

Pamlico County, North Carolina

FINANCIAL REPORT

June 30, 2018



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June 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Pamlico 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 Pamlico County, North Carolina, as of and for the year then ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Pamlico 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pamlico County ABC Board, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those financial 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 Pamlico 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 Pamlico 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 auditors' 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 auditors consider 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 Pamlico County, North Carolina as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Hazard Mitigation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note X to the financial statements, Pamlico County, North Carolina adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions on pages 72 and 73, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 74 and 75, 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 on pages 76 and 77, and the Other Postemployment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios on page 78 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 Pamlico 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 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of Pamlico County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pamlico County's internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

New Bern, North Carolina

November 30, 2018

Pamlico County Management's Discussion and Analysis

As management of Pamlico County, we offer readers of Pamlico County's financial statements this narrative overview and analysis of the financial activities of Pamlico County for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

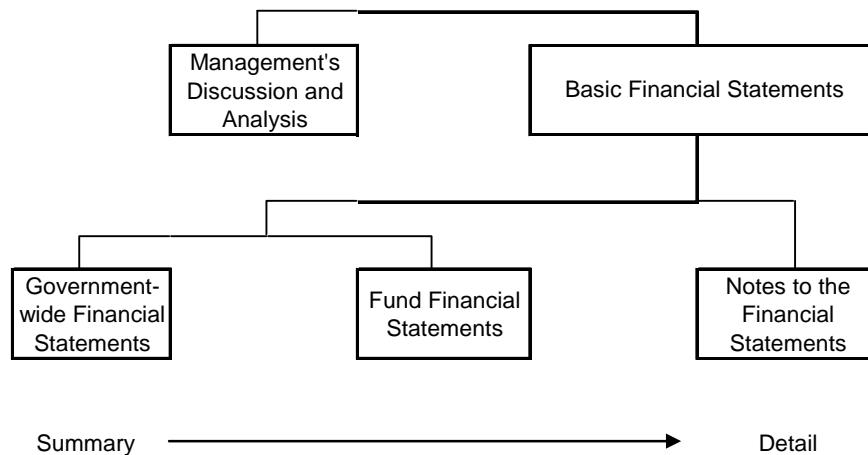
- The assets and deferred outflows of resources of Pamlico County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$25,375,712 (*net position*).
- The government's total net position increased by \$323,219 after restatement, primarily due to the governmental funds.
- As of the close of the current fiscal year, Pamlico County's governmental funds reported combined ending fund balances of \$10,940,281, a decrease of \$70,180, in comparison with the prior year. Approximately 15.57% of this total amount or \$1,702,912 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,689,203, or 40.15% of total general fund expenditures of \$19,150,173 for the fiscal year.
- Pamlico County's total debt decreased by \$1,092,231 or 8.21% during the current fiscal year. The key factor in this decrease was the repayment of debt principal.
- Tax collection rate was 95.67% for FY 2017-2018. This represents a slight decrease from last year.

Overview of the Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's 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 General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans and other postemployment benefits.

Government-wide Financial Statements

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

The two government-wide statements report the County's net 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. These include the water services offered by Pamlico County. The final category is the component unit. Pamlico County ABC Board is legally separate from the County however the County is financially accountable for the Board by appointing its members. Also, the 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 activities or objectives. Pamlico County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Pamlico County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Pamlico County Management's Discussion and Analysis

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.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Pamlico County's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 72 of this report.

Government-Wide Financial Analysis

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 \$25,375,712 as of June 30, 2018. The County's net position increased by \$323,219, after restatement for the fiscal year ended June 30, 2018. One of the largest portions \$12,238,930 (48.23%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment).

Pamlico County Management's Discussion and Analysis

Pamlico County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Pamlico County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Pamlico County's net position \$1,700,032 (6.70%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,436,750 is unrestricted.

Pamlico County's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 12,877,977 | \$ 12,657,513 | \$ 4,726,163 | \$ 4,611,419 | \$ 17,604,140 | \$ 17,268,932 |
| Capital assets | 11,195,867 | 11,324,830 | 11,897,614 | 12,262,697 | 23,093,481 | 23,587,527 |
| Deferred outflows of resources | 1,170,589 | 1,476,296 | 84,932 | 113,019 | 1,255,521 | 1,589,315 |
| Total assets and deferred outflows of resources | 25,244,433 | 25,458,639 | 16,708,709 | 16,987,135 | 41,953,142 | 42,445,774 |
| Long-term liabilities | 11,916,035 | 12,593,221 | 3,485,709 | 3,942,059 | 15,401,744 | 16,535,280 |
| Other liabilities | 851,301 | 558,761 | 148,108 | 130,949 | 999,409 | 689,710 |
| Deferred inflows of resources | 169,204 | 163,903 | 7,073 | 4,388 | 176,277 | 168,291 |
| Total liabilities and deferred inflows of resources | 12,936,540 | 13,315,885 | 3,640,890 | 4,077,396 | 16,577,430 | 17,393,281 |
| Net position: | | | | | | |
| Net investment in capital assets | 3,618,216 | 3,411,212 | 8,620,714 | 8,541,995 | 12,238,930 | 11,953,207 |
| Restricted | 1,700,032 | 1,554,916 | - | - | 1,700,032 | 1,554,916 |
| Unrestricted | 6,989,645 | 7,176,626 | 4,447,105 | 4,367,744 | 11,436,750 | 11,544,370 |
| Total net position | \$ 12,307,893 | \$ 12,142,754 | \$ 13,067,819 | \$ 12,909,739 | \$ 25,375,712 | \$ 25,052,493 |

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

- Continued diligence in the collection of property taxes, both current year levy and prior year delinquent taxes.
- Revenues were higher than budgeted in property taxes, sales taxes, other taxes, and permits and fees.
- Savings were realized in several departments due to lapsed salaries, as well as unspent supplies, utilities and equipment appropriations.

Pamlico County Management's Discussion and Analysis

Pamlico County's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,920,961 | \$ 1,973,431 | \$ 2,509,014 | \$ 2,410,899 | \$ 4,429,975 | \$ 4,384,330 |
| Operating grants | 3,850,349 | 5,971,660 | - | - | 3,850,349 | 5,971,660 |
| Capital grants | - | 259,000 | - | - | - | 259,000 |
| General revenues: | | | | | | |
| Property taxes | 11,340,557 | 11,106,873 | - | - | 11,340,557 | 11,106,873 |
| Local option sales tax | 2,615,328 | 2,479,519 | - | - | 2,615,328 | 2,479,519 |
| Other | 530,409 | 548,251 | - | - | 530,409 | 548,251 |
| Book value of transferred assets | 1,032 | 5,468 | (1,032) | (5,468) | - | 542,783 |
| Investment earnings | 144,136 | 49,086 | 43,303 | 21,039 | 187,439 | 70,125 |
| Total revenues | 20,402,772 | 22,393,288 | 2,551,285 | 2,426,470 | 22,954,057 | 25,362,541 |
| Expenses: | | | | | | |
| General government | 2,707,639 | 2,529,349 | - | - | 2,707,639 | 2,529,349 |
| Public safety | 5,915,129 | 5,551,000 | - | - | 5,915,129 | 5,551,000 |
| Economic & physical development | | | | | | |
| Environmental protection | 344,775 | 317,659 | - | - | 344,775 | 317,659 |
| Human services | 4,506,006 | 4,741,012 | - | - | 4,506,006 | 4,741,012 |
| Cultural and recreation | 584,710 | 567,720 | - | - | 584,710 | 567,720 |
| Education | 4,492,099 | 4,323,738 | - | - | 4,492,099 | 4,323,738 |
| Interest on long-term debt | 355,421 | 372,608 | - | - | 355,421 | 372,608 |
| Water and sewer | - | - | 2,261,569 | 2,206,298 | 2,261,569 | 2,206,298 |
| Total expenses | 20,208,817 | 21,487,821 | 2,261,569 | 2,206,298 | 22,470,386 | 23,694,119 |
| Increase in net position | | | | | | |
| before transfers | 193,955 | 905,467 | 289,716 | 220,172 | 483,671 | 1,668,422 |
| Transfers | 117,000 | 111,532 | (117,000) | (111,532) | - | - |
| Change in net position | 310,955 | 1,016,999 | 172,716 | 108,640 | 483,671 | 1,668,422 |
| Net position, July 1 | 12,142,754 | 11,254,088 | 12,909,739 | 12,801,099 | 25,052,493 | 24,055,187 |
| Restatement | (145,816) | (128,333) | (14,636) | - | (160,452) | (128,333) |
| Net position, July 1 restated | 11,996,938 | 11,125,755 | 12,895,103 | 12,801,099 | 24,892,041 | 23,926,854 |
| Net position, June 30 | \$ 12,307,893 | \$ 12,142,754 | \$ 13,067,819 | \$ 12,909,739 | \$ 25,375,712 | \$ 25,595,276 |

Governmental activities. Governmental activities increased the County's net position by \$165,139 after restatement. Key elements of this increase are as follows:

- Increase in local option sales tax revenues.
- Increase in property tax revenues.
- Decrease in total operating expenses.

Pamlico County Management's Discussion and Analysis

Business-type activities: Business-type activities increased Pamlico County's net position by \$158,080. Key elements of this increase are as follows:

- Increased operating revenues.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Pamlico County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Pamlico County's financing requirements. Specifically, 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 Pamlico County. At the end of the current fiscal year, Pamlico County's fund balance available in the General Fund was \$7,689,203, while total fund balance reached \$10,248,654. The County currently has an available fund balance of 40.15% of general fund expenditures, while total fund balance represents 53.52% of that same amount.

At June 30, 2018, the governmental funds of Pamlico County reported a combined fund balance of \$10,940,281, a 0.64% 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.

Proprietary Funds. Pamlico County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. At the end of the fiscal year, unrestricted net position of the Water Fund equaled \$4,447,105. There was an increase in net position of \$158,080 after restatement. Other factors concerning the finances of these funds have already been addressed in the discussion of Pamlico County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Pamlico County's capital assets for its governmental and business – type activities as of June 30, 2018, totals \$23,093,481 (net of accumulated depreciation). These assets include buildings, land, equipment, and vehicles.

Pamlico County Management's Discussion and Analysis

Major capital asset transactions during the year include:

- Courthouse improvements
- Communication equipment for the Jail
- Public Safety vehicles

Pamlico County's Capital Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 334,634 | \$ 334,634 | \$ 70,286 | \$ 70,286 | \$ 404,920 | \$ 404,920 |
| Construction in progress | 319,539 | 92,435 | 261,788 | 26,250 | 581,327 | 118,685 |
| Buildings and improvements | 12,532,260 | 12,532,260 | 7,155,435 | 7,155,435 | 19,687,695 | 19,687,695 |
| Plant | - | - | 10,508,279 | 10,508,279 | 10,508,279 | 10,508,279 |
| Equipment and vehicles | 4,311,750 | 3,997,841 | 2,375,081 | 2,339,685 | 6,686,831 | 6,337,526 |
| Subtotal | 17,498,183 | 16,957,170 | 20,370,869 | 20,099,935 | 37,869,052 | 37,057,105 |
| Less: accumulated depreciation | (6,302,316) | (5,632,340) | (8,473,255) | (7,837,238) | (14,775,571) | (13,469,578) |
| Total assets | \$ 11,195,867 | \$ 11,324,830 | \$ 11,897,614 | \$ 12,262,697 | \$ 23,093,481 | \$ 23,587,527 |

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

Long-term Debt. As of June 30, 2018, Pamlico County had total debt outstanding of \$12,206,377, all of which is backed by the full faith and credit of the County.

Pamlico County's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Installment notes | \$ 8,902,901 | \$ 9,514,667 | \$ 3,276,900 | \$ 3,720,702 | \$ 12,179,801 | \$ 13,235,369 |
| Capital lease obligation | 26,576 | 63,239 | - | - | 26,576 | 63,239 |
| Compensated absences | 352,051 | 337,679 | 27,287 | 34,359 | 379,338 | 372,038 |
| Net pension liability (LGERS) | 1,272,883 | 1,606,810 | 99,318 | 125,226 | 1,372,201 | 1,732,036 |
| Total pension liability (LEOSSA) | 361,492 | 285,431 | - | - | 361,492 | 285,431 |
| Total OPEB liability | 1,000,132 | 785,395 | 82,204 | 61,772 | 1,082,336 | 847,167 |
| Total | \$ 11,916,035 | \$ 12,593,221 | \$ 3,485,709 | \$ 3,942,059 | \$ 15,401,744 | \$ 16,535,280 |

Pamlico County's total bonded debt decreased by \$1,055,568 (7.98%) during the past fiscal year, primarily due to the continued payment of debt balances.

Pamlico County's total liabilities decreased by \$1,133,536 (6.86%) during the past fiscal year, primarily due to continued payment of debt balances and the implementation of GASB 75 and the resulting Total OPEB liability.

Pamlico County Management's Discussion and Analysis

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Pamlico County is \$120,678,519.

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

Economic Factors and Next Year's Budgets and Rates

- The County's unemployment rate for August 2018 was projected at 4.20%, down from the 4.5% level reported in 2017. The State unemployment rate for August 2018 was 3.9%.
- Median household income for 2018 was projected at \$43,808, up from the 2017 estimate of \$41,004. In comparison, the State's median household income for 2017 (latest data available) was reported at \$48,256.

Over the past three years, the County has aggressively managed costs in response to uncertain economic conditions. The County's fund balance remains healthy relative to those conditions. Along with staff, we remain cautious in both budget recommendations and revenue estimates.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: The approved General Fund budget is balanced at \$19,280,014 with a tax rate of \$.625 per \$100. The tax rate remained at the 2017 level. At the rate of \$.625 per \$100, estimated fiscal year 2018-2019 tax collections are budgeted at \$10,580,000, including collections from prior years. Revenue from motor vehicle collections is budgeted at \$770,000. A fund balance allocation of \$1,302,253 is included in the final budget.

A 2% cost of living adjustment is included in the budget for all employees, as well as recommended other salary adjustments.

Total Board of Education allocation is budgeted at \$4,044,710. Current expense is funded at \$3,794,710, with capital outlay at \$250,000. Pamlico Community College funding is allocated at \$610,000.

Business – type Activities: Water rates for the fiscal year 2018-2019 are budgeted to increase to the levels as summarized below:

- Water usage rate - \$4.75/1,000 gallons (2 inch meters and less)
- Water usage rate - \$6.76/1,000 gallons (3 inch meters and up)
- Flat rate monthly charge for ¾ inch meter - \$15.50
- Flat rate monthly charge for 1 inch meter - \$15.50
- Flat rate monthly charge for 2 inch meter or greater - \$40.50
- Customer deposits remain at \$75



Pamlico County Management's Discussion and Analysis

In order to spread the cost of maintenance evenly over time, the County has entered into a fifteen year maintenance contract. Other capital items funded include: (1) replace utility trucks (\$28,020), (2) handheld meter readers (\$25,000), (3) Kershaw / Grantsboro water project (\$432,262), and (4) Reelsboro water project (\$1,749,150).

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:

County Finance Officer
P.O. Box 776
Bayboro, North Carolina 28515

Pamlico County
Statement of Net Position
June 30, 2018
Exhibit 1

| | Governmental Activities | Business-type Activities | Total | Component Unit Pamlico County ABC Board |
|--|----------------------------|-----------------------------|----------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 214,991 | \$ 1,139,814 | \$ 1,354,805 | \$ 355,490 |
| Investments | 9,783,910 | 3,142,642 | 12,926,552 | - |
| Taxes receivable, net | 1,080,839 | - | 1,080,839 | - |
| Accounts receivable, net | 1,524,050 | 352,839 | 1,876,889 | - |
| Inventories | - | 32,168 | 32,168 | 314,409 |
| Prepaid items | 2,880 | - | 2,880 | - |
| Restricted cash and cash equivalents | 247,207 | 58,700 | 305,907 | - |
| Net pension asset | 24,100 | - | 24,100 | - |
| Capital assets: | | | | |
| Land and construction in progress | 654,173 | 332,074 | 986,247 | 36,749 |
| Other capital assets, net | 10,541,694 | 11,565,540 | 22,107,234 | 35,257 |
| Total assets | 24,073,844 | 16,623,777 | 40,697,621 | 741,905 |
| DEFERRED OUTFLOWS OF RESOURCES | 1,170,589 | 84,932 | 1,255,521 | - |
| LIABILITIES | | | | |
| Accounts payable | 757,466 | 89,408 | 846,874 | 192,990 |
| Accrued interest payable | 93,835 | - | 93,835 | - |
| Customer deposits | - | 58,700 | 58,700 | - |
| Long-term liabilities: | | | | |
| Due within one year | 791,971 | 413,706 | 1,205,677 | - |
| Due in more than one year | 11,124,064 | 3,072,003 | 14,196,067 | - |
| Total liabilities | 12,767,336 | 3,633,817 | 16,401,153 | 192,990 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Prepaid taxes | 75,291 | - | 75,291 | - |
| Pension deferrals | 93,913 | 7,073 | 100,986 | - |
| Total deferred inflows of resources | 169,204 | 7,073 | 176,277 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 3,618,216 | 8,620,714 | 12,238,930 | 72,006 |
| Restricted for: | | | | |
| Stabilization by State Statute | 1,524,050 | - | 1,524,050 | - |
| Other purposes | 175,982 | - | 175,982 | 270,473 |
| Unrestricted | 6,989,645 | 4,447,105 | 11,436,750 | 206,436 |
| Total net position | \$ 12,307,893 | \$ 13,067,819 | \$ 25,375,712 | \$ 548,915 |

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

**Pamlico County
Statement of Activities
For the Fiscal Year Ended June 30, 2018
Exhibit 2**

Net (Expense) Revenue and Changes in Net Position
Component

| Functions/ Programs | Expenses | Program Revenues | | | Primary Government | | | Component Unit |
|--|---------------|----------------------|-----------------------------------|---------------------------------|-------------------------|--------------------------|----------------|--------------------------|
| | | Charges for Services | Operating Grants and Contribution | Capital Grants and Contribution | Governmental Activities | Business-type Activities | Total | Pamlico County ABC Board |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 2,707,639 | \$ 86,316 | \$ - | \$ - | \$ (2,621,323) | \$ - | \$ (2,621,323) | |
| Public safety | 5,915,129 | 1,432,178 | 8,550 | - | (4,474,401) | - | (4,474,401) | |
| Environmental protection | 344,775 | 72,936 | 26,350 | - | (245,489) | - | (245,489) | |
| Economic and physical development | 1,303,038 | 198,155 | 510,457 | - | (594,426) | - | (594,426) | |
| Human services | 4,506,006 | 125,986 | 3,304,992 | - | (1,075,028) | - | (1,075,028) | |
| Cultural and recreation | 584,710 | 5,390 | - | - | (579,320) | - | (579,320) | |
| Education | 4,492,099 | - | - | - | (4,492,099) | - | (4,492,099) | |
| Interest on long-term debt | 355,421 | - | - | - | (355,421) | - | (355,421) | |
| Total governmental activities | 20,208,817 | 1,920,961 | 3,850,349 | - | (14,437,507) | - | (14,437,507) | |
| Business-type activities: | | | | | | | | |
| Water | 2,261,569 | 2,509,014 | - | - | - | 247,445 | 247,445 | |
| Total primary government | \$ 22,470,386 | \$ 4,429,975 | \$ 3,850,349 | \$ - | (14,437,507) | 247,445 | (14,190,062) | |
| Component Unit: | | | | | | | | |
| Pamlico County ABC Board | \$ 1,375,191 | \$ 1,385,082 | \$ - | \$ - | | | | \$ 9,891 |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purposes | | | | | 11,340,557 | - | 11,340,557 | - |
| Local option sales tax | | | | | 2,615,328 | - | 2,615,328 | - |
| Other taxes | | | | | 477,913 | - | 477,913 | - |
| Investment earnings | | | | | 144,136 | 43,303 | 187,439 | 109 |
| Book value of transferred assets | | | | | 1,032 | (1,032) | - | - |
| Miscellaneous | | | | | 52,496 | - | 52,496 | - |
| Total general revenues | | | | | 14,631,462 | 42,271 | 14,673,733 | 109 |
| Transfers | | | | | 117,000 | (117,000) | - | - |
| Change in net position | | | | | 310,955 | 172,716 | 483,671 | 10,000 |
| Net position - beginning, as previously reported | | | | | 12,142,754 | 12,909,739 | 25,052,493 | 538,915 |
| Restatement | | | | | (145,816) | (14,636) | (160,452) | - |
| Net position - beginning, as restated | | | | | 11,996,938 | 12,895,103 | 24,892,041 | 538,915 |
| Net position - ending | | | | | \$ 12,307,893 | \$ 13,067,819 | \$ 25,375,712 | \$ 548,915 |

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

Pamlico County
Balance Sheet – Governmental Funds
June 30, 2018
Exhibit 3

| | Major Fund | | | Other Non- major Governmental Funds | Total Governmental Funds |
|--|---------------|------------------------------------|------------|--|--------------------------------|
| | General | Hazard Mitigation Grant Fund | | | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 31,588 | \$ 368 | \$ 183,035 | \$ 214,991 | |
| Investments | 9,783,910 | - | - | 9,783,910 | |
| Taxes receivable, net | 1,002,505 | - | 78,334 | 1,080,839 | |
| Accounts receivable, net | 1,257,038 | 12,628 | 254,384 | 1,524,050 | |
| Prepaid items | 160 | - | 2,720 | 2,880 | |
| Restricted cash and cash equivalents | - | - | 247,207 | 247,207 | |
| Total assets | \$ 12,075,201 | \$ 12,996 | \$ 765,680 | \$ 12,853,877 | |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | \$ 748,751 | \$ - | \$ 7,421 | \$ 756,172 | |
| Cash overdraft | - | - | 1,294 | 1,294 | |
| Total liabilities | 748,751 | - | 8,715 | 757,466 | |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property tax receivable | 1,002,505 | - | 78,334 | 1,080,839 | |
| Prepaid taxes | 75,291 | - | - | 75,291 | |
| Total deferred inflows of resources | 1,077,796 | - | 78,334 | 1,156,130 | |
| FUND BALANCES | | | | | |
| Non-spendable | 160 | - | 2,720 | 2,880 | |
| Restricted | | | | | |
| Stabilization of State Statute | 1,257,038 | 12,628 | 254,384 | 1,524,050 | |
| Public safety | - | - | 130,886 | 130,886 | |
| Economic development | - | 368 | 37,390 | 37,758 | |
| Register of Deeds | - | - | 7,338 | 7,338 | |
| Committed | | | | | |
| Tax Revaluation | - | - | 247,207 | 247,207 | |
| Assigned | | | | | |
| Subsequent year's expenditures | 1,302,253 | - | - | 1,302,253 | |
| Unassigned | 7,689,203 | - | (1,294) | 7,687,909 | |
| Total fund balances | 10,248,654 | 12,996 | 678,631 | 10,940,281 | |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 12,075,201 | \$ 12,996 | \$ 765,680 | \$ 12,853,877 | |

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

Pamlico County
Reconciliation of the Governmental Funds
to the Statement of Net Position
June 30, 2018
Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | | |
|--|--------------------|--------------------|
| Total fund balances - governmental funds | \$ | 10,940,281 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical cost | 17,498,183 | |
| Accumulated depreciation | <u>(6,302,316)</u> | 11,195,867 |
| Net pension asset | | 24,100 |
| Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position | | 415,864 |
| Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position | | 39,199 |
| Deferred inflows of resources for taxes receivable in fund statements | | 1,080,839 |
| Benefit payments and pension administration costs for LEOSSA and deferred outflows of resources on the Statement of Net Position | | 11,808 |
| Net pension liability | | (1,272,883) |
| Total pension liability | | (361,492) |
| Total OPEB liability | | (1,000,132) |
| Pension related deferrals | | 653,692 |
| OPEB related deferrals | | (43,888) |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported in the funds. | | <u>(9,375,362)</u> |
| Net position of governmental funds | \$ | 12,307,893 |

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

Pamlico County
Statement of Revenues, Expenditures, and Changes
in Fund Balance – Governmental Funds
For the Fiscal Year Ended June 30, 2018
Exhibit 4

| | Major Fund | | Other Non- major Governmental Funds | Total Governmental Funds |
|--|--------------|------------------------------------|--|--------------------------------|
| | General | Hazard Mitigation Grant Fund | | |
| REVENUES | | | | |
| Ad valorem taxes | \$10,578,678 | \$ - | \$ 742,189 | \$ 11,320,867 |
| Local option sales tax | 2,615,328 | - | - | 2,615,328 |
| Other taxes and licenses | 251,904 | - | 135,396 | 387,300 |
| Unrestricted intergovernmental | 1,429,655 | - | - | 1,429,655 |
| Restricted intergovernmental | 3,313,543 | 257,865 | 372,078 | 3,943,486 |
| Permits and fees | 323,476 | - | - | 323,476 |
| Sales and services | 163,047 | - | 2,260 | 165,307 |
| Investment earnings | 139,516 | - | 4,620 | 144,136 |
| Miscellaneous | 51,432 | - | 1,064 | 52,496 |
| Total revenues | 18,866,579 | 257,865 | 1,257,607 | 20,382,051 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,626,402 | - | 61,575 | 2,687,977 |
| Public safety | 4,891,778 | - | 911,330 | 5,803,108 |
| Environmental protection | 366,657 | - | - | 366,657 |
| Economic and physical development | 853,888 | 217,974 | 228,179 | 1,300,041 |
| Human services | 4,376,662 | - | - | 4,376,662 |
| Cultural and recreation | 569,774 | - | - | 569,774 |
| Education | 4,492,099 | - | - | 4,492,099 |
| Debt service: | | | | |
| Interest | 361,147 | - | - | 361,147 |
| Principal | 611,766 | - | - | 611,766 |
| Total expenditures | 19,150,173 | 217,974 | 1,201,084 | 20,569,231 |
| Excess (deficiency) of revenues over expenditures | (283,594) | 39,891 | 56,523 | (187,180) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer to other funds | (224,563) | - | - | (224,563) |
| Transfer from other funds | 117,000 | 16,000 | 208,563 | 341,563 |
| Total other financing sources (uses) | (107,563) | 16,000 | 208,563 | 117,000 |
| Net change in fund balance | (391,157) | 55,891 | 265,086 | (70,180) |
| Fund balances - beginning | 10,639,811 | (42,895) | 413,545 | 11,010,461 |
| Fund balances - ending | \$10,248,654 | \$ 12,996 | \$ 678,631 | \$ 10,940,281 |

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

Pamlico County
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance – Governmental Funds
For the Fiscal Year Ended June 30, 2018
Exhibit 5

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

| | |
|--|-------------|
| Net change in fund balances - governmental funds | \$ (70,180) |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. | (129,995) |
| Book value of transferred assets received during the year, not recognized on modified accrual basis | 1,032 |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. | 415,864 |
| Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position | 39,199 |
| Benefit payments and pension administration costs for LEOSA are deferred outflows of resources on the Statement of Net Position | 11,808 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | 19,690 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 648,429 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | (624,892) |
| Total changes in net position of governmental activities | \$ 310,955 |

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

Pamlico County
Statement of Revenues, Expenditures, and Changes in Fund
Balance – General Fund – Budget and Actual
For the Fiscal Year Ended June 30, 2018
Exhibit 6

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|---|--------------------|-------------------|----------------------|---|
| | Original Budget | Final Budget | Actual Amounts | |
| REVENUES | | | | |
| Ad valorem taxes | \$ 10,550,500 | \$ 10,570,500 | \$ 10,578,678 | \$ 8,178 |
| Local option sales tax | 2,462,000 | 2,603,929 | 2,615,328 | 11,399 |
| Other taxes and licenses | 81,800 | 213,311 | 251,904 | 38,593 |
| Unrestricted intergovernmental | 1,437,000 | 1,437,300 | 1,429,655 | (7,645) |
| Restricted intergovernmental | 3,456,188 | 4,573,158 | 3,313,543 | (1,259,615) |
| Permits and fees | 281,930 | 316,930 | 323,476 | 6,546 |
| Sales and services | 103,621 | 212,563 | 163,047 | (49,516) |
| Investment earnings | 20,000 | 123,983 | 139,516 | 15,533 |
| Miscellaneous | - | 238,924 | 51,432 | (187,492) |
| Total revenues | 18,393,039 | 20,290,598 | 18,866,579 | (1,424,019) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,595,682 | 2,881,263 | 2,626,402 | 254,861 |
| Public safety | 4,658,154 | 5,224,433 | 4,891,778 | 332,655 |
| Environmental protection | 309,050 | 393,406 | 366,657 | 26,749 |
| Economic and physical development | 538,621 | 1,984,509 | 853,888 | 1,130,621 |
| Human services | 5,282,718 | 5,112,479 | 4,376,662 | 735,817 |
| Cultural and recreation | 574,599 | 708,448 | 569,774 | 138,674 |
| Education | 4,492,099 | 4,492,099 | 4,492,099 | - |
| Debt service | | | | |
| Principal | 611,766 | 611,766 | 611,766 | - |
| Interest | 348,729 | 364,532 | 361,147 | 3,385 |
| Total expenditures | 19,411,418 | 21,772,935 | 19,150,173 | 2,622,762 |
| Revenues over (under) expenditures | (1,018,379) | (1,482,337) | (283,594) | 1,198,743 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer to other funds | - | (224,564) | (224,563) | 1 |
| Transfer from other funds | 117,000 | 117,000 | 117,000 | - |
| Total other financing sources (uses) | 117,000 | (107,564) | (107,563) | 1 |
| Fund balance appropriated | 901,379 | 1,589,901 | - | (1,589,901) |
| Net change in fund balance | \$ - | \$ - | (391,157) | \$ (391,157) |
| Fund balances - beginning | | | 10,639,811 | |
| Fund balance - ending | | | <u>\$ 10,248,654</u> | |

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

Pamlico County
**Statement of Revenues, Expenditures, and Changes in Fund
 Balance – Hazard Mitigation Fund – Budget and Actual
 For the Fiscal Year Ended June 30, 2018
 Exhibit 7**

| | Hazard Mitigation Grant Fund | | | Variance with Final Budget - Positive (Negative) |
|---|------------------------------|---------------|-------------------|---|
| | Original Budget | Final Budget | Actual Amounts | |
| REVENUES | | | | |
| Restricted intergovernmental | \$ 12,972,070 | \$ 12,972,070 | \$ 257,865 | \$ (12,714,205) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic and physical development | 12,972,070 | 12,972,070 | 217,974 | 12,754,096 |
| Revenues over expenditures | - | - | 39,891 | 39,891 |
| OTHER FINANCING SOURCES | | | | |
| Transfer from General Fund | - | - | 16,000 | 16,000 |
| Revenues and other financing sources over (under) expenditures | \$ - | \$ - | 55,891 | \$ 55,891 |
| Fund balances - beginning | | | (42,895) | |
| Fund balance - ending | | | <u>\$ 12,996</u> | |

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

Pamlico County
Statement of Net Position – Proprietary Funds
June 30, 2018
Exhibit 8

| | Water Fund |
|--|-------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,139,814 |
| Investments | 3,142,642 |
| Accounts receivable, net | 352,839 |
| Inventories | 32,168 |
| Restricted cash and cash equivalents | 58,700 |
| Total current assets | 4,726,163 |
| Noncurrent assets: | |
| Capital assets: | |
| Land and construction in progress | 332,074 |
| Capital assets, net of depreciation | 11,565,540 |
| Total capital assets | 11,897,614 |
| Total assets | 16,623,777 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| | 84,932 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 89,408 |
| Compensated absences | 12,000 |
| Current portion of long-term debt | 401,706 |
| Customer deposits payable from restricted assets | 58,700 |
| Total current liabilities | 561,814 |
| Noncurrent liabilities: | |
| Compensated absences | 15,287 |
| Installment purchases payable | 2,875,194 |
| Net pension liability | 99,318 |
| Total OPEB liability | 82,204 |
| Total noncurrent liabilities | 3,072,003 |
| Total liabilities | 3,633,817 |
| DEFERRED INFLOWS OF RESOURCES | |
| | 7,073 |
| NET POSITION | |
| Net investment in capital assets | 8,620,714 |
| Unrestricted | 4,447,105 |
| Total net position | \$ 13,067,819 |

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

Pamlico County
**Statement of Revenues, Expenses and Changes in Fund Net Position –
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2018
 Exhibit 9**

| | Water Fund |
|--|----------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 2,413,932 |
| Water taps | 76,995 |
| Other operating revenues | 18,087 |
| Total operating revenues | 2,509,014 |
| OPERATING EXPENSES | |
| Water operations | 1,592,095 |
| Depreciation | 655,629 |
| Total operating expenses | 2,247,724 |
| Operating income | 261,290 |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | 43,303 |
| Book value of transferred assets | (1,032) |
| Interest on long-term debt | (13,845) |
| Total nonoperating revenues | 28,426 |
| Income (loss) before contributions and transfers | 289,716 |
| Transfer to other funds | (117,000) |
| Change in net position | 172,716 |
| Total net position, beginning | 12,909,739 |
| Restatement | (14,636) |
| Net position, beginning, restated | 12,895,103 |
| Total net position, ending | \$ 13,067,819 |

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

Pamlico County
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2018
Exhibit 10

| | Water Fund |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 2,496,692 |
| Cash paid for goods and services | (935,169) |
| Cash paid to or on behalf of employees | (633,147) |
| Customer deposits received | 7,925 |
| Customer deposits returned | (4,750) |
| <hr/> | |
| Net cash provided by operating activities | 931,551 |
| CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES | |
| Transfer to other funds | (117,000) |
| <hr/> | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | (291,578) |
| Principal paid on long-term debt | (443,802) |
| Interest paid on long-term debt | (13,845) |
| <hr/> | |
| Net cash used by capital and financing activities | (749,225) |
| <hr/> | |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of investments | (43,303) |
| Investment earnings | 43,303 |
| <hr/> | |
| Net cash provided by investing activities | - |
| <hr/> | |
| Net increase in cash and cash equivalents | 65,326 |
| Cash, beginning of year | 1,133,188 |
| <hr/> | |
| Cash, ending of year | \$ 1,198,514 |
| <hr/> | |

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

Pamlico County
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2018
Exhibit 10

| | |
|--|---------------------|
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 261,290 |
| Adjustments to reconcile income to cash provided by operations: | |
| Depreciation | 655,629 |
| (Increase) decrease in accounts receivable | (12,322) |
| (Increase) decrease in inventory | 6,207 |
| (Increase) decrease in deferred outflows of resources for pensions | 28,655 |
| (Increase) decrease in deferred outflows of resources for OPEB | (568) |
| Increase (decrease) in accounts payable | 13,984 |
| Increase (decrease) in accrued vacation | (7,072) |
| Increase (decrease) in customer deposits | 3,175 |
| Increase (decrease) in net pension liability | (25,908) |
| Increase (decrease) in total OPEB liability | 5,796 |
| Increase (decrease) in deferred inflows of resources for OPEB | 4,258 |
| Increase (decrease) in deferred inflows of resources for pensions | (1,573) |
| Total adjustments | 670,261 |
| Net cash provided by operating activities | \$ 931,551 |
| Reconciliation of cash - ending: | |
| Cash | \$ 1,139,814 |
| Restricted cash | 58,700 |
| Total cash | \$ 1,198,514 |

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

Pamlico County
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2018
Exhibit 11

| | Agency Funds |
|--|---------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 122,102 |
| Accounts receivable (net) | 215,847 |
| <hr/> | |
| Total assets | 337,949 |
| <hr/> | |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 337,949 |
| <hr/> | |
| Total liabilities | \$ 337,949 |
| <hr/> | |

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

I. Summary of Significant Accounting Policies

The accounting policies of Pamlico 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. The discretely presented component unit presented below is reported in a separate column in the County's financial statements in order to emphasize that it is legally separate from the County.

Pamlico County ABC Board

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 surplus to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it is a separate proprietary fund of the County. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Pamlico County ABC Board, P.O. Box 86, Bayboro, NC 28515.

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

Pamlico County Notes to the Financial Statements

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. 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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is a major fund for fund financial reporting purposes.

Hazard Mitigation Grant Fund. This fund is used to account for activity related to the Hazard Mitigation grant.

The County reports the following major enterprise funds:

Water Fund. This fund is used to account for the operations of the water fund. The capital reserve fund, Minnesott Pressure Improvement Project, Kershaw Water Treatment Project, and Reelsboro Elevated Tank Project are included in the Water Fund's financial statements.

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Social Services Department for the benefit of certain individuals; the Jail Inmate Fund, which accounts for monies deposited on behalf of the Jail's inmates; the Bay River Metropolitan Sewer District, which accounts for funds held for sewer services billed and collected by the County on behalf of the sewer district.

Nonmajor Funds. The County maintains eight legally budgeted nonmajor governmental funds. The Fire Districts Fund, the Reappraisal Fund, the Emergency Telephone System Fund, the CDBG Scattered Sites Fund; the Register of Deeds Enhancement and Preservation Fund; the 4-H Fund; the Electronic Management Fund; the FMA-SRL Grant Fund; and the FMA-RL Grant Fund are reported as nonmajor special revenue funds. The PCC Roof project fund is reported as nonmajor capital project fund.

Pamlico County Notes to the Financial Statements

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

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

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

Pamlico County Notes to the Financial Statements

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 beer and wine tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Sales taxes are considered a shared revenue for Pamlico County because the tax is levied by Pamlico County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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 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, and Water Fund. All annual appropriations lapse at the fiscal year-end. Project ordinance are adopted for multi-year special revenue funds, capital project funds, and the water capital projects. All budgets are prepared using the modified accrual basis of accounting.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for the General Fund, special revenue funds, and the Water Fund, and the object level for the multi-year special revenue funds and capital project funds. The County Manager is authorized to transfer any appropriations within a fund. The governing board must approve all amendments that increase total revenues or expenditures of a fund. 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. During the year, several amendments to the original budget were necessary.

D. Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in 2019. The statements address:

- Certain asset retirement obligations;
- Fiduciary activities;
- Leases; and
- Certain disclosures related to debt, including direct borrowing and direct payments.

The County is currently evaluating the effects that these statements will have on its 2019 financial statements.

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

1. Deposits and Investments

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

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

The majority of the County and ABC Board's investments are carried at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 mutual fund, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Investments are reported at fair value, with the exception of external investment pools which comply with criteria set forth in Section 150: *Investments* of the GASB Codification and have elected to measure their investments at amortized cost. Accordingly, the fair value of the County's position in the external investment pools having met these criteria is equal to the value of pooled shares.

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 considered cash and cash equivalents. The ABC Board considers demand deposits and investments with a maturity date of 90 days or less at a time of purchase to be cash and cash equivalents.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the County's access to 100 percent of their account value in either external investment pool.

3. Restricted Assets

Customer deposits held by the County before any services are supplied are restricted to the services for which the deposit was collected. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

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.

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. Inventory and Prepaid Items

The inventories of the County and ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory of the Water Fund as well as those of the ABC Board consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's Water Fund and ABC Board is recorded as an expense as it is consumed or sold.

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both government-wide and fund financial statements.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Capital assets are defined by the County as assets with an initial, individual cost greater than \$5,000 and an estimated useful life greater than two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Pamlico County Board of Education and Pamlico Community College properties, which have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County, the Board of Education, and Community College give the Board of Education and Community College 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 and Community College 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 Pamlico County Board of Education and Pamlico Community College.

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

| <u>Asset</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-----------------------------------|
| Buildings | 50 years |
| Improvements | 25 years |
| Furniture and equipment | 5-10 years |
| Vehicles | 5-10 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:

| <u>Asset</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-----------------------------------|
| Furniture and equipment | 5-10 years |
| Buildings | 50 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 two items that meet this criterion – pension related deferrals, and contributions made to the OPEB and pension plans 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 two items that meet the criterion for this category – prepaid taxes, and other OPEB or 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 Statement of Net Position.

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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.

Prepays – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.

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 Public Safety – portion of fund balance that is restricted by revenue source for public safety related activities, such as police, fire, and emergency telephone system.

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

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

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). Any changes or removal of specific purposes requires the majority action of the governing board.

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

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 governing body approves the appropriation.

Pamlico County Notes to the Financial Statements

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

Pamlico County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The finance officer 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 County has not adopted a formal fund balance policy.

12. 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) 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 or liability, 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 for all plans are reported at fair value.

13. Other Postemployment Benefits

The net position of the County's Healthcare Benefits Plan (the HCB Plan) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities, and additions to/ deductions from the OPEB Plan's net position. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Pamlico County
Notes to the Financial Statements

F. 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 - total governmental funds and net position for governmental activities as reported in the government-wide Statement of Net Position. The net adjustment of \$1,367,612 consists of several elements as follows:

| | |
|--|---------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds | \$ 17,498,183 |
| <u>Less accumulated depreciation</u> | <u>(6,302,316)</u> |
| Net capital assets | 11,195,867 |
| Net pension asset | 24,100 |
| Contributions to pension plan in the current fiscal year | 415,864 |
| Benefit payments and pension administration costs for LEOSSA | 11,808 |
| Contributions to OPEB plan in the current fiscal year | 39,199 |
| Deferred inflows of resources reported in the government-wide statements but not the fund statements: | |
| Deferred inflows of resources for taxes | 1,080,839 |
| Pension related deferrals | 653,692 |
| OPEB related deferrals | (43,888) |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements: | |
| Installment financing | (8,902,901) |
| Compensated absences | (352,051) |
| Total OPEB liability | (1,000,132) |
| Net pension liability | (1,272,883) |
| Total pension liability | (361,492) |
| Capital lease obligation | (26,576) |
| Accrued interest payable | (93,834) |
| <u>Total adjustment</u> | <u>\$ 1,367,612</u> |

Pamlico County
Notes to the 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. There are several elements of that total adjustment of \$381,135 as follows:

| | |
|--|-------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities | \$ 520,369 |
| 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 | (650,364) |
| Book value of transferred capital assets not recorded in fund statements | 1,032 |
| 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. | 648,429 |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 415,864 |
| Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position | 11,808 |
| Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position | 39,199 |
| Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements. | |
| Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual) | (5,726) |
| Compensated absences | 14,372 |
| OPEB expense | (112,809) |
| Pension expense | (520,729) |
| Revenues reported in the Statement of Activities that do not provide current resources are not recorded in the fund statements. | |
| Increase in deferred inflows of resources | 19,690 |
| Total adjustment | \$ 381,135 |

II. 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, 2018, the County's deposits had a carrying amount of \$1,781,627. The bank balances with financial institutions were \$2,274,933. Of these bank balances, \$250,000 was covered by federal depository insurance and \$1,531,627 was covered by collateral held under the Pooling Method.

At June 30, 2018, Pamlico County had \$1,187 cash on hand.

At June 30, 2018, the carrying amount of deposits for Pamlico County ABC Board was \$352,740 and the bank balance was \$331,371. Of these bank balances, \$250,000 was covered by federal depository insurance and \$81,371 was covered by collateral held under the Pooling Method.

At June 30, 2018, the ABC Board had \$2,750 cash on hand.

Pamlico County
Notes to the Financial Statements

2. Investments

As of June 30, 2018, the County had the following investments and maturities:

| Investment Type | Valuation Measurement Method | Fair Value | Less Than 6 Months | 6-12 Months |
|---|---------------------------------|----------------------|-----------------------|----------------|
| North Carolina Capital Management Trust - | | | | |
| Government Portfolio | Amortized Cost | \$ 10,663,963 | N/A | N/A |
| North Carolina Capital Management Trust - | | | | |
| Term Portfolio * | Fair Value - Level 1 | 2,262,589 | 2,262,589 | N/A |
| Total | | \$ 12,926,552 | \$ 2,262,589 | N/A |

*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

North Carolina Capital Management Trust Term Portfolio is measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be tiered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSRO's); however, the County had no formal policy on managing credit risk. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2018. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

At June 30, 2018, the ABC Board had no investments.

Pamlico County
Notes to the Financial Statements

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 |
|--------------|---------------------|-------------------|---------------------|
| 2015 | \$ 481,478 | \$ 157,689 | \$ 639,167 |
| 2016 | 488,642 | 116,102 | 604,744 |
| 2017 | 494,560 | 72,948 | 567,508 |
| 2018 | 494,521 | 28,436 | 522,957 |
| Total | \$ 1,959,201 | \$ 375,175 | \$ 2,334,376 |

4. Receivables

Receivables at the government-wide level at June 30, 2018, were as follows:

| | Taxes | Accounts | Total |
|----------------------------------|--------------|--------------|--------------|
| Governmental activities: | | | |
| General | \$ 1,352,505 | \$ 1,257,038 | \$ 2,609,543 |
| Other governmental | 78,334 | 267,012 | 345,346 |
| Total receivables | 1,430,839 | 1,524,050 | 2,954,889 |
| Allowance for doubtful accounts | (350,000) | - | (350,000) |
| Total governmental activities | \$ 1,080,839 | \$ 1,524,050 | \$ 2,604,889 |
| Business-type activities: | | | |
| Water | \$ - | \$ 409,679 | \$ 409,679 |
| Allowance for doubtful accounts | - | (56,840) | (56,840) |
| Total business-type activities | \$ - | \$ 352,839 | \$ 352,839 |

Due from other governments that is owed to the County consist of the following, which are presented on the Statement of Net Position within accounts receivable:

| | |
|--------------------------|-------------------|
| Local options sales tax | \$ 719,244 |
| White goods disposal tax | 1,287 |
| Scrap tire tax | 4,792 |
| Total | \$ 725,323 |

Pamlico County
Notes to the Financial Statements

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2018, was as follows:

| | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|--|-----------------------|-----------|-----------|-----------|----------------------|
| Governmental activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 334,634 | \$ - | \$ - | \$ - | \$ 334,634 |
| Construction in progress | 92,435 | 227,104 | - | - | 319,539 |
| Total capital assets not being depreciated | 427,069 | 227,104 | - | - | 654,173 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 12,532,260 | - | - | - | 12,532,260 |
| Equipment and vehicles | 3,997,841 | 293,265 | - | 20,644 | 4,311,750 |
| Total capital assets being depreciated | 16,530,101 | 293,265 | - | 20,644 | 16,844,010 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 3,281,169 | 239,097 | - | - | 3,520,266 |
| Equipment and vehicles | 2,351,171 | 411,267 | - | 19,612 | 2,782,050 |
| Total accumulated depreciation | 5,632,340 | 650,364 | - | 19,612 | 6,302,316 |
| Total capital assets being depreciated, net | <u>10,897,761</u> | | | | <u>10,541,694</u> |
| Governmental activities capital assets, net | <u>\$ 11,324,830</u> | | | | <u>\$ 11,195,867</u> |

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

| | |
|----------------------------|-------------------|
| General government | \$ 194,899 |
| Public safety | 333,929 |
| Environmental protection | 24,534 |
| Human services | 78,290 |
| Cultural and recreation | 18,712 |
| Total depreciation expense | <u>\$ 650,364</u> |

Pamlico County
Notes to the Financial Statements

A summary of changes in the County's capital assets used in enterprise fund activities follows:

| | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|--|-----------------------|-----------|-----------|-----------|----------------------|
| Business-type activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 70,286 | \$ - | \$ - | \$ - | \$ 70,286 |
| Construction in progress | 26,250 | 235,538 | - | - | 261,788 |
| Total capital assets not being depreciated | 96,536 | 235,538 | - | - | 332,074 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 7,155,435 | - | - | - | 7,155,435 |
| Plant | 10,508,279 | - | - | - | 10,508,279 |
| Equipment and vehicles | 2,339,685 | 56,040 | - | (20,644) | 2,375,081 |
| Total capital assets being depreciated | 20,003,399 | 56,040 | - | (20,644) | 20,038,795 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 3,140,922 | 281,119 | - | - | 3,422,041 |
| Plant | 3,452,986 | 256,138 | - | - | 3,709,124 |
| Equipment and vehicles | 1,243,330 | 118,372 | - | (19,612) | 1,342,090 |
| Total accumulated depreciation | 7,837,238 | 655,629 | - | (19,612) | 8,473,255 |
| Total capital assets being depreciated, net | <u>12,166,161</u> | | | | <u>11,565,540</u> |
| Business-type activities capital assets, net | <u>\$ 12,262,697</u> | | | | <u>\$ 11,897,614</u> |

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2018, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|--------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 36,749 | \$ - | \$ - | \$ 36,749 |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | 87,957 | - | - | 87,957 |
| Buildings | 306,980 | - | - | 306,980 |
| Total capital assets being depreciated | 394,937 | - | - | 394,937 |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | 71,607 | 1,555 | - | 73,162 |
| Buildings | 284,250 | 2,268 | - | 286,518 |
| Total accumulated depreciation | 355,857 | 3,823 | - | 359,680 |
| Total capital assets being depreciated, net | <u>39,080</u> | | | <u>35,257</u> |
| Governmental activities capital assets, net | <u>\$ 75,829</u> | | | <u>\$ 72,006</u> |

Pamlico County
Notes to the Financial Statements

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2018, were as follows:

| Type of Payable | Governmental Activities | Business-type Activities | Total |
|------------------------|------------------------------------|-------------------------------------|--------------|
| Trade payables | \$ 650,637 | \$ 77,072 | \$ 727,709 |
| Salaries payable | 106,829 | 12,336 | 119,165 |
| Total | \$ 757,466 | \$ 89,408 | \$ 846,874 |

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Pamlico County Notes to the Financial Statements

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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 year. Contributions to the pension plan from the County were \$444,756 for the year ended June 30, 2018.

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, 2018, the County reported a liability of \$1,372,201 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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.

Pamlico County Notes to the Financial Statements

At June 30, 2017, the County's proportion was 0.090%, which was an increase of 0.008% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$491,360. At June 30, 2018, 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 | \$ 79,051 | \$ 38,843 |
| Changes of assumptions | 195,969 | - |
| Net difference between projected and actual earnings on pension plan investments | 333,172 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 85,745 | - |
| County contributions subsequent to the measurement date | 444,756 | - |
| Total | \$ 1,138,693 | \$ 38,843 |

\$444,756 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|------------|
| 2019 | \$ 101,903 |
| 2020 | 423,170 |
| 2021 | 218,635 |
| 2022 | (88,614) |
| 2023 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 7.75 percent, including inflation and productivity factor |
| Investment rate of return | 7.20 percent, net of pension plan investment expense, including inflation |

Pamlico County Notes to the Financial Statements

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, 2016 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, 2017 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|----------------------|--------------------------|--|
| Fixed Income | 29.00% | 1.4% |
| Global Equity | 42.00% | 5.3% |
| Real Estate | 8.00% | 4.3% |
| Alternatives | 8.00% | 8.9% |
| Credit | 7.00% | 6.0% |
| Inflation Protection | 6.00% | 4.0% |
| Total | <u>100.00%</u> | |

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.

Pamlico County Notes to the Financial Statements

Discount rate. The discount rate used to measure the total pension liability was 7.20%. 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 liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| | 1% Decrease (6.20%) | Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|------------------------|--------------------------|------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 4,119,378 | \$ 1,372,201 | \$ (920,825) |

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Pamlico County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers 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.

Pamlico County
Notes to the Financial Statements

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 | 2 |
| Active plan members | 23 |
| Total | 25 |

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 actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|------------------|--|
| Inflation | 2.50 percent |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.16 percent |

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Deaths After Retirement (Healthy): RP-2014 Health Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Health Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Pamlico County
Notes to the Financial Statements

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 \$11,808 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, 2018, the County reported a total pension liability of \$361,492. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$42,352.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 20,687 | \$ - |
| Change of assumptions | 23,583 | 5,486 |
| County benefit payments and plan administrative expenses made subsequent to the measurement date | 11,808 | - |
| Total | \$ 56,078 | \$ 5,486 |

\$11,808 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 to the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|----------|
| 2019 | \$ 6,715 |
| 2020 | 6,715 |
| 2021 | 6,715 |
| 2022 | 6,715 |
| 2023 | 7,463 |
| Thereafter | 4,461 |

Pamlico County
Notes to the Financial Statements

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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

| | 1% Decrease (2.16%) | Discount Rate (3.16%) | 1% Increase (4.16%) |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | \$ 403,826 | \$ 361,492 | \$ 323,456 |

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

| | 2018 |
|--|-------------------|
| Beginning Balance | \$ 285,431 |
| Service cost | 24,847 |
| Interest on the total pension liability | 10,790 |
| Change of benefit terms | - |
| Differences between expected and actual experience | |
| in the measurement of the total pension liability | 24,408 |
| Change of assumptions or other inputs | 27,824 |
| Benefit payments | (11,808) |
| Other changes | - |
| Ending balance of the total pension liability | <u>\$ 361,492</u> |

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.86 percent at June 30, 2017 to 3.16 percent at June 30, 2018.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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.

The actuarial assumptions used in the December 31, 2016 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, 2018 were \$52,046 which consisted of \$48,028 from the County and \$4,018 from the law enforcement officers.

The County has adopted the Supplemental Retirement Plan of North Carolina 401(k) for its non-law enforcement employees. The County does not contribute to the plan; however, employees may make voluntary contributions to the plan. The total contributions by the employees for the year ended June 30, 2018 was \$71,212.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Pamlico County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple-employer 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.

Pamlico County Notes to the 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 \$5,162 for the year ended June 30, 2018.

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

At June 30, 2018, the County reported an asset of \$24,100 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was 0.141%, which was a decrease of 0.016% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$4,257. At June 30, 2018, 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 | \$ 414 | \$ 78 |
| Changes of assumptions | 4,066 | - |
| Net difference between projected and actual earnings on pension plan investments | 2,049 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 2,539 | 1,680 |
| County contributions subsequent to the measurement date | 5,162 | - |
| Total | \$ 14,230 | \$ 1,758 |

Pamlico County Notes to the Financial Statements

\$5,162 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|----------|
| 2019 | \$ 3,836 |
| 2020 | 2,717 |
| 2021 | 234 |
| 2022 | 523 |
| 2023 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 7.75 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, 2016 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, 2017 is 1.4%.

Pamlico County Notes to the Financial Statements

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 3.75%. 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) | \$ (18,942) | \$ (24,100) | \$ (28,437) |

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

The net pension liability for LGERS and ROD was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

Pamlico County
Notes to the Financial Statements

| | LGERS | ROD | LEOSSA | Total |
|--|--------------|-------------|---------------|--------------|
| Proportionate share of Net Pension Liability (Asset) | \$ 1,372,201 | \$ (24,100) | \$ - | \$ 1,348,101 |
| Proportion of the Net Pension Liability (Asset) | 0.08982% | 0.14119% | N/A | |
| Total Pension Liability | - | - | 361,492 | 361,492 |
| Pension Expense | 491,360 | 4,257 | 42,352 | 537,969 |

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | LGERS | ROD | LEOSSA | Total |
|---|--------------|------------|---------------|--------------|
| <u>Deferred Outflows of Resources</u> | | | | |
| Difference between expected and actual experience | \$ 79,051 | \$ 414 | \$ 20,687 | \$ 100,152 |
| Changes of assumptions | 195,969 | 4,066 | 23,583 | 223,618 |
| Net difference between projected and actual earnings on pension plan investments | 333,172 | 2,049 | - | 335,221 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 85,745 | 2,539 | - | 88,284 |
| County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date | 444,756 | 5,162 | 11,808 | 461,726 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Differences between expected and actual experience | \$ 38,843 | \$ 78 | \$ - | \$ 38,921 |
| Changes of assumptions | - | - | 5,486 | 5,486 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | - | 1,680 | - | 1,680 |

f. Other Postemployment 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). The County Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The County provides healthcare benefits to retirees of the County under the North Carolina Local Governmental Employees' Retirement System or the North Carolina Law Enforcement Officers' Local Governmental Employees' Retirement System who have their last five years of continuous service with the County at the time of retirement. The County has elected to contribute 2% of the cost of retiree health insurance to the plan, for each year of service. The benefits are available until the retiree reaches their 65th birthday, or obtains Medicare, whichever comes first.

Retirees can purchase coverage for their dependents at the County's group rates until the retiree reaches age 65, or until the retiree obtains Medicare, whichever comes first. The County purchases healthcare coverage through private insurers. A separate report was not issued for the plan.

Membership of the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

| | Employees |
|--|------------------|
| Inactive Members or Beneficiaries Currently Receiving Benefits | 3 |
| Active plan members | 142 |
| Total | 145 |

Total OPEB Liability

The County's total OPEB liability of \$1,082,336 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Pamlico County Notes to the Financial Statements

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|--|--|
| Inflation | 2.50 percent |
| Real wage growth | 1.00 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | |
| General Employees | 3.50 to 7.75 percent |
| Law Enforcement Officers | 3.50 to 7.35 percent |
| Municipal Bond Index Rate | |
| Prior Measurement Date | 3.01 percent |
| Measurement Date | 3.56 percent |
| Health Care Cost Trend | |
| Pre-Medicare | 7.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023 |

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Changes in the Total OPEB Liability

| | |
|---|---------------------|
| Beginning balance | \$ 1,035,862 |
| Changes for the year: | |
| Service cost | 98,554 |
| Interest on TOL and Cash Flows | 30,758 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | 8,401 |
| Changes of assumptions or other inputs | (62,996) |
| Benefit payments and implicit subsidy credit | (28,243) |
| Total OPEB liability, ending | <u>\$ 1,082,336</u> |

Pamlico County
Notes to the Financial Statements

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.56 percent) or 1-percentage point higher (4.56 percent) than the current discount rate:

| | 1% Decrease (2.56%) | Current Discount Rate (3.56%) | 1% Increase (4.56%) |
|----------------------|--------------------------------|--|--------------------------------|
| Total OPEB liability | \$ 1,199,736 | \$ 1,082,336 | \$ 977,177 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current | 1% Increase |
|----------------------|--------------------|----------------|--------------------|
| Total OPEB liability | \$ 942,898 | \$ 1,082,336 | \$ 1,249,563 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the County recognized OPEB expense of \$122,295. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 7,321 | \$ - |
| Changes of assumptions or other inputs | - | 54,899 |
| Benefit payments and administrative costs made subsequent to the measurement date | 39,199 | - |
| Total | \$ 46,520 | \$ 54,899 |

\$39,199 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, 2019.

Pamlico County
Notes to the Financial Statements

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|------------|
| 2019 | \$ (7,017) |
| 2020 | (7,017) |
| 2021 | (7,017) |
| 2022 | (7,017) |
| 2023 | (7,017) |
| Thereafter | (12,493) |

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. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

Pamlico County
Notes to the Financial Statements

3. Deferred Outflows and Inflows of Resources

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pensions - difference between expected and actual experience | | |
| LGERS | \$ 79,051 | \$ 38,843 |
| ROD | 414 | 78 |
| LEOSSA | 20,687 | - |
| Pensions - difference between projected and actual investment earnings | | |
| LGERS | 333,172 | - |
| ROD | 2,049 | - |
| Pensions - change in assumptions | | |
| LGERS | 195,969 | - |
| ROD | 4,066 | - |
| LEOSSA | 23,583 | 5,486 |
| Pensions - change in proportion and difference between employer contributions and proportionate share of contributions | | |
| LGERS | 85,745 | - |
| ROD | 2,539 | 1,680 |
| Contributions to pension plan in current fiscal year | | |
| LGERS | 444,756 | - |
| ROD | 5,162 | - |
| OPEB - difference between expected and actual experience | 7,321 | - |
| OPEB - Change in assumptions | - | 54,899 |
| Benefit payments for the OPEB plan paid subsequent to the measurement date | 39,199 | - |
| Benefit payments and admin costs paid subsequent to the measurement date (LEOSSA) | 11,808 | - |
| Prepaid taxes not yet earned (General) | | 75,291 |
| Total | <u>\$ 1,255,521</u> | <u>\$ 176,277</u> |

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence, auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers compensation coverage up to the statutory limits. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County.

The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000, up to \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for worker's compensation.

Through the captive, the Liability and Property Pool is reinsured for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

The Company provides employee health benefits through a plan provided by First Carolina Care Insurance Company. The County is fully insured and responsible only for the premium paid. Employees are covered and have a \$1,000 deductible refunded up to \$500. There is no yearly or lifetime maximum.

The County carries flood insurance in the amounts of \$50,000 for contents and \$500,000 for property through a private insurer.

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 commercial crime coverage with a \$250,000 occurrence limit. Individuals holding positions requiring statutory bonds are covered elsewhere. The Finance Officer and Tax Collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$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.

Pamlico County
Notes to the Financial Statements

5. Contingent Liabilities

At June 30, 2018, 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 cannot be determined at this time due to uncertainty in the application of relevant laws to the pending litigation.

6. Long-Term Obligations

a. Capital Leases

The County entered into agreements to lease certain software, computer equipment, and vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on January 10, 2014 for the lease of software and computer equipment and requires five annual payments of \$23,184. The second agreement was executed on September 9, 2015 for the lease of public safety vehicles and requires thirty-six monthly payments of \$1,421. Under the terms of both agreements, title passes to the County at the end of the lease term.

At June 30, 2018, the County leased vehicles and equipment valued at:

| Class of Property | Cost | Accumulated Depreciation | Net Book Value |
|-------------------|------------|-----------------------------|-------------------|
| Vehicles | \$ 46,220 | \$ 27,266 | \$ 18,954 |
| Equipment | 102,453 | 45,783 | 56,670 |
| Total | \$ 148,673 | \$ 73,049 | \$ 75,624 |

For Pamlico County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

| Year Ending June 30 | |
|---|------------------|
| 2019 | \$ 27,446 |
| Total minimum lease payments | 27,446 |
| Less: amount representing interest | (870) |
| Present value of minimum lease payments | <u>\$ 26,576</u> |

Pamlico County
Notes to the Financial Statements

b. Installment Purchase

Serviced by the General Fund:

\$3,297,262 note for Pamlico County High School Cafeteria, issued April 2012, interest at 2.59%, due in semi-annual payments ranging from \$144,970 to \$177,846 plus interest, final payment September 2022; secured by building \$ 1,351,826

\$2,207,897 USDA loan to purchase building, issued July 2009, interest at 4.125%, due in annual installments of \$118,731 including interest, final payment July 2045; secured by building 1,913,854

\$5,938,685 USDA Loan for Law Enforcement Center, issued June 2009, interest ranging from 4.25% to 4.375%, payable in annual installments of \$322,450, including interest, final payment June 2046; secured by building 5,159,165

\$500,000 note for Pamlico Community College roof replacement, issued May 2015, interest at 2.19%, payable in semi-annual principal payments of \$25,000 plus interest, final payment May 2025; secured by building 295,424

\$300,000 note for the purchase of equipment and vehicles; issued August 2016, interest at 1.47%, payable in semi-annual principal and interest payments of \$61,777, final payment August 2019; secured by equipment and vehicles 182,632

Total \$ 8,902,901

Serviced by the Water Districts

\$1,513,819 State Revolving Loan, issued September 2007, interest at 2.305%, payable in annual installments of \$94,109, plus interest, final payment May 2023; secured by Southeast Water Tower \$ 470,547

\$3,888,793 State Revolving Loan, issued March 2012, interest at 0.00%, payable in annual installments ranging from \$214,489 to \$192,212, final payment May 2032; secured by system assets 2,690,968

\$576,923 Kershaw Water Plant Refurbishing Loan, issued May 2014, Interest at 0.00%, payable in annual installments of \$115,385, final Payment April 2019; unsecured 115,385

Total \$ 3,276,900

Pamlico County
Notes to the Financial Statements

Annual debt service payments to maturity for the County's notes payable are as follows:

| Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|------------------------|-------------------------|---------------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 617,260 | \$ 344,954 | \$ 401,706 | \$ 10,846 |
| 2020 | 558,871 | 328,210 | 286,321 | 8,677 |
| 2021 | 499,298 | 312,663 | 286,321 | 6,508 |
| 2022 | 501,193 | 297,418 | 286,321 | 4,338 |
| 2023 | 357,818 | 282,026 | 286,321 | 2,169 |
| 2024-2028 | 970,600 | 1,281,451 | 961,060 | - |
| 2029-2033 | 1,141,326 | 1,064,579 | 768,850 | - |
| 2034-2038 | 1,408,016 | 797,889 | - | - |
| 2039-2043 | 1,737,071 | 468,834 | - | - |
| 2044-2046 | 1,111,448 | 92,069 | - | - |
| Total | \$ 8,902,901 | \$ 5,270,093 | \$ 3,276,900 | \$ 32,538 |

c. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2018:

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion of Balance |
|--|----------------------|-------------------|---------------------|----------------------|----------------------------------|
| Governmental activities: | | | | | |
| Installment notes | \$ 9,514,667 | \$ - | \$ 611,766 | \$ 8,902,901 | \$ 617,260 |
| Capital lease obligations | 63,239 | - | 36,663 | 26,576 | 24,711 |
| Compensated absences | 337,679 | 156,294 | 141,922 | 352,051 | 150,000 |
| Total OPEB liability | 785,395 | 214,737 | - | 1,000,132 | - |
| Net pension liability (LGRS) | 1,606,810 | - | 333,927 | 1,272,883 | - |
| Total pension liability (LEOSSA) | 285,431 | 76,061 | - | 361,492 | - |
| Governmental activity long-term liabilities | \$ 12,593,221 | \$ 447,092 | \$ 1,124,278 | \$ 11,916,035 | \$ 791,971 |
| Business-type activities: | | | | | |
| Installment notes | \$ 3,720,702 | \$ - | \$ 443,802 | \$ 3,276,900 | \$ 401,706 |
| Compensated absences | 34,359 | 8,064 | 15,136 | 27,287 | 12,000 |
| Net pension liability (LGRS) | 125,226 | - | 25,908 | 99,318 | - |
| Total OPEB liability | 61,772 | 20,432 | - | 82,204 | - |
| Business-type long-term liabilities | \$ 3,942,059 | \$ 28,496 | \$ 484,846 | \$ 3,485,709 | \$ 413,706 |

Pamlico County
Notes to the Financial Statements

Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that the employees are taking leave time as it is earned.

C. Net Investment in Capital Assets

| | Governmental Activities | Business-type Activities |
|--|--------------------------------|---------------------------------|
| Capital assets | \$ 11,195,867 | \$ 11,897,614 |
| Total long-term debt | 8,902,901 | 3,276,900 |
| Capital lease obligations | 26,576 | - |
| Pamlico County Board of Education debt: | | |
| High school cafeteria | (1,351,826) | - |
| Long-term debt related to capital assets | 7,577,651 | 3,276,900 |
| Net investment in capital assets | \$ 3,618,216 | \$ 8,620,714 |

D. Fund Balance

Pamlico County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The finance officer 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 County has not adopted a formal fund balance policy.

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 | \$ 10,248,654 |
| Less: | |
| Prepays | (160) |
| Stabilization by State Statute | (1,257,038) |
| Appropriated Fund Balance in 2019 budget | (1,302,253) |
| Remaining Fund Balance | <u>\$ 7,689,203</u> |

Pamlico County
Notes to the Financial Statements

E. Interfund Balances and Activity

Transfers to/ from other funds at June 30, 2018 consist of the following:

| | |
|--|-------------------|
| Transfer from the Water Fund to General Fund for administrative purposes | \$ 117,000 |
| Transfer from the General Fund to FMA-SRL Grant Fund for local match | 158,380 |
| Transfer from the General Fund to FMA-RL Grant Fund for local match | 50,183 |
| Transfer from the General Fund to HMGP Grant Fund for local match | <u>16,000</u> |
| Total | <u>\$ 341,563</u> |

IV. Related Organizations

The County's governing board is responsible for appointing the members of various advisory and legislative boards throughout the County; however, the County's accountability for these organizations does not extend beyond making these appointments.

V. Joint Ventures

The County, in conjunction with Carteret County and Craven County, participates in the Coastal Regional Solid Waste Management Authority. The County appoints two members of the seven-member Board. The Authority is a joint venture established to provide solid waste management within these counties. The County has an ongoing financial responsibility for the Authority because it and the other counties are legally obligated under the intergovernmental agreement that created the Authority to honor any deficiencies in the event that proceeds from other sources are insufficient. The County paid \$17,709 to the Authority during the fiscal year ended June 30, 2018, which represents the Scrap Tire Disposal tax collected by the County.

The participating governments did not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2018. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 7400 Old Highway 70 West, P.O. Box 128, Cove City, North Carolina 28560.

The County participates in a joint venture to operate Trillium Health Resources with twenty three other counties. Each county appoints two members to the Regional Advisory Board and one county Commissioner from each advisory board is appointed to the governing board. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' funding in conjunction with funding from the State of

Pamlico County Notes to the Financial Statements

North Carolina. None of the participating governments have any equity interest in the Center; therefore, no equity interest has been reflected in the financial statements at June 30, 2018. Money received from the ABC Board designated for alcohol education is passed through to the Center. Complete financial statements for the Center may be obtained from the Center's offices at 144 Community College Road, Ahoskie, North Carolina 27910.

The County, in conjunction with the State of North Carolina and the Pamlico County Community College trustees, participates in a joint venture to operate Pamlico County Community College. The County appoints four members of the twelve member Board of Trustees of the Community College. The Community College is included as a component unit of the State of North Carolina. The County has an ongoing financial responsibility to providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. The County contributed \$577,389 to the Community College during the fiscal year ended June 30, 2018. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements at June 30, 2018. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at Highway 306 South, Grantsboro, NC 28529.

VI. Jointly Governed Organizations

Craven-Pamlico-Carteret Regional Library. The County, in conjunction with two other counties, governs the operations of the Craven-Pamlico-Carteret Regional Library. Each of the participating governments appoints three Board members to the nine member Board. For the year ended June 30, 2018, the County contributed \$232,539 to the operating budget. The library is dependent upon future funding of Pamlico County and the State of North Carolina's continued funding.

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

In conjunction with this agreement, the Town of Oriental transferred its sewer system to the County in exchange for the County assuming the Town's debt. The County subsequently leased the system to the District, whereby the system and related debt were transferred to the District at the end of the lease and, therefore, qualified as a direct financing lease for accounting purposes. In addition, the County had an ongoing project to construct a regional sewer system with private and government grant funds; whereby, upon completion, the assets were donated to the District, and the District assumed liability for payment of the revolving loan proceeds received from the State used to finance the project, in the amount of \$1,840,500. Both the agreement and the project were complete during a prior fiscal year, and the respective assets were transferred to the Bay River Metropolitan Sewer District. The related debt was paid off in the prior fiscal year.

Pamlico County
Notes to the Financial Statements

VII. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

| | Federal | State |
|---|----------------------|---------------------|
| Medicaid | \$ 11,727,079 | \$ 6,297,081 |
| NC Health Choice | 251,597 | 110 |
| Food Stamp Program | 2,252,133 | - |
| Women, Infants, and Children | 195,077 | - |
| Temporary Assistance for Needy Families | 35,155 | - |
| Foster Care | 89,088 | 19,774 |
| Adoption Assistance | 35,678 | 8,798 |
| CWS Adoption Subsidy | - | 58,695 |
| SC/SA Domicillary Care Payment | - | 83,733 |
| SFHF Maximization | - | 12,871 |
| State Foster Home | - | 11,991 |
| Total | \$ 14,585,807 | \$ 6,493,053 |

VIII. Component Unit Transactions

In the fiscal year 2018, the County and Pamlico County ABC Board, its component unit, reported the following transactions:

| Purpose | Amount |
|---------------------|------------------|
| Profit distribution | \$ 59,522 |
| ABC law enforcement | 1,593 |
| Total | \$ 61,115 |

IX. 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.

X. Change in Accounting Principle/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$145,816 and \$14,636 for the business-type activities.

**Pamlico County
Schedule of the County's Proportionate Share
of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Required Supplemental Information
Last Five Fiscal Years ***

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|
| County's proportion of the net pension liability (asset) (%) | 0.090% | 0.082% | 0.077% | 0.074% | 0.075% |
| County's proportion of the net pension liability (asset) (\$) | \$ 1,372,201 | \$ 1,732,036 | \$ 343,776 | \$ (437,945) | \$ 901,627 |
| County's covered payroll | \$ 5,603,577 | \$ 5,646,584 | \$ 5,306,399 | \$ 5,180,842 | \$ 4,840,003 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 24.49% | 30.67% | 6.48% | -8.45% | 18.63% |
| Plan fiduciary net position as a percentage of the total pension liability | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

The schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Pamlico County
Schedule of the County Contributions
Local Governmental Employee's Retirement System
Required Supplemental Information
Last Five Fiscal Years *

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 444,756 | \$ 407,987 | \$ 328,151 | \$ 326,080 | \$ 311,843 |
| Contributions in relation to the contractually required contribution | <u>444,756</u> | <u>407,987</u> | <u>328,151</u> | <u>326,080</u> | <u>311,843</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| County's covered payroll | \$ 5,919,991 | \$ 5,603,577 | \$ 5,646,584 | \$ 5,306,399 | \$ 5,180,842 |
| Contributions as a percentage of covered payroll | 7.51% | 7.28% | 5.81% | 6.15% | 6.02% |

The schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Pamlico County
Schedule of the County's Proportionate Share
of the Net Pension Liability (Asset)
Register of Deeds' Supplemental Pension Fund
Required Supplemental Information
Last Five Fiscal Years *

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|-------------|
| County's proportion of the net pension liability (asset) (%) | 0.14% | 0.157% | 0.143% | 0.148% | 0.136% |
| County's proportion of the net pension liability (asset) (\$) | \$ (24,100) | \$ (29,285) | \$ (32,318) | \$ (33,516) | \$ (28,996) |
| Plan fiduciary net position as a percentage of the total pension liability | 153.77% | 160.17% | 197.29% | 193.88% | 190.50% |

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

The schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Pamlico County
Schedule of County Contributions
Register of Deeds' Supplemental Pension Fund
Required Supplemental Information
Last Five Fiscal Years *

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 5,162 | \$ 5,705 | \$ 1,280 | \$ 3,218 | \$ 1,207 |
| Contributions in relation to the contractually required contribution | <u>5,162</u> | <u>5,705</u> | <u>1,280</u> | <u>3,218</u> | <u>1,207</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Pamlico County
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplemental Information
June 30, 2018

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Beginning Balance | \$ 285,431 | \$ 276,577 |
| Service cost | 24,847 | 20,620 |
| Interest on the total pension liability | 10,790 | 9,634 |
| Change of benefit terms | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 24,408 | - |
| Change of assumptions or other inputs | 27,824 | (7,981) |
| Benefit payments | (11,808) | (13,419) |
| Other changes | - | - |
| Ending balance of the total pension liability | <u>\$ 361,492</u> | <u>\$ 285,431</u> |

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

The schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Pamlico County
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplemental Information
June 30, 2018

| | <u>2018</u> | <u>2017</u> |
|--|--------------|-------------|
| Total pension liability | \$ 361,492 | \$ 285,431 |
| Covered payroll | \$ 1,061,206 | \$ 873,603 |
| Total pension liability as a percentage of covered payroll | 34.06% | 32.67% |

Notes to the schedule:

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

The schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Pamlico County
Schedule of Changes in the Total OPEB
Liability and Related Ratios
Required Supplemental Information
June 30, 2018

| Total OPEB Liability | 2018 |
|---|---------------------|
| Service cost | \$ 98,554 |
| Interest | 30,758 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | 8,401 |
| Changes of assumptions | (62,996) |
| Benefit payments | (28,243) |
| Net change in total OPEB liability | 46,474 |
| Total OPEB liability - beginning | 1,035,862 |
| Total OPEB liability - ending | <u>\$ 1,082,336</u> |
| | |
| Covered payroll | \$ 4,967,384 |
| | |
| Total OPEB liability as a percentage of covered payroll | 21.79% |

Notes to schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

| <u>Fiscal Year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2018 | 3.56% |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------|---------------|---------------|---------------------------------|
| REVENUES | | | |
| Ad valorem taxes | | | |
| Taxes | | \$ 10,453,018 | |
| Penalties and interest | | 125,660 | |
| Total | \$ 10,570,500 | 10,578,678 | \$ 8,178 |
| Local option sales tax | | | |
| Article 39 and 44 | | 1,270,223 | |
| Article 40 | | 839,334 | |
| Article 42 | | 505,771 | |
| Total | 2,603,929 | 2,615,328 | 11,399 |
| Other taxes and licenses | | | |
| Documentary stamps | | 65,615 | |
| Scrap tire disposal tax | | 17,812 | |
| White goods disposal tax | | 8,538 | |
| Medicaid hold harmless | | 142,717 | |
| Other taxes | | 17,222 | |
| Total | 213,311 | 251,904 | 38,593 |
| Unrestricted intergovernmental | | | |
| Beer and wine tax | | 34,933 | |
| ABC profit distribution | | 75,566 | |
| School resource officer | | 44,030 | |
| Sheriff & Jail fees | | 1,261,885 | |
| Facility fees | | 13,241 | |
| Total | 1,437,300 | 1,429,655 | (7,645) |
| Restricted intergovernmental | | | |
| Federal and State grants | | 3,300,245 | |
| Controlled substance tax | | 8,550 | |
| ABC bottle tax | | 4,748 | |
| Total | 4,573,158 | 3,313,543 | (1,259,615) |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|--|-------------------|-------------------|---------------------------------|
| Permits and fees | | | |
| Building permits | | 195,895 | |
| Register of Deeds | | 54,645 | |
| Other permits and fees | | 72,936 | |
| Total | 316,930 | 323,476 | 6,546 |
| Sales and services | | | |
| Rents and concessions | | 31,671 | |
| Recreation fees | | 5,390 | |
| Patient Fees - Nursing Home & Health Dept. | | 5,428 | |
| Senior Citizens fees | | 1,722 | |
| Other fees | | 118,836 | |
| Total | 212,563 | 163,047 | (49,516) |
| Investment earnings | 123,983 | 139,516 | 15,533 |
| Miscellaneous | 238,924 | 51,432 | (187,492) |
| Total revenues | 20,290,598 | 18,866,579 | (1,424,019) |
| EXPENDITURES | | | |
| General government | | | |
| Governing board | | | |
| Salaries and benefits | | 77,954 | |
| Operating expenditures | | 344,233 | |
| Total | 451,695 | 422,187 | 29,508 |
| County manager | | | |
| Salaries and benefits | | 158,307 | |
| Operating expenditures | | 11,998 | |
| Total | 187,372 | 170,305 | 17,067 |
| Personnel | | | |
| Salaries and benefits | | 127,256 | |
| Operating expenditures | | 10,017 | |
| Total | 166,578 | 137,273 | 29,305 |
| Finance | | | |
| Salaries and benefits | | 306,468 | |
| Operating expenditures | | 48,802 | |
| Total | 385,209 | 355,270 | 29,939 |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------|------------------|------------------|---------------------------------|
| Tax Administrator | | | |
| Salaries and benefits | | 390,464 | |
| Operating expenditures | | 168,799 | |
| Total | 593,173 | 559,263 | 33,910 |
| Board of Elections | | | |
| Salaries and benefits | | 100,801 | |
| Operating expenditures | | 45,756 | |
| Total | 169,475 | 146,557 | 22,918 |
| Register of Deeds | | | |
| Salaries and benefits | | 101,957 | |
| Operating expenditures | | 30,686 | |
| Total | 146,715 | 132,643 | 14,072 |
| Data processing | 44,191 | 35,834 | 8,357 |
| Public Buildings | | | |
| Salaries and benefits | | 154,873 | |
| Operating expenditures | | 306,793 | |
| Capital outlay | | 205,404 | |
| Total | 736,855 | 667,070 | 69,785 |
| Total general government | 2,881,263 | 2,626,402 | 254,861 |
| Public safety | | | |
| Sheriff | | | |
| Salaries and benefits | | 1,408,518 | |
| Operating expenditures | | 411,345 | |
| Capital outlay | | 108,960 | |
| Total | 2,061,448 | 1,928,823 | 132,625 |
| Jail | | | |
| Salaries and benefits | | 1,093,605 | |
| Operating expenditures | | 649,282 | |
| Capital outlay | | 80,299 | |
| Total | 1,948,870 | 1,823,186 | 125,684 |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|------------------|------------------|---------------------------------|
| Dispatch | | | |
| Salaries and benefits | | 291,240 | |
| Operating expenditures | | 1,975 | |
| Total | 323,459 | 293,215 | 30,244 |
| Medical examiner | 20,000 | 12,900 | 7,100 |
| Emergency management | | | |
| Salaries and benefits | | 90,449 | |
| Operating expenditures | | 33,485 | |
| Fire Departments | | 88,088 | |
| Rescue Squads | | 558,000 | |
| Capital outlay | | 63,632 | |
| Total | 870,656 | 833,654 | 37,002 |
| Total public safety | 5,224,433 | 4,891,778 | 332,655 |
| Environmental protection | | | |
| Recycling | | | |
| Salaries and benefits | | 100,103 | |
| Operating expenditures | | 125,829 | |
| Total | 235,199 | 225,932 | 9,267 |
| Landfill monitoring | 14,600 | 4,461 | 10,139 |
| Animal control | | | |
| Salaries and benefits | | 42,427 | |
| Operating expenditures | | 45,000 | |
| Capital outlay | | 48,837 | |
| Total | 143,607 | 136,264 | 7,343 |
| Total environmental protection | 393,406 | 366,657 | 26,749 |
| Economic & physical development | | | |
| Planning | | | |
| Salaries and benefits | | 56,488 | |
| Operating expenditures | | 44,659 | |
| Total | 1,024,878 | 101,147 | 923,731 |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|-----------|---------|---------------------------------|
| Building inspections | | | |
| Salaries and benefits | | 151,292 | |
| Operating expenditures | | 21,677 | |
| Total | 187,904 | 172,969 | 14,935 |
| Soil conservation | | | |
| Salaries and benefits | | 86,451 | |
| Operating expenditures | | 314,077 | |
| Total | 567,254 | 400,528 | 166,726 |
| Cooperative extension | 113,558 | 103,983 | 9,575 |
| Forrestry | 90,915 | 75,261 | 15,654 |
| Total economic & physical development | 1,984,509 | 853,888 | 1,130,621 |
| Human services | | | |
| Senior Center | | | |
| Salaries and benefits | | 179,247 | |
| Operating expenses | | 125,449 | |
| Small home repair | | 2,387 | |
| NRCOG Nutrition | | 1,028 | |
| Senior health insurance info | | 2,951 | |
| Capital outlay | | 6,350 | |
| Total | 378,981 | 317,412 | 61,569 |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------|-----------|-----------|---------------------------------|
| Health department | | | |
| Salaries and benefits | | 203,771 | |
| Operating expenses | | 90,466 | |
| Bioterrorism | | 23,295 | |
| Tuberculosis | | 14,480 | |
| Communicable disease | | 13,552 | |
| Immunization action plan | | 39,617 | |
| Primary care | | 56,882 | |
| Breast cervical cancer | | 31,058 | |
| Child health | | 47,760 | |
| Maternal health | | 8,037 | |
| Women preventive health | | 63,023 | |
| Health promotion | | 23,758 | |
| Environmental health | | 155,589 | |
| HIV/STD | | 30,210 | |
| Food and lodging | | 73,294 | |
| Woman, infant and children | | 111,700 | |
| Total | 1,325,043 | 986,492 | 338,551 |
| East Carolina Behavioral Health | 37,200 | 35,352 | 1,848 |
| Social services | | | |
| Salaries and benefits | | 1,849,252 | |
| Operating expenditures | | 302,134 | |
| Work First transportation | | 1,886 | |
| Medicaid transportation | | 97,587 | |
| Special Assistance for Adults | | 86,634 | |
| Drug test/ child welfare | | 165 | |
| Jobs program | | 390 | |
| State foster care | | 61,218 | |
| AFDC/TANF foster care | | 99,180 | |
| Emergency foster care | | 226 | |
| Aid to the blind | | 709 | |
| Adoption assistance | | 25,847 | |
| Crisis intervention program | | 65,687 | |
| Daycare | | 101,177 | |
| Child support | | 589 | |
| Aging services | | 114,544 | |
| Duke Energy utility program | | 5,490 | |
| Transportation | | 96,503 | |
| NRCOG chore services | | 36,349 | |
| Total | 3,237,711 | 2,945,567 | 292,144 |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-------------------|---|
| Veterans services | 25,201 | 22,018 | 3,183 |
| Department of Juvenile Justice Partnership | | | |
| Task Force Certification | | 268 | |
| Intervention - delinquency | | 69,553 | |
| Total | 108,343 | 69,821 | 38,522 |
| Total human services | 5,112,479 | 4,376,662 | 735,817 |
| Cultural and recreation | | | |
| Salaries and benefits | | 235,175 | |
| Operating expenditures | | 95,173 | |
| Capital outlay | | 6,887 | |
| Total | 474,909 | 337,235 | 137,674 |
| Libraries | 233,539 | 232,539 | 1,000 |
| Total cultural and recreation | 708,448 | 569,774 | 138,674 |
| Education | | | |
| Pamlico County Board of Education | | | |
| Current | | 3,664,710 | |
| Capital | | 250,000 | |
| Total | 3,914,710 | 3,914,710 | - |
| Pamlico Community College | 577,389 | 577,389 | - |
| Total education | 4,492,099 | 4,492,099 | - |
| Debt service | | | |
| Principal | | 611,766 | |
| Interest | | 361,147 | |
| Total debt service | 976,298 | 972,913 | 3,385 |
| Total expenditures | 21,772,935 | 19,150,173 | 2,622,762 |
| Revenues over (under) expenditures | (1,482,337) | (283,594) | 1,198,743 |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|-----------|----------------------|---------------------------------|
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer to FMA-SRL Fund | (158,380) | (158,380) | - |
| Transfer to FMA-RL Fund | (50,184) | (50,183) | 1 |
| Transfer to HMGP Fund | (16,000) | (16,000) | - |
| Transfer from Water Fund | 117,000 | 117,000 | - |
| Total other financing sources | (107,564) | (107,563) | 1 |
| Fund balance appropriated | 1,589,901 | - | (1,589,901) |
| Net change in fund balance | \$ - | (391,157) | \$ (391,157) |
| Fund balance, beginning | | <u>10,639,811</u> | |
| Fund balance, ending | | <u>\$ 10,248,654</u> | |

Pamlico County
Schedule of Revenues, Expenditures
and Changes in Fund Balances
Hazard Mitigation Grant Fund
For The Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|---------------|------------|------------------------------------|
| REVENUES | | | |
| Restricted intergovernmental | \$ 12,972,070 | \$ 257,865 | \$ (12,714,205) |
| EXPENDITURES | | | |
| Economic & physical development | | | |
| Soft costs | 797,154 | 25,413 | 771,741 |
| Acquisition | 3,557,084 | - | 3,557,084 |
| Administration | 328,079 | - | 328,079 |
| Clearance | 861,374 | - | 861,374 |
| Rehabilitation | 7,428,379 | 192,561 | 7,235,818 |
| Total expenditures | 12,972,070 | 217,974 | 12,754,096 |
| Revenue over (under) expenditures | - | 39,891 | 39,891 |
| OTHER FINANCING SOURCES: | | | |
| Transfer from General Fund | - | 16,000 | 16,000 |
| Revenues and other financing sources over (under) expenditures | \$ - | 55,891 | \$ 55,891 |
| Fund balance, beginning | | (42,895) | |
| Fund balance, ending | | \$ 12,996 | |

**Pamlico County
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2018**

| | Special Revenue Funds | | | | | | | | | | Capital Project Fund | Total Non- Major Governmental Funds |
|---|------------------------|---------------------|---------------------------------------|--------------------------------|---|----------------------------------|-----------------------|----------------------|---------------------|----------------|-------------------------|--|
| | Fire District Funds | Reappraisal Fund | Emergency Telephone System Fund | CDBG Scattered Site Fund | Register of Deeds Enhancement & Preservation 4H Fund | Electronic Management Fund | FMA-SRL Grant Fund | FMA-RL Grant Fund | PCC Roof Project | | | |
| ASSETS | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 22,758 | \$ - | \$ 112,998 | \$ 2,500 | \$ 7,338 | \$ 18,758 | \$ 5,802 | \$ 485 | \$ 12,396 | \$ - | \$ 183,035 | |
| Accounts receivable | - | - | 33,733 | - | - | - | 157,895 | 62,756 | - | - | 254,384 | |
| Taxes receivable, net | 78,334 | - | - | - | - | - | - | - | - | - | 78,334 | |
| Prepaid items | - | - | - | - | - | 2,720 | - | - | - | - | 2,720 | |
| Restricted cash and cash equivalents | - | 247,207 | - | - | - | - | - | - | - | - | 247,207 | |
| Total assets | \$ 101,092 | \$ 247,207 | \$ 146,731 | \$ 2,500 | \$ 7,338 | \$ 21,478 | \$ 5,802 | \$ 158,380 | \$ 75,152 | \$ - | \$ 765,680 | |
| LIABILITIES | | | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 4,870 | \$ 2,500 | \$ - | \$ 51 | \$ - | \$ - | \$ - | \$ - | \$ 7,421 | |
| Cash overdraft | - | - | - | - | - | - | - | - | 1,294 | - | 1,294 | |
| Total liabilities | - | - | 4,870 | 2,500 | - | 51 | - | - | 1,294 | - | 8,715 | |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | | | | |
| Property taxes receivable | 78,334 | - | - | - | - | - | - | - | - | - | 78,334 | |
| FUND BALANCES | | | | | | | | | | | | |
| Non-spendable | - | - | - | - | - | 2,720 | - | - | - | - | 2,720 | |
| Restricted | | | | | | | | | | | | |
| Stabilization by State Statute | - | - | 33,733 | - | - | - | 157,895 | 62,756 | - | - | 254,384 | |
| Public Safety | 22,758 | - | 108,128 | - | - | - | - | - | - | - | 130,886 | |
| Economic and physical development | - | - | - | - | - | 18,707 | 5,802 | 485 | 12,396 | - | 37,390 | |
| Register of deeds | - | - | - | - | 7,338 | - | - | - | - | - | 7,338 | |
| Committed | - | 247,207 | - | - | - | - | - | - | - | - | 247,207 | |
| Unassigned | - | - | - | - | - | - | - | - | - | (1,294) | (1,294) | |
| Total fund balances | 22,758 | 247,207 | 141,861 | - | 7,338 | 21,427 | 5,802 | 158,380 | 75,152 | (1,294) | 678,631 | |
| Total liabilities, deferred inflows of resources and fund balances | \$ 101,092 | \$ 247,207 | \$ 146,731 | \$ 2,500 | \$ 7,338 | \$ 21,478 | \$ 5,802 | \$ 158,380 | \$ 75,152 | \$ - | \$ 765,680 | |

Pamlico County
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balance
Non-major Governmental Funds
For The Fiscal Year Ended June 30, 2018

| | Special Revenue Funds | | | | | | | Capital Project Fund | | | Total Non-Major Governmental Funds | |
|---|-----------------------|-------------------|---------------------------------|--------------------------|--|------------------|----------------------------|----------------------|------------------|-------------------|------------------------------------|-------------------|
| | Fire District Funds | Reappraisal Fund | Emergency Telephone System Fund | CDBG Scattered Site Fund | Register of Deeds Enhancement & Preservation | 4H Fund | Electronic Management Fund | FMA-SRL Fund | FMA-RL Fund | PCC Roof Project | | |
| REVENUES | | | | | | | | | | | | |
| Ad valorem taxes | \$ 695,260 | \$ 46,929 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 742,189 |
| Restricted intergovernmental | - | - | 113,022 | - | 6,464 | - | - | 157,895 | 94,697 | - | - | 372,078 |
| Other taxes and license | 135,396 | - | - | - | - | - | - | - | - | - | - | 135,396 |
| Sales and service | - | - | - | - | - | 2,260 | - | - | - | - | - | 2,260 |
| Investment earnings | - | 4,620 | - | - | - | - | - | - | - | - | - | 4,620 |
| Miscellaneous | - | - | - | - | - | - | 1,064 | - | - | - | - | 1,064 |
| Total revenues | 830,656 | 51,549 | 113,022 | - | 6,464 | 2,260 | 1,064 | 157,895 | 94,697 | - | - | 1,257,607 |
| EXPENDITURES | | | | | | | | | | | | |
| Current | | | | | | | | | | | | |
| General government | - | 61,575 | - | - | - | - | - | - | - | - | - | 61,575 |
| Public safety | 831,398 | - | 79,932 | - | - | - | - | - | - | - | - | 911,330 |
| Economic & physical development | - | - | - | - | - | 556 | - | 157,895 | 69,728 | - | - | 228,179 |
| Debt service | - | - | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | 831,398 | 61,575 | 79,932 | - | - | 556 | - | 157,895 | 69,728 | - | - | 1,201,084 |
| Excess (deficiency) of revenues over expenditures | (742) | (10,026) | 33,090 | - | 6,464 | 1,704 | 1,064 | - | 24,969 | - | - | 56,523 |
| OTHER FINANCING SOURCES | | | | | | | | | | | | |
| Transfer from General Fund | - | - | - | - | - | - | - | 158,380 | 50,183 | - | - | 208,563 |
| Net change in fund balances | (742) | (10,026) | 33,090 | - | 6,464 | 1,704 | 1,064 | 158,380 | 75,152 | - | - | 265,086 |
| Fund balance, beginning | 23,500 | 257,233 | 108,771 | - | 874 | 19,723 | 4,738 | - | - | (1,294) | - | 413,545 |
| Fund balances, ending | \$ 22,758 | \$ 247,207 | \$ 141,861 | \$ - | \$ 7,338 | \$ 21,427 | \$ 5,802 | \$ 158,380 | \$ 75,152 | \$ (1,294) | \$ - | \$ 678,631 |

Pamlico County
Schedule of Revenues, Expenditures
and Changes in Fund Balance – Budget and Actual
Fire District Funds
For The Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|------------------|------------------|---|
| REVENUES | | | |
| Ad valorem taxes | \$ 845,000 | \$ 695,260 | \$ (149,740) |
| Other taxes | 191,300 | 135,396 | (55,904) |
| Total revenues | 1,036,300 | 830,656 | (205,644) |
| EXPENDITURES | | | |
| Public safety | | | |
| Operating expenditures | 1,036,300 | 831,398 | 204,902 |
| Revenues over (under) expenditures | \$ - | (742) | \$ (742) |
| Fund balance, beginning | | <u>23,500</u> | |
| Fund balance, ending | | <u>\$ 22,758</u> | |

Pamlico County
Schedule of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual
Reappraisal Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|------------------|-------------------|------------------------------------|
| REVENUES | | | |
| Ad valorem taxes | \$ 54,000 | \$ 46,929 | \$ (7,071) |
| Investment earnings | - | 4,620 | 4,620 |
| Total revenues | 54,000 | 51,549 | (2,451) |
| EXPENDITURES | | | |
| General government | | | |
| Operating expenditures | 154,000 | 61,575 | 92,425 |
| Revenues over (under) expenditures | (100,000) | (10,026) | 89,974 |
| Appropriated fund balance | 100,000 | - | (100,000) |
| Revenues and appropriated fund balance over (under) expenditures | \$ - | (10,026) | \$ (10,026) |
| Fund balance, beginning | | <u>257,233</u> | |
| Fund balance, ending | | <u>\$ 247,207</u> | |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
Emergency Telephone System Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|------------|-------------------|------------------------------------|
| REVENUES | | | |
| Restricted intergovernmental | \$ 125,000 | \$ 113,022 | \$ (11,978) |
| EXPENDITURES | | | |
| Public safety | | | |
| Contracted services | | 79,932 | |
| Capital outlay | | - | |
| Total expenditures | 125,000 | 79,932 | 45,068 |
| Revenues over (under) expenditures | \$ - | 33,090 | \$ 33,090 |
| Fund balance, beginning | | <u>108,771</u> | |
| Fund balance, ending | | <u>\$ 141,861</u> | |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual
CDBG Scattered Site Fund
From Inception and for the Fiscal Year Ended June 30, 2018

| | Project Authorization | Actual | | Variance Positive (Negative) | |
|--|--------------------------|------------|-----------------|------------------------------------|------------------|
| | | Prior Year | Current Year | | Total to Date |
| REVENUES | | | | | |
| Resticted revenues: | | | | | |
| CDBG Grants | \$ 2,210,702 | \$ 440,342 | \$ - | \$ 440,342 | \$ (1,770,360) |
| EXPENDITURES | | | | | |
| Economic and physical development | | | | | |
| Clearance | 139,569 | 16,267 | - | 16,267 | 123,302 |
| Rehabilitation | 685,261 | 202,448 | - | 202,448 | 482,813 |
| Relocation | 1,157,000 | 186,829 | - | 186,829 | 970,171 |
| Administration | 228,872 | 32,627 | - | 32,627 | 196,245 |
| Total expenditures | 2,210,702 | 438,171 | - | 438,171 | 1,772,531 |
| Revenues over (under) expenditures | - | 2,171 | - | 2,171 | 2,171 |
| OTHER FINANCING USES | | | | | |
| Transfer to General Fund | - | 2,171 | - | 2,171 | 2,171 |
| Revenues over (under) expenditures and other uses | \$ - | \$ 4,342 | - | \$ 4,342 | \$ 4,342 |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | \$ - | | |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
Register of Deeds Enhancement Preservation Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|--------|-----------------|------------------------------------|
| REVENUES | | | |
| Other taxes and license | | | |
| Other taxes | \$ - | \$ 6,464 | \$ 6,464 |
| EXPENDITURES | | | |
| Economic and physical development | | | |
| Operating expenditures | | - | |
| Total expenditures | - | - | - |
| Revenues over (under) expenditures | \$ - | 6,464 | \$ 6,464 |
| Fund balance, beginning | | <u>874</u> | |
| Fund balance, ending | | <u>\$ 7,338</u> | |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
4-H Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|-----------|------------------|------------------------------------|
| REVENUES | | | |
| Sales and service | \$ 18,000 | \$ 2,260 | \$ (15,740) |
| EXPENDITURES | | | |
| Economic and physical development | | | |
| Operating expenditures | 18,000 | 556 | 17,444 |
| Revenues over (under) expenditures | \$ - | 1,704 | \$ 1,704 |
| Fund balance, beginning | | <u>19,723</u> | |
| Fund balance, ending | | <u>\$ 21,427</u> | |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
Electronic Management Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|---------------|-----------------|---|
| REVENUES | | | |
| Miscellaneous | \$ - | \$ 1,064 | \$ 1,064 |
| EXPENDITURES | | | |
| Economic and physical development | | | |
| Operating expenditures | - | - | - |
| Revenues over (under) expenditures | \$ - | 1,064 | \$ 1,064 |
| Fund balance, beginning | | <u>4,738</u> | |
| Fund balance, ending | | <u>\$ 5,802</u> | |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
FMA-SRL Grant Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|------------|------------|------------------------------------|
| REVENUES | | | |
| Restricted intergovernmental | \$ 304,221 | \$ 157,895 | \$ (146,326) |
| EXPENDITURES | | | |
| Economic and physical development | | | |
| Soft costs | | 35,895 | |
| Elevation | | 122,000 | |
| Total expenditures | 462,601 | 157,895 | 304,706 |
| Revenues over (under) expenditures | (158,380) | - | 158,380 |
| OTHER FINANCING SOURCES | | | |
| Transfer from General Fund | 158,380 | 158,380 | - |
| Revenues and other financing sources over (under) expenditures | \$ - | 158,380 | \$ 158,380 |
| Fund balance, beginning | | - | |
| Fund balance, ending | | \$ 158,380 | |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
FMA-RL Grant Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|------------|-----------|------------------------------------|
| REVENUES | | | |
| Restricted intergovernmental | \$ 468,994 | \$ 94,697 | \$ (374,297) |
| EXPENDITURES | | | |
| Economic and physical development | | | |
| Soft costs | | 69,728 | |
| Total expenditures | 519,177 | 69,728 | 449,449 |
| Revenues over (under) expenditures | (50,183) | 24,969 | 75,152 |
| OTHER FINANCING SOURCES | | | |
| Transfer from General Fund | 50,183 | 50,183 | - |
| Revenues and other financing sources over (under) expenditures | \$ - | 75,152 | \$ 75,152 |
| Fund balance, beginning | | - | |
| Fund balance, ending | | \$ 75,152 | |

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
PCC Roof Replacement Project
From Inception and for the Fiscal Year Ended June 30, 2018

| | Project Authorization | Actual | | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|----------------|--------------|------------------|------------------------------------|
| | | Prior Year | Current Year | | |
| REVENUES | | | | | |
| Restricted Intergovernmental | \$ 50,000 | \$ 11,607 | \$ - | \$ 11,607 | \$ (38,393) |
| Investment earnings | - | 92 | - | 92 | 92 |
| Total revenues | 50,000 | 11,699 | - | 11,699 | (38,301) |
| EXPENDITURES | | | | | |
| Economic and physical development | | | | | |
| Construction | 456,000 | 442,832 | - | 442,832 | 13,168 |
| Professional fees | 12,121 | 11,001 | - | 11,001 | 1,120 |
| Administration | 22,850 | 1,900 | - | 1,900 | 20,950 |
| Contingency | 44,000 | - | - | - | 44,000 |
| Debt Service | - | 57,260 | - | 57,260 | (57,260) |
| Total expenditures | 534,971 | 512,993 | - | 512,993 | 21,978 |
| Revenues over (under) expenditures | (484,971) | (501,294) | - | (501,294) | (16,323) |
| OTHER FINANCING SOURCES | | | | | |
| Installment purchase obligation issue | 484,971 | 500,000 | - | 500,000 | 15,029 |
| Total other financing sources | 484,971 | 500,000 | - | 500,000 | 15,029 |
| Revenues and other sources | | | | | |
| over (under) expenditures | \$ - | \$ (1,294) | \$ - | \$ (1,294) | \$ (1,294) |

Pamlico County
Schedule of Revenues, Expenditures and
Budget and Actual (Non-GAAP)
Water Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|------------------|------------------|------------------------------------|
| REVENUES | | | |
| Operating revenues | | | |
| Charges for services | \$ 2,389,034 | \$ 2,413,932 | \$ 24,898 |
| Taps and connection fees | 45,000 | 76,995 | 31,995 |
| Other operating revenue | 98,699 | 18,087 | (80,612) |
| Total revenues | 2,532,733 | 2,509,014 | (23,719) |
| EXPENDITURES | | | |
| Water operations | | | |
| Salaries and benefits | | 633,147 | |
| Contract services | | 427,299 | |
| Monitoring services | | 47,924 | |
| Utilities | | 125,853 | |
| Maintenance and repairs | | 14,659 | |
| Supplies and materials | | 323,078 | |
| Other operating expenditures | | 16,547 | |
| Total | 1,937,389 | 1,588,507 | 348,882 |
| Debt service | | | |
| Principal | | 443,802 | |
| Interest | | 13,845 | |
| Total | 457,648 | 457,647 | 1 |
| Capital outlay | 243,496 | 219,607 | 23,889 |
| Total expenditures | 2,638,533 | 2,265,761 | 372,772 |
| Revenues over (under) expenditures | (105,800) | 243,253 | 349,053 |

Pamlico County
Schedule of Revenues, Expenditures and
Budget and Actual (Non-GAAP)
Water Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------|-----------|------------------------------------|
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer to capital projects | (79,000) | (79,000) | - |
| Transfer to other funds | (117,000) | (117,000) | - |
| Total other financing sources (uses) | (196,000) | (196,000) | - |
| Appropriated fund balance | 301,800 | - | (301,800) |
| Revenues and other sources over (under) expenditures and other uses | \$ - | 47,253 | \$ 47,253 |

Reconciliation from budgetary basis to
full accrual:

Reconciling items:

| | |
|--|------------|
| Decrease in accrued vacation | 7,072 |
| Increase in total OPEB liability | (5,796) |
| Capital reserve revenues | 43,303 |
| Transfer to capital project | 79,000 |
| Capital outlay | 219,607 |
| Debt principal | 443,802 |
| Decrease in deferred outflows of resources-pensions | (28,655) |
| Increase in deferred outflows of resources - OPEB | 568 |
| Decrease in net pension liability | 25,908 |
| Decrease in deferred inflows of resources - pensions | 1,573 |
| Increase in deferred inflows of resources - OPEB | (4,258) |
| Book value of transferred asstes | (1,032) |
| Depreciation | (655,629) |
| Total reconciling items | 125,463 |
| Change in net position | \$ 172,716 |

Pamlico County
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water Fund – Capital Reserve Fund
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|--|--------|-----------|------------------------------------|
| REVENUES | | | |
| Non-operating revenues: | | | |
| Investment earnings | \$ - | \$ 43,303 | \$ 43,303 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer to other funds | - | - | - |
| Revenues and other sources over (under) expenditures and other uses | \$ - | \$ 43,303 | \$ 43,303 |

Pamlico County
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Minnesott Pressure Improvement Project
From Inception and for the Fiscal Year Ended June 30, 2018

| | Project Authorization | Actual | | Total to Date | Variance Positive (Negative) |
|--|--------------------------|------------------|--------------|------------------|------------------------------------|
| | | Prior Year | Current Year | | |
| REVENUES | | | | | |
| Operating revenues | \$ - | \$ 33,009 | \$ - | \$ 33,009 | \$ 33,009 |
| Investment earnings | - | 4,293 | - | 4,293 | 4,293 |
| Total revenues | - | 37,302 | - | 37,302 | 37,302 |
| EXPENDITURES | | | | | |
| Economic and physical development | | | | | |
| Construction | 4,702,421 | 3,579,413 | - | 3,579,413 | 1,123,008 |
| Professional fees | - | 2,743 | - | 2,743 | (2,743) |
| Interest and fees | 77,786 | 93,670 | - | 93,670 | (15,884) |
| Total expenditures | 4,780,207 | 3,675,826 | - | 3,675,826 | 1,104,381 |
| Revenues over (under) expenditures | (4,780,207) | (3,638,524) | - | (3,638,524) | 1,141,683 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer from other funds | 487,849 | 213,006 | - | 213,006 | (274,843) |
| Long-term debt proceeds | 8,292,358 | 7,888,793 | - | 7,888,793 | (403,565) |
| Refinance of interim loan | (4,000,000) | (4,000,000) | - | (4,000,000) | - |
| Total other financing sources (uses) | 4,780,207 | 4,101,799 | - | 4,101,799 | (678,408) |
| Revenues and other sources over (under) expenditures and other uses | \$ - | \$ 463,275 | \$ - | \$ 463,275 | \$ 463,275 |

Pamlico County
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Kershaw Water Treatment Plant Project
From Inception and for the Fiscal Year Ended June 30, 2018

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|---|--------------------------|--------------|--------------|---------------|------------------------------------|
| | | Prior Year | Current Year | Total to Date | |
| EXPENDITURES | | | | | |
| Economic and physical development | | | | | |
| Construction | \$ 1,221,000 | \$ 1,187,967 | \$ - | \$ 1,187,967 | \$ 33,033 |
| Professional fees | 25,600 | 11,839 | - | 11,839 | 13,761 |
| Total expenditures | 1,246,600 | 1,199,806 | - | 1,199,806 | 46,794 |
| Revenues over (under) expenditures | (1,246,600) | (1,199,806) | - | (1,199,806) | 46,794 |
| OTHER FINANCING SOURCES | | | | | |
| Transfer from other funds | 669,677 | 669,677 | - | 669,677 | - |
| Long-term debt proceeds | 576,923 | 576,923 | - | 576,923 | - |
| Total other financing sources (uses) | 1,246,600 | 1,246,600 | - | 1,246,600 | - |
| Revenues and other sources over (under) expenditures | \$ - | \$ 46,794 | \$ - | \$ 46,794 | \$ 46,794 |

Pamlico County
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Reelsboro Elevated Tank Project
From Inception and for the Fiscal Year Ended June 30, 2018

| | Project Authorization | Actual | | Total to Date | Variance Positive (Negative) |
|---|--------------------------|---------------|---------------|------------------|------------------------------------|
| | | Prior Year | Current Year | | |
| EXPENDITURES | | | | | |
| Economic and physical development | | | | | |
| Engineering | \$ 48,500 | \$ 1,350 | \$ 37,880 | \$ 39,230 | \$ 9,270 |
| Administration | 141,225 | 4,823 | 14,249 | 19,072 | 122,153 |
| Legal | 11,000 | - | 7,900 | 7,900 | 3,100 |
| Environmental | 30,000 | 20,078 | 2,500 | 22,578 | 7,422 |
| Demolition | 50,000 | - | - | - | 50,000 |
| Construction | 907,250 | - | - | - | 907,250 |
| Contingency | 96,000 | - | 9,442 | 9,442 | 86,558 |
| Total expenditures | 1,283,975 | 26,251 | 71,971 | 98,222 | 1,185,753 |
| Revenues over (under) expenditures | (1,283,975) | (26,251) | (71,971) | (98,222) | 1,185,753 |
| OTHER FINANCING SOURCES | | | | | |
| Transfer from Water Fund | - | - | 79,000 | 79,000 | 79,000 |
| Long-term debt proceeds | 1,283,975 | - | - | - | (1,283,975) |
| Total other financing sources (uses) | 1,283,975 | - | 79,000 | 79,000 | (1,204,975) |
| Revenues and other sources over (under) expenditures | \$ - | \$ (26,251) | \$ 7,029 | \$ (19,222) | \$ (19,222) |

Pamlico County
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2018

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---|-------------------------------------|---------------------|---------------------|--------------------------------------|
| Social services: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 44,119 | \$ 213,311 | \$ 202,143 | \$ 55,287 |
| Liabilities: | | | | |
| Accounts payable | \$ 44,119 | \$ 213,311 | \$ 202,143 | \$ 55,287 |
| Jail Inmate Trust: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 18,873 | \$ 310 | \$ 19,183 | \$ - |
| Liabilities: | | | | |
| Accounts payable | \$ 18,873 | \$ 310 | \$ 19,183 | \$ - |
| Bay River Metropolitan Sewer District: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 37,114 | \$ 1,298,754 | \$ 1,269,053 | \$ 66,815 |
| Accounts receivable | 203,541 | 1,280,323 | 1,268,017 | 215,847 |
| Total assets | <u>\$ 240,655</u> | <u>\$ 2,579,077</u> | <u>\$ 2,537,070</u> | <u>\$ 282,662</u> |
| Liabilities: | | | | |
| Accounts payable | <u>\$ 240,655</u> | <u>\$ 1,293,256</u> | <u>\$ 1,251,249</u> | <u>\$ 282,662</u> |
| Total - All Agency Funds: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 109,681 | \$ 1,512,375 | \$ 1,490,379 | \$ 122,102 |
| Accounts receivable | 173,995 | 1,280,323 | 1,268,017 | 215,847 |
| Total assets | <u>\$ 283,676</u> | <u>\$ 2,792,698</u> | <u>\$ 2,758,396</u> | <u>\$ 337,949</u> |
| Liabilities: | | | | |
| Accounts payable | <u>\$ 303,647</u> | <u>\$ 1,506,877</u> | <u>\$ 1,472,575</u> | <u>\$ 337,949</u> |

Pamlico County
Schedule of Ad Valorem Taxes Receivable
General Fund
June 30, 2018

| Fiscal Year | Uncollected Balance June 30, 2017 | Additions | Collections and Credits | Uncollected Balance June 30, 2018 |
|-------------|---|----------------------|----------------------------|---|
| 2017-2018 | \$ - | \$ 10,588,751 | \$ 10,130,378 | \$ 458,373 |
| 2016-2017 | 380,993 | - | 176,591 | 204,402 |
| 2015-2016 | 216,527 | - | 67,544 | 148,983 |
| 2014-2015 | 162,116 | - | 46,043 | 116,073 |
| 2013-2014 | 138,181 | - | 42,291 | 95,890 |
| 2012-2013 | 109,083 | - | 20,833 | 88,250 |
| 2011-2012 | 81,783 | - | 14,563 | 67,220 |
| 2010-2011 | 71,051 | - | 8,768 | 62,283 |
| 2009-2010 | 64,604 | - | 6,840 | 57,764 |
| 2008-2009 | 59,476 | - | 6,209 | 53,267 |
| 2007-2008 | 51,750 | - | 51,750 | - |
| | <u>\$ 1,335,564</u> | <u>\$ 10,588,751</u> | <u>\$ 10,571,810</u> | <u>1,352,505</u> |
| | | | | Less: allowance for uncollectible amounts |
| | | | | <u>(350,000)</u> |
| | | | | Ad valorem taxes receivable - net |
| | | | | <u>\$ 1,002,505</u> |
| | | | | <u>Reconciliation with revenues:</u> |
| | | | | Ad valorem taxes - General Fund |
| | | | | \$ 10,578,678 |
| | | | | Ad valorem taxes - Reappraisal Fund |
| | | | | 51,549 |
| | | | | Penalties and interest |
| | | | | (125,660) |
| | | | | Tax garnishment fees collected |
| | | | | (26,401) |
| | | | | Taxes written off |
| | | | | 93,644 |
| | | | | <u>Total collections and credits</u> |
| | | | | <u>\$ 10,571,810</u> |

**Pamlico County
Analysis of Current Tax Levy
County-wide Levy
For the Fiscal Year Ended June 30, 2018**

| | Property Valuation | Rate | Total Levy | Total Levy | |
|-------------------------------------|-------------------------|---------|----------------------|---|---------------------------------|
| | | | | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Property taxed at current | \$ 1,641,259,255 | \$0.625 | \$ 10,436,663 | \$ 9,654,477 | \$ 782,186 |
| Less: Senior Citizens exemptions | (15,043,650) | 0.625 | (75,969) | (75,969) | - |
| Public utilities | 35,043,305 | 0.625 | 206,281 | 206,281 | - |
| Penalties | - | | 21,777 | 21,777 | - |
| Discoveries | 3,607,780 | 0.625 | 23,556 | 23,556 | - |
| Abatements | (3,805,493) | 0.625 | (23,557) | (23,557) | - |
| Total property valuation | <u>\$ 1,661,061,197</u> | | | | |
| Net levy | | | \$ 10,588,751 | \$ 9,806,565 | \$ 782,186 |
| Uncollected taxes at June 30, 2018 | | | 458,373 | 458,373 | - |
| Current year's tax collected | | | <u>\$ 10,130,378</u> | <u>\$ 9,348,192</u> | <u>\$ 782,186</u> |
| Current levy collection percentage | | | <u>95.67%</u> | <u>95.33%</u> | <u>100.00%</u> |

Pamlico County
Analysis of Secondary Market Disclosures
County-wide Levy
For the Fiscal Year Ended June 30, 2018

Secondary Market Disclosures:

Assessed Valuation:

| | |
|--|-------------------------|
| Assessment ratio | 100% |
| Real property | \$ 1,430,133,169 |
| Personal property | 115,381,899 |
| Public service companies | 33,004,950 |
| Total assessed valuation | <u>\$ 1,578,520,018</u> |
| | |
| Tax rate per \$100 | <u>\$ 0.625</u> |
| | |
| Levy (includes discoveries, releases and abatements) | <u>\$ 10,588,751</u> |

**Pamlico County
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2018**

| Taxpayer | Type of Business | Assessed Valuation | Percentage of Total Assessed Valuation |
|-------------------------------|-------------------------|-------------------------------|---|
| Weyerhaeuser Co. | Timber Land | \$ 23,389,706 | 1.38% |
| River Dunes Development LLC | Real Estate Developer | 16,132,464 | 0.95% |
| Burton Farm Development | Real Estate Developer | 14,869,697 | 0.88% |
| River Dunes Land Holdings LLC | Real Estate Developer | 12,589,521 | 0.74% |
| Reserveco Inc. | Real Estate Developer | 10,063,288 | 0.60% |
| Time Warner Cable Southeast | Cable Company | 5,375,675 | 0.32% |
| Fulcher Point LLC | Seafood Distributor | 4,999,351 | 0.30% |
| Cutter Bay Development LLC | Real Estate Developer | 4,777,500 | 0.28% |
| McCotter Farm LLC | Agriculture | 4,176,328 | 0.25% |
| Lee Don Farms LLC | Agriculture | 3,763,659 | 0.22% |
| | | <u>\$ 100,137,189</u> | <u>5.92%</u> |



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

Independent Auditor's Report

To the Board of Commissioners
Pamlico 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 Pamlico County, North Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises Pamlico County's basic financial statements, and have issued our report thereon dated November 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the Pamlico County ABC Board, as described in our report on Pamlico 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 Pamlico 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 Pamlico 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 Pamlico 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 Pamlico 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.

Carly Riggs & Ingram, L.L.C.

New Bern, North Carolina
November 30, 2018



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

Independent Auditor's Report

To the Board of Commissioners
Pamlico County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Pamlico 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 Pamlico County's major federal programs for the year ended June 30, 2018. Pamlico County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pamlico 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 *U.S. 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, OMB 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 Pamlico County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pamlico County's compliance.

Opinion on Each Major Federal Program

In our opinion, Pamlico 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

Pamlico County's response to the noncompliance findings identified in our audit is described in the accompanying correction action plan. Pamlico County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Pamlico 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 Pamlico 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 OMB 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 Pamlico 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.

Pamlico County's response to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Carri Riggs & Ingram, L.L.C.

New Bern, North Carolina
November 30, 2018

Pamlico County
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified ___ yes X no
- Non-compliance material to financial statements noted ___ yes X no

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified ___ yes X no

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)? X yes ___ no

Identification of major federal programs:

| <u>CFDA #</u> | <u>Program Name</u> |
|---------------|---|
| 93.778 | Medical Assistance Program (Medicaid Cluster) |
| 97.039 | Hazard Mitigation Grant Program |
| 93.596 | Child Care Development Fund Cluster |
| 93.575 | |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? ___ yes X no

State Awards

None

Pamlico County
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

2018-001 Improper day sheets supporting Form DSS-1571

US Department of Health and Human Services
Passed through NC Department of Health and Human Services
Program Name: Medical Assistance Program (Medicaid; Title XIX)
CFDA # 93.778
Funding Year June 30, 2018

Reporting:

Criteria: In accordance with 2 CFR 200.327 and in the State approved plan for health and human service provided to the public, the County is required to account for 100% of employee time by proper program code and activity, and maintain supporting documentation in the case file.

Condition: One employees did not have supporting documentation properly completed in the case files of the amount of time spent on the case files as reported on Form DSS-1571. The employee was able to provide alternative support for the time spent.

Questioned costs: None

Context: We examined 25 case files and determined that one employee did not have properly completed documentation in two case files for the amount of time reported on Form DSS-1571.

Effect: Case files did not contain properly completed documentation to support the time spent on the file as claimed on Form DSS-1571.

Cause: Human error in performing adequate case file documentation and verification procedures.

Recommendation: The employee will have additional training to be properly educated on the documentation requirements for time spent.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement additional training for the employee to ensure this problem does not recur. Please refer to the corrective action plan.

Pamlico County
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

2018-002 Contract of service was not properly executed

US Department of Health and Human Services
Passed through NC Department of Health and Human Services
Program Name: Medical Assistance Program (Medicaid; Title XIX)
CFDA # 93.778
Funding Year June 30, 2018

Reporting:

Criteria: In accordance with 2 CFR 200.327 and in the State approved plan for health and human services provided to the public, the County is required to have a fully executed contract for services obtained including a witness signature for all contracts.

Condition: One contract for service did not contain a proper witness signature.

Questioned costs: None

Context: We examined two contracts and determined that one contract was not properly witnessed upon execution.

Effect: Contract was not properly witnessed upon execution.

Cause: Human error in reviewing contract documentation.

Recommendation: Checks and balances should be in place to ensure proper procedures are followed to execute contracts.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur. Please refer to the corrective action plan.

Section IV. State Award Findings and Questioned Costs

None reported.

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

2018-001 Improper day sheets supporting Form DSS-1571

Name of contact person: Debbie Green, DSS Director

Corrective Action: The employee will have additional training to be properly educated on the documentation requirements for time spent.

Proposed Completion Date: Immediately

2018-002 Contract of service was not properly executed

Name of contact person: Debbie Green, DSS Director

Corrective Action: Staff will use established review procedures to ensure that witness signatures are performed in a timely manner for all contracts.

Proposed Completion Date: Immediately

Section IV. State Award Findings and Questioned Costs

None reported.

Pamlico County
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018

Section II. Financial Statement Findings

Significant Deficiencies

2017-1 Deficit fund balance

Status: This finding has been corrected.

Section III. Federal Award Findings and Questioned Costs

2017-002 Improper day sheets supporting Form DSS-1571

Status: This finding has not been corrected. See finding 2018-001.

2017-003 Improper documentation of real property search performed

Status: This finding has been corrected.

Section IV. State Award Findings and Questioned Costs

None reported.

Pamlico County
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Federal (Direct & Pass-through) Expenditures | State Expenditures |
|---|------------------------------------|---|---|-------------------------------|
| Federal Awards: | | | | |
| <u>U.S. Dept. of Agriculture</u> | | | | |
| Passed-through the N.C. Dept. of Health and Human Services: | | | | |
| Division of Social Services: | | | | |
| Administration: | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster | 10.561 | XXXX | \$ 177,308 | \$ - |
| Passed-through the N.C. Dept. of Health and Human Services: | | | | |
| Division of Public Health: | | | | |
| Administration: | | | | |
| Special Supplemental Nutrition Program for Women, Infants, & Children | 10.557 | XXXX | 60,250 | - |
| Total U.S. Department of Agriculture | | | <u>237,558</u> | <u>-</u> |
| <u>U. S. Department of Homeland Security</u> | | | | |
| Passed-through N.C. Deptment of Public Safety: | | | | |
| Division of Emergency Management | | | | |
| Emergency Management Performance Grants | 97.042 | XXXX | 37,755 | - |
| Hazard Mitigation Grant Program | 97.039 | XXXX | 217,974 | - |
| Total U. S. Department of Homeland Security | | | <u>255,729</u> | <u>-</u> |
| <u>U.S. Dept. of Health & Human Services</u> | | | | |
| Passed-through the N.C. Dept. of Health and Human Services: | | | | |
| Division of Aging and Adult Services | | | | |
| <u>Aging Cluster:</u> | | | | |
| Special Programs for the Aging - Title III B | | | | |
| Grants for Supportive Services & Senior Center | 93.044 | XXXX | 8,584 | 505 |
| Special Programs for the Aging - Title III C | | | | |
| Nutrition Services | 93.045 | XXXX | 41,310 | 2,430 |
| Nutrition Services Incentive Program | 93.053 | XXXX | 12,403 | - |
| Total Aging Cluster | | | <u>62,297</u> | <u>2,935</u> |
| Social Services Block Grant - In Home Services | 93.667 | XXXX | 9,505 | 272 |

Pamlico County
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018

| <u>Grantor/Pass-through</u> <u>Grantor/Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number</u> | <u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u> | <u>Federal</u> <u>(Direct &</u> <u>Pass-through)</u> <u>Expenditures</u> | <u>State</u> <u>Expenditures</u> |
|--|--|---|---|-------------------------------------|
| Division of Social Services | | | | |
| <u>Temporary Assistance for Needy Families Cluster</u> | | | | |
| Temporary Assistance for Needy Families (TANF) / Work First Cluster | 93.558 | XXXX | 129,900 | - |
| <u>Foster Care and Adoption Cluster (Note 4)</u> | | | | |
| Foster Care - Title IV-E | 93.658 | XXXX | 121,241 | 5,770 |
| Adoption Assistance | 93.659 | XXXX | 1,937 | - |
| Total Foster Care and Adoption Cluster (Note 4) | | | 123,178 | 5,770 |
| Family Preservation | 93.556 | XXXX | 8,213 | - |
| Child Support Enforcement | 93.563 | XXXX | 125,493 | - |
| Low-Income Home Energy Assistance: | | | | |
| Administration | 93.568 | XXXX | 60,104 | - |
| Crisis Intervention Program | 93.568 | XXXX | 12,387 | - |
| Total Low-Income Home Energy Assistance | | | 72,491 | - |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | XXXX | 3,537 | - |
| Social Services Block Grant - Other Services and Training | 93.667 | XXXX | 61,311 | - |
| Division of Child Development: | | | | |
| Subsidized Child Care (Note 4) | | | | |
| <u>Child Care Development Fund Cluster:</u> | | | | |
| Division of Social Services: | | | | |
| Child Care Development Fund - Administration | 93.596 | XXXX | 79,187 | - |
| Division of Child Development: | | | | |
| Child Care and Development Block Grant | 93.575 | XXXX | 26,530 | - |
| Child Care and Development Fund - Mandatory | 93.596 | XXXX | 3,496 | - |
| Child Care and Development Fund - Match | 93.596 | XXXX | 7,003 | 3,596 |
| Total Child Care Development Fund Cluster | | | 116,216 | 3,596 |
| Temporary Assistance for Needy Families/Work Work (TANF Cluster) | 93.558 | XXXX | 2,847 | - |
| TANF - MOE | | XXXX | - | 1,480 |
| State Appropriations | | XXXX | - | 4,920 |
| Total Subsidized Child Care (Note 4) | | | 119,063 | 9,996 |

Pamlico County
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Federal (Direct & Pass-through) Expenditures | State Expenditures |
|--|------------------------------------|---|---|-------------------------------|
| Passed-through the N.C. Dept. of Health and Human Services: | | | | |
| Division of Medical Assistance: | | | | |
| Administration: | | | | |
| Medical Assistance Program (Medicaid Cluster) | 93.778 | XXXX | 661,234 | 503 |
| Division of Social Services: | | | | |
| Administration: | | | | |
| State Children's Insurance Program - N.C. Health Choice | 93.767 | XXXX | 23,768 | 7 |
| Passed-through the N.C. Dept. of Health and Human Services: | | | | |
| Division of Public Health: | | | | |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreement | 93.074 | XXXX | 29,948 | - |
| Tuberculosis Demonstration, Research, Public and Professional Education | 93.116 | XXXX | 50 | - |
| Family Planning Services | 93.217 | XXXX | 18,818 | - |
| PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds | 93.539 | XXXX | 5,278 | - |
| Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations Financed in Part by Prevention and Public Health Funds | 93.898 | XXXX | 8,160 | - |
| Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF) | 93.758 | XXXX | 21,927 | - |
| Sexually Transmitted Diseases (STD) Prevention and Control Grants | 93.977 | XXXX | 692 | - |
| Maternal and Child Health Services Block Grant | 93.994 | XXXX | 26,714 | 20,038 |
| Total U.S. Department of Health and Human Services | | | 1,511,577 | 39,521 |
| Total federal and State awards | | | 2,004,864 | 39,521 |

Pamlico County
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018

| <u>Grantor/Pass-through</u> <u>Grantor/Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number</u> | <u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u> | <u>Federal</u> <u>(Direct &</u> <u>Pass-through)</u> <u>Expenditures</u> | <u>State</u> <u>Expenditures</u> |
|---|--|---|---|-------------------------------------|
| State Awards: | | | | |
| <u>N.C. Dept. of Administration</u> | | | | |
| Veterans Service | | XXXX | - | 2,175 |
| <u>N.C. Dept. of Agriculture</u> | | | | |
| Stream Debris Removal | | XXXX | - | 308,441 |
| <u>N.C. Dept. of Cultural and Natural Resources</u> | | | | |
| Recreation Park Improvements | | XXXX | - | 93,000 |
| <u>N.C. Dept. of Health and Human Services</u> | | | | |
| Division of Aging and Adult Services | | | | |
| Division of Social Services | | | | |
| 90% State Funds - In Home Services | | XXXX | - | 112,556 |
| 90% State Funds - Home Delivered Meals | | XXXX | - | 18,717 |
| State Child Welfare | | XXXX | - | 25,573 |
| Total Division of Social Service | | | - | 156,846 |
| Division of Public Health | | | | |
| General Aid to Counties | | XXXX | - | 71,725 |
| General Communicable Disease Control | | XXXX | - | 10,077 |
| Family Planning | | XXXX | - | 12,157 |
| Child Health | | XXXX | - | 1,494 |
| Women's Health Service Fund | | XXXX | - | 1,741 |
| Food and Lodging | | XXXX | - | 5,410 |
| Maternal Health | | XXXX | - | 1,891 |
| Breast and Cervical Cancer Program | | XXXX | - | 2,040 |
| Gonorrhea Partner Services | | XXXX | - | 500 |
| HIV / State SSBG Aid | | XXXX | - | 48 |
| Tuberculosis | | XXXX | - | 2,653 |
| Electronic Health Record | | XXXX | - | 5,610 |
| Total Division of Public Health | | | - | 115,346 |
| Total N. C. Department of Health and Human Services | | | - | 272,192 |
| <u>N.C. Dept. of Public Instruction</u> | | | | |
| Public School Building Capital Fund - Lottery Proceeds | | XXXX | - | 67,769 |
| <u>N.C. Dept. of Public Safety</u> | | | | |
| Juvenile Crime Prevention Programs | | XXXX | - | 64,847 |
| <u>N.C. Dept. of Transportation</u> | | | | |
| Rural Operating Assistance Program (ROAP) Cluster | | | | |
| - ROAP Elderly and Disabled Transportation Assistance | | XXXX | - | 43,256 |
| - ROAP Rural General Public Program | | XXXX | - | 9,820 |
| - ROAP Work First Transitional - Employment | | | - | 3,910 |
| Total ROAP Cluster | | | - | 56,986 |
| Total N.C. Department of Transportation | | | - | 56,986 |
| Golden Leaf Foundation | | XXXX | - | 120,000 |
| Total State awards | | | - | 985,410 |
| Total federal and State awards | | | \$ 2,004,864 | \$ 1,024,931 |



**Pamlico County
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018**

For the year ended June 30, 2018, the County did not provide any federal or state funding or assistance to a subrecipient.

Pamlico County
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Pamlico County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. 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 Requirement for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of Pamlico County, it is not intended to and does not present the financial position, changes in net position or cash flows of Pamlico County.

Note 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.

Note 3: Indirect Cost Rate

Pamlico County has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

Note 4: 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: Subsidized Child Care and Foster Care and Adoption.

Note 5: Loans outstanding

The County did not have any loan balances outstanding at June 30, 2018.

Note 6: Noncash assistance

The County did not receive any noncash assistance, federally funded insurance, free rent, etc.