

Beaufort County, North Carolina
Financial Statements
June 30, 2017



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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, 2017, 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, 2017, 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 Other Postemployment Benefits Schedules of Funding Progress and Employer Contributions on page 68, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, pages 69 and 70, and the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 71 and 72, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, pages 73 and 74, 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 January 17, 2018 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 of 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.



Belhaven, North Carolina
January 17, 2018

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, 2017. 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 \$60,892,815 (*net position*).
- Beaufort County's total net position increased by \$2,685,394.
- As of June 30, 2017, Beaufort County's governmental funds reported combined ending fund balances of \$25,482,438, a decrease of \$242,072 in comparison with the prior year. Approximately 26.15% of this total amount or \$6,662,790 is restricted or committed.
- Also at June 30, 2017, unassigned fund balance for the General Fund was \$16,898,251, or 26.95% of total general fund expenditures of \$56,988,836 for the fiscal year.
- Beaufort County's total debt decreased by \$2,687,682 or (4.36)% during the current fiscal year. The key factor in this decrease was the scheduled payments on outstanding debt.

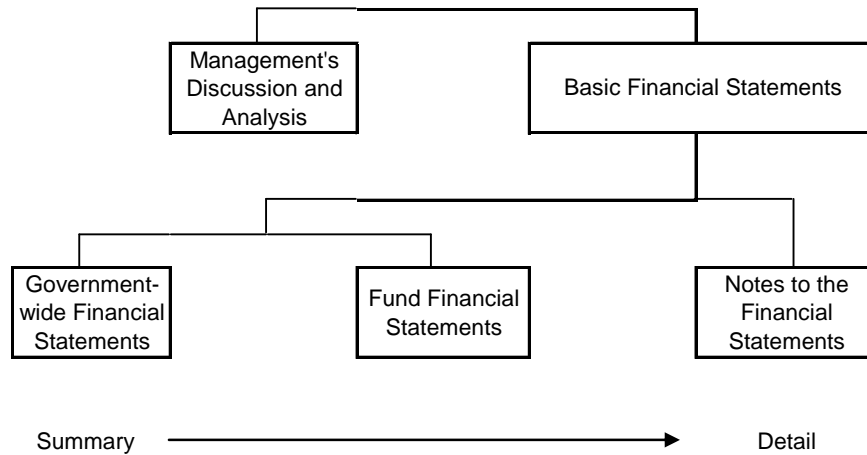
Overview of the Financial Statements

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 and solid waste 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 24 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 68 of this report.

Government-Wide Financial Analysis

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 38,041,211	\$ 38,896,872	\$ 9,370,981	\$ 7,398,418	\$ 47,412,192	\$ 46,295,290
Capital assets	19,432,115	18,267,937	60,619,401	62,593,798	80,051,516	80,861,735
Deferred outflows of resources	4,859,962	1,680,436	256,531	61,575	5,116,493	1,742,011
Total assets and deferred outflows of resources	62,333,288	58,845,245	70,246,913	70,053,791	132,580,201	128,899,036
Current and other liabilities	1,309,528	1,469,899	404,771	163,927	1,714,299	1,633,826
Long-term liabilities outstanding	30,337,483	27,873,649	39,384,448	40,015,815	69,721,931	67,889,464
Deferred inflows of resources	238,262	561,207	12,894	35,145	251,156	596,352
Total liabilities and deferred inflows of resources	31,885,273	29,904,755	39,802,113	40,214,887	71,687,386	70,119,642
Net position:						
Net investment in capital assets	16,270,608	15,024,973	23,727,176	24,909,346	39,997,784	39,934,319
Restricted	6,288,947	6,469,825	-	-	6,288,947	6,469,825
Unrestricted	7,888,460	7,445,692	6,717,624	4,928,558	14,606,084	12,374,250
Total net position	\$ 30,448,015	\$ 28,940,490	\$ 30,444,800	\$ 29,837,904	\$ 60,892,815	\$ 58,778,394

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 \$60,892,815 as of June 30, 2017. The County's net position increased by \$2,685,394 for the fiscal year ended June 30, 2017. One of the largest portions \$39,997,784

Beaufort County, North Carolina Management's Discussion and Analysis

(65.69%) 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 \$6,288,947 (10.33%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14,606,084 is unrestricted.

The government's net investment in capital assets increased by \$63,465, or (0.16%). This increase is attributable to additional capital investments in land, buildings, vehicles, equipment, and the water utility during the fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,525,520	\$ 4,165,709	\$ 9,922,907	\$ 6,322,943	\$ 12,448,427	\$ 10,488,652
Operating grants and contributions	13,463,835	12,654,088	-	-	13,463,835	12,654,088
Capital grants and contributions	1,295,224	1,051,187	-	304,370	1,295,224	1,355,557
General revenues:						
Property taxes	35,699,524	33,723,300	-	-	35,699,524	33,723,300
Other taxes	8,829,560	8,294,864	-	-	8,829,560	8,294,864
Investment earnings	80,283	20,369	17,178	735,045	97,461	755,414
Miscellaneous	241,106	330,625	-	-	241,106	330,625
Total revenues	62,135,052	60,240,142	9,940,085	7,362,358	72,075,137	67,602,500
Expenses:						
General government	6,262,091	3,560,556	-	-	6,262,091	3,560,556
Public safety	13,613,307	12,271,040	-	-	13,613,307	12,271,040
Economic and physical development	2,836,832	2,541,207	-	-	2,836,832	2,541,207
Human services	17,711,070	16,401,820	-	-	17,711,070	16,401,820
Environmental protection	-	3,132,910	-	-	-	3,132,910
Cultural and recreational	431,270	414,595	-	-	431,270	414,595
Education	17,962,312	18,414,894	-	-	17,962,312	18,414,894
Interest and fees on long-term debt	748,635	973,416	-	-	748,635	973,416
Water and Solid Waste	-	-	9,824,226	7,115,865	9,824,226	7,115,865
Total expenses	59,565,517	57,710,438	9,824,226	7,115,865	69,389,743	64,826,303
Increase in net position before transfers	2,569,535	2,529,704	115,859	246,493	2,685,394	2,776,197
Transfers	(134,919)	-	134,919	-	-	-
Increase in net position	2,434,616	2,529,704	250,778	246,493	2,685,394	2,776,197
Net position-beginning, previously reported	28,940,490	25,994,203	29,837,904	29,446,315	58,778,394	55,440,518
Prior period adjustment	-	416,583	-	145,096	-	561,679
Restatement	(927,091)	-	356,118	-	(570,973)	-
Net position-beginning, restated	28,013,399	26,410,786	30,194,022	29,591,411	58,207,421	56,002,197
Net position-ending	\$ 30,448,015	\$ 28,940,490	\$ 30,444,800	\$ 29,837,904	\$ 60,892,815	\$ 58,778,394

Governmental activities. Governmental activities increased the County's net position by \$2,434,616 during the fiscal year. Key elements of this increase include:

- Capital grants and contributions totaling \$1,295,224
- Increase in property tax and sales tax collections
- General Fund actual expenditures were 2.1% less than budgeted in FY 2016-2017

Beaufort County, North Carolina Management's Discussion and Analysis

- General Fund draw down of fund balance totaling \$1,548,788

Business-type activities: Business-type activities increased Beaufort County's net position by \$250,778. Key elements of this increase include:

- Water District increased revenues due to a 3% increase in rates
- Solid Waste operations being included as a business-type activity as of July 1, 2016

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 \$16,898,251, while total fund balance reached \$23,152,167. 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 29.65% of general fund expenditures, while total fund balance represents 40.63% of that same amount.

At June 30, 2017, the governmental funds of Beaufort County reported a combined fund balance of \$25,482,438, a (2.25)% 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 \$1,099,284 increase and are summarized as follows:

- \$947,285 increase in restricted governmental revenues
- \$4,112 decrease in sales and service
- \$48,924 increase in investment earnings
- \$107,187 increase in miscellaneous revenue

Beaufort County, North Carolina Management's Discussion and Analysis

Differences between the original budgeted expenditures and the final amended appropriations for the General Fund amounted to a \$1,352,406 increase and are summarized as follows:

- \$300,579 increase in general government activity
- \$134,618 increase in public safety
- \$94,000 increase in economic and physical development
- \$840,109 increase in human services
- \$8,100 increase in cultural and recreational
- \$25,000 decrease in contingency

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

- \$2,114,318 in transfers to other funds of which \$100,606 was for the County's 50% local match for a PARTF grant that funded the Wright's Creek boating access and recreation project, \$68,324 was transferred to the HCCBG-Aging Special Revenue Fund, \$4,000 was used as the match on a CDBG grant, \$1,806,469 was transferred to a capital project fund to update the County's radio system, \$12,625 was transferred to the newly created Solid Waste Enterprise Fund to pay for landfill cap work, and \$122,294 was transferred to the Solid Waste Fund to cover an anticipated shortfall as a result of hurricane related expenses.
- \$2,367,551 increase in fund balance appropriated to cover the following major projects during the fiscal year, upgrades to the County radio system, phase II of the Wright's Creek project, and demolition of the County home

During the year, General Fund revenue came in 1.39% higher than budgetary estimates and actual expenditures came in 2.1% less than appropriations. Originally, \$3,287,526 in fund balance was expected to be used; however, only \$1,326,833 was actually used. As mentioned previously, the drawdown of fund balance was mainly used to pay cash for several large capital items.

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 and the Solid Waste Fund equaled \$6,717,624 at June 30, 2017. There was an increase in net position of \$250,778. Four 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, District VI, and District VII were the three 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.

At July 1, 2016, the solid waste operations that had previously been accounted for as a department within the General Fund, were moved to a newly created enterprise fund. Net position in the Solid Waste Fund increased by \$218,896 as a result of operations during the fiscal year.

Beaufort County, North Carolina Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. Beaufort County's capital assets for its governmental and business – type activities as of June 30, 2017, totals \$80,051,516 (net of accumulated depreciation). This investment in capital assets includes buildings, land, equipment, vehicles, water utility system, and construction in progress. The total decrease in the County's investment in capital assets for the current fiscal year was \$810,219, a 6.37% increase for governmental activities and a 3.63% decrease for business-type activities.

Major capital asset transactions during the year include:

- Radio system upgrades amounting to \$451,617
- E-911 system improvements totaling \$192,091
- Various vehicles for the Sheriff's Office and Water Districts
- Completion of the Courthouse Security System Project
- Demolition of the old County Home

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 6,770,335	\$ 6,683,393	\$ 108,157	\$ 105,789	\$ 6,878,492	\$ 6,789,182
Building and system	8,422,076	8,328,418	60,339,276	62,399,434	68,761,352	70,727,852
Machinery and equipment	2,069,273	1,604,884	115,970	88,575	2,185,243	1,693,459
Construction in progress	2,170,431	1,651,242	55,998	-	2,226,429	1,651,242
Total	\$ 19,432,115	\$ 18,267,937	\$ 60,619,401	\$ 62,593,798	\$ 80,051,516	\$ 80,861,735

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

Long-term Debt. As of June 30, 2017, Beaufort County had total debt outstanding of \$59,010,732, all of which is backed by the full faith and credit of the County. Of this amount, \$17,250,000 is owed in general obligation school bonds, \$34,880,000 is outstanding for the Water District limited obligation bonds, and \$6,880,732 is obligated for installment note balances.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 17,250,000	\$ 18,921,000	\$ -	\$ -	\$ 17,250,000	\$ 18,921,000
Limited obligation bonds	-	-	34,880,000	35,530,000	34,880,000	35,530,000
Installment purchases	4,868,507	5,092,964	2,012,225	2,154,450	6,880,732	7,247,414
Total	\$ 22,118,507	\$ 24,013,964	\$ 36,892,225	\$ 37,684,450	\$ 59,010,732	\$ 61,698,414

During the year, the County began the process of refunding \$3,688,000 of 2008 general obligation school bonds. The transaction closed in July 2017 and resulted in a total debt service savings just over \$140,000.

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

Beaufort County, North Carolina Management's Discussion and Analysis

County, and a primary factor in keeping interest costs low on the County's outstanding debt and future borrowings.

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 \$452,666,511.

Additional information regarding Beaufort County's long-term debt can be found in Note III.B.7 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 2017/2018 totals \$60,037,351, an increase of \$3,256,561 when compared to FY 2016/2017 original budget of \$56,780,790. The main reason for the large increase is due to a \$3,000,000 appropriation for major capital expenditures to pay for roof replacements, paving projects, the purchase of land, building renovations, and other equipment that had been postponed for years. The original budget included an installment borrowing package to pay for the capital. However, the Board has since decided to do an internal loan by borrowing the funds from the Healthcare Reserve Fund to pay for the items.

General Fund departments had slightly higher budgets due to County employees receiving a 2% cost of living adjustment effective July 1, 2017. The County tax rate remained unchanged at \$.55 per \$100 valuation. A fund balance appropriation of \$1,044,840 was required to balance the fund.

There is \$25,000 in General Fund contingency currently budgeted in fiscal year 2017-2018. 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, 2018

The following factors were also considered when preparing the County's budget for fiscal year 2017-2018:

- The unemployment rate for Beaufort County is currently 5.1%, a decrease of .2 from a rate of 5.3% in 2016. This compares unfavorably to the State's average unemployment rate of 4.1% and a national average of 4.1%.
- Ad valorem tax collections are expected to remain at 98%.
- Sales tax is expected to increase approximately 4% during fiscal year 2017-2018 due to improved economic conditions and recent State law changes that impose sales tax on labor.
- The property tax rate remained at \$.55/\$100 assessed valuation for the 2017 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.



Beaufort County, North Carolina Management's Discussion and Analysis

- Non-profits, which had been exempt from paying solid waste disposal fees in the past, are now required to pay the same fee as residential property owners.

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, 2017
Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Beaufort County ABC Board
Assets:				
Cash and cash equivalents	\$ 20,800,654	\$ 8,589,741	\$ 29,390,395	\$ 926,763
Receivables, (net)	6,184,064	1,364,553	7,548,617	-
Notes receivables	10,000,000	-	10,000,000	-
Internal balances	637,538	(637,538)	-	-
Inventories	-	-	-	498,139
Other assets	-	-	-	2,546
Restricted cash and cash equivalents	418,955	54,225	473,180	-
Total current assets	38,041,211	9,370,981	47,412,192	1,427,448
Net pension asset	-	-	-	34,676
Capital assets:				
Land, improvements, and construction in progress	8,940,766	164,154	9,104,920	-
Other capital assets, net of depreciation	10,491,349	60,455,247	70,946,596	1,021,051
Total capital assets	19,432,115	60,619,401	80,051,516	1,021,051
Total assets	57,473,326	69,990,382	127,463,708	2,483,175
Deferred Outflows of Resources	4,859,962	256,531	5,116,493	9,718
Liabilities:				
Accounts payable and accrued expenses	1,309,528	350,546	1,660,074	431,870
Customer deposits	-	54,225	54,225	-
Long-term liabilities				
Net pension liability - LGERS	4,627,720	294,122	4,921,842	-
Total pension liability - LEOSSA	1,039,037	-	1,039,037	-
Due within one year	5,422,958	1,374,868	6,797,826	-
Due in more than one year	19,247,768	37,715,458	56,963,226	-
Total long-term liabilities	30,337,483	39,384,448	69,721,931	-
Total liabilities	31,647,011	39,789,219	71,436,230	431,870
Deferred Inflows of Resources	238,262	12,894	251,156	38,041
Net Position:				
Net investment in capital assets	16,270,608	23,727,176	39,997,784	1,032,767
Restricted for:				
Stabilization by State Statute	6,258,436	-	6,258,436	-
Other	30,511	-	30,511	-
Working capital	-	-	-	990,215
Unrestricted (deficit)	7,888,460	6,717,624	14,606,084	-
Total net position	\$ 30,448,015	\$ 30,444,800	\$ 60,892,815	\$ 2,022,982

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, 2017
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		Total	Component Unit
					Governmental Activities	Business-type Activities		Beaufort County ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 6,262,091	\$ 1,238,157	\$ 175,415	\$ -	\$ (4,848,519)	\$ -	\$ (4,848,519)	\$ -
Public safety	13,613,307	1,008,066	1,503,371	-	(11,101,870)	-	(11,101,870)	-
Economic and physical development	2,836,832	-	-	1,295,224	(1,541,608)	-	(1,541,608)	-
Human services	17,711,070	218,472	11,306,092	-	(6,186,506)	-	(6,186,506)	-
Environmental protection	-	60,825	28,957	-	89,782	-	89,782	-
Cultural and recreational	431,270	-	-	-	(431,270)	-	(431,270)	-
Education	17,962,312	-	450,000	-	(17,512,312)	-	(17,512,312)	-
Debt service:								
Interest and fees on long-term debt	748,635	-	-	-	(748,635)	-	(748,635)	-
Total governmental activities	59,565,517	2,525,520	13,463,835	1,295,224	(42,280,938)	-	(42,280,938)	-
Business-type activities:								
Water Districts	6,574,770	6,589,474	-	-	-	14,704	-	-
Solid Waste	3,249,456	3,333,433	-	-	-	83,977	-	-
Total business-type activities	9,824,226	9,922,907	-	-	-	98,681	-	-
Total primary government	\$ 69,389,743	\$ 12,448,427	\$ 13,463,835	\$ 1,295,224	\$ (42,280,938)	\$ 98,681	\$ (42,280,938)	\$ -
Component unit:								
ABC Board	\$ 3,976,030	\$ 4,131,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 155,689
General revenues:								
Taxes:								
Property taxes, levied for general purpose					35,699,524	-	35,699,524	-
Local option sales tax					8,646,941	-	8,646,941	-
Other taxes and licenses					182,619	-	182,619	-
Investment earnings, unrestricted					80,283	17,178	97,461	1,602
Miscellaneous, unrestricted					241,106	-	241,106	-
Transfers					(134,919)	134,919	-	-
Total general revenues					44,715,554	152,097	44,867,651	1,602
Change in net position					2,434,616	250,778	2,685,394	157,291
Net position-beginning, previously reported					28,940,490	29,837,904	58,778,394	1,865,691
Restatement					(927,091)	356,118	(570,973)	-
Net position-beginning, restated					28,013,399	30,194,022	58,207,421	1,865,691
Net position-ending					\$ 30,448,015	\$ 30,444,800	\$ 60,892,815	\$ 2,022,982

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

Beaufort County, North Carolina
Balance Sheet – Governmental Fund
June 30, 2017
Exhibit 3

	Major	Non-Major	
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 18,468,159	\$ 2,332,495	\$ 20,800,654
Taxes receivable, net	1,246,573	-	1,246,573
Accounts receivable, net	4,164,747	772,744	4,937,491
Hospital lease receivable	10,000,000	-	10,000,000
Due from other funds	1,320,944	-	1,320,944
Restricted cash	418,955	-	418,955
Total assets	35,619,378	3,105,239	38,724,617
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	1,178,138	131,390	1,309,528
Due to other funds	39,828	643,578	683,406
Total liabilities	1,217,966	774,968	1,992,934
Deferred Inflows of Resources:			
Taxes receivable	1,246,572	-	1,246,572
Prepaid taxes	2,673	-	2,673
Hospital lease receivable	10,000,000	-	10,000,000
Total deferred inflows of resources	11,249,245	-	11,249,245
Fund balances:			
Restricted:			
Stabilization for State Statute	5,485,692	772,744	6,258,436
Other	-	30,511	30,511
Committed:			
Tax Revaluation	373,843	-	373,843
Assigned:			
Subsequent year's expenditures	394,381	1,640,287	2,034,668
Unassigned	16,898,251	(113,271)	16,784,980
Total fund balances	23,152,167	2,330,271	25,482,438
Total liabilities, deferred inflows of resources, and fund balances	\$ 35,619,378	\$ 3,105,239	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total Fund Balance, Governmental Funds			25,482,438
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			19,432,115
Deferred charges on refunding reported in governmental activities are not reported in the funds			683,620
Net pension liability			(4,627,720)
Total pension liabilities			(1,039,037)
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position			37,667
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position			4,138,675
Pension related deferrals			(235,589)
Deferred inflows of resources for taxes and special assessments.			11,246,572
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.			(24,670,726)
Net position of governmental activities			\$ 30,448,015

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, 2017
Exhibit 4

	Major	Non-Major	
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 32,880,891	\$ 2,893,557	\$ 35,774,448
Local option sales tax	8,646,941	-	8,646,941
Other taxes and licenses	182,619	-	182,619
Unrestricted intergovernmental revenues	220,479	-	220,479
Restricted intergovernmental revenues	12,907,127	1,611,499	14,518,626
Permits and fees	350,186	-	350,186
Sales and services	2,195,288	-	2,195,288
Investment earnings	80,283	-	80,283
Miscellaneous	227,823	13,283	241,106
Total revenues	57,691,637	4,518,339	62,209,976
Expenditures:			
Current:			
General government	6,472,034	-	6,472,034
Public safety	10,709,635	3,276,177	13,985,812
Economic and physical development	1,246,774	2,051,299	3,298,073
Human services	17,680,403	817	17,681,220
Cultural and recreational	431,270	-	431,270
Education	17,804,749	-	17,804,749
Debt service:			
Principal	1,895,336	-	1,895,336
Interest and other charges	748,635	-	748,635
Total expenditures	56,988,836	5,328,293	62,317,129
Excess (deficiency) of revenues over expenditures	702,801	(809,954)	(107,153)
Other Financing Sources (Uses):			
Transfers from other funds	38,855	-	38,855
Transfers to other funds	(2,491,093)	2,317,319	(173,774)
Total other financing sources and uses	(2,452,238)	2,317,319	(134,919)
Net change in fund balance	(1,749,437)	1,507,365	(242,072)
Fund balances-beginning - as previously reported	25,244,971	822,906	26,067,877
Restatement	(343,367)	-	(343,367)
Beginning of year - restated	24,901,604	822,906	25,724,510
Fund balances-ending	\$ 23,152,167	\$ 2,330,271	\$ 25,482,438

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, 2017
Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (242,072)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(74,924)
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.	(110,236)
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.	1,856,930
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(657,515)
Loss on the disposal of capital assets during the year, not recognized on the modified accrual basis.	(35,237)
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.	1,895,457
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.	(68,363)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	3,210,221
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	37,667
County's portion of collective pension expense.	(3,457,160)
Total changes in net position of governmental activities	\$ 2,434,616

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, 2017
Exhibit 6

	General Fund			Variance With Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 32,599,293	\$ 32,599,293	\$ 32,880,891	\$ 281,598
Local option sales tax	8,401,129	8,401,129	8,646,941	245,812
Other taxes and licenses	155,400	155,400	182,619	27,219
Unrestricted intergovernmental revenues	228,000	228,000	220,479	(7,521)
Restricted intergovernmental revenues	11,724,303	12,677,046	12,907,127	230,081
Permits and fees	357,950	357,950	350,186	(7,764)
Sales and services	2,259,240	2,255,128	2,195,288	(59,840)
Investment earnings	15,000	63,924	80,283	16,359
Miscellaneous	60,500	162,228	227,823	65,595
Total revenues	55,800,815	56,900,098	57,691,637	791,539
Expenditures:				
Current:				
General government	5,759,114	6,059,693	5,899,930	159,763
Public safety	10,742,859	10,877,477	10,709,635	167,842
Economic and physical development	1,193,897	1,287,905	1,246,774	41,131
Human services	17,650,954	18,491,165	17,680,403	810,762
Cultural and recreational	433,970	442,070	431,270	10,800
Education	17,829,749	17,804,749	17,804,749	-
Debt service:				
Principal	1,895,288	1,895,288	1,895,336	(48)
Interest and other charges	748,684	748,684	748,635	49
Total expenditures	56,254,515	57,607,031	56,416,732	1,190,299
Revenues over (under) expenditures	(453,700)	(706,933)	1,274,905	1,981,838
Other Financing Sources (Uses):				
Transfers from other funds	60,000	60,000	38,855	(21,145)
Transfers to other funds	(526,275)	(2,640,593)	(2,640,593)	-
Total other financing sources and uses	(466,275)	(2,580,593)	(2,601,738)	(21,145)
Revenues and other financing sources over (under) expenditures and other financing uses	(919,975)	(3,287,526)	(1,326,833)	1,960,693
Appropriated fund balance	919,975	3,287,526	-	(3,287,526)
Net change in fund balance	\$ -	\$ -	(1,326,833)	\$ (1,326,833)
Fund balances-beginning - as previously reported			24,448,524	
Restatement			(343,367)	
Beginning of year - restated			24,105,157	
Fund balances-ending			\$ 22,778,324	
The legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Transfers in - General Fund			\$ 149,500	
Tax Listing			(572,104)	
Fund balance, beginning			796,447	
Fund balance, ending (Exhibit 4)			\$ 23,152,167	

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

Beaufort County, North Carolina
Statement of Net Position – Proprietary Funds
June 30, 2017
Exhibit 7

	Business-type Activities - Proprietary Funds - Major							Solid Waste	Total
	Water District I	Water District II	Water District III	Water District IV	Water District V	Water District VI	Water District VII		
Assets:									
Current assets:									
Cash and investments	\$ 1,172,718	\$ 1,560,529	\$ 1,468,371	\$ 1,379,230	\$ 202,103	\$ 1,916,145	\$ 610,070	280,575	\$ 8,589,741
Accounts receivable, net	134,984	125,245	139,474	145,044	74,180	190,112	87,908	467,606	1,364,553
Due (to)/from other funds	(185,845)	(117,757)	(108,723)	(116,750)	(46,281)	(31,411)	(70,600)	39,828	(637,539)
Total current assets	1,121,857	1,568,017	1,499,122	1,407,524	230,002	2,074,846	627,378	788,009	9,316,755
Noncurrent assets:									
Restricted assets:									
Cash and investments	7,950	9,000	9,300	9,225	3,450	10,200	5,100	-	54,225
Capital assets:									
Land and improvements	29,828	-	2,000	-	-	73,961	-	2,368	108,157
Construction in progress	9,746	4,054	5,443	7,775	1,776	17,664	9,539	-	55,997
Buildings, improvements, and equipment	12,562,989	4,951,160	6,543,345	12,839,852	8,890,662	23,742,514	9,569,003	236,428	79,335,953
Less accumulated depreciation	(1,730,255)	(3,383,281)	(3,624,527)	(2,668,227)	(1,666,957)	(3,657,221)	(1,923,016)	(227,222)	(18,880,706)
Total capital assets	10,872,308	1,571,933	2,926,261	10,179,400	7,225,481	20,176,918	7,655,526	11,574	60,619,401
Total noncurrent assets	10,880,258	1,580,933	2,935,561	10,188,625	7,228,931	20,187,118	7,660,626	11,574	60,673,626
Total assets	12,002,115	3,148,950	4,434,683	11,596,149	7,458,933	22,261,964	8,288,004	799,583	69,990,381
Deferred Outflows of Resources	29,454	41,091	41,944	44,941	17,908	53,489	27,704	-	256,531
Liabilities:									
Current liabilities:									
Accounts payable and accrued liabilities	16,488	14,411	15,792	20,169	7,895	34,367	16,857	224,569	350,548
Customer deposits	7,950	9,000	9,300	9,225	3,450	10,200	5,100	-	54,225
Compensated absences	8,318	11,215	11,702	12,588	4,950	14,977	7,775	-	71,525
Installment purchase	55,000	-	-	-	32,225	55,000	-	-	142,225
Limited obligation bonds	125,000	140,000	165,000	210,000	105,000	225,000	155,000	-	1,125,000
Original issue discount/premium	9,746	14,635	14,752	15,192	6,563	18,029	10,845	-	89,762
Total current liabilities	222,502	189,261	216,546	267,174	160,083	357,573	195,577	224,569	1,833,285
Noncurrent liabilities:									
Installment purchase	935,000	-	-	-	-	935,000	-	-	1,870,000
Limited obligation bonds	4,525,000	3,085,000	3,780,000	6,270,000	2,920,000	8,740,000	4,435,000	-	33,755,000
Net pension liability	33,770	47,112	48,090	51,527	20,532	61,327	31,764	-	294,122
Original issue discount/premium	214,399	321,970	324,535	334,213	144,393	396,633	238,614	-	1,974,757
Other postemployment benefits	6,909	10,006	10,181	10,660	4,457	12,665	7,176	-	62,054
Total noncurrent liabilities	5,715,078	3,464,088	4,162,806	6,666,400	3,089,382	10,145,625	4,712,554	-	37,955,933
Total liabilities	5,937,580	3,653,349	4,379,352	6,933,574	3,249,465	10,503,198	4,908,131	224,569	39,789,218
Deferred Inflows of Resources	1,482	2,067	2,110	2,261	889	2,691	1,394	-	12,894
Net Position:									
Net investment in capital assets	5,232,308	(1,653,067)	(1,018,739)	3,699,400	4,168,256	10,221,918	3,065,526	11,574	23,727,176
Unrestricted	860,198	1,187,692	1,113,904	1,005,856	58,231	1,587,646	340,657	563,440	6,717,624
Total net position	\$ 6,092,506	\$ (465,375)	\$ 95,165	\$ 4,705,256	\$ 4,226,487	\$ 11,809,564	\$ 3,406,183	\$ 575,014	\$ 30,444,800

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, 2017
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	Solid Waste	
Operating Revenues:									
Water sales	\$ 796,816	\$ 868,955	\$ 1,013,027	\$ 1,136,849	\$ 520,765	\$ 1,251,275	\$ 669,095	\$ -	\$ 6,256,782
Tap on fees	22,250	17,950	21,050	25,500	10,425	24,150	11,825	-	133,150
Solid waste fees	-	-	-	-	-	-	-	3,333,433	3,333,433
Miscellaneous	27,369	33,559	32,589	26,554	14,971	43,766	20,734	-	199,542
Total operating revenue	846,435	920,464	1,066,666	1,188,903	546,161	1,319,191	701,654	3,333,433	9,922,907
Operating Expenses:									
Salaries and benefits	148,643	205,125	210,354	226,267	89,312	269,397	137,404	-	1,286,502
Water purchase	109,322	169,909	166,832	174,369	75,859	32,015	5,924	-	734,230
Water operations and maintenance	103,424	139,716	153,369	148,713	61,809	338,103	141,363	-	1,086,497
Solid waste operations and maintenance	-	-	-	-	-	-	-	3,248,279	3,248,279
Depreciation expense	227,483	340,806	343,524	353,769	152,840	419,840	252,573	1,177	2,092,012
Total operating expenses	588,872	855,556	874,079	903,118	379,820	1,059,355	537,264	3,249,456	8,447,520
Operating income (loss)	257,563	64,908	192,587	285,785	166,341	259,836	164,390	83,977	1,475,387
Nonoperating revenues (expenses):									
Investment earnings	2,202	3,171	2,951	2,951	-	4,934	969	-	17,178
Interest, fees and amortization	(180,516)	(123,215)	(152,998)	(258,758)	(123,888)	(354,202)	(183,129)	-	(1,376,706)
Total nonoperating revenues (expenses)	(178,314)	(120,044)	(150,047)	(255,807)	(123,888)	(349,268)	(182,160)	-	(1,359,528)
Income (loss) before contributions and operating transfers	79,249	(55,136)	42,540	29,978	42,453	(89,432)	(17,770)	83,977	115,859
Transfers from (to) other funds	-	-	-	-	-	-	-	134,919	134,919
Total transfers and capital contributions	-	-	-	-	-	-	-	134,919	134,919
Change in net position	79,249	(55,136)	42,540	29,978	42,453	(89,432)	(17,770)	218,896	250,778
Net position, beginning	6,013,257	(410,239)	52,625	4,675,278	4,184,034	11,898,996	3,423,953	-	29,837,904
Restatement	-	-	-	-	-	-	-	356,118	356,118
Net position, beginning, restated	6,013,257	(410,239)	52,625	4,675,278	4,184,034	11,898,996	3,423,953	356,118	30,194,022
Net position, ending	6,092,506	(465,375)	95,165	4,705,256	4,226,487	11,809,564	3,406,183	575,014	30,444,800

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, 2017
Exhibit 9

	Business-type Activities - Proprietary Funds-Major								
	Water District I	Water District II	Water District III	Water District IV	Water District V	Water District VI	Water District VII	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from customers	\$ 809,152	\$ 896,610	\$ 1,040,990	\$ 1,175,424	\$ 527,833	\$ 1,246,433	\$ 672,250	\$ 3,209,194	\$ 9,577,886
Cash paid for goods and services	(216,878)	(315,981)	(326,277)	(330,833)	(142,510)	(359,119)	(142,599)	(3,023,710)	(4,857,907)
Cash paid to employees for services	(144,113)	(200,554)	(205,115)	(219,831)	(87,493)	(261,670)	(135,313)	-	(1,254,089)
Customer deposits (net)	(1,475)	(2,625)	(2,625)	(525)	(1,050)	(4,800)	(600)	-	(13,700)
Other operating revenues	27,369	33,559	32,589	26,554	14,971	43,766	20,734	-	199,542
Net cash provided (used) by operating activities	474,055	411,009	539,562	650,789	311,751	664,610	414,472	185,484	3,651,732
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Nonoperating income	2,202	3,171	2,951	2,951	-	4,934	969	-	17,178
Transfers from (to) other funds	-	-	-	-	-	-	-	134,919	134,919
Due to other funds	65,432	99,142	(74,426)	99,281	37,456	117,304	(113,509)	(39,828)	190,852
Net cash provided (used) from noncapital financing activities	67,634	102,313	(71,475)	102,232	37,456	122,238	(112,540)	95,091	342,949
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(7,112)	(9,716)	(10,066)	(10,822)	(4,257)	(12,890)	(6,552)	-	(61,415)
Interest paid on construction debt	(190,262)	(137,850)	(167,750)	(273,950)	(130,451)	(372,231)	(193,975)	-	(1,466,469)
Principal paid on bond maturities and equipment contracts	(55,000)	(15,000)	(15,000)	(190,000)	(127,227)	(270,000)	(120,000)	-	(792,227)
Capital contributions - Federal grant	132,783	-	-	-	-	-	-	-	132,783
Net cash provided (used) for capital and related financing activities	(119,591)	(162,566)	(192,816)	(474,772)	(261,935)	(655,121)	(320,527)	-	(2,187,328)
Net increase (decrease) in cash and cash equivalents	422,098	350,756	275,271	278,249	87,272	131,727	(18,595)	280,575	1,807,353
Cash and cash equivalents, beginning	758,570	1,218,773	1,202,400	1,110,208	118,282	1,794,619	633,763	-	6,836,615
Cash and cash equivalents, ending	\$ 1,180,668	\$ 1,569,529	\$ 1,477,671	\$ 1,388,457	\$ 205,554	\$ 1,926,346	\$ 615,168	\$ 280,575	\$ 8,643,968
Reconciliation of operating income (loss) to net cash provided (used) by operating revenues									
Operating income (loss)	\$ 257,563	\$ 64,908	\$ 192,587	\$ 285,785	\$ 166,341	\$ 259,836	\$ 164,390	\$ 83,977	\$ 1,475,387
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation	227,483	340,806	343,524	353,769	152,840	419,840	252,573	1,177	2,092,012
Change in assets and liabilities:									
(Increase) decrease in accounts receivable	(9,914)	9,705	6,913	13,075	(3,357)	(28,992)	(8,670)	(124,239)	(145,479)
(Increase) decrease in deferred outflows of resources for pensions	(22,760)	(31,026)	(31,843)	(34,525)	(13,395)	(41,134)	(20,273)	-	(194,956)
Increase (decrease) in net pension liability	26,591	36,318	37,257	40,356	15,692	48,077	23,794	-	228,085
Increase (decrease) in deferred inflows of resources for pensions	(2,339)	(3,678)	(3,655)	(3,684)	(1,687)	(4,361)	(2,847)	-	(22,251)
Increase (decrease) in accounts payable and accrued liabilities	(4,132)	(6,356)	(6,076)	(7,751)	(4,842)	10,999	4,688	224,569	211,099
Increase (decrease) in customer deposits	(1,475)	(2,625)	(2,625)	(525)	(1,050)	(4,800)	(600)	-	(13,700)
Increase (decrease) in accrued vacation	414	(627)	(234)	296	(361)	389	(1,001)	-	(1,124)
Increase (decrease) in OPEB payable	2,624	3,584	3,714	3,993	1,570	4,756	2,418	-	22,659
Total adjustments	216,492	346,101	346,975	365,004	145,410	404,774	250,082	101,507	2,176,345
Net cash provided (used) by operating activities	\$ 474,055	\$ 411,009	\$ 539,562	\$ 650,789	\$ 311,751	\$ 664,610	\$ 414,472	\$ 185,484	\$ 3,651,732

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

Beaufort County, North Carolina
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2017
Exhibit 10

Assets

Current assets:		
Cash and investments	\$	159,050
Taxes receivable		435,521
Assessments receivable		137,018
<hr/>		
Total assets	\$	731,589
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Liabilities

Accounts payable	\$	731,589
<hr/>		

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:

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 Stand-by Generator Project Fund is consolidated with Water Districts I, III, IV, VI and VII (the operating funds) for financial reporting purposes. The Meter Feasibility Project Fund and the Metal Building Addition Funds are consolidated with all Water Districts (the operating funds) for financial reporting purposes.

Solid Waste Fund – This fund is used to account for the operations of the Solid Waste department within the County. The Landfill Cap Work Project Funds is consolidated with the Solid Waste Fund (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

Beaufort County, North Carolina Notes to Financial Statements

for drainage assessments that are billed and collected by the 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 nineteen legally budgeted nonmajor governmental funds. The HCCBG – Aging Fund, 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, three FEMA Flood Mitigation Funds, The CDBG Fellows Grant Fund, North Carolina Rural Economic Development Funds, the Stream Debris Removal Fund, the Oak Ridge Metal Works Grant Fund, the Courthouse Roof Replacement Fund, the Radio System Project Fund, the Economic Development Fund, the PARTF Wright's Creek Phase II 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 expenditures of any fund

Beaufort County, North Carolina Notes to Financial Statements

or that change functional appropriations. The governing board must approve amendments that increase the overall fund budget. 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

Beaufort County Restricted Cash

Governmental Activities:	
General Fund:	
Tax Revaluation	\$ 418,955
Total governmental activities	418,955
 Business-type Activities:	
Water Districts I - VII:	
Customer deposits	54,225
Total business-type activities	54,225
Total Restricted Cash	\$ 473,180

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, 2016. 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

Beaufort County, North Carolina Notes to Financial Statements

purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as 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	3-10 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, 2017, 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.

Beaufort County, North Carolina
Notes to Financial Statements

The governmental fund types classify fund balances as follows:

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, 2017.

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 Other – portion of fund balance that is restricted by revenue source for non-major fund Special Revenue and Capital Project 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	\$ 373,843	\$ -
Total	\$ 373,843	\$ -

Assigned Fund Balance – This classification is the portion of fund balance that the County’s governing board has budgeted.

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

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.

Beaufort County, North Carolina Notes to Financial Statements

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	\$ 23,152,167
Less:	
Stabilization by State statute	5,485,692
Tax Revaluation	373,843
Subsequent year's expenditures	394,381
<hr/> Total available fund balance	<hr/> \$ 16,898,251

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), and the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (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 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.

Beaufort County, North Carolina
Notes to Financial Statements

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 total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$4,965,577 consists of the following:

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).	\$ 32,841,352
Less accumulated depreciation	(13,409,237)
Net capital assets	19,432,115
Deferred charges on refunding reported in governmental activities are not reported in the funds	683,620
Contributions to the pension plan in the current fiscal year	4,138,675
Benefit payments and pension administration costs for LEOSSA	37,667
Pension related deferrals	(235,589)
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	11,246,572
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	(23,018,938)
Net pension obligation	(1,039,037)
Other postemployment benefit obligation	(543,117)
Net pension liability	(4,627,720)
Compensated absences	(1,108,671)
	(30,337,483)
Total adjustment	\$ 4,965,577

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 for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$2,676,688 is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the funds statements but capitalized as assets in the statement of activities.	\$ 1,856,930
Cost of disposed capital assets not recorded in the fund statements	(35,237)
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.	(657,515)
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.	1,895,457
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	3,210,221
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	37,667
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	(74,924)
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.	(68,363)
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	(83,053)
Other postemployment benefit obligation	(56,649)
Landfill post-closure care	14,565
Net pension obligation	14,901
County's portion of collective pension expense	(3,457,160)
Total adjustment	\$ 2,676,688

F. Subsequent Events

Date of Management Evaluation

Management has evaluated subsequent events through January 17, 2018, 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 \$465,375. The deficit net position 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, 2017, the County's deposits had a carrying amount of \$4,410,317. The bank balances with financial institutions were \$5,676,555. Of these bank balances, \$761,227 was covered by federal depository insurance and \$4,915,328 was covered by collateral held under the Pooling Method.

At June 30, 2017, Beaufort County had \$2,135 in petty cash on hand.

At June 30, 2017, the carrying amount of deposits for Beaufort County ABC Board was \$926,763 and the bank balance was \$872,424. All of the bank balance was covered by federal depository insurance.

Beaufort County, North Carolina Notes to Financial Statements

2. Investments

At June 30, 2017, the County's investments consisted of \$25,451,123 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, 2017, 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
2014	\$ 1,647,965	\$ 453,191	\$ 2,101,156
2015	1,656,665	306,483	1,963,148
2016	1,717,343	163,147	1,880,490
2017	1,682,112	-	1,682,112
Total	\$ 6,704,085	\$ 922,821	\$ 7,626,906

Beaufort County, North Carolina
Notes to Financial Statements

4. Receivables

Receivables at the government-wide level at June 30, 2017, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General	\$ 1,788,110	\$ 1,808,735	\$ 2,376,637	\$ 5,973,482
Other Governmental	772,744	-	-	772,744
Total receivables	2,560,854	1,808,735	2,376,637	6,746,226
Allowance for doubtful accounts	-	(562,162)	-	(562,162)
Total governmental activities	\$ 2,560,854	\$ 1,246,573	\$ 2,376,637	\$ 6,184,064
Business-type activities:				
Water Districts	\$ 1,558,017	-	-	\$ 1,558,017
Solid Waste	639,833	-	-	639,833
Total receivables	2,197,850	-	-	2,197,850
Allowance for doubtful accounts	(833,297)	-	-	(833,297)
Total business-type activities	\$ 1,364,553	\$ -	\$ -	\$ 1,364,553

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

Local option sales tax	\$ 2,243,612
Sales tax receivable	133,025
	<u>\$ 2,376,637</u>

**Beaufort County, North Carolina
Notes to Financial Statements**

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2017, was as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 6,683,393	\$ 467,395	\$ 380,453	\$ 6,770,335
Construction in progress	1,651,242	731,309	212,120	2,170,431
Total capital assets not being depreciated	8,334,635	1,198,704	592,573	8,940,766
Capital assets being depreciated:				
Buildings	17,731,313	378,085	607,590	17,501,808
Equipment and vehicles	5,889,295	870,346	360,863	6,398,778
Total capital assets being depreciated	23,620,608	1,248,431	968,453	23,900,586
Less accumulated depreciation for:				
Buildings	9,402,895	274,046	597,209	9,079,732
Equipment and vehicles	4,284,411	383,469	338,375	4,329,505
Total accumulated depreciation	13,687,306	657,515	935,584	13,409,237
Total capital assets being depreciated, net	9,933,302			10,491,349
Governmental activity capital assets, net	\$ 18,267,937			\$ 19,432,115

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

General government	\$ 185,812
Public safety	231,993
Economic and physical development	6,154
Human services	29,850
Education	157,563
Emergency Management	46,143
Total depreciation expense	\$ 657,515

Beaufort County, North Carolina
Notes to Financial Statements

Business-type Activities:				Ending
Water Districts	Beginning		Decreases	Balances
	Balances	Increases		
Capital assets not being depreciated:				
Land	\$ 105,789	\$ -	\$ -	\$ 105,789
Construction in progress	-	55,998	-	55,998
Total capital assets not being depreciated	105,789	55,998	-	161,787
Capital assets being depreciated:				
Plant and distribution systems	78,397,413	-	-	78,397,413
Furniture and equipment	179,105	-	-	179,105
Vehicles and motor equipment	474,141	48,865	-	523,006
Total capital assets being depreciated	79,050,659	48,865	-	79,099,524
Less accumulated depreciation for:				
Plant and distribution systems	15,997,979	2,069,364	-	18,067,343
Furniture and equipment	176,588	567	-	177,155
Vehicles and motor equipment	388,083	20,903	-	408,986
Total accumulated depreciation	16,562,650	2,090,834	-	18,653,484
Total capital assets being depreciated, net	62,488,009			60,446,040
Water Districts capital assets, net	62,593,798			60,607,827
 Solid Waste Fund				
Capital assets not being depreciated:				
Land	\$ -	\$ 2,368	\$ -	\$ 2,368
Total capital assets not being depreciated	-	2,368	-	2,368
Capital assets being depreciated:				
Buildings	-	47,080	-	47,080
Furniture and equipment	-	189,348	-	189,348
Total capital assets being depreciated	-	236,428	-	236,428
Less accumulated depreciation for:				
Buildings	-	37,874	-	37,874
Furniture and equipment	-	189,348	-	189,348
Total accumulated depreciation	-	227,222	-	227,222
Total capital assets being depreciated, net	-			9,206
Solid Waste Fund capital assets, net	-			11,574
Business-type activities capital assets, net	\$ 62,593,798			\$ 60,619,401

Depreciation for the Water Districts was charged as follows:

Water District I	\$ 227,483
Water District II	340,806
Water District III	343,524
Water District IV	353,769
Water District V	152,840
Water District VI	419,839
Water District VII	252,573
Total depreciation expense	\$ 2,090,834

Beaufort County, North Carolina
Notes to Financial Statements

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2017, was as follows:

ABC Board:	Beginning Balances	Increases	Decreases	Ending 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	1,168,903	-	-	1,168,903
Equipment and Furniture	608,294	63,175	-	671,469
Vehicles	17,963	-	-	17,963
Total capital assets being depreciated	1,795,160	63,175	-	1,858,335
Less accumulated depreciation for:				
Buildings	586,857	54,582	-	641,439
Equipment and Furniture	499,029	17,687	-	516,716
Vehicles	17,963	-	-	17,963
Total accumulated depreciation	1,103,849	72,269	-	1,176,118
ABC capital assets, net	\$ 1,030,145			\$ 1,021,051

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2017, were as follows:

	Vendors	Total
Governmental Activities:		
General	\$ 1,178,138	\$ 1,178,138
Other Governmental	131,390	131,390
Total governmental funds	\$ 1,309,528	\$ 1,309,528
Business-type Activities:		
Water Districts	\$ 125,979	\$ 125,979
Solid Waste	224,569	224,569
Total business-type activities	\$ 350,548	\$ 350,548

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

Beaufort County, North Carolina Notes to Financial Statements

plan administered by the State of North Carolina. LGERS membership is comprised of general 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, 2017, was 8.00% of compensation for law enforcement officers and 7.33% 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 during the

Beaufort County, North Carolina Notes to Financial Statements

year. Contributions to the pension plan from the County were \$1,125,797 for the year ended June 30, 2017.

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, 2017, the County reported a liability of \$5,005,953 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County’s proportion was .23587%, which was an increase of .00261% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,357,323. At June 30, 2017, 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	\$ 94,053	\$ 175,414
Changes in assumptions	342,863	-
Net difference between projected and actual earnings on pension plan investments	2,767,661	-
Changes in proportion and differences between County contributions and proportionate share of contributions	35,811	44,211
County contributions subsequent to the measurement date	1,125,797	-
Total	\$ 4,366,185	\$ 219,625

\$1,125,797 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, 2018. 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:	
2018	\$ 465,486
2019	465,687
2020	1,302,129
2021	787,461
2022	-
Thereafter	-
Total	\$ 3,020,763

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.5 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Beaufort County, North Carolina Notes to Financial Statements

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.00%	1.40%
Global Equity	42.00%	5.30%
Real Estate	8.00%	4.30%
Alternatives	8.00%	8.90%
Credit	7.00%	6.00%
Inflation Protection	6.00%	4.00%
Total	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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)	\$ 11,881,458	\$ 5,005,953	\$ (736,983)

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.

Beaufort County, North Carolina
Notes to Financial Statements

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Active plan members	57
Total	64

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 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 criteria which are outlined in GASB Statement 73.

3. *Actuarial Assumptions*

The entry age normal actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent, net of pension plan investment expense, including inflation

The discount rate is based on the yield of the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index as of December 31, 2016.

Beaufort County, North Carolina Notes to Financial Statements

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements.

4. 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 through appropriations made in the General Fund operating budget. 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 County paid \$93,136 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$1,039,037. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$102,102.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	23,605
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	-
County contributions subsequent to the measurement date	37,667	-
Total	\$ 37,667	\$ 23,605

\$37,667 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. 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:	
2018	\$ (4,363)
2019	(4,363)
2020	(4,363)
2021	(4,363)
2022	(4,363)
Thereafter	(1,790)
Total	\$ (23,605)

\$37,667 paid as benefits came due expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
County's proportionate share of the net pension liability (asset)	\$ 1,139,374	\$ 1,039,037	\$ 949,306

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$ 1,053,938
Service cost	70,240
Interest on the total pension liability	35,963
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(27,968)
Benefit payments	(93,136)
Other charges	-
Ending balance of the total pension liability	\$ 1,039,037

The plan currently uses mortality tables that vary by age, 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.

Beaufort County, North Carolina Notes to Financial Statements

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2017 were \$156,052 which consisted of \$130,940 from the County and \$25,112 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, 2017 were \$496,055 which consisted of \$229,254 from the County and \$266,801 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 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Beaufort County, North Carolina Notes to Financial Statements

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 \$3,955 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$84,111 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was .44989%, which was a decrease of .02580% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$6,641. At June 30, 2017, 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	\$ 90	\$ 1,089
Changes in assumptions	22,409	-
Net difference between projected and actual earnings on pension plan investments	143	-
Changes in proportion and differences between County contributions and proportionate share of contributions	2,424	4,364
County contributions subsequent to the measurement date	3,955	-
Total	\$ 29,021	\$ 5,453

Beaufort County, North Carolina Notes to Financial Statements

\$3,955 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 9,210
2019	8,099
2020	3,248
2021	(944)
2022	-
Thereafter	-
Total	\$ 19,613

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	3.5 to 7.55 percent, including inflation and productivity factor
Investment rate of return	3.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 is 1.4%.

Beaufort County, North Carolina
Notes to Financial Statements

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.05%. 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 3.75 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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County’s proportionate share of the net pension liability (asset)	\$ (67,821)	\$ (84,111)	\$ (97,797)

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 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

Beaufort County, North Carolina Notes to Financial Statements

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 the NC State Health Plan. 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	\$	181,422
Interest on net OPEB obligation		21,035
Adjustment to annual required contribution		(20,094)
<hr/>		
Annual OPEB cost (expense)		182,363
Contributions made		(103,055)
<hr/>		
Increase (decrease) in net OPEB obligation		79,308
Net OPEB obligation, beginning of year		525,863
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Net OPEB obligation, end of year	\$	605,171
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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
2015	\$ 130,254	55.20%	\$ 469,957
2016	\$ 130,254	57.10%	\$ 525,863
2017	\$ 182,363	56.50%	\$ 605,171

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 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

Beaufort County, North Carolina Notes to Financial Statements

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 \$101,953 reported as landfill post-closure liability at June 30, 2017, 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	\$ 94,143	\$ 176,503
Pensions - difference between projected and actual investment earnings	2,767,804	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	38,235	48,575
Pensions - change in assumptions	365,272	23,605
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	1,129,752	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	37,667	-
Prepaid taxes not yet earned (General)	-	2,673
Taxes receivables, net (General)	-	1,246,572
Hospital lease receivable, net (General)	-	10,000,000
Unamortized bond refunding charge	683,620	-
	\$ 5,116,493	\$ 11,497,928

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 \$80,130,600 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 \$750,000 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

Beaufort County, North Carolina
Notes to Financial Statements

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.

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. Contingent Liabilities

At June 30, 2017, the County was a defendant to various lawsuits. In the opinion of the County’s management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County’s financial position.

7. 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>	\$ 2,967,333
<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>	1,707,000
<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>	194,174
<p>Total installment purchases serviced by the General Fund</p>	<p>\$ 4,868,507</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. 32,225

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. 990,000

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. 990,000

Total revolving loans serviced by the enterprise funds \$ 2,012,225

For Beaufort County, the future minimum payments of these installment purchases as of June 30, 2017, including \$1,833,321 of interest, are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	282,147	119,352	110,000	-
2023-2027	1,410,575	478,693	550,000	-
2028-2032	586,967	337,061	550,000	-
2033-2037	645,603	232,987	330,000	-
2038-2042	766,773	111,817	-	-
2043-2044	168,342	5,893	-	-
Total	\$ 4,868,507	\$ 1,832,285	\$ 2,012,225	\$ 1,036

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, 2017 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, 2017, in the business-type activities are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
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	1,395,000	1,231,050
2023-2027	7,720,000	5,058,250
2028-2032	8,600,000	3,424,650
2033-2037	8,285,000	1,687,088
2038-2041	3,870,000	324,049
Total	\$ 34,880,000	\$ 17,218,687

Beaufort County, North Carolina
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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.

The County's general obligation bonds payable at June 30, 2017 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%.	\$ 450,000
\$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%	3,850,000
\$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%	8,745,000
\$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%.	4,205,000
	\$ 17,250,000

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

Year ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 4,817,000	\$ 542,569
2019	1,660,000	374,387
2020	1,304,000	325,517
2021	1,277,000	298,786
2022	1,270,000	256,606
2023-2027	6,162,000	689,595
2028-2032	760,000	30,398
Total	\$ 17,250,000	\$ 2,517,858

At June 30, 2017, Beaufort County had a legal debt margin of \$452,666,511.

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, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 18,921,000	\$ -	\$ 1,671,000	\$ 17,250,000	\$ 4,817,000
Unamortized premium	878,326	-	79,848	798,478	79,848
Installment purchases	5,092,964	-	224,457	4,868,507	234,377
Compensated absences	1,025,618	83,053	-	1,108,671	277,168
Net pension liability (LGERS)	882,541	3,745,179	-	4,627,720	-
Total pension liability (LEOSSA)	1,053,938	-	14,901	1,039,037	-
Other postemployment benefits	486,468	56,649	-	543,117	-
Landfill post-closure care	116,518	-	14,565	101,953	14,565
Total governmental activities	\$ 28,457,373	\$ 3,884,881	\$ 2,004,771	\$ 30,337,483	\$ 5,422,958
Business-type activities:					
Unamortized premium	\$ 2,467,076	\$ -	\$ 102,795	\$ 2,364,281	\$ 102,795
Unamortized discounts	(312,792)	13,033	-	(299,759)	(13,033)
Limited obligation debt	35,530,000	-	650,000	34,880,000	1,125,000
Revolving loans	2,154,450	-	142,225	2,012,225	142,225
Compensated absences	72,649	-	1,124	71,525	17,881
Net pension liability (LGERS)	66,037	228,085	-	294,122	-
Other postemployment benefits	39,395	22,659	-	62,054	-
Total business-type activities	\$ 40,016,815	\$ 263,777	\$ 896,144	\$ 39,384,448	\$ 1,374,868

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
Notes to Financial Statements

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2017 consist of the following:

Due to the General Fund from the Hazard Mitigation Fund for the advancement of grant expenditures.	\$ 13,018
Due to the General Fund from Water District I for payroll/operating expenditures to be reimbursed.	77,332
Due to the General Fund from Water District II for payroll/operating expenditures to be reimbursed.	117,757
Due to the General Fund from Water District III for payroll/operating expenditures to be reimbursed.	108,723
Due to the General Fund from Water District IV for payroll/operating expenditures to be reimbursed.	116,750
Due to the General Fund from Water District V for payroll/operating expenditures to be reimbursed.	46,281
Due to the General Fund from Water District VI for payroll/operating expenditures to be reimbursed.	139,191
Due to the General Fund from Water District VII for payroll/operating expenditures to be reimbursed.	71,332
Due to the General Fund from the FEMA Flood Fund for the advancement of grant expenditures.	499,099
Due to the General Fund from the FEMA Flood Fund for the advancement of grant expenditures.	193
Due to the General Fund from the FEMA Flood Fund for the advancement of grant expenditures.	405
Due to the General Fund from the FEMA Flood Fund for the advancement of grant expenditures.	17,997
Due to the General Fund from the Economic Development Capital Project Fund for the advancement of grant expenditures.	112,866
Due to Water District VII from Water District VI Fund for grant expenditures to be reimbursed.	733
Due to Solid Waste Fund from the General Fund for interest/penalties owed.	39,828

Beaufort County, North Carolina
Notes to Financial Statements

Transfers to/from other funds at June 30, 2017, 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 Capital Project Fund for capital expenses.	4,000
Transfer from the General Fund to the Courthouse Roof Replacement for capital expenses.	376,775
Transfer from the General Fund to the Solid Waste/Landfill Fund for operating expenses.	134,919
Transfer from the General Fund to the Radio System Project for capital expenses.	1,806,469
Transfer from the General Fund to the HCCBG-Aging fund operating expenses.	68,324
Transfer from the General Fund to the Wright's Creek Capital Project for capital expenses.	100,606
Transfer from the Hazard Mititgation Fund to the General Fund for the close-out of the fund.	38,855
Transfer from the Water District I Fund to the Water Project Fund for capital expenses.	156,055
Transfer from the Water District II Fund to the Water Project Fund for capital expenses.	30,244
Transfer from the Water District III Fund to the Water Project Fund for capital expenses.	55,886
Transfer from the Water District IV Fund to the Water Project Fund for capital expenses.	98,075
Transfer from the Water District V Fund to the Water Project Fund for capital expenses.	13,249
Transfer from the Water District VI Fund to the Water Project Fund for capital expenses.	282,842
Transfer from the Water District VII Fund to the Water Project Fund for capital expenses.	154,824
Transfer from the Solid Waste Fund to the Solid Waste Capital Project Fund for capital expenses.	12,625
Total	\$ 3,483,248

Beaufort County, North Carolina
Notes to Financial Statements

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 19,432,115	\$ 60,619,401
Less: long-term debt	22,118,507	36,892,225
Add: debt related to assets not owned by the County	18,957,000	-
Net investment in capital assets	\$ 16,270,608	\$ 23,727,176

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.

<u>Total fund balance - General Fund</u>	<u>\$ 23,152,167</u>
Less:	
Stabilization by State Statute	5,485,692
Tax Revaluation	373,843
<u>Working Capital/Fund Balance Policy</u>	<u>19,238,253</u>
Remaining Fund Balance	\$ (1,945,621)

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, 2017. 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

Beaufort County, North Carolina Notes to Financial Statements

“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 capital needs. 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 \$2,464,126 and \$49,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2017. 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, 2017. Complete financial statements for the Community College may be obtained from the Community College’s administrative offices at 5337 US Hwy 264 East, Washington, NC 27889.

The County, in conjunction with nine other counties, participates in the Trillium Local Management Entity for local mental health services. The County Commissioners appoint two members to the 20-member Board of Trillium. Trillium, 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 Trillium during the fiscal year ended June 30, 2017. Complete financial statements for Trillium 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, 2017.

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.

Beaufort County, North Carolina
Notes to Financial Statements

	Federal	State
Medical Assistance Program	\$ 51,422,052	\$ 27,866,432
Food stamp program	585,914	-
State Children's Health Insurance Program - NC Health Choice	903,443	4,949
Special Supplemental Food Program, WIC	987,891	-
TANF	302,259	-
Foster Care	168,354	42,843
Adoption Assistance	516,298	128,929
CWS Adoption Subsidy	-	172,359
Foster Care at Risk Maximum	-	7,189
SC/SA Domiciliary Care	-	559,254
SFHF Maximization	-	15,017
State Foster Home	-	50,486
Total	\$ 54,886,211	\$ 28,847,458

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 2017 of \$5,336,603.

IX. Change in Accounting Principles/Restatement

On July 1, 2016, the Solid Waste Department of the General Fund was reclassified as the Solid Waste Fund, an enterprise fund. Fund balance in the General fund has been restated by (\$343,367), the net effect of assets and deferred outflows, and liabilities and deferred inflows of the former Solid Waste Department. Beginning net position has been restated in the Solid Waste Fund by \$356,118, the net effect of assets and deferred inflows, and liabilities and deferred outflows of the full accrual basis of accounting.

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities



Beaufort County, North Carolina Notes to Financial Statements

decreased \$583,724. The County also implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans for the Healthcare Benefits Plan. The implementation of this statement had no effect on net position.

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
Other Postemployment Benefits
Required Supplemental Information
Schedule of Funding Progress
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)
12/31/2008	\$ -	\$ 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	130,612	56.92%
2017	181,422	56.80%

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 2**

	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.23587%	0.23326%	0.22809%	0.21770%
County's proportionate share of the net pension liability (asset) \$	\$ 5,005,953	\$ 1,046,857	\$ (1,345,151)	\$ 2,624,121
County's covered-employee payroll	\$ 15,530,189	\$ 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	32.23%	7.71%	-10.42%	21.00%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

**Beaufort County, North Carolina
Local Governmental Employees' Retirement System
Required Supplemental Information
Schedule of the County Contributions
Schedule 3**

	2017	2016	2015	2014
Contractually required contribution	\$ 1,125,797	\$ 922,308	\$ 891,406	\$ 864,942
Contributions in relation to the contractually required contribution	1,125,797	922,308	891,406	864,942
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 15,530,189	\$ 13,577,675	\$ 12,908,791	\$ 12,497,637
Contributions as a percentage of covered-employee payroll	7.25%	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 4

	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.44989%	0.42409%	0.45133%	0.45909%
County's proportionate share of the net pension liability (asset) \$	\$ (84,111)	\$ (98,279)	\$ (102,287)	\$ (98,062)
County's covered-employee payroll	\$ 189,650	\$ 182,262	\$ 186,360	\$ 183,611
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-44.35%	-53.92%	-54.89%	-53.41%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

Beaufort County, North Carolina
Register of Deeds' Supplemental Pension Fund
Required Supplemental Information
Schedule of the County Contributions
Schedule 5

	2017	2016	2015	2014
Contractually required contribution	\$ 3,955	\$ 3,675	\$ 3,054	\$ 3,685
Contributions in relation to the contractually required contribution	3,955	3,675	3,054	3,685
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 189,650	\$ 182,262	\$ 186,360	\$ 183,611
Contributions as a percentage of covered-employee payroll	2.09%	2.02%	1.64%	2.01%

Beaufort County, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplemental Information
Schedule of Changes in Total Pension Liability
Schedule 6

	<u>2017</u>
Beginning balance	\$ 1,053,938
Service Cost	70,240
Interest on the total pension liability	35,963
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(27,968)
Benefit payments	(93,136)
Other changes	-
<u>Ending balance of the total pension liability</u>	<u>\$ 1,039,037</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

Beaufort County, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplemental Information
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Schedule 7

Total pension liability	\$ 1,039,037
Covered payroll	2,750,952
Total pension liability as a percentage of covered payroll	37.77%

Beaufort County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 8

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes:				
Current year	\$ 32,343,052	\$ 32,636,398		\$ 31,118,009
Penalties and interest	256,241	244,493		283,050
Total	32,599,293	32,880,891	281,598	31,401,059
Local Option Sales Taxes:				
Local option sales tax	8,401,129	8,646,941		7,978,947
Total	8,401,129	8,646,941	245,812	7,978,947
Other Taxes and Licenses:				
Documentary stamps	127,000	151,393		130,385
Scrap tire disposal tax/grant	-	-		129,194
White goods disposal tax	-	-		30,600
Beer and wine licenses	3,400	4,212		3,317
Rental vehicles receipt tax	25,000	27,014		22,421
Total	155,400	182,619	27,219	315,917
Unrestricted Intergovernmental Revenues:				
Beer and wine tax	163,000	155,592		150,678
Other	65,000	64,887		65,690
Total	228,000	220,479	(7,521)	216,368
Restricted Intergovernmental Revenues:				
State and Federal Grants	12,532,046	12,759,852		12,384,912
ABC distributions/tax	145,000	147,275		155,320
Total	12,677,046	12,907,127	230,081	12,540,232
Permits and Fees:				
Building permits and inspection fees	148,300	132,077		133,390
Register of Deeds	180,000	189,551		177,666
Other permits and fees	29,650	28,558		2,960
Total	357,950	350,186	(7,764)	314,016
Sales and Services:				
Attorney fees/tax administration	34,000	48,770		88,636
Animal control fees	42,000	23,876		38,581
Tax collection fees	105,500	108,976		104,805
Sheriff fees	69,000	75,811		70,619
IV-D deputy travel	69,000	69,000		69,317
Gun storage fees	1,000	1,817		809
State prisoner's reimbursement	11,000	13,197		13,817
Environmental health	44,450	60,825		51,370
Vending and phones	11,200	20,620		18,855
Health and immunizations	200,336	198,863		199,494
Solid waste	-	-		1,959,885
Emergency medical transport fees	459,000	340,672		-
Rescue fees	771,384	780,705		366,017
Share of service fee	21,562	22,561		21,685
Rent	269,946	285,640		379,041

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 8

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Cable franchise fee	129,500	127,996		127,633
DSS aging	5,250	1,459		4,908
NC Health Choice	11,000	14,500		14,350
Total	2,255,128	2,195,288	58,488	3,529,822
Investment earnings	63,924	80,283	16,359	20,369
Miscellaneous:				
Proceeds from sale of assets/insurance claims	25,000	59,329		60,696
Donations	33,500	41,943		4,125
Miscellaneous	103,728	126,551		218,069
Total	162,228	227,823	65,595	282,890
Total revenues	56,900,098	57,691,637	909,867	56,599,620
EXPENDITURES				
General Government:				
Governing body	427,064	405,597		1,235,772
County manager	441,940	421,603		394,903
Finance	582,257	571,090		515,762
Alternative finance	-	-		146,987
Human resources	159,695	144,506		147,657
Non-departmental	474,296	461,518		-
Tax administration	742,890	736,936		986,002
Tax collector	622,245	639,912		553,839
Register of Deeds	323,896	321,492		372,095
Elections	349,632	340,286		332,640
Public buildings	1,527,790	1,488,001		1,241,485
Court facilities	407,988	368,989		227,435
Total	6,059,693	5,899,930	146,985	6,154,577
Public Safety:				
Sheriff	5,049,727	5,021,881		4,877,038
Jail	2,047,310	2,065,215		1,777,868
Criminal justice partnership	-	-		56,482
Emergency communications	1,003,915	941,214		858,262
Emergency management	323,810	295,620		250,580
Fire protection	120,215	122,710		128,904
Ambulance/rescue service	164,172	164,172		761,149
Animal control	348,614	306,399		316,168
Emergency medical services	1,767,714	1,727,374		896,241
Medical examiner	52,000	65,050		58,650
Total	10,877,477	10,709,635	167,842	9,981,342
Economic and Physical Development:				
Planning	499,846	487,396		564,874
Economic development	331,734	317,438		-
Agricultural extension	307,446	303,047		217,910
Soil/water conservation	148,879	138,893		100,668
Total	1,287,905	1,246,774	26,835	883,452

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 8

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Human Services:				
Administration - general	309,614	303,266		215,211
AIDS control/STD	274,306	239,036		260,077
TB program	65,742	62,565		65,477
Immunization	307,113	274,233		274,223
Health promotion	42,182	42,171		60,625
Child health	560,077	513,222		487,483
Maternal health	403,975	366,605		382,679
WIC - administration	383,455	381,773		366,885
Environmental health	641,104	613,149		590,806
Family planning	359,430	323,126		338,535
Other health programs	361,223	372,827		330,747
Total	3,708,221	3,491,973	216,248	3,372,748
Mental Health and Transportation:				
General appropriation	157,000	157,000		156,599
Alcohol rehabilitation	17,000	18,408		17,000
Beaufort County Development Center	55,000	55,000		55,000
NC Elderly handicapped transportation/other	27,983	27,983		24,902
Passages counseling services	43,821	48,028		-
Total	300,804	306,419	(5,615)	253,501
Social Services:				
Administration	6,696,509	6,453,066		6,227,607
State in-home aging services	625,165	474,197		472,793
Day Care	3,177,312	3,159,806		2,505,689
Medical assistance	695,000	728,040		609,401
Energy assistance	500,868	428,309		470,358
County provided assistance	583,051	591,336		589,764
Transportation	168,946	168,946		145,002
Child support enforcement	924,443	875,043		850,102
Aid to the blind program	10,495	10,297		6,495
Foster care	725,530	667,530		569,940
Work First Program	101,000	48,291		42,992
Total	14,208,319	13,604,861	603,458	12,490,143
Other Human Services:				
Veterans services	58,268	58,192		56,001
Youth services	215,553	218,958		225,243
Total	273,821	277,150	(3,329)	281,244
Total social services	14,482,140	13,882,011	600,129	12,771,387
Total human services	18,491,165	17,680,403	810,762	16,397,636
Cultural and Recreational:				
Recreation	80,670	69,870		38,273
Library and museum	214,300	214,300		214,300
Special appropriation	147,100	147,100		162,022
Total	442,070	431,270	10,800	414,595

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 8

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Environmental Protection:				
Solid waste	-	-	-	3,132,910
Education:				
Public schools:				
Current expense	14,300,984	14,300,984		13,233,163
Capital outlay	990,639	990,639		1,800,000
Community colleges:				
Current expense	2,464,126	2,464,126		2,373,126
Capital outlay	49,000	49,000		851,042
Total	<u>17,804,749</u>	<u>17,804,749</u>	-	<u>18,257,331</u>
Debt Service:				
Principal retirement	1,895,288	1,895,336		1,851,709
Interest and fees	748,684	748,635		973,416
Total	<u>2,643,972</u>	<u>2,643,971</u>	1	<u>2,825,125</u>
Total expenditures	57,607,031	56,416,732	1,163,225	58,046,968
Revenues over (under) expenditures	(706,933)	1,274,905	(1,981,838)	(1,447,348)
Other Financing Sources (Uses):				
Transfers (to) from other funds:				
Revaluation Fund	(149,500)	(149,500)	-	(149,500)
Capital project - CDBG Fund	-	-	-	(200,000)
Capital project - Administrative Building	-	-	-	79,420
Capital project - Hazard Mitigation Fund	60,000	38,855	(21,145)	-
Capital project - Courthouse Roof Replacement Fund	(376,775)	(376,775)	-	(24,255)
Capital project - Radio System Project Fund	(1,806,469)	(1,806,469)	-	-
Capital project - PARTF Grant Fund	(100,606)	(100,606)	-	-
Special revenue - HCCBG - Aging	(68,324)	(68,324)	-	-
Special revenue - Economic Development Fund	(4,000)	(4,000)	-	(256,449)
Solid Waste Fund	(134,919)	(134,919)	-	-
Appropriated fund balance	3,287,526	-	(3,287,526)	-
Total other financing sources and (uses)	<u>706,933</u>	<u>(2,601,738)</u>	<u>(3,308,671)</u>	<u>(550,784)</u>
Net change in fund balance	\$ -	\$ (1,326,833)	\$ (1,326,833)	\$ (1,998,132)
Fund Balance:				
Beginning of year - as previously reported		24,448,524		26,030,073
Restatement		(343,367)		416,583
Beginning of year - restated		<u>24,105,157</u>		<u>26,446,656</u>
End of year - June 30		<u>\$ 22,778,324</u>		<u>\$ 24,448,524</u>

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 9

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Other Financing Sources (Uses):				
Transfers in - General Fund	\$ 149,500	\$ 149,500	\$ -	\$ 149,500
Transfers out - Revaluation Project	(149,500)	(149,500)	-	(897,000)
Other sources over (under) expenditures	\$ -	-	\$ -	(747,500)
Fund Balance:				
Beginning of year - July 1		-		747,500
End of year - June 30		\$ -		\$ -

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, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016
Schedule 10

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Expenditures:				
Tax listing	\$ 1,064,900	\$ 572,104	\$ 492,796	\$ 100,553
Total expenditures	1,064,900	572,104	492,796	100,553
Other Financing Sources (Uses):				
Transfers in - Revaluation Fund	1,064,900	149,500	(915,400)	897,000
Other sources over (under) expenditures	\$ -	(422,604)	\$ (422,604)	796,447
Fund Balance:				
Beginning of year - July 1		796,447		-
End of year - June 30		\$ 373,843		\$ 796,447

Beaufort County, North Carolina
Nonmajor Governmental Funds - Combining Balance Sheet
June 30, 2017
Schedule 11

	Special Revenue Funds				Capital Projects			
	HCCBG Aging	Emergency Telephone System	State and Federal Seizures	Total Nonmajor Special Revenue Funds	FEMA Flood Mitigation 2015-06	Hazard Mitigation	Hazard Mitigation 2014-004	CDBG Fellows Grant 04-D-2704
Assets:								
Cash and investments	\$ 70,545	\$ 379,100	\$ 163,173	\$ 612,818	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net)	-	25,666	941	26,607	35,028	13,018	549,293	1,043
Total assets	70,545	404,766	164,114	639,425	35,028	13,018	549,293	1,043
Liabilities and Fund Balances:								
Liabilities:								
Accounts payable and accrued liabilities	45	36,927	-	36,972	17,031	-	50,194	850
Due to other funds	-	-	-	-	17,997	13,018	499,099	193
Total liabilities	45	36,927	-	36,972	35,028	13,018	549,293	1,043
Fund Balances:								
Restricted:								
Stabilization by State Statute	-	25,666	941	26,607	35,028	13,018	549,293	1,043
Restricted, all other	70,500	342,173	163,173	575,846	(35,028)	(13,018)	(549,293)	(1,043)
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	70,500	367,839	164,114	602,453	-	-	-	-
Total liabilities and fund balances	\$ 70,545	\$ 404,766	\$ 164,114	\$ 639,425	\$ 35,028	\$ 13,018	\$ 549,293	\$ 1,043

Beaufort County, North Carolina
Nonmajor Governmental Funds - Combining Balance Sheet
June 30, 2017
Schedule 11

	Capital Project Funds							Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	NC Rural Econ Devel 2016- 045-3201-2587	Courthouse Roof Replacement	Radio System Project	Economic Development	Broad Creek Capital Reserve Fund	Wrights Creek PARTF 2017-820			
Assets:									
Cash and investments	\$ -	\$ 241,656	\$ 1,324,368	\$ -	\$ 53,047	\$ 100,606	\$ 1,719,677	\$ 2,332,495	
Accounts receivable (net)	405	-	30,484	116,866	-	-	746,137	772,744	
Total assets	405	241,656	1,354,852	116,866	53,047	100,606	2,465,814	3,105,239	
Liabilities and Fund Balances:									
Liabilities:									
Accounts payable and accrued liabilities	-	26,343	-	-	-	-	94,418	131,390	
Due to other funds	405	-	-	112,866	-	-	643,578	643,578	
Total liabilities	405	26,343	-	112,866	-	-	737,996	774,968	
Fund Balances:									
Restricted:									
Stabilization by State Statute	405	-	30,484	116,866	-	-	746,137	772,744	
Restricted, all other	-	-	-	-	53,047	-	(545,335)	30,511	
Assigned	-	215,313	1,324,368	-	-	100,606	1,640,287	1,640,287	
Unassigned	(405)	-	-	(112,866)	-	-	(113,271)	(113,271)	
Total fund balances	-	215,313	1,354,852	4,000	53,047	100,606	1,727,818	2,330,271	
Total liabilities and fund balances	\$ 405	\$ 241,656	\$ 1,354,852	\$ 116,866	\$ 53,047	\$ 100,606	\$ 2,465,814	\$ 3,105,239	

Beaufort County, North Carolina
Nonmajor Governmental Funds - Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
For The Fiscal Year Ended June 30, 2017
Schedule 12

	Special Revenue Funds					Total Nonmajor Special Revenue Funds
	HCCBG Aging	Economic Development	Fire and Rescue Tax Districts	Emergency Telephone System	State and Federal Seizures	
Revenues						
Ad valorem taxes	\$ -	\$ -	\$ 2,893,557	\$ -	\$ -	\$ 2,893,557
Restricted intergovernmental	-	-	-	163,240	16,410	179,650
Other	2,993	-	-	-	10,290	13,283
Total revenues	2,993	-	2,893,557	163,240	26,700	3,086,490
Expenditures						
Current:						
Public safety	-	-	2,893,557	364,054	18,566	3,276,177
Health and human services	817	-	-	-	-	817
Economic and physical development	-	-	-	-	-	-
Total expenditures	817	-	2,893,557	364,054	18,566	3,276,994
Excess (deficiency) of revenues over (under) expenditures	2,176	-	-	(200,814)	8,134	(190,504)
Other Financing Sources (Uses)						
Transfers in (out)	68,324	(38,855)	-	-	-	29,469
Total other financing sources (uses)	68,324	(38,855)	-	-	-	29,469
Net change in fund balance	70,500	(38,855)	-	(200,814)	8,134	(161,035)
Fund Balances						
Beginning of year, July 1	-	38,855	-	568,653	155,980	763,488
End of year - June 30	\$ 70,500	\$ -	\$ -	\$ 367,839	\$ 164,114	\$ 602,453

Beaufort County, North Carolina
Nonmajor Governmental Funds - Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
For The Fiscal Year Ended June 30, 2017
Schedule 12

	Capital Project Funds						
	FEMA Flood Mitigation 2015-016	Hazard Mitigation	FEMA Flood Mitigation	FEMA Flood Mitigation 2014-004	CDBG Fellows Grant 04-D-2704	NC Rural Econ Devel 2016- 045-3201-2587	Stream Debris Removal
Revenues							
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	35,028	136,625	243,623	732,060	26,043	29,232	11,280
Other	-	-	-	-	-	-	-
Total revenues	35,028	136,625	243,623	732,060	26,043	29,232	11,280
Expenditures							
Current:							
Public safety	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-
Economic and physical development	35,028	142,900	237,683	713,841	26,043	29,232	11,280
Total expenditures	35,028	142,900	237,683	713,841	26,043	29,232	11,280
Excess (deficiency) of revenues over (under) expenditures	-	(6,275)	5,940	18,219	-	-	-
Other Financing Sources (Uses)							
Transfers in (out)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balance	-	(6,275)	5,940	18,219	-	-	-
Fund Balances							
Beginning of year, July 1	-	6,275	(5,940)	(18,219)	-	-	-
End of year - June 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Beaufort County, North Carolina
Nonmajor Governmental Funds - Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
For The Fiscal Year Ended June 30, 2017
Schedule 12

	Capital Projects							Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Oak Ridge Metal Works Grant	Courthouse Roof Replacement	Radio System Project	Economic Development	Wrights Creek PARTF 2017-820	Broad Creek Capital Reserve Fund			
Revenues									
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,893,557
Restricted intergovernmental	87,880	-	-	130,078	-	-	-	1,431,849	1,611,499
Other	-	-	-	-	-	-	-	-	13,283
Total revenues	87,880	-	-	130,078	-	-	-	1,431,849	4,518,339
Expenditures									
Current:									
Public safety	-	-	-	-	-	-	-	-	3,276,177
Health and human services	-	-	-	-	-	-	-	-	817
Economic and physical development	87,880	185,717	451,617	130,078	-	-	-	2,051,299	2,051,299
Total expenditures	87,880	185,717	451,617	130,078	-	-	-	2,051,299	5,328,293
Excess (deficiency) of revenues over (under) expenditures	-	(185,717)	(451,617)	-	-	-	-	(619,450)	(809,954)
Other Financing Sources (Uses)									
Transfers in (out)	-	376,775	1,806,469	4,000	100,606	-	-	2,287,850	2,317,319
Total other financing sources (uses)	-	376,775	1,806,469	4,000	100,606	-	-	2,287,850	2,317,319
Net change in fund balance	-	191,058	1,354,852	4,000	100,606	-	-	1,668,400	1,507,365
Fund Balances									
Beginning of year, July 1	-	24,255	-	-	-	-	53,047	59,418	822,906
End of year - June 30	\$ -	\$ 215,313	\$ 1,354,852	\$ 4,000	\$ 100,606	\$ 53,047	\$ 1,727,818	\$ 1,727,818	\$ 2,330,271

Beaufort County, North Carolina
HCCBG – Aging Fund – Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For The Fiscal Year Ended June 30, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 13

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Revenues:				
Other income	\$ 6,200	\$ 2,993	\$ (3,207)	\$ -
Total revenues	6,200	2,993	(3,207)	-
Expenditures:				
Health and Human services	6,200	817	5,383	-
Total expenditures	6,200	817	5,383	-
Revenues over (under) expenditures	-	2,176	2,176	-
Other Financing Sources (Uses):				
Transfer in - General Fund	-	68,324	68,324	-
Net change in fund balance	\$ -	70,500	\$ 70,500	\$ -
Fund Balance:				
Beginning of year - July 1, previously reported		-		-
End of year - June 30	\$	70,500		\$ -

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, 2017
With Comparative Actual Amounts For the Year Ended June 30, 2016
Schedule 14

	2017		Variance Positive (Negative)	2016	
	Final Budget	Actual		Actual	
Revenues:					
Other income	\$ -	\$ -	\$ -	\$ -	200
Total revenues	-	-	-	-	200
Expenditures:					
Economic and physical development	-	-	-	-	296,402
Total expenditures	-	-	-	-	296,402
Revenues over (under) expenditures	-	-	-	-	(296,202)
Other Financing Sources (Uses):					
Transfer in - General Fund	-	-	-	-	256,449
Transfer out - General Fund	(60,000)	(38,855)	21,145	-	-
Appropriated fund balance	60,000	-	(60,000)	-	-
	-	(38,855)	(38,855)	-	256,449
Net change in fund balance	\$ -	(38,855)	\$ (38,855)	\$ -	(39,753)
Fund Balance:					
Beginning of year - July 1, previously reported		38,855			78,608
End of year - June 30	\$ -	-	-	-	\$ 38,855

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 15

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Revenues:				
Ad valorem taxes	\$ 2,893,384	\$ 2,893,557	\$ 173	\$ 2,594,516
Total revenues	2,893,384	2,893,557	173	2,594,516
Expenditures:				
Public safety expenditures	2,893,384	2,893,557	(173)	2,595,223
Total expenditures	2,893,384	2,893,557	(173)	2,595,223
Net change in fund balance	\$ -	-	\$ -	\$ (707)
Fund Balance:				
Beginning of year - July 1		-		707
End of year - June 30	\$ -	-		\$ -

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 16

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 156,668	\$ 163,240	\$ 6,572	\$ 145,497
Miscellaneous income	-	-	-	29
Total revenues	156,668	163,240	6,572	145,526
Expenditures:				
Public Safety:				
Implemental functions	52,500	3,938	48,562	65,139
Telephone	60,208	53,912	6,296	25,417
Software maintenance	93,160	93,160	-	70,598
Hardware maintenance	1,336,081	10,111	1,325,970	20,271
Training	3,243	3,244	(1)	5,497
Capital outlay	192,091	192,091	-	67,196
Unallowed expenditure - prior period	-	7,598	-	-
Total expenditures	1,737,283	364,054	1,380,827	254,118
Revenues over (under) expenditures	(1,580,615)	(200,814)	1,387,399	(108,592)
Other Financing Sources (Uses):				
Fund balance appropriated	575,000	-	(575,000)	-
Net change in fund balance	\$ (1,005,615)	(200,814)	\$ 812,399	\$ (108,592)
Fund Balance:				
Beginning of year - July 1		568,653		677,246
End of year - June 30	\$	367,839		\$ 568,654

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 17

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 10,567	\$ 16,410	\$ 5,843	\$ 10,286
Miscellaneous	8,000	10,290	2,290	7,953
Total revenues	18,567	26,700	8,133	18,239
Expenditures:				
Public safety expenditures	18,567	18,566	1	7,687
Total expenditures	18,567	18,566	1	7,687
Net change in fund balance	\$ -	8,134	\$ 8,134	\$ 10,552
Fund Balance:				
Beginning of year - July 1		155,980		145,428
End of year - June 30		\$ 164,114		\$ 155,980

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, 2017
Schedule 18

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
Restricted intergovernmental - FMA-PJ-04-NC-2015-016	\$ 282,944	\$ -	\$ 35,028	\$ 35,028	\$ (247,916)
Total revenues	282,944	-	35,028	35,028	(247,916)
Expenditures:					
Economic and physical development	282,944	-	35,028	35,028	247,916
Total expenditures	282,944	-	35,028	35,028	247,916
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1				-	
End of year - June 30			\$ -	-	

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, 2017
Schedule 19

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
Restricted intergovernmental - HMGP 1969-011	887,786	704,623	136,625	841,248	(46,538)
Restricted intergovernmental - HMGP 1969-012	93,600	93,466	-	93,466	(134)
Restricted intergovernmental - HMGP 4019-022	149,063	149,064	-	149,064	1
Miscellaneous	-	39,553	-	39,553	39,553
Total revenues	1,130,449	986,706	136,625	1,123,331	(7,118)
Expenditures:					
Economic and physical development					
Economic and physical development	1,130,449	980,431	142,900	1,123,331	7,118
Total expenditures	1,130,449	980,431	142,900	1,123,331	7,118
Net change in fund balance	\$ -	\$ 6,275	(6,275)	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			6,275		
End of year - June 30			\$ -		

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, 2017
Schedule 20

	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	\$ 243,623	\$ 570,389	\$ (68,746)
Total revenues	639,135	326,766	243,623	570,389	(68,746)
Expenditures:					
Economic and physical development	639,135	332,706	237,683	570,389	68,746
Total expenditures	639,135	332,706	237,683	570,389	68,746
Net change in fund balance	\$ -	\$ (5,940)	5,940	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			(5,940)		
End of year - June 30			\$ -		

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, 2017
Schedule 21

	Project Authorization	Prior Years	Actual		Total to Date	Variance Positive (Negative)
			Current Year			
Revenues:						
Restricted intergovernmental - FMA-PJ-04-NC-2015-017	\$ 557,645	\$ -	\$ -	\$ -	\$ -	(557,645)
Owner's contributions	61,961	-	-	-	-	(61,961)
Total revenues	619,606	-	-	-	-	(619,606)
Expenditures:						
Economic and physical development	619,606	-	-	-	-	619,606
Total expenditures	619,606	-	-	-	-	619,606
Net change in fund balance	\$ -	\$ -	-	-	\$ -	-
Fund Balance:						
Beginning of year - July 1						-
End of year - June 30			\$			-

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, 2017
Schedule 22

	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	\$ 732,060	\$ 774,633	\$ (868,899)
Total revenues	1,643,532	42,573	732,060	774,633	(868,899)
Expenditures:					
Economic and physical development	1,643,532	60,792	713,841	774,633	868,899
Total expenditures	1,643,532	60,792	713,841	774,633	868,899
Net change in fund balance	\$ -	\$ (18,219)	18,219	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			(18,219)		
End of year - June 30			\$ -		

Beaufort County, North Carolina
Community Development Block Grant Fund - Schedule of Revenues,
Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2017
Schedule 23

	Project Authorization	Prior Years	Actual		Total to Date	Variance Positive (Negative)
			Current Year			
Revenues:						
Restricted intergovernmental - 04-D-2704	\$ 50,000	\$ -	\$ 26,043		\$ 26,043	\$ (23,957)
Total revenues	50,000	-	26,043		26,043	(23,957)
Expenditures:						
Economic and physical development	50,000	-	26,043		26,043	23,957
Total expenditures	50,000	-	26,043		26,043	23,957
Net change in fund balance	\$ -	\$ -	-		\$ -	\$ -
Fund Balance:						
Beginning of year - July 1					-	
End of year - June 30			\$ -		-	

Beaufort County, North Carolina
North Carolina Rural 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, 2017
Schedule 24

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
Restricted intergovernmental - 2016-045-3201-2587	158,000	\$ -	29,232	\$ 29,232	\$ (128,768)
Total revenues	158,000	-	29,232	29,232	(128,768)
Expenditures:					
Economic and physical development	158,000	-	29,232	29,232	128,768
Total expenditures	158,000	-	29,232	29,232	128,768
Net change in fund balance	\$ -	\$ -	-	\$ -	-
Fund Balance:					
Beginning of year - July 1				-	
End of year - June 30			\$	-	

Beaufort County, North Carolina
North Carolina Rural 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, 2017
Schedule 25

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental - U-468	337,000	\$ -	\$ -	-	\$ (337,000)
Total revenues	337,000	-	-	-	(337,000)
Expenditures:					
Economic and physical development	337,000	-	-	-	337,000
Total expenditures	337,000	-	-	-	337,000
Net change in fund balance	\$ -	\$ -	-	-	\$ -
Fund Balance:					
Beginning of year - July 1				-	
End of year - June 30			\$ -		

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, 2017
Schedule 26

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
NC Department of Agriculture - G40100008513SWC	\$ 20,206	\$ 1,992	\$ 11,280	\$ 13,272	\$ (6,934)
NC Department of Agriculture - 17175404	224,997	-	-	-	(224,997)
Total revenues	245,203	1,992	11,280	13,272	(231,931)
Expenditures:					
Economic and physical development:					
Rowland Creek cleanout expense	2,932	-	-	-	2,932
Bear Creek cleanout expense	5,994	1,992	-	1,992	4,002
Cuckolds Creek cleanout expense	11,280	-	11,280	11,280	-
Stream debris removal	224,997	-	-	-	224,997
Total expenditures	245,203	1,992	11,280	13,272	231,931
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
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, 2017
Schedule 27

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
NC Department of Commerce - 2016-008-3201-2538	\$ 319,762	\$ 80,888	\$ 87,880	\$ 168,768	\$ (150,994)
Total revenues	319,762	80,888	87,880	168,768	(150,994)
Expenditures:					
Economic and physical development:					
Permits	3,810	1,125	-	1,125	2,685
Site work and demolition	92,175	38,319	21,078	59,397	32,778
Construction	223,777	41,444	66,802	108,246	115,531
Total expenditures	319,762	80,888	87,880	168,768	150,994
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
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, 2017
Schedule 28

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Expenditures:					
Economic and physical development:					
Professional services	24,255	-	-	-	24,255
Capital improvements	376,775	-	185,717	185,717	191,058
Total expenditures	401,030	-	185,717	185,717	215,313
Revenues over (under) expenditures	(401,030)	-	(185,717)	(185,717)	215,313
Other Financing Sources (Uses)					
Transfers in - General Fund	401,030	24,255	376,775	401,030	-
Total other financing sources (uses)	401,030	24,255	376,775	401,030	-
Net change in fund balance	\$ -	\$ 24,255	191,058	\$ 215,313	\$ 215,313
Fund Balance:					
Beginning of year - July 1			24,255		
End of year - June 30			\$ 215,313		

Beaufort County, North Carolina
Radio System Project Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2017
Schedule 29

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Expenditures:					
Economic and physical development:					
Capital outlay - equipment	1,806,469	-	451,617	451,617	1,354,852
Total expenditures	1,806,469	-	451,617	451,617	1,354,852
Revenues over (under) expenditures	(1,806,469)	-	(451,617)	(451,617)	1,354,852
Other Financing Sources (Uses)					
Transfers in - General Fund	1,806,469	-	1,806,469	1,806,469	-
Total other financing sources (uses)	1,806,469	-	1,806,469	1,806,469	-
Net change in fund balance	\$ -	\$ -	1,354,852	\$ 1,354,852	\$ 1,354,852
Fund Balance:					
Beginning of year - July 1					-
End of year - June 30			\$ 1,354,852		

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 30

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
CDBG Grant - Jack's Tavern	\$ 80,000	\$ 17,151	\$ 30,087	\$ 47,238	\$ (32,762)
CDBG Grant - Page Road	491,984	390,468	99,991	490,459	(1,525)
Total revenues	571,984	407,619	130,078	537,697	(34,287)
Expenditures:					
Economic and physical development					
Construction - CDBG Jack's Tavern	84,000	17,151	30,087	47,238	36,762
Construction - CDBG Page Road	491,984	390,468	99,991	490,459	1,525
Total expenditures	575,984	407,619	130,078	537,697	38,287
Revenues over (under) expenditures	(4,000)	-	-	-	4,000
Other Financing Sources (Uses):					
Transfers from General Fund	4,000	-	4,000	4,000	-
Total other financing sources (uses)	4,000	-	4,000	4,000	-
Net change in fund balance	\$ -	\$ -	4,000	\$ 4,000	\$ 4,000
Fund Balance:					
Beginning of year - July 1				-	
End of year - June 30			\$ 4,000		

**Beaufort County, North Carolina
PARTF Wright's Creek Phase II Fund-
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2017
Schedule 31**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Wright's Creek Access PARTF - 2017-820	\$ 100,605	\$ -	\$ -	\$ -	\$ (100,605)
Total revenues	100,605	-	-	-	(100,605)
Expenditures:					
Economic and physical development					
Equipment	9,784	-	-	-	9,784
Planning and design	12,576	-	-	-	12,576
Septic system	10,000	-	-	-	10,000
Restrooms	35,000	-	-	-	35,000
Boardwalk	33,300	-	-	-	33,300
Pier	16,190	-	-	-	16,190
Picnic shelters	50,000	-	-	-	50,000
Gazebo	5,878	-	-	-	5,878
Parking/walkway	19,500	-	-	-	19,500
Contingency	8,983	-	-	-	8,983
Total expenditures	201,211	-	-	-	201,211
Revenues over (under) expenditures	(100,606)	-	-	-	100,606
Other Financing Sources (Uses):					
Transfers in - General Fund	100,606	-	100,606	100,606	-
Total other financing sources (uses)	100,606	-	100,606	100,606	-
Net change in fund balance	\$ -	\$ -	100,606	\$ 100,606	\$ 100,606
Fund Balance:					
Beginning of year - July 1					-
End of year - June 30			\$ 100,606		

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 32

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Revenues:				
Operating revenues:				
Water sales		\$ 796,816		\$ 767,886
Tap on fees		22,250		17,100
Miscellaneous		27,369		23,797
Total operating revenues	\$ 844,137	846,435	\$ 2,298	808,783
Nonoperating revenues:				
Investment earnings		2,202		-
Total revenues	844,137	848,637	4,500	808,783
Expenditures:				
Administration:				
Supplies		326		726
Telephone		4,303		4,382
Travel		7,754		6,500
Utilities		11,059		15,306
Other administration expenses		10,115		9,384
Total	37,687	33,557	4,130	36,298
Water treatment and distribution				
Salaries and employee benefits		144,113		127,674
Water purchase		109,322		112,589
Supplies		16,615		27,904
Maintenance		17,168		25,400
Hurricane Matthew expenses		223		-
Other expenses		35,861		48,577
Total	384,275	323,302	60,973	342,144
Budgetary appropriations:				
Principal payment on long term debt		55,000		55,000
Interest, fees, and amortization		190,262		190,263
Total	274,149	245,262	28,887	245,263
Total expenditures	696,111	602,121	93,990	623,705
Revenues over (under) expenditures	148,026	246,516	98,490	185,078
Other financing sources (uses):				
Transfer out - Projects	(156,055)	(156,055)	-	-
Total other financing sources (uses)	(156,055)	(156,055)	-	-

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 32

Appropriated fund balance	8,029	-	(8,029)	-
Revenues and other financing sources				
(uses) over (under) expenditures	\$ -	90,461	\$ 90,461	\$ 185,078

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

Revenues over (under) expenditures	90,461
Reconciling items:	
Depreciation	(227,483)
Amortization	9,746
Debt principal	55,000
Transfer to water projects	156,055
Increase (decrease) in deferred outflows of resources - pension	22,760
(Increase) decrease in net pension liability	(26,591)
(Increase) decrease in deferred inflows of resources - pension	2,339
(Increase) decrease in accrued vacation payable	(414)
(Increase) decrease in other postemployment benefits	(2,624)
Change in net position	\$ 79,249

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 33

	2017		2016	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 868,955		\$ 853,132
Tap on fees		17,950		16,300
Miscellaneous		33,559		28,070
Total operating revenues	\$ 948,763	920,464	\$ (28,299)	897,502
Nonoperating revenues:				
Investment earnings		3,171		-
Total revenues	948,763	923,635	(25,128)	897,502
Expenditures:				
Administration:				
Supplies		445		1,088
Telephone		5,878		6,558
Travel		10,614		9,740
Utilities		17,661		18,939
Other administration expenses		13,686		14,674
Total	49,425	48,284	1,141	50,999
Water treatment and distribution				
Salaries and employee benefits		200,554		204,799
Water purchase		169,909		176,311
Supplies		18,667		40,605
Maintenance		23,267		37,222
Hurricane Matthew expenses		265		-
Other expenses		49,233		67,903
Total	687,753	461,895	225,858	526,840
Budgetary appropriations:				
Principal payments on long term debt		15,000		15,000
Interest, fees, and amortization		137,850		138,150
Total	192,310	152,850	39,460	153,150
Total expenditures	929,488	663,029	266,459	730,989
Revenues over (under) expenditures	19,275	260,606	241,331	166,513
Other financing sources (uses):				
Transfer out - Projects	(30,244)	(30,244)	-	-
Total other financing sources (uses)	(30,244)	(30,244)	-	-

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 33

Appropriated fund balance	10,969	-	(10,969)	-
Revenues and other financing sources				
(uses) over (under) expenditures	\$ -	230,362	\$ 230,362	\$ 166,513

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

Revenues over (under) expenditures	230,362
Reconciling items:	
Depreciation	(340,806)
Amortization	14,635
Debt principal	15,000
Transfer to water district projects	30,244
Increase (decrease) in deferred outflows of resources - pension	31,026
(Increase) decrease in net pension liability	(36,318)
(Increase) decrease in deferred inflows of resources - pension	3,678
(Increase) decrease in accrued vacation payable	627
(Increase) decrease in other postemployment benefits	(3,584)
Change in net position	\$ (55,136)

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 34

	2017		2016	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 1,013,027		\$ 996,063
Tap on fees		21,050		14,950
Miscellaneous		32,589		27,049
Total operating revenues	1,092,690	1,066,666	(26,024)	1,038,062
Nonoperating revenues:				
Investment earnings		2,951		-
Total revenues	1,092,690	1,069,617	(23,073)	1,038,062
Expenditures:				
Administration:				
Supplies		461		1,096
Telephone		6,090		6,612
Travel		10,990		9,809
Utilities		26,718		21,681
Other administration expenses		14,281		14,189
Total	61,966	58,540	3,426	53,387
Water treatment and distribution				
Salaries and employee benefits		205,115		192,687
Water purchase		166,832		172,597
Supplies		20,272		41,907
Maintenance		22,953		26,222
Hurricane Matthew expenses		237		-
Other expenses		51,367		69,587
Total	762,487	466,776	295,711	503,000
Budgetary appropriations:				
Principal payments on long term debt		15,000		39,300
Interest, fees, and amortization		167,750		168,385
Total	223,716	182,750	40,966	207,684
Total expenditures	1,048,169	708,066	340,103	764,071
Revenues over (under) expenditures	44,521	361,551	317,030	273,991
Other financing sources (uses):				
Transfer out - Projects	(55,886)	(55,886)	-	-
Total other financing sources (uses)	(55,886)	(55,886)	-	-

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 34

Appropriated fund balance	11,365	-	(11,365)	-
Revenues and other financing sources				
(uses) over (under) expenditures	\$ -	305,665	\$ 305,665	\$ 273,991

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

Revenues over (under) expenditures	305,665
Reconciling items:	
Depreciation	(343,524)
Amortization	14,752
Debt principal	15,000
Transfer to water district projects	55,886
Increase (decrease) in deferred outflows of resources - pension	31,843
(Increase) decrease in net pension liability	(37,257)
(Increase) decrease in deferred inflows of resources - pension	3,655
(Increase) decrease in accrued vacation payable	234
(Increase) decrease in other postemployment benefits	(3,714)
Change in net position	\$ 42,540

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 35

	2017		2016	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 1,136,849		\$ 1,117,448
Tap on fees		25,500		17,000
Miscellaneous		26,554		23,386
Total operating revenues	\$ 1,201,295	1,188,903	\$ (12,392)	1,157,834
Nonoperating revenues:				
Investment earnings		2,951		-
Total revenues	1,201,295	1,191,854	(9,441)	1,157,834
Expenditures:				
Administration:				
Supplies		496		1,129
Telephone		6,547		6,812
Travel		11,804		9,238
Utilities		10,541		14,783
Other administration expenses		15,470		14,233
Total	48,228	44,858	3,370	46,195
Water treatment and distribution				
Salaries and employee benefits		219,831		198,667
Water purchase		174,369		180,098
Supplies		22,652		42,059
Maintenance		23,918		22,879
Hurricane Matthew expenses		218		-
Other expenses		57,067		76,001
Total	602,350	498,055	104,294	519,704
Budgetary appropriations:				
Principal payments on long term debt		190,000		20,000
Interest, fees, and amortization		273,950		274,350
Total	508,300	463,950	44,350	294,350
Total expenditures	1,158,878	1,006,863	152,014	860,249
Revenues over (under) expenditures	42,417	184,991	142,573	297,585
Other financing sources (uses):				
Transfer out - Projects	(98,075)	(98,075)	-	-
Total other financing sources (uses)	(98,075)	(98,075)	-	-

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 35

Appropriated fund balance	55,658	-	(55,658)	-
Revenues and other financing sources				
(uses) over (under) expenditures	\$ -	86,916	\$ 86,916	\$ 297,585

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

Revenues over (under) expenditures	86,916
Reconciling items:	
Depreciation	(353,769)
Amortization	15,192
Debt principal	190,000
Transfer to water district projects	98,075
Increase (decrease) in deferred outflows of resources - pension	34,525
(Increase) decrease in net pension liability	(40,356)
(Increase) decrease in deferred inflows of resources - pension	3,684
(Increase) decrease in accrued vacation payable	(296)
(Increase) decrease in other postemployment benefits	(3,993)
Change in net position	\$ 29,978

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 36

	2017		2016	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 520,765		\$ 490,556
Tap on fees		10,425		5,250
Miscellaneous		14,971		13,650
Total operating revenues	\$ 538,799	546,161	\$ 7,362	509,456
Expenditures:				
Administration:				
Supplies		195		488
Telephone		2,575		2,940
Travel		4,652		5,247
Utilities		5,164		6,991
Other administration expenses		5,951		6,783
Total	18,950	18,537	413	22,449
Water treatment and distribution				
Salaries and employee benefits		87,493		86,043
Water purchase		75,859		78,798
Supplies		9,100		18,374
Maintenance		10,251		11,574
Hurricane Matthew expenses		86		-
Other expenses		23,835		35,333
Total	233,762	206,624	27,138	230,122
Budgetary appropriations:				
Principal payments on long term debt		127,227		47,226
Interest, fees, and amortization		130,451		131,789
Total	272,838	257,678	15,160	179,015
Total expenditures	525,550	482,839	42,711	431,586
Revenues over (under) expenditures	13,249	63,322	50,073	77,870
Other financing sources (uses):				
Transfer out - Projects	(13,249)	(13,249)	-	-
Total other financing sources (uses)	(13,249)	(13,249)	-	-

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 36

Revenues and other financing sources					
(uses) over (under) expenditures	\$	-	50,073	\$	50,073
		-		\$	77,870

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

Revenues over (under) expenditures	50,073
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Reconciling items:

Depreciation	(152,840)
Amortization	6,563
Debt principal	127,227
Transfer to water district projects	13,249
Increase (decrease) in deferred outflows of resources - pension	13,395
(Increase) decrease in net pension liability	(15,692)
(Increase) decrease in deferred inflows of resources - pension	1,687
(Increase) decrease in accrued vacation payable	361
(Increase) decrease in other postemployment benefits	(1,570)
Change in net position	\$ 42,453

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 37

	2017		2016	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water sales		\$ 1,251,275		\$ 1,189,847
Tap on fees		24,150		27,895
Miscellaneous		43,766		42,317
Total operating revenues	\$ 1,304,804	1,319,191	\$ 14,387	1,260,059
Nonoperating revenues:				
Investment earnings		4,934		-
Total revenues	1,304,804	1,324,125	19,321	1,260,059
Expenditures:				
Administration:				
Supplies		590		1,340
Telephone		7,800		8,038
Travel		14,061		12,039
Utilities		70,429		67,627
Other administration expenses		18,175		17,470
Total	109,392	111,055	(1,663)	106,514
Water treatment and distribution				
Salaries and employee benefits		261,670		235,651
Water purchase		32,015		22,280
Supplies		117,803		50,479
Maintenance		38,918		53,237
Hurricane Matthew expenses		260		-
Other expenses		70,067		103,269
Total	589,633	520,733	68,900	464,916
Budgetary appropriations:				
Capital outlay		-		263
Principal payments on long term debt		270,000		265,000
Interest, fees, and amortization		372,231		376,426
Total	698,790	642,231	56,559	641,689
Total expenditures	1,397,815	1,274,019	123,796	1,213,119
Revenues over (under) expenditures	(93,011)	50,106	143,117	46,940
Other financing sources (uses):				
Transfer out - Projects	(282,842)	(282,842)	-	-
Total other financing sources (uses)	(282,842)	(282,842)	-	-

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 37

Appropriated fund balance	375,853	-	(375,853)	-
Revenues and other financing sources				
(uses) over (under) expenditures	\$ -	(232,736)	\$ (232,736)	\$ 46,940

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

Revenues over (under) expenditures	(232,736)
Reconciling items:	
Depreciation	(419,840)
Amortization	18,029
Debt principal	270,000
Transfer to water district projects	282,842
Increase (decrease) in deferred outflows of resources - pension	41,134
(Increase) decrease in net pension liability	(48,077)
(Increase) decrease in deferred inflows of resources - pension	4,361
(Increase) decrease in accrued vacation payable	(389)
(Increase) decrease in other postemployment benefits	(4,756)
Change in net position	\$ (89,432)

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 38

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Revenues:				
Operating revenues:				
Water sales		\$ 669,095		\$ 625,316
Tap on fees		11,825		8,317
Miscellaneous		20,734		17,614
Total operating revenues	\$ 671,491	701,654	\$ 30,163	651,247
Nonoperating revenues:				
Investment earnings		969		-
Total revenues	671,491	702,623	31,132	651,247
Expenditures:				
Administration:				
Supplies		296		806
Telephone		3,965		4,902
Travel		7,174		7,224
Utilities		32,061		30,712
Other administration expenses		9,089		9,516
Total	52,530	52,585	(55)	53,160
Water treatment and distribution				
Salaries and employee benefits		135,313		141,747
Water purchase		5,924		-
Supplies		27,803		30,519
Maintenance		19,900		28,266
Hurricane Matthew expenses		132		-
Other expenses		40,943		50,684
Total	272,144	230,015	42,129	251,216
Budgetary appropriations:				
Principal payments on long term debt		120,000		10,000
Interest, fees, and amortization		193,975		194,175
Total	329,729	313,975	15,754	204,175
Total expenditures	654,403	596,575	57,828	508,551
Revenues over (under) expenditures	17,088	106,048	88,960	142,696
Other financing sources (uses):				
Transfer out - Projects	(154,824)	(154,824)	-	-
Total other financing sources (uses)	(154,824)	(154,824)	-	-

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, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 38

Appropriated fund balance	137,736	-	(137,736)	-
Revenues and other financing sources				
(uses) over (under) expenditures	\$ -	(48,776)	\$ (48,776)	\$ 142,696

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

Revenues over (under) expenditures	(48,776)
Reconciling items:	
Depreciation	(252,573)
Amortization	10,846
Debt principal	120,000
Transfer to water district projects	154,824
Increase (decrease) in deferred outflows of resources - pension	20,273
(Increase) decrease in net pension liability	(23,794)
(Increase) decrease in deferred inflows of resources - pension	2,847
(Increase) decrease in accrued vacation payable	1,001
(Increase) decrease in other postemployment benefits	(2,418)
Change in net position	\$ (17,770)

Beaufort County, North Carolina
Stand-by Generator Fund - Water Districts I, III, IV, VI, and VII - Schedule of
Revenues and Expenditures Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2017
Schedule 39

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Engineering	\$ 33,744	\$ -	\$ 30,370	\$ 30,370	\$ 3,374
Administration	49,024	-	-	-	49,024
Capital outlay - equipment	421,800	-	-	-	421,800
Contingency	25,231	-	-	-	25,231
Phase II improvements	70,201	-	-	-	70,201
Total expenditures	600,000	-	30,370	30,370	569,630
Revenues over (under) expenditures	(600,000)	-	(30,370)	(30,370)	569,630
Other financing sources (uses):					
Transfer from Water District I	133,917	-	133,917	133,917	-
Transfer from Water District III	24,552	-	24,552	24,552	-
Transfer from Water District IV	64,389	-	64,389	64,389	-
Transfer from Water District VI	242,715	-	242,715	242,715	-
Transfer from Water District VII	134,427	-	134,427	134,427	-
Total other financing sources (uses)	600,000	-	600,000	600,000	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ 569,630	\$ 569,630	\$ 569,630

Beaufort County, North Carolina
Meter Feasibility Fund – All Water Districts - Schedule of Revenues and
Expenditures Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2017
Schedule 40

	Project Authorization	Prior Years	Actual		Total to Date	Variance Positive (Negative)
			Current Year			
Expenditures:						
Professional services	\$ 83,675	\$ -	\$ 25,628	\$ 25,628	\$ 25,628	(25,628)
Total expenditures	83,675	-	25,628	25,628	25,628	(25,628)
Revenues over (under) expenditures	(83,675)	-	(25,628)	(25,628)	(25,628)	(25,628)
Other financing sources (uses):						
Transfer from Water Districts	83,675	-	83,675	83,675	83,675	-
Total other financing sources (uses)	83,675	-	83,675	83,675	83,675	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ 58,047	\$ 58,047	\$ 58,047	\$ (25,628)

Beaufort County, North Carolina
Metal Building Addition Fund – All Water Districts - Schedule of Revenues
and Expenditures Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2017
Schedule 41

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Capital outlay	\$ 107,500	\$ -	\$ -	\$ -	\$ 107,500
Total expenditures	107,500	-	-	-	107,500
Revenues over (under) expenditures	(107,500)	-	-	-	107,500
Other financing sources (uses):					
Transfer from Water Districts	107,500	-	107,500	107,500	-
Total other financing sources (uses)	107,500	-	107,500	107,500	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ 107,500	\$ 107,500	\$ 107,500

Beaufort County, North Carolina
Solid Waste Fund – Schedule of Revenues and Expenditures Budget and
Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts For the Year Ended June 30, 2016
Schedule 42

	2017		2016	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Solid waste fees		\$ 3,166,121		\$ -
Scrap tire disposal fees		81,431		-
White goods disposal fees		18,807		-
Solid waste disposal fees		27,246		-
Interest/tax collections		39,828		-
Total operating revenues	\$ 3,207,285	3,333,433	\$ 126,148	-
Expenditures:				
Administration:				
Telephone		557		-
Computer support		2,266		-
Total	3,100	2,823	277	-
Solid waste fees and expenses				
Landfill		1,113,883		-
Transfer station		1,350,615		-
Convenience		628,293		-
Disposal fees		109,701		-
Maintenance		42,964		-
Total	3,326,479	3,245,456	81,023	-
Total expenditures	3,329,579	3,248,279	81,300	-
Revenues over (under) expenditures	(122,294)	85,154	207,448	-
Other financing sources (uses):				
Transfer in - General Fund	134,919	134,919	-	-
Transfer out - Solid Waste project	(12,625)	(12,625)	-	-
Total other financing sources (uses)	122,294	122,294	-	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	207,448	\$ 207,448	\$ -
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues over (under) expenditures		207,448		
Reconciling items:				
Depreciation		(1,177)		
Transfer to solid waste project fund		12,625		
Change in net position	\$	218,896	\$	-

Beaufort County, North Carolina
Landfill Cap Work Fund – Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2017
Schedule 43

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Professional services	\$ 12,625	\$ -	\$ -	\$ -	-
Total expenditures	12,625	-	-	-	-
Revenues over (under) expenditures	(12,625)	-	-	-	-
Other financing sources (uses):					
Transfer from Solid Waste Fund	12,625	-	12,625	12,625	-
Total other financing sources (uses)	12,625	-	12,625	12,625	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ 12,625	\$ 12,625	\$ -

Beaufort County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016
Schedule 44

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017
Social Services Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 89,739	\$ 621,467	\$ 646,272	\$ 64,934
Liabilities:				
Accounts payable	\$ 89,739	\$ 621,467	\$ 646,272	\$ 64,934
Sheriff Accounts:				
Assets:				
Cash and cash equivalents	\$ 9,856	\$ 154,108	\$ 152,737	\$ 11,227
Liabilities:				
Accounts payable	\$ 9,856	\$ 154,108	\$ 152,737	\$ 11,227
Beaufort County Home Foundation:				
Assets:				
Cash and cash equivalents	\$ 62,746	\$ 21	\$ 62,767	\$ -
Liabilities:				
Accounts payable	\$ 62,746	\$ 21	\$ 62,767	\$ -
Tax Collection Fund:				
Assets:				
Taxes receivable	\$ 509,119	\$ 120,481	\$ 196,609	\$ 432,991
Liabilities:				
Intergovernmental payable	\$ 509,119	\$ 120,481	\$ 196,609	\$ 432,991
Drainage Assessments:				
Assets:				
Taxes receivable	\$ 1,717	\$ 1,384	\$ 571	\$ 2,530
Assessments receivable	95,721	41,297	-	137,018
Total assets	97,438	42,681	571	139,548
Liabilities:				
Intergovernmental payable	\$ 97,438	\$ 42,681	\$ 571	\$ 139,548

Beaufort County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016
Schedule 44

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017
4-H:				
Assets:				
Cash and cash equivalents	\$ 7,906	\$ 78,956	\$ 48,250	\$ 38,612
Liabilities:				
Accounts payable	\$ 7,906	\$ 78,956	\$ 48,250	\$ 38,612
Cooperative Extension:				
Assets:				
Cash and cash equivalents	\$ 30,553	\$ 91,469	\$ 77,745	\$ 44,277
Liabilities:				
Accounts payable	\$ 30,553	\$ 91,469	\$ 77,745	\$ 44,277
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 200,800	\$ 946,021	\$ 987,771	\$ 159,050
Taxes receivable	510,836	121,865	197,180	435,521
Assessments receivable	95,721	41,297	-	137,018
Total assets	\$ 807,357	\$ 1,109,183	\$ 1,184,951	\$ 731,589
Liabilities:				
Accounts payable	\$ 807,357	\$ 1,109,183	\$ 1,184,951	\$ 731,589

Beaufort County, North Carolina
General Fund Schedule of Ad Valorem Taxes Receivable
June 30, 2016
Schedule 45

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016 - 2017	\$ -	\$ 32,641,470	\$ 32,013,427	\$ 628,043
2015 - 2016	620,785	-	398,185	222,600
2014 - 2015	246,483	-	109,992	136,491
2013 - 2014	221,738	-	64,699	157,039
2012 - 2013	184,538	-	27,243	157,295
2011 - 2012	137,033	-	14,652	122,381
2010 - 2011	103,098	-	6,124	96,974
2009 - 2010	98,968	-	4,015	94,953
2008 - 2009	94,757	-	4,101	90,656
2007 - 2008	105,952	-	3,649	102,303
2006 - 2007	97,005	-	97,005	-
	<u>1,910,357</u>	<u>32,641,470</u>	<u>32,743,092</u>	<u>1,808,735</u>
Less: Allowance for uncollectible accounts:				
General Fund				562,162
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 1,246,573</u>
<u>Reconciliation with revenues</u>				
Ad valorem taxes - General Fund				\$ 32,880,891
Reconciling items:				
Interest collected				(244,493)
Taxes written off				97,005
Refunds				96,295
Miscellaneous				(86,606)
<u>Total collections and credits</u>				<u>\$ 32,743,092</u>

Beaufort County, North Carolina
County-Wide Levy Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2016
Schedule 46

	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	\$ 5,928,543,273	0.55	\$ 32,606,988	\$ 30,159,560	\$ 2,447,428
Total	5,928,543,273		32,606,988	30,159,560	2,447,428
Discoveries	6,269,455	0.55	34,482	34,482	-
Total property valuation	\$ 5,934,812,728				
Net Levy			32,641,470	30,194,042	2,447,428
Current year's taxes collected			32,013,427	29,565,999	2,447,428
Uncollected taxes at June 30, 2017			\$ 628,043	\$ 628,043	\$ -
Current levy collection percentage			98.08%	97.92%	100.00%

**Beaufort County, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2017
Schedule 47**

Taxpayer	Type of Business	Valuation	Percentage of Total Assessed Valuation
PCS Phosphate Company Inc.	Phosphate Mining/Acid Production	\$ 946,783,932	15.95%
Weyerhaeuser Co	Tree Farm Operation	112,400,240	1.89%
Purified Acid Partnership	Acid Production	75,921,605	1.28%
Tideland Electric Membership	Utilities	29,904,083	0.50%
VFS Leasing Co	Leasing	22,037,145	0.37%
Duke Progress Energy	Utilities	19,152,881	0.32%
Caterpillar Financial Services Corp	Equipment Rental	18,196,886	0.31%
Gregory Poole Leasing LLC	Equipment Rental	14,636,553	0.25%
FPI Carolinas, LLC	Agriculture	14,084,414	0.24%
Fountain Powerboats	Boat Manufacturing	12,937,619	0.22%

**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, 2017, and the related notes to the financial statements, which collectively comprises Beaufort County's basic financial statements, and have issued our report thereon dated January 17, 2018. 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 Board 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been 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*.

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.

A handwritten signature in black ink, appearing to read "Jeff Bart". The signature is written in a cursive, flowing style.

Belhaven, North Carolina
January 17, 2018

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, 2017. 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, 2017.


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.



Belhaven, North Carolina
January 17, 2018

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, 2017. 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, 2017.

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. 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.



Belhaven, North Carolina
January 17, 2018

Beaufort County, North Carolina Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

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?

_____ Yes X No

Significant deficiency(ies)

_____ Yes X None Reported

Noncompliance material to financial statements noted

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified

_____ Yes X 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 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 1,894,630

Auditee qualified as low-risk Auditee?

_____ Yes X No

**Beaufort County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

State Awards

Internal control over major State programs:

Material weakness(es) identified?	_____ Yes	___ X ___	No
Significant deficiency(ies) identified	_____ Yes	___ X ___	None Reported
Noncompliance material to State award	_____ Yes	___ X ___	No
Type of auditor's report issued on compliance for major State programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	_____ Yes	___ X ___	No

Identification of major State programs

- Name of State Program or Cluster
- Medical Assistance
- State County Special Assistance Domiciliary Care



**Beaufort County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Section II - Financial Statement Findings


None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported

Section IV - State Award Findings and Questioned Costs

None Reported



**Beaufort County, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2017**

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported

Section IV - State Award Findings and Questioned Costs

None Reported



**Beaufort County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2017**

Findings:

16-1 Unrecorded Accounts Payable

Status: Corrected

16-2 Prior Period Adjustment - General Fund

Status: Corrected

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

Status: Corrected

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
<u>Grantor/Program Title</u>			
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:			
SNAP Cluster:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	\$ 585,914	\$ -
Fraud Administration	10.561	30,814	-
Total SNAP		616,728	-
Division of Public Health			
Administration:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	318,909	-
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	987,891	-
Total U.S. Dept. of Agriculture		1,923,528	-
<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	243,623	-
Flood Mitigation Assistance FMA-PJ-04-NC-2015-016	97.029	35,028	-
Public Assistance Grants FMA-PJ-04-NC-2014-004	97.029	732,060	-
Public Assistance Grants	97.036	165,129	-
Emergency Management Performance Grant	97.042	38,584	-
Hazardous Mitigation Grant	97.039	136,625	-
Total US Department of Homeland Security		1,351,049	-
<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	57,924	-
Total US Department of Education		57,924	-

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

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	78,060	4,592
Congregate Nutrition:			
Title III-C1	93.045	61,279	3,605
Home Delivered Meals:			
Title III-C2	93.045	69,238	4,073
Total Aging Cluster		208,577	12,270
NSIP Supplement	93.053	20,754	-
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Work First Administration	93.558	140,445	-
Work First Service	93.558	710,977	-
TANF Direct Benefit Payments	93.558	302,259	-
Division of Public Health:			
Temporary Assistance for Needy Families	93.558	8,195	-
Total TANF Cluster		1,161,876	-
Division of Social Services:			
IV-D Offset Fees Federal	93.563	1,814	(15)
IV-D Administration	93.563	750,639	-
IV-D Offset Fees ESC	93.563	100	2
Low-Income Home Energy Assistance Block Grant:			
Administration	93.568	36,257	-
Crisis Intervention Payments	93.568	181,958	-
Energy Assistance	93.568	165,352	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	12,528	-
CPS TANF to SSBG	93.667	39,207	-
In-Home Services	93.667	10,427	-
SSBG Other Services and Training	93.667	204,625	21,181
Chafee Foster Care Independence Program	93.674	10,278	2,570
Promoting Safe and Stable Families	93.556	23,845	-
Total Division of Social Services		1,437,030	23,738
Foster Care and Adoption Cluster: (Note 2)			
Foster Care Administration			
Title IV-E Foster Care - CPS	93.658	42,805	31,060
Title IV-E Foster Care TRN	93.658	200	-
Title IV-E Foster Care/Off Trn	93.658	225,652	-
Title IV-E Foster Admin	93.658	30	-

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Foster Care - Direct Benefit Payments:			
IV-E Admin County	93.658	12,803	6,102
IV-E Family Foster Max	93.658	286	-
IV-E Foster Care	93.658	147,667	36,741
IV-E Max Level III	93.658	7,598	-
Adoption Assistance - Administration			
IV-E Adoption Training	93.659	3,752	-
IV-E Adoption/Off TRN	93.659	357	-
Adoption Assistance - Direct Benefit Payments	93.659	516,298	128,929
Total Foster Care and Adoption Cluster		957,448	202,832
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	105,101	-
Division of Child Development			
Child Care and Development Fund - Discretionary	93.575	1,007,789	-
Child Care and Development Fund - Mandatory	93.596	384,060	-
Child Care and Development Fund - Match	93.596	382,916	128,663
Total Child Care Development Fund Cluster		1,879,866	128,663
Temporary Assistance for Needy Families (TANF)	93.558	291,842	-
Foster Care Title IV-E	93.658	33,730	16,840
State Appropriations	N/A	-	595,053
TANF - MOE	N/A	-	292,245
Total Subsidized Child Care Cluster		2,205,438	1,032,801
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	51,422,052	27,866,432
Division of Social Services:			
Administration:			
Adult Care Home Case Management	93.778	9,330	4,665
Medical Administrative Claiming	93.778	93,676	-
Medical Assistance Administration	93.778	894,066	-
Medical Transportation Administration	93.778	84,063	-
State County Special Assistance	93.778	26,666	-
Total Medicaid Cluster		52,529,853	27,871,097
State Children's Health Insurance Program -			
NC Health Choice			
Administration	93.767	6,678	17
Direct Benefit Payments	93.767	903,443	4,949
Total Centers for Medicare and Medical Assistance		53,439,974	27,876,063

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Health Resources and Service Administration:			
Passed-through NC Department of Health and Human Services			
Division of Public Health:			
Maternal and Child Health Services Block Grant	93.994	113,858	47,787
Office of Population Affairs			
Passed-through NC Department of Health and Human Services			
Office of Population Affairs			
Family Planning Services	93.217	41,741	-
Centers for Disease Control and Prevention			
Passed-through NC Department of Health and Human Services			
Division of Public Health:			
Emergency Preparedness Aligned Coop Agreements	93.074	40,819	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	50	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	1,500	-
Immunization Grant	93.268	5,879	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	8,323	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	22,079	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	26,470	-
HIV Prevention Activities - Health Department Based	93.940	3,000	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	988	-
Total Division of Public Health		109,108	-
Total US Department of Health and Human Services		59,695,804	29,147,704
Department of Housing and Urban Development			
CDBG - State - Administered CDBG Cluster:			
CDBG Grant - 04-D-2704	14.228	26,043	-
CDBG Grant -	14.228	99,991	-
Total US Department of Housing and Urban Development		126,034	-
Total Federal Awards		63,154,339	29,147,704

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
State Awards:			
<u>NC Department of Health and Human Services</u>			
Division of Aging and Adult Services:			
Passed-through Mid-East Commission			
Council of Government			
In-Home Services - State Funds		-	202,762
Caregiver Match		-	29,054
Home Delivered Meals - State Funds		-	14,961
Total Division of Aging and Adult Services		-	246,777
Division of Social Services:			
Energy Assistance		-	4,965
AFDC Incent/Program		-	1,862
Direct Benefit Payments:			
CWS Adoption Subsidy		-	172,359
Foster Care At-Risk Maximum		-	7,189
SC/SA Domiciliary Care		-	559,254
SAA/SAD B 1030		-	16,014
SFHF Maximization		-	15,017
State Foster Home		-	50,486
Division of Public Health:			
Food and Lodging Fees		-	15,870
General Aid to Counties		-	84,025
General Communicable Disease Control		-	2,684
Public Health Nursing		-	1,000
Breast and Cervical Cancer Program		-	12,601
Child Health		-	254
Minority Demo Grant		-	33,546
HMHC-Family Planning		-	12,645
Maternal Health (HMHC)		-	6,498
Women's Health Service Fund		-	4,302
HIV/STD State		-	784
HIV/STD SSBG Aid		-	3,139
State Child Welfare/CPS		-	26,532
HIV/STD Non-Traditional Test Site		-	39,774
Sexually Transmitted Diseases		-	585
School Nurse Funding Initiative		-	250,000
Tuberculosis		-	23,945
TB Medical Service		-	1,776
Total NC Department of Health and Human Services		-	1,593,883
<u>NC Department of Public Safety</u>			
Criminal Justice Partnership Program		-	47,503
Juvenile Crime Prevention		-	157,489
Total NC Department of Public Safety		-	204,992

Beaufort County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
<u>NC Department of Transportation</u>			
Rural Operating Assistance Program (ROAP):			
Elderly and Disable Transportation Assistance Program (EDTAP)		-	69,957
ROAP Work First Transitional - Employment Transportation		-	12,800
ROAP Rural General Public Program		-	80,196
Total NC Department of Transportation		-	162,953
<u>NC Department of Public Instruction</u>			
Public School Building Capital Fund - Lottery Proceeds		-	450,000
Total NC Department of Public Instruction		-	450,000
<u>NC Department of Commerce</u>			
Building Reuse Grant 2016-008-3201-2538		-	87,880
Building Reuse Grant 2016-045-3201-2587		-	29,232
Total NC Department of Commerce		-	117,112
<u>NC Department of Agriculture</u>			
Division of Soil and Water Conservation:			
Stream Debris Removal Grant G40100008513SWC		-	11,280
Soil and Water Grant		-	28,957
Total NC Department of Agriculture		-	40,237
Total State Awards		-	2,569,177
Total Federal and State Awards		63,154,339	31,716,881

Beaufort County, North Carolina Schedule of Expenditures of Federal and State Awards For the Fiscal Year Ended June 30, 2017

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, 2017. 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	2,205,438	1,032,801

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

January 17, 2018

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 2017 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 2017 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 Jeff Best CPA, PLLC, 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@jeffbestcpa.com.

Very truly yours,



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, 2017.
- 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, 2017;
- 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, 2017, and have issued our report thereon dated January 17, 2018. 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 March 27, 2017, 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 not significantly altered during our fieldwork.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled ("Accounting Policies, Judgments and Sensitive Estimates and CRI 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</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>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, 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</i></p>	Please see the following section titled "Summary of Audit Adjustments."

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><i>and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	
<p>Major issues discussed with management prior to retention <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 <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 <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 <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 <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 <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 <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

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
	<ul style="list-style-type: none"><li data-bbox="873 306 1476 369">• We believe such information represents a material misstatement of fact. <p data-bbox="824 386 1476 485">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 & 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	<p>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.</p>	The County's policy is in accordance with all applicable accounting guidelines.

Accounting Policies, Judgments and Sensitive Estimates & 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). There were none.

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.

Management Representation Letter

BOARD OF COMMISSIONERS

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



COUNTY OFFICIALS

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

BEAUFORT COUNTY NORTH CAROLINA

January 17, 2018

Jeff Best, CPA, PLLC
PO 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, 2017, 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 January 17, 2018, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 27, 2017, 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.

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

Management Representation Letter

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. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with US GAAP.
9. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.
10. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the County's accounts.

Information Provided

11. 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.
 - 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.
12. 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.

Management Representation Letter

13. 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.
14. 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.
15. 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.
16. 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.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. 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

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have a process to track the status of audit findings and recommendations.
21. 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.
22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
23. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
24. 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.
25. 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.

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26. 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.
27. 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.
28. 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.
29. As part of your audit, you assisted with preparation of the depreciation schedules, the GASB 68 entries, the GASB 73 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, the GASB 73 entries, financial statements and related notes, and schedule of expenditures of federal and State awards.
30. 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.
31. 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.
32. The financial statements include all component units and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
34. 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.
35. 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.

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36. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
37. Provisions for uncollectible receivables have been properly identified and recorded.
38. 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.
39. 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.
40. Revenues are appropriately classified in the statement of activities within program revenues, or general revenues.
41. Interfund, internal, and intra-entity activity have been appropriately classified and reported.
42. Deposits and investment securities are properly classified as to risk and are properly disclosed.
43. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
44. 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.
45. 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.
46. 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.
47. With respect to the individual fund statements and schedules, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards
 - 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

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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.

48. 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, 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.

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- 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 received no requests from a federal agency to audit one or more specific programs as a major program.
- i. 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.
- j. 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.
- k. 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.
- l. 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.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. 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.
- o. 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.

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- p. 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.
- q. 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.
- r. 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.
- s. 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.
- t. 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.
- u. 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.
- v. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w. We have charged costs to federal and State awards in accordance with applicable cost principles.
- x. 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.
- y. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

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- aa. 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.
- bb. 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

Date: 1/17/18

Signed: Anita C. Radcliffe
Anita Radcliffe, Finance Director

Date: 1/17/18

January 17, 2018

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, 2017, 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 January 17, 2018, 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,



Belhaven, North Carolina
January 17, 2018

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
17-1	IP	Long- Outstanding Checks	During our testing of the June bank reconciliations, we discovered that the county had checks outstanding on the Water Department bank reconciliation that were older than one year.	We recommend the County turn these checks over to the State Escheats program.	The County has received an extension until February 1, 2018 to submit escheats.
17-2	IP	Employee Time Sheets	Out of a sample of 40 paychecks, one employee that was required to have a time sheet signed by the department head did not.	We recommend that the County put procedures in place to ensure that all timesheets are properly approved.	We have reviewed the results of the finding noted and concur with the assessment of the issues identified.
17-3	IP	Employee Pay	Out of a sample of 40 paychecks, one employee was underpaid by .25 hours.	We recommend the County implement a review process of the time sheets and hours paid to ensure all employees are paid for the correct amount of time.	We have reviewed the results of the finding noted and concur with the assessment of the issues identified.

Internal Control Findings

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
17-4	IP	IT Risk Assessment	<p>The purpose of an IT risk assessment is to provide a tool which identifies all reasonably foreseeable threats to data and applications used by the organization in day to day operations. Without the completion of this process, it is difficult to ensure all risks are adequately identified. The risk assessment provides an evaluation of the current controls in place for each risk and their effectiveness.</p> <p>An IT risk assessment has not been completed to properly identify all reasonable foreseeable threats to Beaufort County data.</p>	We recommend Beaufort County complete an IT risk assessment	We have reviewed the results of the finding noted and concur with the assessment of the issues identified.
17-5	IP	Access Controls	<p>A regular review of access rights should be completed</p> <p>By the County to ensure proper segregation of duties between all personnel with access to the systems and financial data.</p>	We recommend Beaufort County incorporate this into their current ITGC controls.	We have reviewed the results of the finding noted and concur with the assessment of the issues identified.