-	-	24,255
Net change in fund balance	6,275	(5,940)	(18,219)	-	-	24,255
Fund Balances						
Beginning of year, July 1	-	-	-	-	-	-
End of year - June 30	\$ 6,275	\$ (5,940)	\$ (18,219)	\$ -	\$ -	\$ 24,255

Beaufort County, North Carolina
Nonmajor Governmental Funds - Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
For The Fiscal Year Ended June 30, 2016
Schedule 11

	Capital Projects			Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Economic Development	CDBG Wright's Creek	Capital Reserves Fund		
Revenues					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,594,516
Restricted intergovernmental	398,968	200,000	-	1,114,763	1,270,546
Other	-	-	-	39,553	47,735
Total revenues	398,968	200,000	-	1,154,316	3,912,797
Expenditures					
Current:					
Public safety	-	-	-	-	2,857,028
Economic and physical development	381,967	400,000	-	1,355,199	1,651,601
Total expenditures	381,967	400,000	-	1,355,199	4,508,629
Excess (deficiency) of revenues over (under) expenditures	17,001	(200,000)	-	(200,883)	(595,832)
Other Financing Sources (Uses)					
Transfers in (out)	(79,420)	200,000	-	144,835	401,284
Total other financing sources (uses)	(79,420)	200,000	-	144,835	401,284
Net change in fund balance	(62,419)	-	-	(56,048)	(194,548)
Fund Balances					
Beginning of year, July 1	62,419	-	53,047	115,466	1,017,455
End of year - June 30	\$ -	\$ -	\$ 53,047	\$ 59,418	\$ 822,907

Beaufort County, North Carolina
Economic Development Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2016
With Comparative Actual Amounts For the Year Ended June 30, 2015
Schedule 12

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
Revenues:				
Other income	\$ -	\$ 200	\$ 200	\$ 17,604
Total revenues	-	200	200	17,604
Expenditures:				
Economic and physical development	306,449	296,402	10,047	250,945
Total expenditures	306,449	296,402	10,047	250,945
Revenues over (under) expenditures	(306,449)	(296,202)	10,247	(233,341)
Other Financing Sources (Uses):				
Transfer in - General Fund	256,449	256,449	-	258,300
Appropriated fund balance	50,000	-	(50,000)	-
	306,449	256,449	(50,000)	258,300
Net change in fund balance	\$ -	(39,753)	\$ (39,753)	\$ 24,959
Fund Balance:				
Beginning of year - July 1, previously reported		78,608		53,649
End of year - June 30		\$ 38,855		\$ 78,608

Beaufort County, North Carolina
Fire and Rescue Tax District Funds - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 13

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
Revenues:				
Ad valorem taxes	\$ 2,555,846	\$ 2,594,516	\$ 38,670	\$ 2,562,709
Total revenues	2,555,846	2,594,516	38,670	2,562,709
Expenditures:				
Public safety expenditures	2,556,907	2,595,223	(38,316)	2,974,152
Total expenditures	2,556,907	2,595,223	(38,316)	2,974,152
Revenues over (under) expenditures	(1,061)	(707)	354	(411,443)
Other Financing Sources (Uses):				
Transfer in	1,061	-	(1,061)	488,000
Net change in fund balance	\$ -	(707)	\$ (707)	\$ 76,557
Fund Balance:				
Beginning of year - July 1		707		(75,850)
End of year - June 30		\$ -		\$ 707

Beaufort County, North Carolina
Emergency Telephone System Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 14

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 211,232	\$ 145,497	\$ (65,735)	\$ 187,867
Miscellaneous income	-	29	29	-
Total revenues	211,232	145,526	(65,706)	187,867
Expenditures:				
Public Safety:				
Implemental functions	67,300	65,139	2,161	87,389
Telephone	48,000	25,417	22,583	63,376
Software maintenance	65,000	70,598	(5,598)	14,704
Hardware maintenance	20,272	20,271	1	5,479
Training	5,500	5,497	3	5,170
Capital outlay	586,928	67,196	519,732	4,592
Total expenditures	793,000	254,118	538,882	180,710
Revenues over (under) expenditures	(581,768)	(108,592)	473,176	7,157
Other Financing Sources (Uses):				
Fund balance appropriated	581,768	-	(581,768)	-
Net change in fund balance	\$ -	(108,592)	\$ (108,592)	\$ 7,157
Fund Balance:				
Beginning of year - July 1		677,246		670,089
End of year - June 30	\$	568,654		\$ 677,246

Beaufort County, North Carolina
State and Federal Seizures Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 15

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 2,874	\$ 10,286	\$ 7,412	\$ 23,926
Miscellaneous	4,338	7,953	3,615	11,943
Total revenues	7,212	18,239	11,027	35,869
Expenditures:				
Public safety expenditures	9,800	7,687	2,113	5,231
Total expenditures	9,800	7,687	2,113	5,231
Revenues over (under) expenditures	(2,588)	10,552	13,140	30,638
Other Financing Sources (Uses):				
Transfer out	-	-	-	(5,000)
Appropriated fund balance	2,588	-	(2,588)	-
Total other financing sources (uses)	2,588	-	(2,588)	(5,000)
Net change in fund balance	\$ -	10,552	\$ 10,552	\$ 25,638
Fund Balance:				
Beginning of year - July 1		145,428		119,790
End of year - June 30		\$ 155,980		\$ 145,428

Beaufort County, North Carolina
Hazard Mitigation Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2016
Schedule 16

	Actual			Total to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
Revenues:					
Restricted intergovernmental - HMGP 1969-011	887,786	704,623	-	704,623	(183,163)
Restricted intergovernmental - HMGP 1969-012	93,600	87,866	5,600	93,466	(134)
Restricted intergovernmental - HMGP 4019-022	149,063	91,088	57,976	149,064	1
Miscellaneous	-	-	39,553	39,553	39,553
Total revenues	1,130,449	883,577	103,129	986,706	(143,743)
Expenditures:					
Economic and physical development					
Economic and physical development	1,130,449	883,577	96,854	980,431	150,018
Total expenditures	1,130,449	883,577	96,854	980,431	150,018
Net change in fund balance	\$ -	\$ -	6,275	\$ 6,275	\$ 6,275
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			\$ 6,275		

Beaufort County, North Carolina
FEMA Flood Mitigation Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2016
Schedule 17

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
Restricted intergovernmental - FMA-PJ-04-NC-2013-012	\$ 639,135	\$ -	\$ 326,766	\$ 326,766	\$ (312,369)
Total revenues	639,135	-	326,766	326,766	(312,369)
Expenditures:					
Economic and physical development	639,135	-	332,706	332,706	306,429
Total expenditures	639,135	-	332,706	332,706	306,429
Net change in fund balance	\$ -	\$ -	(5,940)	\$ (5,940)	\$ (5,940)
Fund Balance:					
Beginning of year - July 1				-	
End of year - June 30			\$ (5,940)		

Beaufort County, North Carolina
FEMA Flood Mitigation Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2016
Schedule 18

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
Restricted intergovernmental - FMA-PJ-04-NC-2014-004	\$ 1,643,532	\$ -	\$ 42,573	\$ 42,573	\$ (1,600,959)
Total revenues	1,643,532	-	42,573	42,573	(1,600,959)
Expenditures:					
Economic and physical development	1,643,532	-	60,792	60,792	1,582,740
Total expenditures	1,643,532	-	60,792	60,792	1,582,740
Net change in fund balance	\$ -	\$ -	(18,219)	\$ (18,219)	\$ (18,219)
Fund Balance:					
Beginning of year - July 1					-
End of year - June 30			\$ (18,219)		

Beaufort County, North Carolina
Stream Debris Removal Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2016
Schedule 19

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
NC Department of Agriculture - G40100008513SWC	\$ 20,206	\$ -	\$ 1,992	\$ 1,992	\$ (18,214)
Total revenues	20,206	-	1,992	1,992	(18,214)
Expenditures:					
Economic and physical development:					
Rowland Creek Cleanout Expense	4,212	-	-	-	4,212
Bear Creek Cleanout Expense	5,994	-	1,992	1,992	4,002
Cuckolds Creek Cleanout Expense	10,000	-	-	-	10,000
Total expenditures	20,206	-	1,992	1,992	18,214
Fund Balance:					
Beginning of year - July 1					-
End of year - June 30			\$		-

Beaufort County, North Carolina
Oak Ridge Metal Works Project Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2016
Schedule 20

	Project Authorization	Prior Years	Actual		Total to Date	Variance Positive (Negative)
			Current Year			
Revenues:						
NC Department of Commerce - 2016-008-3201-2538	\$ 319,762	\$ -	\$ 80,888		\$ 80,888	\$ (238,874)
Total revenues	319,762	-	80,888		80,888	(238,874)
Expenditures:						
Economic and physical development:						
Permits	3,810	-	1,125		1,125	2,685
Site work and demolition	92,175	-	38,319		38,319	53,856
Construction	223,777	-	41,444		41,444	182,333
Total expenditures	319,762	-	80,888		80,888	238,874
Fund Balance:						
Beginning of year - July 1					-	
End of year - June 30			\$		-	

Beaufort County, North Carolina
Courthouse Roof Replacement Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2016
Schedule 21

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Economic and physical development:					
Professional services	24,255	-	-	-	24,255
Capital improvements	376,775	-	-	-	376,775
Total expenditures	401,030	-	-	-	401,030
Revenues over (under) expenditures	(401,030)	-	-	-	401,030
Other Financing Sources (Uses)					
Transfers in - General Fund	401,030	-	24,255	24,255	(376,775)
Total other financing sources (uses)	401,030	-	24,255	24,255	(376,775)
Net change in fund balance	\$ -	\$ -	24,255	\$ 24,255	\$ 24,255
Fund Balance:					
Beginning of year - July 1					-
End of year - June 30			\$ 24,255		

Beaufort County, North Carolina
Economic Development Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2016
Schedule 22

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
CDBG Grant - Jack's Tavern	\$ 8,651	\$ 8,651	\$ 8,500	\$ 17,151	\$ 8,500
CDBG Grant - Page Road	491,984	-	390,468	390,468	(101,516)
Total revenues	500,635	8,651	398,968	407,619	(93,016)
Expenditures:					
Economic and physical development					
Construction - CDBG Chocowinity Industrial Park	2,240,336	2,240,336	-	2,240,336	-
Construction - CDBG Jack's Tavern	8,651	8,651	8,500	17,151	(8,500)
Construction - CDBG Page Road	491,984	17,001	373,467	390,468	101,516
Total expenditures	2,740,971	2,265,988	381,967	2,647,955	93,016
Revenues over (under) expenditures	(2,240,336)	(2,257,337)	17,001	(2,240,336)	-
Other Financing Sources (Uses):					
Transfers from other funds	2,319,756	2,319,756	-	2,319,756	-
Transfers to other funds	(79,420)	-	(79,420)	(79,420)	-
Total other financing sources (uses)	2,240,336	2,319,756	(79,420)	2,240,336	-
Net change in fund balance	\$ -	\$ 62,419	(62,419)	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			62,419		
End of year - June 30			\$ -		

**Beaufort County, North Carolina
Community Development Block Grant Wright's Creek Fund-
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2016
Schedule 23**

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
Wright's Creek Access CAMA grant	\$ 570,000	\$ 370,000	\$ 200,000	\$ 570,000	\$ -
Total revenues	570,000	370,000	200,000	570,000	-
Expenditures:					
Economic and physical development					
Wright's Creek administration costs	22,300	2,892	-	2,892	19,408
Wright's Creek land acquisition	850,000	450,000	400,000	850,000	-
Total expenditures	872,300	452,892	400,000	852,892	19,408
Revenues over (under) expenditures	(302,300)	(82,892)	(200,000)	(282,892)	19,408
Other Financing Sources (Uses):					
Transfers in - General Fund	302,300	82,892	200,000	282,892	(19,408)
Total other financing sources (uses)	302,300	82,892	200,000	282,892	(19,408)
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1					-
End of year - June 30			\$		-

Beaufort County, North Carolina
Water District I - Fund Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 24

	2016		2015	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 767,886		\$ 732,425
Tap on fees		17,100		20,475
Miscellaneous		23,797		28,390
Total operating revenues	\$ 733,059	808,783	\$ 75,724	781,290
Expenditures:				
Administration:				
Supplies		726		3,687
Telephone		4,382		3,593
Travel		6,500		8,523
Utilities		15,306		12,510
Other administration expenses		9,384		9,009
Total	37,950	36,298	1,652	37,322
Water treatment and distribution				
Salaries and employee benefits		127,674		126,824
Water purchase		112,589		114,339
Supplies		27,904		19,998
Maintenance		25,400		12,938
Other expenses		48,577		56,401
Total	383,684	342,144	41,540	330,500
Budgetary appropriations:				
Principal payment on long term debt		55,000		
Interest, fees, and amortization		190,263		190,263
Total	319,911	245,263	74,648	190,263
Total expenditures	741,545	623,705	117,840	558,085
Revenues over (under) expenditures	(8,486)	185,078	193,564	223,205
Other financing sources (uses):				
Appropriated fund balance	8,486	-	(8,486)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	185,078	\$ 185,078	\$ 223,205

Beaufort County, North Carolina
Water District I - Fund Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 24

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures	185,078
<hr/>	
Reconciling items:	
Depreciation	(195,988)
Amortization	9,746
Debt principal	55,000
Capital contribution	239,451
Increase (decrease) in net pension asset	(9,778)
Increase (decrease) in deferred outflows of resources - pension	(127)
(Increase) decrease in net pension liability	(7,179)
(Increase) decrease in deferred inflows of resources - pension	19,489
(Increase) decrease in accrued vacation payable	(283)
(Increase) decrease in other postemployment benefits	(869)
Change in net position	\$ 294,540
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Beaufort County, North Carolina
Water District I Northside to Southside Connectivity
Capital Project Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2016
Schedule 25

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
Restricted intergovernmental:					
NC Department of Environment and Natural Resources	\$ 2,400,000	\$ 2,160,550	\$ 239,451	\$ 2,400,001	\$ 1
Other	90,000	43,119	-	43,119	(46,881)
Total revenues	2,490,000	2,203,669	239,451	2,443,120	(46,880)
EXPENDITURES:					
Engineering	366,802	494,531	38,439	532,970	(166,168)
Construction	5,261,616	3,002,154	(41,010)	2,961,144	2,300,472
Land purchase	120,700	113,303	2,170	115,473	5,227
Interest	150,000	-	-	-	150,000
Other	140,882	42,850	6,128	48,978	91,904
Total expenditures	6,040,000	3,652,838	5,727	3,658,565	2,381,435
Revenues over (under) expenditures	(3,550,000)	(1,449,169)	233,724	(1,215,445)	2,334,555
OTHER FINANCING SOURCES (USES)					
DWSRF Revolving loan	1,100,000	1,100,000	-	1,100,000	-
Transfers (to)/from other funds	2,450,000	-	-	-	(2,450,000)
Total other financing sources (uses)	3,550,000	1,100,000	-	1,100,000	(2,450,000)
Revenues and other sources over (under) expenditures	\$ -	\$ (349,169)	\$ 233,724	\$ (115,445)	\$ (115,445)

Beaufort County, North Carolina
Water District II Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 26

	2016		2015	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 853,132		\$ 826,833
Tap on fees		16,300		11,875
Miscellaneous		28,070		30,317
Total operating revenues	\$ 966,757	897,502	\$ (69,255)	869,025
Expenditures:				
Administration:				
Supplies		1,088		5,523
Telephone		6,558		5,516
Travel		9,740		12,769
Utilities		18,939		18,287
Other administration expenses		14,674		13,497
Total	53,266	50,999	2,267	55,592
Water treatment and distribution				
Salaries and employee benefits		204,799		203,340
Water purchase		176,311		179,050
Supplies		40,605		29,959
Maintenance		37,222		18,575
Other expenses		67,903		81,691
Total	730,112	526,840	203,272	512,615
Budgetary appropriations:				
Principal payments on long term debt		15,000		
Interest, fees, and amortization		138,150		138,150
Total	196,093	153,150	42,943	138,150
Total expenditures	979,471	730,989	248,482	706,357
Revenues over (under) expenditures	(12,714)	166,513	179,227	162,668
Other financing sources (uses):				
Appropriated fund balance	12,714	-	(12,714)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	166,513	\$ 166,513	\$ 162,668

Beaufort County, North Carolina
Water District II Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 26

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures	166,513
<hr/>	
Reconciling items:	
Depreciation	(293,621)
Amortization	14,635
Debt principal	15,000
Increase (decrease) in net pension asset	(14,656)
Increase (decrease) in deferred outflows of resources - pension	(153)
(Increase) decrease in net pension liability	(10,794)
(Increase) decrease in deferred inflows of resources - pension	29,192
(Increase) decrease in accrued vacation payable	(425)
(Increase) decrease in other postemployment benefits	(1,302)
Change in net position	\$ (95,611)

Beaufort County, North Carolina
Water District III Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 27

	2016		2015	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 996,063		\$ 948,321
Tap on fees		14,950		16,750
Miscellaneous		27,049		26,049
Total operating revenues	1,033,298	1,038,062	4,764	991,120
Expenditures:				
Administration:				
Supplies		1,096		5,560
Telephone		6,612		5,425
Travel		9,809		12,870
Utilities		21,681		17,974
Other administration expenses		14,189		13,604
Total	58,961	53,387	5,574	55,433
Water treatment and distribution				
Salaries and employee benefits		192,687		191,095
Water purchase		172,597		175,279
Supplies		41,907		30,198
Maintenance		26,222		20,215
Other expenses		69,587		105,232
Total	735,763	503,000	232,763	522,019
Budgetary appropriations:				
Principal payments on long term debt		39,299		39,300
Interest, fees, and amortization		168,385		32,799
Total	251,389	207,684	43,705	72,099
Total expenditures	1,046,113	764,071	282,042	649,551
Revenues over (under) expenditures	(12,815)	273,991	286,806	341,569
Other financing sources (uses):				
Appropriated fund balance	12,815	-	(12,815)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	273,991	\$ 273,991	\$ 341,569

Beaufort County, North Carolina
Water District III Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 27

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures	273,991
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Reconciling items:	
Depreciation	(295,963)
Amortization	14,752
Debt principal	39,299
Increase (decrease) in net pension asset	(14,756)
Increase (decrease) in deferred outflows of resources - pension	(199)
(Increase) decrease in net pension liability	(10,833)
(Increase) decrease in deferred inflows of resources - pension	29,411
(Increase) decrease in accrued vacation payable	(428)
(Increase) decrease in other postemployment benefits	(1,312)
Change in net position	\$ 33,962
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Beaufort County, North Carolina
Water District IV Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 28

	2016		2015	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 1,117,448		\$ 1,054,420
Tap on fees		17,000		19,339
Miscellaneous		23,386		23,714
Total operating revenues	\$ 1,136,294	1,157,834	\$ 21,540	1,097,473
Expenditures:				
Administration:				
Supplies		1,129		5,733
Telephone		6,812		5,585
Travel		9,238		13,255
Utilities		14,783		18,809
Other administration expenses		14,233		14,010
Total	56,118	46,195	9,923	57,392
Water treatment and distribution				
Salaries and employee benefits		198,667		197,022
Water purchase		180,098		182,896
Supplies		42,059		31,099
Maintenance		22,879		24,528
Other expenses		76,001		85,598
Total	756,562	519,704	236,858	521,143
Budgetary appropriations:				
Principal payments on long term debt		20,000		5,000
Interest, fees, and amortization		274,350		411,675
Total	336,812	294,350	42,462	416,675
Total expenditures	1,149,492	860,249	289,243	995,210
Revenues over (under) expenditures	(13,198)	297,585	310,783	102,263
Other financing sources (uses):				
Appropriated fund balance	13,198	-	(13,198)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	297,585	\$ 297,585	\$ 102,263

Beaufort County, North Carolina
Water District IV Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 28

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures	297,585
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Reconciling items:	
Depreciation	(304,790)
Amortization	15,192
Debt principal	20,000
Increase (decrease) in net pension asset	(15,216)
Increase (decrease) in deferred outflows of resources - pension	(191)
(Increase) decrease in net pension liability	(11,171)
(Increase) decrease in deferred inflows of resources - pension	30,327
(Increase) decrease in accrued vacation payable	(441)
(Increase) decrease in other postemployment benefits	(1,351)
Change in net position	\$ 29,944

Beaufort County, North Carolina
Water District V Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 29

	2016		2015	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 490,556		\$ 475,330
Tap on fees		5,250		6,750
Miscellaneous		13,650		8,626
Total operating revenues	\$ 543,652	509,456	\$ (34,196)	490,706
Expenditures:				
Administration:				
Supplies		488		2,477
Telephone		2,940		2,662
Travel		5,247		5,727
Utilities		6,991		8,245
Other administration expenses		6,783		6,053
Total	26,122	22,449	3,673	25,164
Water treatment and distribution				
Salaries and employee benefits		86,043		85,329
Water purchase		78,798		80,022
Supplies		18,374		14,082
Maintenance		11,574		10,626
Other expenses		35,333		31,793
Total	327,770	230,122	97,648	221,852
Budgetary appropriations:				
Principal payments on long term debt		47,226		32,225
Interest, fees, and amortization		131,789		132,825
Total	195,462	179,015	16,447	165,050
Total expenditures	549,354	431,586	117,768	412,066
Revenues over (under) expenditures	(5,702)	77,870	83,572	78,640
Other financing sources (uses):				
Appropriated fund balance	5,702	-	(5,702)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	77,870	\$ 77,870	\$ 78,640

Beaufort County, North Carolina
Water District V Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 29

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures	77,870
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Reconciling items:	
Depreciation	(131,679)
Amortization	6,563
Debt principal	47,226
Increase (decrease) in net pension asset	(6,591)
Increase (decrease) in deferred outflows of resources - pension	(70)
(Increase) decrease in net pension liability	(4,840)
(Increase) decrease in deferred inflows of resources - pension	13,137
(Increase) decrease in accrued vacation payable	(190)
(Increase) decrease in other postemployment benefits	(584)
Change in net position	\$ 842
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Beaufort County, North Carolina
Water District VI Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 30

	2016		2015	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 1,189,847		\$ 1,140,668
Tap on fees		27,895		25,725
Miscellaneous		42,317		45,652
Total operating revenues	\$ 1,280,216	1,260,059	\$ (20,157)	1,212,045
Expenditures:				
Administration:				
Supplies		1,340		6,803
Telephone		8,038		6,630
Travel		12,039		15,730
Utilities		67,627		62,316
Other administration expenses		17,470		16,626
Total	105,379	106,514	(1,135)	108,105
Water treatment and distribution				
Salaries and employee benefits		235,651		233,707
Water purchase		22,280		22,626
Supplies		50,479		37,245
Maintenance		53,237		32,817
Other expenses		103,269		104,540
Total	510,655	464,916	45,739	430,935
Budgetary appropriations:				
Capital outlay		263		-
Principal payments on long term debt		265,000		165,000
Interest, fees, and amortization		376,426		379,731
Total	679,844	641,689	38,155	544,731
Total expenditures	1,295,878	1,213,119	82,759	1,083,771
Revenues over (under) expenditures	(15,662)	46,940	62,602	128,274
Other financing sources (uses):				
Appropriated fund balance	15,662	-	(15,662)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	46,940	\$ 46,940	\$ 128,274

Beaufort County, North Carolina
Water District VI Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 30

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures	46,940
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Reconciling items:	
Depreciation	(361,713)
Amortization	18,029
Debt principal	265,000
Capital contributions	64,919
Increase (decrease) in net pension asset	(18,047)
Increase (decrease) in deferred outflows of resources - pension	(233)
(Increase) decrease in net pension liability	(13,250)
(Increase) decrease in deferred inflows of resources - pension	35,971
(Increase) decrease in accrued vacation payable	(524)
(Increase) decrease in other postemployment benefits	(1,604)
Change in net position	\$ 35,488

Beaufort County, North Carolina
Water District VI Chocowinity Capital Project Fund - Schedule of
Revenues and Expenditures Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2016
Schedule 31

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
NC Department of Environment and Natural Resources	\$ 2,400,000	\$ 2,335,080	\$ 64,919	\$ 2,399,999	\$ (1)
Other	10,000	82,800	-	82,800	72,800
Total revenues	2,410,000	2,417,880	64,919	2,482,799	72,799
Expenditures:					
Engineering	574,467	280,014	17,878	297,892	276,575
Construction	2,976,308	3,304,822	33,870	3,338,692	(362,384)
Contingency	54,760	-	-	-	54,760
Other	4,465	29,927	37	29,964	(25,499)
Total expenditures	3,610,000	3,614,763	51,785	3,666,548	(56,548)
Revenues over (under) expenditures	(1,200,000)	(1,196,883)	13,134	(1,183,749)	16,251
Other financing sources (uses):					
DWSRF Revolving loan	1,100,000	1,100,000	-	1,100,000	-
Transfers (to)/from other funds	100,000	109,312	-	109,312	9,312
Total other financing sources (uses)	1,200,000	1,209,312	-	1,209,312	9,312
Revenues and other sources over (under) expenditures	\$ -	\$ 12,429	\$ 13,134	\$ 25,563	\$ 25,563

Beaufort County, North Carolina
Water District VII Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 32

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
Revenues:				
Operating revenues:				
Water sales		\$ 625,316		\$ 620,446
Tap on fees		8,317		7,863
Miscellaneous		17,614		21,951
Total operating revenues	\$ 692,778	651,247	\$ (41,531)	650,260
Expenditures:				
Administration:				
Supplies		806		4,094
Telephone		4,902		3,985
Travel		7,224		9,766
Utilities		30,712		32,008
Other administration expenses		9,516		10,004
Total	54,222	53,160	1,062	59,857
Water treatment and distribution				
Salaries and employee benefits		141,747		140,578
Supplies		30,519		22,204
Maintenance		28,266		19,200
Other expenses		50,684		62,521
Total	411,671	251,216	160,455	244,503
Budgetary appropriations:				
Principal payments on long term debt		10,000		-
Interest, fees, and amortization		194,175		194,174
Total	236,308	204,175	32,133	194,174
Total expenditures	702,201	508,551	193,650	498,534
Revenues over (under) expenditures	(9,423)	142,696	152,119	151,726
Other financing sources (uses):				
Appropriated fund balance	9,423	-	(9,423)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	142,696	\$ 142,696	\$ 151,726

Beaufort County, North Carolina
Water District VII Fund - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts For the Year Ended June 30, 2015
Schedule 32

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures	142,696
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Reconciling items:	
Depreciation	(217,604)
Amortization	10,846
Debt principal	10,000
Increase (decrease) in net pension asset	(10,855)
Increase (decrease) in deferred outflows of resources - pension	(142)
(Increase) decrease in net pension liability	(7,970)
(Increase) decrease in deferred inflows of resources - pension	21,637
(Increase) decrease in accrued vacation payable	(315)
(Increase) decrease in other postemployment benefits	(965)
Change in net position	\$ (52,672)

Beaufort County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016
Schedule 33

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
Social Services Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 52,972	\$ 293,878	\$ 257,111	\$ 89,739
Liabilities:				
Accounts payable	\$ 52,972	\$ 293,878	\$ 257,111	\$ 89,739
Sheriff Accounts:				
Assets:				
Cash and cash equivalents	\$ 7,056	\$ 90,285	\$ 87,485	\$ 9,856
Liabilities:				
Accounts payable	\$ 7,056	\$ 90,285	\$ 87,485	\$ 9,856
Beaufort County Home Foundation:				
Assets:				
Cash and cash equivalents	\$ 62,696	\$ 50	\$ -	\$ 62,746
Liabilities:				
Accounts payable	\$ 62,696	\$ 50	\$ -	\$ 62,746
Tax Collection Fund:				
Assets:				
Taxes receivable	\$ 474,256	\$ 224,570	\$ 189,707	\$ 509,119
Liabilities:				
Intergovernmental payable	\$ 474,256	\$ 224,570	\$ 189,707	\$ 509,119
Drainage Assessments:				
Assets:				
Taxes receivable	\$ 387	\$ 1,439	\$ 109	\$ 1,717
Assessments receivable	90,209	5,512	-	95,721
Total assets	90,596	6,951	109	97,438
Liabilities:				
Intergovernmental payable	\$ 90,596	\$ 6,951	\$ 109	\$ 97,438

Beaufort County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016
Schedule 33

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
4-H:				
Assets:				
Cash and cash equivalents	\$ 8,685	\$ 5,037	\$ 5,816	\$ 7,906
Liabilities:				
Accounts payable	\$ 8,685	\$ 5,037	\$ 5,816	\$ 7,906
Cooperative Extension:				
Assets:				
Cash and cash equivalents	\$ 44,822	\$ 17,599	\$ 31,868	\$ 30,553
Liabilities:				
Accounts payable	\$ 44,822	\$ 17,599	\$ 31,868	\$ 30,553
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 176,231	\$ 406,849	\$ 382,280	\$ 200,800
Taxes receivable	474,643	226,009	189,816	510,836
Assessments receivable	90,209	5,512	-	95,721
Total assets	\$ 741,083	\$ 638,370	\$ 572,096	\$ 807,357
Liabilities:				
Accounts payable	\$ 741,083	\$ 638,370	\$ 572,096	\$ 807,357

Beaufort County, North Carolina
General Fund Schedule of Ad Valorem Taxes Receivable
June 30, 2016
Schedule 34

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015 - 2016	\$ -	\$ 30,989,572	\$ 30,368,787	\$ 620,785
2014 - 2015	798,092	-	551,609	246,483
2013 - 2014	360,586	-	138,848	221,738
2012 - 2013	236,833	-	52,295	184,538
2011 - 2012	165,143	-	28,110	137,033
2010 - 2011	117,526	-	14,428	103,098
2009 - 2010	111,625	-	12,657	98,968
2008 - 2009	104,189	-	9,432	94,757
2007 - 2008	115,625	-	9,673	105,952
2006 - 2007	105,454	-	8,449	97,005
2005 - 2006	96,991	-	96,991	-
	<u>2,212,064</u>	<u>30,989,572</u>	<u>31,291,279</u>	<u>1,910,357</u>
Less: Allowance for uncollectible accounts:				
General Fund				588,860
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 1,321,497</u>
<u>Reconciliation with revenues</u>				
Ad valorem taxes - General Fund				\$ 31,401,059
Reconciling items:				
Interest collected				(283,050)
Taxes written off				95,255
Refunds				82,971
Miscellaneous				(4,956)
<u>Total collections and credits</u>				<u>\$ 31,291,279</u>

Beaufort County, North Carolina
County-Wide Levy Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2016
Schedule 35

	County Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 5,844,480,377	0.53	\$ 30,975,746	\$ 28,685,127	\$ 2,290,619
Total	5,844,480,377		30,975,746	28,685,127	2,290,619
Discoveries	2,608,679	0.53	13,826	13,826	-
Total property valuation	\$ 5,847,089,057				
Net Levy			30,989,572	28,698,953	2,290,619
Current year's taxes collected			30,368,787	28,087,090	2,281,697
Uncollected taxes at June 30, 2016			\$ 620,785	\$ 611,863	\$ 8,922
Current levy collection percentage			98.00%	97.87%	99.61%

Beaufort County, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2016
Schedule 36

Taxpayer	Type of Business	Valuation	Percentage of Total Assessed Valuation
PCS Phosphate Company Inc.	Phosphate Mining/Acid Production	\$ 946,927,108	16.05%
Weyerhaeuser Co	Tree Farm Operation	119,146,060	2.02%
Purified Acid Partnership	Acid Production	75,921,605	1.29%
Tideland Electric Membership	Utilities	29,769,459	0.50%
Flanders Filters Inc.	Manufacturing	22,761,428	0.39%
Duke Progress Energy	Utilities	17,962,883	0.30%
FPI Carolinas, LLC	Agriculture	14,084,414	0.24%
Fountain Powerboats	Boat Manufacturing	12,937,619	0.22%
Carolina Telephone and Telegraph	Utilities	12,833,937	2.20%
Clarcor	Automotive Diesel Components	9,325,847	0.16%



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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***

Independent Auditors' Report

To the Board of Commissioners
Beaufort County, North Carolina

We have audited, in accordance with the 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 accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Beaufort County, North Carolina as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises Beaufort County's basic financial statements, and have issued our report thereon dated November 30, 2016. Our audit includes a reference to other auditors who audited the financial statements of the Beaufort County ABC Board, as described in our report on Beaufort County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Beaufort County ABC Bard were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Beaufort County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beaufort County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or

a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies, described in the accompanying schedule of findings and questioned costs, listed as items 16-1 through 16-3, to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be a significant deficiency. However, significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaufort County's financial statements are free from 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*.

Beaufort County's Responses to Findings

Beaufort County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Beaufort County's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Belhaven, North Carolina
November 30, 2016



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Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Beaufort County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Beaufort County, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Beaufort County's major federal programs for the year ended June 30, 2016. Beaufort County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Beaufort County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 Beaufort 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Beaufort County's compliance.

Opinion on Each Major Federal Program

In our opinion, Beaufort County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Beaufort County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Beaufort County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Beaufort County's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cary Riggs & Ingram, L.L.C.

Belhaven, North Carolina
November 30, 2016



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Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Beaufort County, North Carolina

Report on Compliance for Each Major State Program

We have audited Beaufort County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Beaufort County's major state programs for the year ended June 30, 2016. Beaufort County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Beaufort County's major state programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, 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 Beaufort 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 on compliance for each major state program. However, our audit does not provide a legal determination of Beaufort County's compliance.

Opinion on Each Major State Program

In our opinion, Beaufort County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Beaufort County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Beaufort County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Beaufort County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cary Riggs & Ingram, L.L.C.

Belhaven, North Carolina
November 30, 2016

Beaufort County, North Carolina

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	<u> </u>	Yes	<u> X </u>	None Reported
Noncompliance material to financial statements noted	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	<u> </u>	Yes	<u> X </u>	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<u> </u>	Yes	<u> X </u>	No
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Identification of major federal programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.558	Subsidized Child Care Cluster
93.575	
93.596	
93.658	
93.558	Temporary Assistance for Needy Families - Work First
93.778	Title XIX - Medicaid

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,830,988

Auditee qualified as low-risk Auditee?	<u> </u>	Yes	<u> X </u>	No
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Beaufort County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II - Financial Statement Findings

Material Weaknesses

16-1 Unrecorded Accounts Payable

Criteria: The County should record accounts payable for goods and services received prior to year end, but paid for after year end.

Condition: The County did not record accounts payable for three expenditures in the hazard mitigation fund and one expenditure in the revaluation fund.

Effect: The County's general ledger and financial statements were misstated.

Cause: The County did not have adequate procedures in place to ensure that accounts payable were recorded correctly for these expenditures.

Recommendation: The County should carefully review all invoices and supporting documentation to determine when the good or service was received in order to determine what date the expenditure and corresponding accounts payable should be recorded.

Views of responsible officials and planned corrective action: The County agrees with this finding. The four noted invoices were corrected and recorded in the prior year. Staff training and education has occurred in order to prevent this from occurring in the future.

16-2 Prior Period Adjustment - General Fund

Criteria: The County should review their accounting records to ensure that all revenues and receivables are accurately recorded and outstanding checks are properly accounted for.

Condition: The County did not properly record revenues and receivables at the 2015 year end. Further, the County had outstanding checks that were not voided in the proper year.

Effect: Fund balance in the General Fund was understated by \$416,583 in the prior year.

Cause: The County did not thoroughly review their accounting records at year end to determine if they were accurate.

Recommendation: The County should thoroughly review all accounting records at year end for all funds to determine if they are accurate.

**Beaufort County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Views of responsible officials and planned corrective action: The County agrees with this finding. The unrecorded revenue of \$291,883 has been recognized. This entry was necessary due to revenue not being properly recorded in FY 2014-2015. As a result of a thorough review of the bank balancing process, multiple checks dating to 2010 had been listed as outstanding checks when, based on our research, should have been voided instead. These checks were voided in FY 2015-2016 resulting in a fund balance increase of \$124,700. Timely and accurate reconciliations of bank accounts in the future will prevent these two events from occurring again.

16-3 Prior Period Adjustment - Proprietary Funds - Water Districts I through V

Criteria: The County should review their accounting records to ensure that all revenues and receivables are accurately recorded.

Condition: The County did not record unbilled revenues and receivables for Water Districts I through V.

Effect: Fund balances in the Water Districts were understated in the prior year by \$145,096.

Cause: The County did not thoroughly review their accounting records at year end to determine if they were accurate.

Recommendation: The County should thoroughly review all accounting records at year end for all funds to determine if they are accurate.

Views of responsible officials and planned corrective action: The County agrees with this finding. Upon recording unbilled revenue for fiscal year 2015-2016, it was realized that unbilled revenues from FY 2014-2015 were understated. The entry was recorded resulting in an increase of \$145,096 in fund balance between Water Districts I through V.

**Beaufort County, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2016**

Section II - Financial Statement Findings

Material Weaknesses

16-1 Unrecorded Accounts Payable

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement a procedure to review all of their accounting records on a periodic basis to determine if they are accurate.

Proposed Completion Date: Management agrees with this finding and it has been corrected.

16-2 Prior Period Adjustment - General Fund

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement a procedure to review all of their accounting records on a periodic basis to determine if they are accurate.

Proposed Completion Date: Management agrees with this finding and it has been corrected.

16-3 Prior Period Adjustment - Proprietary Funds - Water Districts I through V

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement a procedure to review all of their accounting records on a periodic basis to determine if they are accurate.

Proposed Completion Date: Management agrees with this finding and it has been corrected.

Beaufort County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2016

Findings:

15-1 Prior Period Adjustment - Governmental Funds - Administrative Building

Status: Corrected

15-2 Prior Period Adjustment - Proprietary Funds - Water Districts I-VII

Status: Corrected

15-3 Prior Period Adjustment - Proprietary Funds - Water Districts VI and VII

Status: Corrected

15-4 Prior Period Adjustment - Proprietary Funds - Capital Projects Water Districts I and VI

Status: Corrected

15-5 Prior Period Adjustment - General Fund

Status: Corrected

15-6 Prior Period Adjustment - General Fund

Status: Corrected

15-7 Cash Reconciliation

Status: Corrected

15-8 Booking of Accounts Receivable in the General Fund

Status: Corrected

15-9 Information Provided to Actuary

Status: Corrected

15-10 Incorrect Recording of Payroll Liabilities

Status: Corrected



**Beaufort County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2016**

15-11 Three Day Rule

Status: Corrected

15-12 Vendor Monitoring

Status: Corrected

15-13 In-Home Aide Costs

Status: Corrected

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State 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:			
<u>SNAP Cluster:</u>			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	\$ 509,395	\$ -
Fraud Administration	10.561	27,218	-
Total SNAP		536,613	-
Division of Public Health			
Administration:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	314,044	-
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	1,093,228	-
Total U.S. Dept. of Agriculture		1,943,885	-
<u>US Department of Homeland Security</u>			
<u>Administration on Aging</u>			
Passed-through Department of Public Safety:			
Division of Emergency Management:			
Federal Emergency Management Agency:			
Flood Mitigation Assistance FMA-PJ-04-NC-2013-012	97.029	326,766	-
Public Assistance Grants FMA-PJ-04-NC-2014-004	97.029	42,573	-
Emergency Management Performance Grant	97.042	38,542	-
Hazardous Mitigation Grant	97.039	63,576	-
Total US Department of Homeland Security		471,457	-
<u>US Department of Education</u>			
Passed-through NC Department of Health and Human Services:			
Division of Public Health:			
Race to the Top - Early Learning College	84.412	89,234	-
Total US Department of Education		89,234	-

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
<u>US Department of Health and Human Services</u>			
Administration of Aging and Adult Services			
Passed-through Mid-East Commission			
Council of Government			
Aging Cluster:			
Access Title III-B	93.044	74,595	4,388
Congregate Nutrition:			
Title III-C1	93.045	58,064	3,416
Home Delivered Meals:			
Title III-C2	93.045	19,125	1,125
Total Aging Cluster		151,784	8,929
Social Services Block Grant	93.667	119,938	3,427
NSIP Supplement	93.053	17,624	-
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Work First Administration	93.558	208,125	-
Work First Service	93.558	656,203	-
TANF Direct Benefit Payments	93.558	341,966	-
Special Children Adoption	93.558	-	98,400
Division of Public Health:			
Temporary Assistance for Needy Families	93.558	8,195	-
Total TANF Cluster		1,214,489	98,400
Division of Social Services:			
IV-D Offset Fees Federal	93.563	1,919	-
IV-D Administration	93.563	573,627	-
IV-D Offset Fees ESC	93.563	139	-
Low-Income Home Energy Assistance Block Grant:			
Administration	93.568	37,451	-
Crisis Intervention Payments	93.568	163,399	-
Energy Assistance	93.568	241,665	-
Permanency Planning - Families for Kids	93.645	13,051	-
CPS TANF to SSBG	93.667	39,184	-
In-Home Services	93.667	5,949	-
SSBG Other Services and Training	93.667	209,660	21,908
Independent Living Grant	93.674	10,742	2,685
Family Preservation	93.556	26,286	-
Total Division of Social Services		1,323,072	24,593
Foster Care and Adoption Cluster: (Note 2)			
Foster Care Administration			
Title IV-E Foster Care - CPS	93.658	50,868	37,162
Title IV-E Foster Care TRN	93.658	35	-
Title IV-E Foster Care/Off Trn	93.658	190,659	-
Title IV-E Foster Admin	93.658	32	-
Foster Care - Direct Benefit Payments:			
IV-E Admin County	93.658	9,771	4,886
IV-E Family Foster Max	93.658	59	-

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
IV-E Foster Care	93.658	125,873	32,150
IV-E Max Level III	93.658	3,899	-
Adoption Assistance - Administration			
IV-E Adoption Training	93.659	3,527	-
IV-E Adoption/Off TRN	93.659	2,069	-
Adoption Assistance - Direct Benefit Payments	93.659	484,222	124,032
Total Foster Care and Adoption Cluster		871,014	198,230
Refugee and Entrant Assistance - State Administered program	93.566	218	-
Division of Child Development			
Subsidized Child Care Cluster: (See Note 2)			
Child Care Development Fund Cluster			
Division of Social Services:			
Child Care Development Fund - Administration	93.596	94,442	-
Division of Child Development			
Child Care and Development Fund - Discretionary	93.575	854,403	-
Child Care and Development Fund - Mandatory	93.596	305,844	-
Child Care and Development Fund - Match	93.596	396,201	157,213
Total Child Care Development Fund Cluster		1,650,890	157,213
Temporary Assistance for Needy Families (TANF)	93.558	246,983	-
Foster Care Title IV-E	93.658	22,592	11,581
State Appropriations	N/A	-	359,078
TANF - MOE	N/A	-	119,315
Total Child Care Development Fund Cluster		1,920,465	647,187
Centers for Medicare and Medicaid Services			
Passed-through the NC Department of Health and Human Services			
Medicaid Cluster:			
Division of Medical Assistance			
Direct Benefit Payment:			
Medical Assistance Program	93.778	49,806,793	27,288,602
Division of Social Services:			
Administration:			
Adult Care Home Case Management	93.778	8,491	4,245
Medical Administrative Claiming	93.778	94,938	-
Medical Assistance Administration	93.778	937,651	-
Medical Transportation Administration	93.778	84,731	-
State County Special Assistance	93.778	25,525	-
Total Medicaid Cluster		50,958,129	27,292,847
State Children's Health Insurance Program - NC Health Choice			
Administration	93.767	9,063	565
Direct Benefit Payments	93.767	1,037,735	55,814
Total Centers for Medicare and Medical Assistance		52,004,927	27,349,226

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Division of Public Health:			
Health Resources and Service Administration			
Passed-through NC Department of Health and Human Services			
Division on Public Health			
Public Health Emergency Preparedness	93.069	34,719	-
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Coop Agreements	93.074	15,000	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	43	-
Immunization Grant	93.268	10,864	-
Family Planning Services	93.217	41,741	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	30,991	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	18,140	-
HIV Prevention Activities - Health Department Based	93.940	2,000	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	496	-
Maternal and Child Health Services Block Grant	93.994	108,913	32,317
Total Division of Public Health		262,907	32,317
Total US Department of Health and Human Services		57,886,438	28,362,309
Department of Housing and Urban Development			
CDBG - State - Administered CDBG Cluster:			
CDBG Grant -	14.228	398,968	-
Total US Department of Housing and Urban Development		398,968	-
U.S. Dept. of Environmental Protection			
Passed-through the N.C. Dept. of Environment and Natural Resources:			
Drinking Water State Revolving Fund	66.468	191,561	47,890
Drinking Water State Revolving Fund	66.468	51,375	12,844
Total US Department of Environmental Protection		242,936	60,734
Total Federal Awards		61,032,918	28,423,043
State Awards:			
NC Department of Health and Human Services			
Division of Aging and Adult Services:			
Passed-through Mid-East Commission			
Council of Government			
In-Home Services - State Funds		-	102,497
Caregiver Match		-	32,426
Home Delivered Meals - State Funds		-	45,193
Total Division of Aging and Adult Services		-	180,116

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Division of Social Services:			
Energy Assistance		-	8,080
AFDC Incent/Program		-	1,398
Direct Benefit Payments:			
CWS Adoption Subsidy		-	163,964
Foster Care At-Risk Maximum		-	1,547
SC/SA Domiciliary Care		-	581,896
SFHF Maximization		-	6,679
State Foster Home		-	45,705
Division of Public Health:			
Food and Lodging Fees		-	15,131
Environmental Health		-	4,000
General Aid to Counties		-	84,025
General Communicable Disease Control		-	2,684
Public Health Nursing		-	600
Breast and Cervical Cancer Program		-	8,380
Child Health		-	254
HMHC-Family Planning		-	15,383
Maternal Health (HMHC)		-	10,614
Women's Health Service Fund		-	4,302
HIV/STD SSBG Aid		-	3,923
State Child Welfare/CPS		-	26,639
HIV/STD Non-Traditional Test Site		-	39,387
Sexually Transmitted Diseases		-	950
School Nurse Funding Initiative		-	250,000
Tuberculosis		-	23,945
TB Medical Service		-	1,776
Total NC Department of Health and Human Services			1,481,378
NC Department of Public Safety			
Criminal Justice Partnership Program		-	59,190
Juvenile Crime Prevention		-	168,449
Total NC Department of Public Safety			227,639
NC Department of Transportation			
Rural Operating Assistance Program (ROAP):			
Elderly and Disable Transportation Assistance Program (EDTAP)		-	62,254
ROAP Work First Transitional - Employment Transportation		-	13,486
ROAP Rural General Public Program		-	71,252
Total NC Department of Transportation			146,992
NC Department of Public Instruction			
Public School Building Capital Fund - Lottery Proceeds		-	450,000
Total NC Department of Public Instruction			450,000

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
<u>NC Department of Environment and Natural Resources</u>			
Division of Coastal Management			
Wright's Creek Access		-	200,000
Total NC Department of Environment and Natural Resources		-	200,000
<u>NC Department of Administration</u>			
Veterans Service Grant		-	1,907
Total NC Department of Administration		-	1,907
<u>NC Department of Commerce</u>			
Building Reuse Grant 2016-008-3201-2538		-	80,888
Total NC Department of Commerce		-	80,888
<u>NC Department of Agriculture</u>			
Division of Soil and Water Conservation:			
Stream Debris Removal Grant G40100008513SWC		-	1,992
Soil and Water Grant		-	17,907
Total NC Department of Agriculture		-	19,899
Total State Awards		-	2,608,703
Total Federal and State Awards		61,032,918	31,031,746

Beaufort County, North Carolina

Notes to the Schedule of Expenditures of Federal and State Awards For the Fiscal Year Ended June 30, 2016

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 (SEFSA) includes the federal and State grant activity of Beaufort County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Beaufort County, it is not intended Federal Awards (Uniform Guidance) and the State Single Audit to and does not present the financial position, changes in net assets or cash flows of Beaufort County.

2 Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Beaufort County has elected not to use the 10-percent de Minimis indirect cost rate as allowed under Uniform Guidance.

3 Cluster of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes:

Program Title	CFDA Number	Federal Expenditures	State Expenditures
Subsidized Child Care and Foster Care and Adoption	XXXX	1,920,465	647,187

4 Subrecipients

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

Program Title	CFDA Number	Federal Expenditures	State Expenditures
Public School Capital Building Fund - Lottery Proceeds	XXXX	-	450,000



Carr, Riggs & Ingram, LLC
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Belhaven, North Carolina 27810

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(252) 943-2935 (fax)
www.cricpa.com

November 30, 2016

To the Commissioners and Management of
Beaufort County, North Carolina

Dear Commissioners and Management:

We are pleased to present the results of our audit of the 2016 financial statements of Beaufort County.

This report to the Commissioners and Management summarizes our audit, the report issued and various analyses and observations related to the County's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed to express an opinion on the County's 2016 financial statements. We considered the County's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Commissioners and Management, expect. We received the full support and assistance of County's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Commissioners, Management and others within the organization and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 252-943-2723 or jbest@cricpa.com.

Very truly yours,

Jeff Best, CPA

Jeff Best, CPA

Required Communications

As discussed with the Commissioners and Management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the County. Specifically, we planned and performed our audit to:

- Perform an annual audit, as required by North Carolina General Statutes, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the County's financial statements for the year ended June 30, 2016.
- Conduct an audit 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 Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act and issue a report on the County's compliance with the types of compliance requirements described in the OMB Uniform Guidance and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal and state programs for the year ended June 30, 2016;
- Communicate directly with the Commissioners and Management regarding the results of our procedures;
- Address with the Commissioners and Management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Commissioners and Management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of Beaufort County, North Carolina (the “County”) for the year ended June 30, 2016, and have issued our report thereon dated November 30, 2016. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR’S RESPONSE
<p>Auditor’s responsibility under Generally Accepted Auditing Standards</p>	<p>As stated in our engagement letter dated July 12, 2016, our responsibility, as described by professional standards, is to express an opinion about whether 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 presented prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>Our audit also consisted of issuing reports regarding the Board’s internal control, in accordance with <i>Government Auditing Standards</i>, and compliance with certain compliance requirements as it relates to the Board’s major federal and/or state programs, in accordance OMB Uniform Guidance and the State Single Audit Implementation Act.</p>
<p>Client’s responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was altered because of issues that arose during fieldwork.</p>
<p>Management judgments and accounting estimates <i>The process used by management in forming</i></p>	<p>Please see the following section titled (“Accounting Policies, Judgments and Sensitive Estimates and CRI</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><i>particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Comments on Quality").</p>
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the County and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the County's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the County in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> <p><i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us,</i></p>	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 1 to the financial statements.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><i>discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></p>	
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None.
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the County, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the County about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments."

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Major issues discussed with management prior to retention</p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p>Consultations with other accountants</p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p>Written representations</p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p>Internal control deficiencies</p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	See "Internal Control Findings" section.
<p>Fraud and illegal acts</p> <p><i>Fraud involving management, or the County, those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p>Parties in interest and prohibited transactions</p> <p><i>Any parties in interest in the County, prohibited transactions as defined by ERISA, and other reportable transactions.</i></p>	No prohibited transactions were noted. Transactions with parties in interest and other reportable transactions were properly disclosed in the notes to the financial statements, in accordance with GAAP.
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the County's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The County may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Capital Assets	<p>Based upon our audit procedures, with respect to the County's capital assets, we noted that it estimates the annual provision for depreciation expense on estimated useful life of the capital asset in accordance with all applicable standards and guidelines.</p> <p>The County calculates depreciation expense using the straight-line method.</p>	X	<p>The County's estimate of the useful life of its capital assets.</p> <p>The estimated useful lives of County's capital assets are based on a detailed management review.</p>	The County's policy is in accordance with all applicable accounting guidelines.
Allowance for Doubtful Accounts	<p>The County estimates the allowance accounts for the water districts in accordance with applicable standards and guidelines.</p> <p>The County calculates the allowance for doubtful accounts in each district based on an analysis of the collectability of individual accounts.</p>	X	The County's estimate of its allowance for doubtful accounts is based on historical water revenues and an analysis of the collectability of individual accounts.	The County's policy is in accordance with all applicable accounting guidelines.

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Compensated Absences	<p>The County estimates the accrued liability at year-end for amounts owed to its employees for compensated absences (“Vacation Policy”) in accordance with all applicable standards and guidelines.</p> <p>The County calculates the annual liability at the prevailing rates of compensation.</p>	X	The County’s estimate of its accrued liability for compensated absences is based upon the established compensation levels at year-end which may differ from the actual amounts.	The County’s policy is in accordance with all applicable accounting guidelines.
Local Governmental Employee’s Retirement	The County estimates retirement benefits in accordance with all applicable standards and guidelines.	X	The County’s estimate of its retirement benefits is based on an actuary performed periodically.	The County’s policy is in accordance with all applicable accounting guidelines.
Other Postemployment Benefits	<p>The County estimates postemployment benefits in accordance with all applicable standards and guidelines.</p> <p>The County discloses postemployment benefits based on actuarial assumptions. These assumptions may change in the future depending on future operating conditions.</p>	X	The County’s estimate of its postemployment benefits is based on an actuary that is performed every three years.	The County’s policy is in accordance with all applicable accounting guidelines.

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the County and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the County or passed (uncorrected).

See attached schedules.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the County's operating environment that has been identified as playing a significant role in the County's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.
- Whether the difference involves concealment of a prohibited transaction, or transaction with a party in interest, as defined by GAAP or any applicable federal, state, or local laws.

Summary of Audit Adjustments

Adjusting Journal Entries JE

Prior Period Adjustment - Finding 16-2

100600-489000	Miscellaneous Income	416,583.00	
100000-329900	Fund Balance, Undesignated		416,583.00
		416,583.00	416,583.00

Adjusting Journal Entries JE

Prior Period Adjustment - Finding 16-3

613713-451000	Water Sales	25,338.00	
623713-451000	Water Sales	29,485.00	
633713-451000	Water Sales	34,791.00	
643713-451000	Water Sales	39,201.00	
653713-451000	Water Sales	16,281.00	
610000-329900	Fund Balance, Undesignated		25,338.00
620000-329900	Fund Balance, Undesignated		29,485.00
630000-329900	Fund Balance, Undesignated		34,791.00
640000-329900	Fund Balance, Undesignated		39,201.00
650000-329900	Fund Balance, Undesignated		16,281.00
		145,096.00	145,096.00

Management Representation Letter

BOARD OF COMMISSIONERS

Jerry Langley, Chairman
Gary L. Brinn, Vice-Chairman
Frankie Waters
Ronald Buzzeo
Ed Booth
Robert Belcher
Hood Richardson



COUNTY OFFICIALS

Brian M. Alligood, County Manager
Katie Mosher, Clerk to the Board
David Francisco, County Attorney
Anita C. Radcliffe, Finance Director

BEAUFORT COUNTY NORTH CAROLINA

November 30, 2016

Carr, Riggs & Ingram, LLC
P.O. Box 399
Belhaven, NC 27810

This representation letter is provided in connection with your audit of the financial statements of Beaufort County, which comprise 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 as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 30, 2016 the following representations made to you during your audit.

BEAUFORT COUNTY ADMINISTRATION BUILDING
121 West 3rd Street * Washington, North Carolina 27889 * Phone (252) 946-0079 * Fax (252)-946-7722

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 12, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with US GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of US GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
8. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.
9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the County's accounts.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.

Management Representation Letter

- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of Beaufort County or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and State awards.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
- a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements communicated by employees, former employees, regulators, or others.
15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the County's related parties and all the related party relationships and transactions of which we are aware.

Government - specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have a process to track the status of audit findings and recommendations.
20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
22. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

Management Representation Letter

23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provision of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
28. As part of your audit, you assisted with preparation of the depreciation schedules, the GASB 68 entries, the financial statements and related notes, and schedule of expenditures of federal and State awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within our senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those depreciation schedules, GASB 68 entries, financial statements and related notes, and schedule of expenditures of federal and State awards.
29. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the footnotes.
30. The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
31. The financial statements include all component units and properly disclose all other joint ventures and other related organizations.
32. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.

Management Representation Letter

33. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
34. Components of net position (net investment in capital assets; restricted; and unrestricted) and classification of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
35. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
36. Provisions for uncollectible receivables have been properly identified and recorded.
37. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities within program revenues, or general revenues.
40. Interfund, internal, and intra-entity activity have been appropriately classified and reported.
41. Deposits and investment securities are properly classified as to risk and are properly disclosed.
42. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
43. We have appropriately disclosed the County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
45. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
46. With respect to the individual fund statements and schedules, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards

Management Representation Letter

a. We acknowledge our responsibility for presenting the individual fund statements schedules, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual fund statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual fund statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

b. If the individual fund statements and schedules, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

47. With respect to federal and State award programs:

- a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 US Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act, including requirements relating to preparation of the schedule of expenditures of federal and State awards.
- b. We acknowledge our responsibility for presenting the schedule of expenditures of federal and State awards (SEFSA) in accordance with the requirements of the Uniform Guidance, and we believe the SEFSA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFSA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFSA.
- c. If the SEFSA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFSA no later than the date we issue the supplementary information and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and the State Single Audit Implementation Act and have included in the SEFSA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts,

Management Representation Letter

loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

- e. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and State programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and State programs that provides reasonable assurance that we are managing our federal and State awards in compliance with laws, regulations, and the provisions of the contracts and grant agreements that could have a material effect on our federal and State programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal and State agencies or pass-through entities relevant to federal and State programs and related activities.
- h. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal and State awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal or State awards.
- i. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, Cost Principals for State, Local, and Tribal Governments.
- l. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

Management Representation Letter

- m. We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal and State program financial reports and claims for advances and reimbursements.
- n. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- p. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- q. Federal and State program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- r. The copies of federal and State program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and State agency or pass-through entity, as applicable.
- s. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- t. We have issued management decisions for audit findings that relate to federal and State awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal and State award provided to the subrecipient.
- u. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- v. We have charged costs to federal and State awards in accordance with applicable cost principles.
- w. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal and State awarding agencies and pass-through entities, including all management decisions.

Management Representation Letter

- x. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- y. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- z. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- aa. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signed: Brian Alligood

Brian Alligood, County Manager

Signed: Anita C. Radcliffe

Anita Radcliffe, Finance Director

Date: 11/30/16

Date: 11/30/16



Internal Control Findings

Carr, Riggs & Ingram, LLC
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November 30, 2016

The Commissioners and Management of
Beaufort County, North Carolina

In planning and performing our audit of the financial statements of Beaufort County as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beaufort County's internal control. Accordingly, we do not express an opinion on the effectiveness of Beaufort County's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The chart that follows this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 30, 2016, on the financial statements of Beaufort County.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Commissioners and Management, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Carr, Riggs & Ingram, L.L.C.

Belhaven, North Carolina
November 30, 2016

Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
16-1	IP	Lack of Documentation	During our testing, we noted one participant in the TANF program did not have the Online Verification Form in their file as required by recertification standards.	We recommend that the County remind caseworkers to complete the required steps for recertifications.	We have reviewed the results of the finding noted and concur with the assessment of the issues identified.
16-2	IP	Travel Policy	During our testing of Commissioner and County Manager travel, we found that the Commissioners and County Manager are exempt from the Personnel Policy, including the Travel Policy.	We recommend the County review their travel policy for Commissioners and the County Manager.	We have reviewed the results of the finding noted and recommend the Board establish a Finance Committee to review Commissioner and County Manager expenditures.
16-3	IP	Calculation of Water Bills	During testing, a sample of 25 customers’ bills were recalculated and compared to the County’s rate structure. One customer was being billed the minimum amount and not being charged for all water usage.	We recommend the County ensure that customers are being charged for all water consumed.	We have reviewed the results of the finding noted and the customer’s account has been corrected.

Internal Control Findings

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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16-4	D	ITGC – Access Controls	<p>During our audit, we noted the following deficiency related to IT controls; one terminated employee’s user access had not been removed or disabled from Active Directory.</p>	<p>We recommend the County continue to follow the guidelines that are in place to ensure all terminated employees are removed or disabled from Active Directory and all applications on a timely basis.</p>	<p>We have reviewed the results of the finding noted and the employee’s access was removed.</p>
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