

# Pamlico County, North Carolina

## FINANCIAL REPORT

June 30, 2016



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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, 2016, 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pamlico County ABC Board, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, the other Postemployment Benefits Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions, on pages 66 through 71, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of 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 21, 2016 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.

*Carly Riggs & Ingram, L.L.C.*

New Bern, North Carolina  
November 21, 2016



## 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, 2016. 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

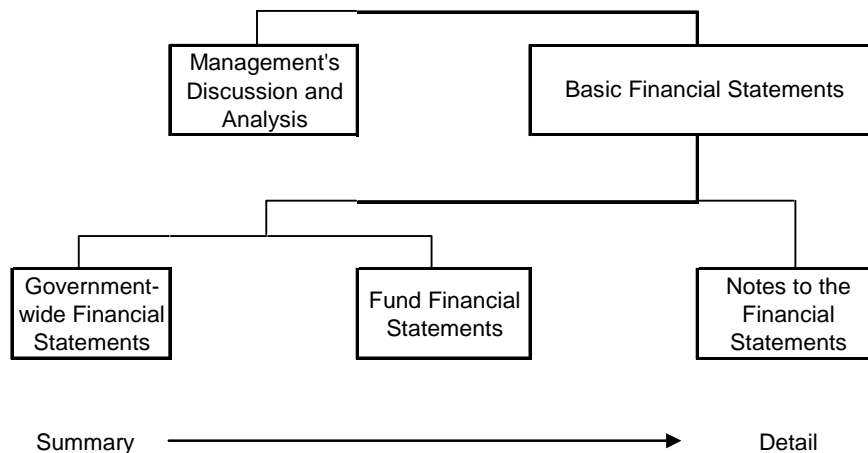
- The assets and deferred outflows of resources of Pamlico County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,055,187 (*net position*).
- The government's total net position increased by \$1,129,637, primarily due to the governmental funds.
- As of the close of the current fiscal year, Pamlico County's governmental funds reported combined ending fund balances of \$10,316,894, an increase of \$481,961 in comparison with the prior year. Approximately 20.47% of this total amount or \$2,111,576 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,226,102, or 41.7% of total general fund expenditures of \$17,343,383 for the fiscal year.
- Pamlico County's total debt decreased by \$1,119,764 or 7.2% during the current fiscal year. The key factor in this decrease was the repayment of debt principal.
- Tax collection rate was 96.13% for FY 2015-2016. This represents a slight increase 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 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's 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 26 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 to its employees. Required supplementary information can be found beginning on page 66 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 \$24,055,187 as of June 30, 2016. The County's net position increased by \$1,129,637 for the fiscal year ended June 30, 2016. One of the largest portions \$11,835,831 (49.20%) 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 \$2,108,696 (8.77%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,110,660 is unrestricted.

### Pamlico County's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 12,437,381	\$ 12,514,451	\$ 4,407,493	\$ 4,238,868	\$ 16,844,874	\$ 16,753,319
Capital assets	11,029,828	11,079,644	12,825,495	13,388,783	23,855,323	24,468,427
<b>Total assets</b>	<b>23,467,209</b>	<b>23,594,095</b>	<b>17,232,988</b>	<b>17,627,651</b>	<b>40,700,197</b>	<b>41,221,746</b>
Deferred outflows of resources	342,045	305,977	27,044	23,321	369,089	329,298
Long-term liabilities	11,169,140	11,773,678	4,321,896	4,830,469	15,491,036	16,604,147
Other liabilities	659,304	763,560	97,928	100,948		
Deferred inflows of resources	279,190	1,077,801	13,887	79,038	293,077	1,156,839
<b>Total liabilities and deferred inflows of resources</b>	<b>12,107,634</b>	<b>13,615,039</b>	<b>4,433,711</b>	<b>5,010,455</b>	<b>15,784,113</b>	<b>17,760,986</b>
<b>Net position:</b>						
Net investment in capital assets	3,248,362	3,094,688	8,587,469	8,629,979	11,835,831	11,724,667
Restricted	2,108,696	2,566,410	-	-	2,108,696	2,566,410
Unrestricted	5,897,030	4,623,935	4,213,630	4,010,538	10,110,660	8,634,473
<b>Total net position</b>	<b>\$ 11,254,088</b>	<b>\$ 10,285,033</b>	<b>\$ 12,801,099</b>	<b>\$ 12,640,517</b>	<b>\$ 24,055,187</b>	<b>\$ 22,925,550</b>

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, grant funding, and other miscellaneous revenues and refunds.
- 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,811,207	\$ 1,369,113	\$ 2,341,657	\$ 2,317,152	\$ 4,152,864	\$ 3,686,265
Operating grants	6,034,560	6,074,306	-	-	6,034,560	6,074,306
Capital grants	-	11,607	-	-	-	11,607
General revenues:						
Property taxes	10,852,711	10,729,313	-	-	10,852,711	10,729,313
Local option sales tax	2,149,756	2,177,501	-	-	2,149,756	2,177,501
Other	637,942	888,427	29,894	147,602	667,836	1,036,029
Investment earnings	31,169	8,208	8,735	2,151	39,904	10,359
Total revenues	21,517,345	21,258,475	2,380,286	2,466,905	23,897,631	23,725,380
Expenses:						
General government	2,401,325	2,313,800	-	-	2,401,325	2,313,800
Public safety	4,801,540	4,370,192	-	-	4,801,540	4,370,192
Economic & physical development	3,482,510	3,335,767	-	-	3,482,510	3,335,767
Environmental protection	276,516	255,815	-	-	276,516	255,815
Human services	4,693,260	4,479,835	-	-	4,693,260	4,479,835
Cultural and recreation	540,607	498,526	-	-	540,607	498,526
Education	4,135,353	3,886,549	-	-	4,135,353	3,886,549
Interest on long-term debt	330,646	338,228	-	-	330,646	338,228
Water and sewer	-	-	2,124,704	2,084,132	2,124,704	2,084,132
Total expenses	20,661,757	19,478,712	2,124,704	2,084,132	22,786,461	21,562,844
Increase in net position						
before transfers	855,588	1,779,763	255,582	382,773	1,111,170	2,162,536
Transfers	95,000	95,000	(95,000)	(95,000)	-	-
Change in net position	950,588	1,874,763	160,582	287,773	1,111,170	2,162,536
Net position, July 1	10,285,033	8,925,776	12,640,517	12,396,819	22,925,550	21,322,595
Restatement	18,467	(515,506)	-	(44,075)	18,467	(559,581)
Net position, July 1 restated	10,303,500	8,410,270	12,640,517	12,352,744	22,944,017	20,763,014
Net position, June 30	\$ 11,254,088	\$ 10,285,033	\$ 12,801,099	\$ 12,640,517	\$ 24,055,187	\$ 22,925,550

**Governmental activities.** Governmental activities increased the County's net position by \$969,055.

Key elements of this increase are as follows:

- Increased charges for services revenues.
- Increase in property tax revenues.
- Increase in other revenues.

## Pamlico County Management's Discussion and Analysis

**Business-type activities:** Business-type activities increased Pamlico County's net position by \$160,582. 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 \$7,226,102, while total fund balance reached \$9,728,569. The County currently has an available fund balance of 41.67% of general fund expenditures, while total fund balance represents 56.09% of that same amount.

At June 30, 2016, the governmental funds of Pamlico County reported a combined fund balance of \$10,316,894, a 4.70% increase over last year.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

**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 \$4,213,630. There was an increase in net position of \$160,582. 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, 2016, totals \$23,855,323 (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:

- Roof for the PCC Building
- Computer equipment
- Public Safety vehicles

### Pamlico County's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 334,634	\$ 334,634	\$ 70,286	\$ 70,286	\$ 404,920	\$ 404,920
Construction in progress	95,648	48,763	-	-	95,648	48,763
Buildings and improvements	12,525,960	12,477,197	7,155,435	7,155,435	19,681,395	19,632,632
Plant	-	-	10,508,279	10,462,920	10,508,279	10,462,920
Equipment and vehicles	3,739,203	3,487,372	2,316,117	2,319,969	6,055,320	5,807,341
Subtotal	16,695,445	16,347,966	20,050,117	20,008,610	36,745,562	36,356,576
Less: accumulated depreciation	(5,665,617)	(5,268,322)	(7,224,622)	(6,619,827)	(12,890,239)	(11,888,149)
Total assets	\$ 11,029,828	\$ 11,079,644	\$ 12,825,495	\$ 13,388,783	\$ 23,855,323	\$ 24,468,427

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, 2016, Pamlico County had total debt outstanding of \$14,377,805, 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	
	2016	2015	2016	2015	2016	2015
Installment notes	\$ 10,038,374	\$ 10,654,412	\$ 4,238,026	\$ 4,758,804	\$ 14,276,400	\$ 15,413,216
Capital lease obligation	101,405	84,353	-	-	101,405	84,353
Total	\$ 10,139,779	\$ 10,738,765	\$ 4,238,026	\$ 4,758,804	\$ 14,377,805	\$ 15,497,569

Pamlico County's total debt decreased by \$1,119,764 (7.2%) during the past fiscal year, primarily due to the continued payment of debt balances.

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 \$116,678,474.

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



## Pamlico County Management's Discussion and Analysis

### Economic Factors and Next Year's Budgets and Rates

- The County's unemployment rate for August 2016 was projected at 5.1%, down from the 6.0% level reported in 2015. The State unemployment rate for August 2016 was 4.7%.
- Median household income for 2015 was projected at \$44,762, down from the 2014 estimate of \$48,439. In comparison, the State's median household income for 2015 (latest data available) was reported at \$47,830.

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, 2017

**Governmental Activities:** The approved General Fund budget is balanced at \$19,139,249 with a tax rate of \$.625 per \$100. The tax rate remained at the 2016 level. At the rate of \$.625 per \$100, estimated fiscal year 2016-2017 tax collections are budgeted at \$10,089,448, including collections from prior years. Revenue from motor vehicle collections is budgeted at \$720,000. A fund balance allocation of \$1,298,564 is included in the final budget.

A 1% 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 \$3,757,710. Current expense is funded at \$3,507,710 with capital outlay at \$250,000. Pamlico Community College funding is allocated at \$566,028.

**Business – type Activities:** Water rates for the fiscal year 2016-2017 are budgeted to increase to the levels as summarized below:

- Water usage rate - \$4.50/1,000 gallons (2 inch meters and less)
- Water usage rate - \$6.51/1,000 gallons (3 inch meters and up)
- Flat rate monthly charge for ¾ inch meter - \$15
- Flat rate monthly charge for 1 inch meter - \$15
- Flat rate monthly charge for 2 inch meter or greater - \$40
- Customer deposits remain at \$75

In order to spread the cost of maintenance evenly over time, the County entered into a fifteen year maintenance contract. Other capital items funded include: (1) replace utility trucks (\$65,000), (2) refurbish water department office (\$125,000), and (3) replace the Kershaw WTP emergency generator (\$60,000).



## Pamlico County Management's Discussion and Analysis

### 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, 2016**  
**Exhibit 1**

	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	<b>Component Unit Pamlico County ABC Board</b>
	<b>Activities</b>	<b>Activities</b>		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,012,750	\$ 4,041,295	\$ 13,054,045	\$ 354,055
Taxes receivable (net)	1,140,124	-	1,140,124	-
Accounts receivable (net)	1,763,647	288,598	2,052,245	-
Inventories	-	25,500	25,500	267,066
Prepaid items	2,880	-	2,880	-
Restricted cash and cash equivalents	209,587	52,100	261,687	-
Note receivable	276,075	-	276,075	-
Net pension asset	32,318	-	32,318	-
Capital assets:				
Land and construction in progress	430,282	70,286	500,568	36,749
Other capital assets, net	10,599,546	12,755,209	23,354,755	30,154
<b>Total assets</b>	<b>23,467,209</b>	<b>17,232,988</b>	<b>40,700,197</b>	<b>688,024</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>342,045</b>	<b>27,044</b>	<b>369,089</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable	559,075	45,828	604,903	159,109
Accrued interest payable	100,229	-	100,229	-
Prepaid fees	-	-	-	-
Customer deposits	-	52,100	52,100	-
Long-term liabilities:				
Net pension liability - LGERS	318,554	25,222	343,776	-
Net pension liability - LEOSSA	128,978	-	128,978	-
Due within one year	771,451	529,324	1,300,775	-
Due in more than one year	10,397,689	3,792,572	14,190,261	-
<b>Total liabilities</b>	<b>12,275,976</b>	<b>4,445,046</b>	<b>16,721,022</b>	<b>159,109</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	112,895	-	112,895	-
Pension deferrals	166,295	13,887	180,182	-
<b>Total deferred inflows of resources</b>	<b>279,190</b>	<b>13,887</b>	<b>293,077</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,248,362	8,587,469	11,835,831	66,903
Restricted for:				
Stabilization by State Statute	1,763,647	-	1,763,647	-
Other purposes	345,049	-	345,049	247,983
Unrestricted	5,897,030	4,213,630	10,110,660	214,029
<b>Total net position</b>	<b>\$ 11,254,088</b>	<b>\$ 12,801,099</b>	<b>\$ 24,055,187</b>	<b>\$ 528,915</b>

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

**Pamlico County  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016  
Exhibit 2**

Functions/ Programs	Expenses	Program Revenues		Primary Government			Component	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Unit
								Pamlico County ABC Board
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 2,401,325	\$ 73,346	\$ -	\$ -	\$ (2,327,979)	\$ -	\$ (2,327,979)	
Public safety	4,801,540	1,365,052	7,750	-	(3,428,738)	-	(3,428,738)	
Environmental protection	276,516	98,756	22,587	-	(155,173)	-	(155,173)	
Economic and physical development	3,482,510	176,862	3,672,811	-	367,163	-	367,163	
Human services	4,693,260	90,016	2,331,412	-	(2,271,832)	-	(2,271,832)	
Cultural and recreation	540,607	7,175	-	-	(533,432)	-	(533,432)	
Education	4,135,353	-	-	-	(4,135,353)	-	(4,135,353)	
Interest on long-term debt	330,646	-	-	-	(330,646)	-	(330,646)	
<b>Total governmental activities</b>	<b>20,661,757</b>	<b>1,811,207</b>	<b>6,034,560</b>	<b>-</b>	<b>(12,815,990)</b>	<b>-</b>	<b>(12,815,990)</b>	
Business-type activities:								
Water	2,124,704	2,341,657	-	-	-	216,953	216,953	
<b>Total primary government</b>	<b>\$ 22,786,461</b>	<b>\$ 4,152,864</b>	<b>\$ 6,034,560</b>	<b>\$ -</b>	<b>(12,815,990)</b>	<b>216,953</b>	<b>(12,599,037)</b>	
Component Unit:								
Pamlico County ABC Board	\$ 1,297,834	\$ 1,307,714	\$ -	\$ -			\$ 9,880	
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					10,852,711	-	10,852,711	
Local option sales tax					2,149,756	-	2,149,756	
Other taxes					622,678	-	622,678	
Investment earnings					31,169	8,735	39,904	
Miscellaneous					15,264	29,894	45,158	
<b>Total general revenues</b>					<b>13,671,578</b>	<b>38,629</b>	<b>13,710,207</b>	
Transfers					95,000	(95,000)	-	
Change in net position					950,588	160,582	1,111,170	
Net position - beginning, as previously reported					10,285,033	12,640,517	22,925,550	
Restatement					18,467	-	18,467	
Net position - beginning, as restated					10,303,500	12,640,517	22,944,017	
Net position - ending					\$ 11,254,088	\$ 12,801,099	\$ 24,055,187	

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

**Pamlico County**  
**Balance Sheet – Governmental Funds**  
**June 30, 2016**  
**Exhibit 3**

	Major Fund		Other Non- major Governmental Funds	Total Governmental Funds
	General	Hazard Mitigation Grant Fund		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,188,512	\$ -	\$ 357,473	\$ 9,545,985
Taxes receivable (net)	1,064,072	-	76,052	1,140,124
Accounts receivable (net)	1,203,743	530,231	29,673	1,763,647
Prepaid items	160	-	2,720	2,880
Restricted cash and cash equivalents	-	-	209,587	209,587
Total assets	11,456,487	530,231	675,505	12,662,223
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	550,951	1,295	6,829	559,075
Cash overdraft	-	533,235	-	533,235
Due to other funds	-	-	-	-
Prepaid fees	-	-	-	-
Total liabilities	550,951	534,530	6,829	1,092,310
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax receivable	1,064,072	-	76,052	1,140,124
Prepaid taxes	112,895	-	-	112,895
Total deferred inflows of resources	1,176,967	-	76,052	1,253,019
<b>FUND BALANCES</b>				
Non-spendable	160	-	2,720	2,880
Restricted				
Stabilization of State Statute	1,203,743	530,231	29,673	1,763,647
Public safety	-	-	244,331	244,331
Economic development	-	-	88,828	88,828
Register of Deeds	-	-	11,890	11,890
Committed				
Tax Revaluation	-		209,587	209,587
Assigned				
Subsequent year's expenditures	1,298,564	-	-	1,298,564
Unassigned	7,226,102	(534,530)	5,595	6,697,167
Total fund balances	9,728,569	(4,299)	592,624	10,316,894
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,456,487	\$ 530,231	\$ 675,505	\$ 12,662,223

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

**Pamlico County**  
**Balance Sheet – Governmental Funds**  
**June 30, 2016**  
**Exhibit 3**

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

Total fund balances - governmental funds	\$ 10,316,894
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	16,695,445
Accumulated depreciation	<u>(5,665,617)</u>
Net pension asset	32,318
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	342,045
Deferred inflows of resources for taxes receivable in fund statements.	1,140,124
Net pension liability	(447,532)
Pension related deferrals	(166,295)
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore, not reported in the funds.	<u>(10,993,294)</u>
<b>Net position of governmental funds</b>	<b><u>\$ 11,254,088</u></b>

*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, 2016**  
**Exhibit 4**

	Major Fund		Other Non- major Governmental Funds	Total Governmental Funds
	General	Hazard Mitigation Grant Fund		
<b>REVENUES</b>				
Ad valorem taxes	\$ 10,202,578	\$ -	\$ 627,250	\$ 10,829,828
Local option sales tax	2,149,756	-	-	2,149,756
Other taxes and licenses	403,331	-	124,316	527,647
Unrestricted intergovernmental	1,340,715	-	-	1,340,715
Restricted intergovernmental	3,421,595	2,327,955	404,377	6,153,927
Permits and fees	325,109	-	-	325,109
Sales and services	110,184	-	10,862	121,046
Investment earnings	30,700	-	469	31,169
Miscellaneous	19,110	-	1,265	20,375
Total revenues	18,003,078	2,327,955	1,168,539	21,499,572
<b>EXPENDITURES</b>				
Current:				
General government	2,302,147	-	-	2,302,147
Public safety	4,100,774	-	853,653	4,954,427
Environmental protection	256,769	-	-	256,769
Economic and physical development	494,719	2,283,583	701,615	3,479,917
Human services	4,625,368	-	-	4,625,368
Cultural and recreation	534,047	-	-	534,047
Education	4,135,353	-	-	4,135,353
Debt service:				
Interest	336,089	-	-	336,089
Principal	558,117	-	-	558,117
Total expenditures	17,343,383	2,283,583	1,555,268	21,182,234
Excess (deficiency) of revenues over expenditures	659,695	44,372	(386,729)	317,338
<b>OTHER FINANCING SOURCES (USES)</b>				
Installment purchase obligation	51,156	-	-	51,156
Transfer to other funds	-	-	(2,171)	(2,171)
Transfer from other funds	97,171	-	-	97,171
Total other financing sources (uses)	148,327	-	(2,171)	146,156
Net change in fund balance	808,022	44,372	(388,900)	463,494
Fund balances - beginning, as previously reported	8,920,547	(48,671)	963,057	9,834,933
Restatement	-	-	18,467	18,467
Fund balances - beginning, as restated	8,920,547	(48,671)	981,524	9,853,400
Fund balances - ending	\$ 9,728,569	\$ (4,299)	\$ 592,624	\$ 10,316,894

*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, 2016**  
**Exhibit 5**

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

Net change in fund balances - governmental funds	\$	463,494
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.		(44,704)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		305,105
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		22,883
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.		609,273
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.		(405,463)
<b>Total changes in net position of governmental activities</b>	<b>\$</b>	<b>950,588</b>

*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, 2016**  
**Exhibit 6**

	General Fund			Variance with
	Original	Final Budget	Actual	Final Budget -
	Budget	Final Budget	Amounts	Positive
				(Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 9,953,175	\$ 10,182,175	\$ 10,202,578	\$ 20,403
Local option sales tax	1,922,000	1,971,000	2,149,756	178,756
Other taxes and licenses	444,202	457,628	403,331	(54,297)
Unrestricted intergovernmental	1,078,500	1,267,762	1,340,715	72,953
Restricted intergovernmental	3,315,297	3,889,760	3,421,595	(468,165)
Permits and fees	266,026	266,026	325,109	59,083
Sales and services	134,118	121,613	110,184	(11,429)
Investment earnings	10,000	10,000	30,700	20,700
Miscellaneous	70	9,259	19,110	9,851
Total revenues	17,123,388	18,175,223	18,003,078	(172,145)
<b>EXPENDITURES</b>				
Current:				
General government	2,440,366	2,532,503	2,302,147	230,356
Public safety	3,872,456	4,304,145	4,100,774	203,371
Environmental protection	255,097	315,898	256,769	59,129
Economic and physical development	499,571	617,650	494,719	122,931
Human services	5,178,846	5,202,427	4,625,368	577,059
Cultural and recreation	542,068	840,129	534,047	306,082
Education	4,135,353	4,135,353	4,135,353	-
Debt service				
Principal	558,117	558,117	558,117	-
Interest	215,637	338,367	336,089	2,278
Total expenditures	17,697,511	18,844,589	17,343,383	1,501,206
Revenues over (under) expenditures	(574,123)	(669,366)	659,695	1,329,061
<b>OTHER FINANCING SOURCES (USES)</b>				
Installment purchase obligation	-	-	51,156	51,156
Transfer from other funds	95,000	106,321	97,171	(9,150)
Total other financing sources (uses)	95,000	106,321	148,327	42,006
Fund balance appropriated	479,123	563,045	-	(563,045)
Net change in fund balance	\$ -	\$ -	808,022	\$ 808,022
Fund balances - beginning			8,920,547	
Fund balance - ending			\$ 9,728,569	

*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, 2016  
 Exhibit 7**

	Hazard Mitigation Grant Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>REVENUES</b>				
Restricted intergovernmental	\$ 15,028,124	\$ 15,028,124	\$ 2,327,955	\$ (12,700,169)
Total revenues	15,028,124	15,028,124	2,327,955	(12,700,169)
<b>EXPENDITURES</b>				
Current:				
Economic and physical development	15,028,124	15,028,124	2,283,583	12,744,541
Total expenditures	15,028,124	15,028,124	2,283,583	12,744,541
Net change in fund balance	\$ -	\$ -	44,372	\$ 44,372
Fund balances - beginning			(48,671)	
Fund balance - ending			\$ (4,299)	

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

**Pamlico County**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2016**  
**Exhibit 8**  
**Water Fund**

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,041,295
Accounts receivable (net)	288,598
Inventories	25,500
Restricted cash and cash equivalents	52,100
<b>Total current assets</b>	<b>4,407,493</b>
Noncurrent assets:	
Capital assets:	
Land	70,286
Capital assets, net of depreciation	12,755,209
<b>Total capital assets</b>	<b>12,825,495</b>
<b>Total assets</b>	<b>17,232,988</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>27,044</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	45,828
Compensated absences	12,000
Current portion of long-term debt	517,324
Customer deposits payable from restricted assets	52,100
<b>Total current liabilities</b>	<b>627,252</b>
Noncurrent liabilities:	
Compensated absences	18,850
Installment purchases payable	3,720,702
Net pension liability	25,222
Other post-employment benefits	53,020
<b>Total noncurrent liabilities</b>	<b>3,817,794</b>
<b>Total liabilities</b>	<b>4,445,046</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>13,887</b>
<b>NET POSITION</b>	
Net investment in capital assets	8,587,469
Unrestricted	4,213,630
<b>Total net position</b>	<b>\$ 12,801,099</b>

*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, 2016  
Exhibit 9**

	<b>Water Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 2,250,732
Water taps	52,958
User fees	22,000
Other operating revenues	15,967
Total operating revenues	2,341,657
<b>OPERATING EXPENSES</b>	
Water operations	1,457,282
Depreciation	644,616
Total operating expenses	2,101,898
Operating income (loss)	239,759
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	8,735
Reimbursements	43,027
Gain (loss) on sale of fixed assets	(1,812)
Book value of transferred assets	(11,321)
Interest on long-term debt	(22,806)
Total nonoperating revenues (expenses)	15,823
Income (loss) before contributions and transfers	255,582
Transfer to other funds	(95,000)
Change in net position	160,582
<b>Total net position, beginning</b>	<b>12,640,517</b>
<b>Total net position, ending</b>	<b>\$ 12,801,099</b>

*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, 2016**  
**Exhibit 10**

	<b>Water Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,490,383
Cash paid for goods and services	(893,153)
Cash paid to or on behalf of employees	(575,899)
Customer deposits received	14,825
Customer deposits returned	(4,950)
Net cash provided (used) by operating activities	1,031,206
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Transfer to other funds	(95,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Other non-operating revenues	43,027
Acquisition of capital assets	(96,160)
Sale of capital assets	1,700
Principal paid on long-term debt	(520,778)
Interest paid on long-term debt	(22,806)
Net cash provided (used) by capital and financing activities	(595,017)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	8,735
Net increase (decrease) in cash and cash equivalents	349,924
Balances, beginning of year	3,743,471
Balances, ending of year	\$ 4,093,395
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 239,759
Adjustments to reconcile income to cash provided by operations:	
Depreciation	644,616
(Increase) decrease in accounts receivable	148,726
(Increase) decrease in inventory	(155)
(Increase) decrease in net pension asset	32,728
(Increase) decrease in deferred outflows of resources for pensions	(1,006)
Increase (decrease) in accounts payable	(12,895)
Increase (decrease) in accrued vacation	3,232
Increase (decrease) in customer deposits	9,875
Increase (decrease) in net pension liability	25,222
Increase (decrease) in OPEB liability	8,973
Increase (decrease) in deferred inflows of resources for pensions	(67,869)
Total adjustments	791,447
Net cash provided by operating activities	\$ 1,031,206

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

**Pamlico County**  
**Statement of Fiduciary Net Position – Fiduciary Funds**  
**June 30, 2016**  
**Exhibit 11**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 109,681
Accounts receivable (net)	173,995
<hr/>	
Total assets	283,676
<hr/>	
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	283,676
<hr/>	
Total liabilities	\$ 283,676
<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 and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental 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, and Kershaw Water Treatment 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; and the Electronic Management 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. 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 County and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Cash Portfolio, an SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

Customer deposits held by the County before any services are supplied are restricted to the 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, 2015.

**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.

**Pamlico County**  
**Notes to the Financial Statements**

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 pension plan in the current fiscal year. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has two items that meet the criterion for this category – prepaid taxes, and other pension related deferrals.

**9. Long-term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 30 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 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.

## Pamlico County Notes to the Financial Statements

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

**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.

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

**Pamlico County**  
**Notes to the Financial Statements**

Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

**E. Reconciliation of Government-wide and Fund Financial Statements**

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

The governmental fund balance sheet includes a reconciliation between 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 \$937,194 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	\$ 16,695,445
Less accumulated depreciation	<u>(5,665,617)</u>
Net capital assets	11,029,828
Net pension asset	32,318
Contributions to pension plan in the current fiscal year	305,105
Deferred inflows of resources reported in the government-wide statements but not the fund statements:	
Deferred inflows of resources for taxes	1,140,124
Pension related deferrals	(129,354)
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	(9,762,299)
Compensated absences	(330,483)
Other post-employment benefits	(698,878)
Net pension liability	(447,532)
Capital lease obligation	(101,405)
Accrued interest payable	<u>(100,230)</u>
Total adjustment	<u>\$ 937,194</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 \$487,094 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 471,445
Cost of disposed capital assets not recorded in fund statements	(5,110)
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	(516,149)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(51,156)
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.	558,117
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	305,105
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)	5,443
Compensated absences	(19,643)
Other post-employment benefits	(96,073)
Pension expense	(187,768)
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	22,883
Total adjustment	\$ 487,094

**II. Stewardship, Compliance, and Accountability**

**A. Deficit in Fund Balance of Individual Fund**

The County's Hazard Mitigation Grant Funds had deficit fund balance of \$4,299. The deficit fund balance will be eliminated with future revenues or transfers in from other funds.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

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

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

At June 30, 2016, the County's deposits had a carrying amount of \$1,684,165. The bank balances with financial institutions were \$2,037,536. Of these bank balances, \$319,103 was covered by federal depository insurance and \$1,718,433 was covered by collateral held under the Pooling Method.

At June 30, 2016, Pamlico County had \$1,187 cash on hand.

## Pamlico County Notes to the Financial Statements

At June 30, 2016, the carrying amount of deposits for Pamlico County ABC Board was \$351,305 and the bank balance was \$339,612. Of these bank balances, \$250,000 was covered by federal depository insurance and \$89,612 was covered by collateral held under the Pooling Method.

At June 30, 2016, the ABC Board had \$2,750 cash on hand.

### 2. Investments

As of June 30, 2016, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less than 6 Months	6-12 Months
NC Capital Management				
Trust - Cash Portfolio	Amortized Cost	\$ 11,740,061	N/A	N/A

All investments are 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 Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016.

At June 30, 2016, 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
2013	\$ 480,829	\$ 114,208	\$ 595,037
2014	487,508	71,910	559,418
2015	495,005	28,475	523,480
2016	500,777	-	500,777
<b>Total</b>	<b>\$ 1,964,119</b>	<b>\$ 214,593</b>	<b>\$ 2,178,712</b>

**4. Receivables**

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

	Taxes	Accounts	Total
<b>Governmental activities:</b>			
General	\$ 1,414,072	\$ 1,203,743	\$ 2,617,815
Other Governmental	76,052	559,904	635,956
Total receivables	1,490,124	1,763,647	3,253,771
Allowance for doubtful accounts	(350,000)	-	(350,000)
<b>Total governmental activities</b>	<b>\$ 1,140,124</b>	<b>\$ 1,763,647</b>	<b>\$ 2,903,771</b>
<b>Business-type activities:</b>			
Water	\$ -	\$ 325,679	\$ 325,679
Allowance for doubtful accounts	-	(37,081)	(37,081)
<b>Total business-type activities</b>	<b>\$ -</b>	<b>\$ 288,598</b>	<b>\$ 288,598</b>

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

Local options sales tax	\$ 645,194
White goods disposal tax	1,075
Scrap tire tax	4,495
<b>Total</b>	<b>\$ 650,764</b>

**Pamlico County**  
**Notes to the Financial Statements**

**5. Note Receivables**

The County also has recorded an amount due from Bay River Metropolitan Sewer District for \$276,075 at June 30, 2016, which represents the outstanding amount for the revolving loan debt due to the State of North Carolina, which is recorded on the County's books. Per the inter-local agreement, this debt is allocable to the Sewer District, and the District is responsible for making the payments. The County acts as a pass-through entity for this debt and accordingly, has recorded both the liability due to the State and the asset, due from BRMSD, in the accompanying financial statements.

**6. Capital Assets**

**Primary Government**

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Governmental activities</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 334,634	\$ -	\$ -	\$ -	\$ 334,634
Construction in Progress	48,763	95,648	48,763	-	95,648
Total capital assets not being depreciated	383,397	95,648	48,763	-	430,282
<b>Capital assets being depreciated:</b>					
Buildings and improvements	12,477,197	48,763	-	-	12,525,960
Equipment and vehicles	3,487,372	375,796	162,411	38,446	3,739,203
Total capital assets being depreciated	15,964,569	424,559	162,411	38,446	16,265,163
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	2,802,654	239,237	-	-	3,041,891
Equipment and vehicles	2,465,668	276,912	145,980	27,126	2,623,726
Total accumulated depreciation	5,268,322	516,149	145,980	27,126	5,665,617
Total capital assets being depreciated, net	<u>10,696,247</u>				<u>10,599,546</u>
Governmental activities capital assets net	<u>\$ 11,079,644</u>				<u>\$ 11,029,828</u>

**Pamlico County**  
**Notes to the Financial Statements**

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

General government	\$ 203,369
Public safety	208,024
Environmental protection	19,362
Human services	79,225
Cultural and recreation	6,169
<b>Total depreciation expense</b>	<b>\$ 516,149</b>

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Business-type activities</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 70,286	\$ -	\$ -	\$ -	\$ 70,286
<b>Capital assets being depreciated:</b>					
Buildings and improvements	7,155,435	-	-	-	7,155,435
Plant	10,462,920	45,359	-	-	10,508,279
Equipment and vehicles	2,319,969	50,801	16,207	(38,446)	2,316,117
Total capital assets being depreciated	19,938,324	96,160	16,207	(38,446)	19,979,831
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	2,578,684	281,119	-	-	2,859,803
Plant	2,951,977	250,118	-	-	3,202,095
Equipment and vehicles	1,089,166	113,379	12,695	(27,126)	1,162,724
Total accumulated depreciation	6,619,827	\$ 644,616	\$ 12,695	\$ (27,126)	7,224,622
Total capital assets being depreciated, net	<u>13,318,497</u>				<u>12,755,209</u>
Business-type activities capital assets net	<u>\$ 13,388,783</u>				<u>\$ 12,825,495</u>

**Pamlico County**  
**Notes to the Financial Statements**

**Discretely presented component units**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 36,749	\$ -	\$ -	\$ 36,749
<b>Capital assets being depreciated:</b>				
Furniture and equipment	75,400	-	-	75,400
Buildings	306,980	-	-	306,980
Total capital assets being depreciated	382,380	-	-	382,380
<b>Less accumulated depreciation for:</b>				
Furniture and equipment	66,604	3,855	-	70,459
Buildings	275,015	6,752	-	281,767
Total accumulated depreciation	341,619	10,607	-	352,226
Total capital assets being depreciated, net	40,761			30,154
Governmental activities capital assets net	<u>\$ 77,510</u>			<u>\$ 66,903</u>

**B. Liabilities**

**1. Payables**

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

Type of Payable	Governmental Activities	Business-type Activities	Total
Trade payables	\$ 301,607	\$ 23,282	\$ 324,889
Salaries payable	257,468	22,546	280,014
Total	<u>\$ 559,075</u>	<u>\$ 45,828</u>	<u>\$ 604,903</u>

**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](http://www.osc.nc.gov).

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in



## Pamlico County Notes to the Financial Statements

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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$328,970 for the year ended June 30, 2015.

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

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

At June 30, 2016, the County reported a liability of \$343,776 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions.

The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was 0.077%, which was an increase of 0.003% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$167,064. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Pamlico County**  
**Notes to the Financial Statements**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 80,807
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	97,872
Changes in proportion and differences between County contributions and proportionate share of contributions	36,587	-
County contributions subsequent to the measurement date	328,151	-
<b>Total</b>	<b>\$ 364,738</b>	<b>\$ 178,679</b>

\$328,151 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (103,929)
2018	(103,929)
2019	(103,830)
2020	169,596
2021	-
Thereafter	-

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

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

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

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

## Pamlico County Notes to the Financial Statements

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, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
Fixed Income	29.00%	2.2%
Global Equity	42.00%	5.8%
Real Estate	8.00%	5.2%
Alternatives	8.00%	9.8%
Credit	7.00%	6.8%
Inflation Protection	6.00%	3.4%
Total	<u>100.00%</u>	

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

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

**Pamlico County**  
**Notes to the Financial Statements**

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	\$ 2,397,198	\$ 343,776	\$ (1,386,187)

*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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	2
Active plan members	<u>21</u>
Total	<u>23</u>

A separate report was not issued for the plan.

**2. *Summary of Significant Accounting Policies.***

*Basis of Accounting.* The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting

## Pamlico County Notes to the Financial Statements

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 following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers

### **3. Contributions.**

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis 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 annual required contribution for the current year was determined as part of the December 31, 2015, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2015, was 15 years.

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

Employer annual required contribution	\$ 27,480
Interest on net pension obligation	6,063
Adjustment to annual required contributions	<u>(10,657)</u>
Annual pension costs	22,886
Employer contributions made for fiscal year	<u>(15,176)</u>
Increase (decrease) in net pension obligation	7,710
Net pension obligation - beginning	<u>121,268</u>
Net pension obligation - ending	<u><u>\$ 128,978</u></u>

**Pamlico County**  
**Notes to the Financial Statements**

**4. Funded Status and Funding Progress**

Year End June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 14,191	44.20%	\$ 109,290
2015	16,796	28.68%	121,268
2016	22,886	66.31%	128,978

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$276,577. The covered payroll (annual payroll of active employees covered by the plan) was \$873,603 and the ratio of the UAAL to the covered payroll was 31.66%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$41,020 which consisted of \$39,060 from the County and \$1,960 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, 2016 was \$47,308.

**d. Registers of Deeds' Supplemental Pension Fund**

*Plan Description.* Pamlico County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$1,280 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$32,318 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2015, the County's proportion was 0.139%, which was a decrease of 0.009% from its proportion measured as of June 30, 2014.

## Pamlico County Notes to the Financial Statements

For the year ended June 30, 2016, the County recognized pension expense of \$(909). At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 159	\$ 535
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,603	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,309	968
County contributions subsequent to the measurement date	1,280	-
<b>Total</b>	<b>\$ 4,351</b>	<b>\$ 1,503</b>

\$1,280 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ 68
2018	607
2019	461
2020	433
2021	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

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



## Pamlico County Notes to the Financial Statements

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2015 is 2.2%:

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

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

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

	<b>1% Decrease (4.75%)</b>	<b>Discount Rate (5.75%)</b>	<b>1% Increase (6.75%)</b>
County's proportionate share of the net pension liability (asset)	\$ (29,158)	\$ (32,318)	\$ (35,038)

**Pamlico County**  
**Notes to the Financial Statements**

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

**e. Other Postemployment Benefit**

**Healthcare Benefits**

*Plan Description.* In addition to providing pension benefits, the County provides healthcare benefits as a single-employer defined benefit plan for 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 65<sup>th</sup> 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. Currently, two retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2016, the County made payments for post-retirement health benefit premiums of \$16,011. 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 December 31, 2014, the date of the latest actuarial valuation:

	<b>General Employees</b>	<b>Law Enforcement Officers</b>
Retirees and dependents receiving benefits	4	-
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	125	17
Total	129	17

*Funding Policy.* The County pays 2% of the cost of coverage for the healthcare benefits, for each year of service, for qualified retirees under a County resolution that can be amended by the County Board. The County’s members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

## Pamlico County Notes to the Financial Statements

The current ARC rate is 2.64% of annual covered payroll. For the current year, the County contributed \$16,011 or 0.35% of annual covered payroll. The County purchases healthcare coverage through private insurers. There were no contributions made by employees. The County's obligation to contribute to the plan is established and may be amended by the County Board.

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

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

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contributions	\$ 112,970
Interest on net OPEB obligation	25,874
Adjustments to annual required contributions	(17,787)
Annual OPEB cost (expense)	121,057
Contributions made	(16,011)
Increase (decrease) in net OPEB obligation	105,046
Net OPEB obligation - beginning	646,852
Net OPEB obligation - ending	\$ 751,898

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

<b>Year End June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2014	\$ 113,413	16.25%	\$ 541,806
2015	121,057	13.20%	646,852
2016	121,057	13.22%	751,898

*Funded Status and Funding Progress.* As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$915,384. The covered payroll (annual payroll of active employees covered by the plan) was \$4,551,899 and the ratio of the UAAL to the covered payroll was 20.1%.

## Pamlico County Notes to the Financial Statements

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50% to 5.00% annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of long-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

### **f. Other Employment Benefits**

The County has elected to provide death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000.

**Pamlico County**  
**Notes to the Financial Statements**

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.

**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	\$ 159	\$ 81,342
Pensions - difference between projected and actual investment earnings	1,603	97,872
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	37,896	968
Contributions to pension plan in current fiscal year	329,431	-
Prepaid taxes not yet earned (General)	-	112,895
Total	<u>\$ 369,089</u>	<u>\$ 293,077</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.

## Pamlico County Notes to the Financial Statements

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.

### **5. Contingent Liabilities**

At June 30, 2016, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

### **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.

**Pamlico County**  
**Notes to the Financial Statements**

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.

For Pamlico County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

<b>Year Ending June 30</b>			
2017	\$	40,266	
2018		40,236	
2019		25,995	
Total minimum lease payments		106,497	
Less: amount representing interest		(5,092)	
Present value of minimum lease payments	\$	101,405	

**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 \$ 1,980,833

\$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 1,988,757

\$1,840,500 State Revolving Loan issued December 1998, interest at 3.035%, payable in semi-annual interest payments and annual principal payments of \$92,025; final payment due in 2019; secured by Bay River Metropolitan Sewer District system assets (See \*\* below for further details) 276,075

\$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 5,342,709

\$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 450,000

**Total \$10,038,374**

**Pamlico County**  
**Notes to the Financial Statements**

Bay River Metropolitan Sewer District – In 1999, the County obtained installment financing from the North Carolina Department of Environment and Natural Resources to finance the construction of sewer system improvements. In 2000, the County transferred the system assets and liabilities to the Bay River Metropolitan Sewer District (BRMSD). The inter-local agreement between the County and BRMSD requires BRMSD to pay the principal and interest of the loan directly to the State from revenues derived from the sewer system. The note is legally in the name of the County; therefore, a note receivable is reported in the County’s financial statements, as well as the outstanding loan balance. The related system assets are not reported in the County’s financial statements.

*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	\$ 658,766
\$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	3,075,392
\$652,738 Kershaw Road Loan, issued April 2012, interest at 1.97%, payable in annual installments ranging from \$42,925 to \$141,925, including interest, final payment in June 2018; secured by building	157,714
\$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	<u>346,154</u>
Total	<u>\$ 4,238,026</u>



**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
2017	\$ 491,674	\$ 374,881	\$ 517,324	\$ 18,292
2018	492,959	360,246	443,802	13,845
2019	494,367	345,488	401,706	10,846
2020	495,907	330,599	286,321	8,677
2021	497,585	315,571	286,321	6,507
2022-2026	1,480,982	1,386,144	1,149,279	6,507
2027-2031	1,037,531	1,168,374	961,060	-
2032-2036	1,280,068	925,837	192,213	-
2037-2041	1,579,345	626,560	-	-
2042-2046	1,911,881	257,259	-	-
<b>Total</b>	<b>\$ 9,762,299</b>	<b>\$ 6,090,959</b>	<b># \$ 4,238,026</b>	<b>\$ 64,674</b>

**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, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<b>Governmental activities:</b>					
Installment notes	\$ 10,286,312	\$ -	\$ 524,013	\$ 9,762,299	\$ 491,674
Installment note serviced by					
Bay River Sewer Authority	368,100	-	92,025	276,075	92,025
Capital lease obligations	84,353	51,156	34,104	101,405	37,752
Compensated absences	310,840	147,932	128,289	330,483	150,000
Other postemployment benefits	602,805	96,073	-	698,878	-
Net pension liability (LGERs)	-	318,554	-	318,554	-
Net pension obligation (LEOSSA)	121,268	7,710	-	128,978	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 11,773,678</b>	<b>\$ 621,425</b>	<b>\$ 778,431</b>	<b>\$ 11,616,672</b>	<b>\$ 771,451</b>
<b>Business-type activities:</b>					
Installment notes	\$ 4,758,804	\$ -	\$ 520,778	\$ 4,238,026	\$ 517,324
Compensated absences	27,618	14,921	11,689	30,850	12,000
Net pension liability (LGERs)	-	25,222	-	25,222	-
Other postemployment benefits	44,047	8,973	-	53,020	-
<b>Business-type long-term liabilities</b>	<b>\$ 4,830,469</b>	<b>\$ 49,116</b>	<b>\$ 532,467</b>	<b>\$ 4,347,118</b>	<b>\$ 529,324</b>

**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**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Capital assets	\$ 11,029,828	\$ 12,825,495
Total long-term debt	9,762,299	4,238,026
Pamlico County Board of Education debt:		
High school cafeteria	(1,980,833)	-
Long-term debt related to capital assets	7,781,466	4,238,026
Net investment in capital assets	\$ 3,248,362	\$ 8,587,469

**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:

<b>Total fund balance - General Fund</b>	<b>\$ 9,728,569</b>
Less:	
Prepays	(160)
Stabilization by State Statute	(1,203,743)
Appropriated Fund Balance in 2017 budget	(1,298,564)
Remaining Fund Balance	<u>\$ 7,226,102</u>

**E. Interfund Balances and Activity**

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

Transfer from the Water Fund to General Fund for administrative purposes	\$ 95,000
Transfer from CDBG Scattered Site to General fund for Reimbursements	2,171

**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 \$17,361 to the Authority during the fiscal year ended June 30, 2016, 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, 2016. 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 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, 2016. 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 \$561,215 to the Community College during the fiscal year ended June 30, 2016. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements at June 30, 2016. 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, 2016, the County contributed \$198,053 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. As the revolving loan debt was received by the County and the debt is still outstanding, the County has reported the liability for this loan in the accompanying financial statements. The County has also recorded corresponding assets – due from Bay River Metropolitan Sewer District – in the same amount, which represents the outstanding loan due to the State at June 30, 2016, as the District assumed liability for payment of this loan, in accordance with the above mentioned inter-local agreement.

**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.

**Pamlico County  
Notes to the Financial Statements**

	<b>Federal</b>	<b>State</b>
Medicaid	\$ 10,909,898	\$ 5,982,520
NC Health Choice	253,077	23,623
Food Stamp Program	2,799,136	-
Women, Infants, and Children	226,548	-
Temporary Assistance for Needy Families	43,039	-
Foster Care	36,511	12,251
Adoption Assistance	-	55,200
CWS Adoption Subsidy	-	96,188
SC/SA Domicillary Care Payment	-	65,418
State Foster Home	-	2,850
<b>Total</b>	<b>\$ 14,268,209</b>	<b>\$ 6,238,050</b>

**VIII. Component Unit Transactions**

In the fiscal year 2016, the County and Pamlico County ABC Board, its component unit, reported the following transactions:

<b>Purpose</b>	<b>Amount</b>
Profit distribution	\$ 52,273
ABC law enforcement	1,322
<b>Total</b>	<b>\$ 53,595</b>

**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. Prior Period Restatement**

The County restated the beginning fund balance for the Emergency Telephone System Fund to properly reflect expenses disallowed in previous years by the E-911 Board. The total restatement was \$18,467.

**XI. Subsequent Event**

In response to a recent court decision by the North Carolina Supreme Court regarding the validity of water and sewer impact fees, it was determined the County could incur a potential liability of approximately \$332,000 for the repayment of impact fees collected. As this is a recent development, the amount and legal position taken by the County could change depending on future determinations by the Courts.

**Pamlico County**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplemental Information**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2015	\$ -	\$ 276,577	\$ 276,577	0.00%	\$ 873,603	31.66%
12/31/2014	-	169,983	169,983	0.00%	665,589	25.54%
12/31/2013	-	135,263	135,263	0.00%	483,802	27.96%
12/31/2012	-	124,940	124,940	0.00%	558,156	22.38%
12/31/2011	-	124,001	124,001	0.00%	617,646	20.08%
12/31/2010	-	120,174	120,174	0.00%	595,481	20.18%
12/31/2009	-	137,480	137,480	0.00%	572,360	24.02%
12/31/2008	-	107,690	107,690	0.00%	496,067	21.71%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed
2016	\$ 22,886	44.20%
2015	16,796	28.69%
2014	17,381	36.09%
2013	17,783	40.55%
2012	16,909	0.00%
2011	18,754	0.00%
2010	14,243	0.00%
2009	13,435	0.00%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return *	3.57%
Projected salary increase *	3.50% - 7.35%
Cost-of-living adjustments	N/A

\*Includes inflation at 3.0%

**Pamlico County**  
**Other Post-employment Benefits**  
**Retiree Health Plan**  
**Required Supplemental Information**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ -	\$ 915,384	\$ 915,384	0.00%	\$ 4,551,899	20.11%
12/31/2011	-	888,047	888,047	0.00%	4,788,430	18.55%
12/31/2008	-	746,126	746,126	0.00%	4,415,117	16.90%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2016	\$ 120,089	13.33%
2015	120,089	13.33%
2014	110,960	16.61%
2013	110,960	20.54%
2012	110,960	16.61%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.00%
Projected salary increase *	7.50% - 5.00%
Cost-of-living adjustments	2020

\*Includes inflation at 3.0%



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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) (%)	0.077%	0.074%	0.075%
County's proportion of the net pension liability (asset) (\$)	\$ 343,776	\$ (437,945)	\$ 901,627
County's covered-employee payroll	\$ 5,646,584	\$ 5,306,399	\$ 5,180,842
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.09%	-8.25%	17.40%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 328,151	\$ 326,080	\$ 311,843
Contributions in relation to the contractually required contribution	<u>328,151</u>	<u>326,080</u>	<u>311,843</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 5,646,584	\$ 5,306,399	\$ 5,180,842
Contributions as a percentage of covered-employee payroll	5.81%	6.15%	6.02%

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) (%)	0.143%	0.148%	0.136%
County's proportion of the net pension liability (asset) (\$)	\$ (32,318)	\$ (33,516)	\$(28,996)
County's covered-employee payroll	\$ 74,228	\$ 70,901	\$ 70,768
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-43.54%	-47.27%	-40.97%
Plan fiduciary net position as a percentage of the total pension liability	197.29%	193.88%	190.50%

**Pamlico County**  
**Schedule of County Contributions**  
**Register of Deeds' Supplemental Pension Fund**  
**Required Supplemental Information**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,280	\$ 3,218	\$ 1,207
Contributions in relation to the contractually required contribution	<u>1,280</u>	<u>3,218</u>	<u>1,207</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 74,228	\$ 70,901	\$ 70,768
Contributions as a percentage of covered-employee payroll	1.72%	4.54%	1.71%

**Pamlico County**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes			
Taxes		\$ 10,101,610	
Penalties and interest		100,968	
Total	\$ 10,182,175	10,202,578	\$ 20,403
Local option sales tax			
Article 39 and 44		920,294	
Article 40		764,118	
Article 42		465,344	
Total	1,971,000	2,149,756	178,756
Other taxes and licenses			
Documentary stamps		66,360	
Scrap tire disposal tax		17,423	
White goods disposal tax		5,164	
Medicaid hold harmless		297,296	
Other taxes		17,088	
Total	457,628	403,331	(54,297)
Unrestricted intergovernmental			
Beer and wine tax		34,123	
ABC profit distribution		39,014	
School resource officer		45,734	
Sheriff & Jail fees		1,171,099	
Facility fees		13,750	
Sales tax refunds		36,995	
Total	1,267,762	1,340,715	72,953
Restricted intergovernmental			
Federal and State grants		3,410,388	
Controlled substance tax		7,750	
ABC bottle tax		3,457	
Total	3,889,760	3,421,595	(468,165)

**Pamlico County**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

Permits and fees			
Building permits		166,000	
Register of Deeds		60,353	
Other permits and fees		98,756	
Total	266,026	325,109	59,083
Sales and services			
Rents and concessions		12,993	
Recreation fees		7,175	
Patient Fees - Nursing Home & Health Dept.		4,395	
Senior Citizens fees		1,935	
Other fees		83,686	
Total	121,613	110,184	(11,429)
Investment earnings	10,000	30,700	20,700
Miscellaneous	9,259	19,110	9,851
Total revenues	18,175,223	18,003,078	(172,145)
<b>EXPENDITURES</b>			
General government			
Governing board			
Salaries and benefits		82,043	
Operating expenditures		324,943	
Total	443,838	406,986	36,852
County manager			
Salaries and benefits		167,989	
Operating expenditures		12,030	
Total	192,535	180,019	12,516
Personnel			
Salaries and benefits		119,665	
Operating expenditures		7,138	
Total	140,412	126,803	13,609
Finance			
Salaries and benefits		295,836	
Operating expenditures		56,334	
Total	373,305	352,170	21,135

**Pamlico County**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

Tax Administrator			
Salaries and benefits		325,090	
Operating expenditures		117,238	
<b>Total</b>	<b>486,470</b>	<b>442,328</b>	<b>44,142</b>
Board of Elections			
Salaries and benefits		109,861	
Operating expenditures		49,851	
<b>Total</b>	<b>169,454</b>	<b>159,712</b>	<b>9,742</b>
Register of Deeds			
Salaries and benefits		99,436	
Operating expenditures		32,994	
<b>Total</b>	<b>141,105</b>	<b>132,430</b>	<b>8,675</b>
Data processing	32,040	28,501	3,539
Public Buildings			
Salaries and benefits		117,184	
Operating expenditures		254,851	
Capital outlay		101,163	
<b>Total</b>	<b>553,344</b>	<b>473,198</b>	<b>80,146</b>
<b>Total general government</b>	<b>2,532,503</b>	<b>2,302,147</b>	<b>230,356</b>
Public safety			
Sheriff			
Salaries and benefits		1,217,998	
Operating expenditures		325,394	
Capital outlay		185,253	
<b>Total</b>	<b>1,809,240</b>	<b>1,728,645</b>	<b>80,595</b>
Jail			
Salaries and benefits		829,964	
Operating expenditures		606,087	
<b>Total</b>	<b>1,522,266</b>	<b>1,436,051</b>	<b>86,215</b>

**Pamlico County**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

Dispatch			
Salaries and benefits	272,914	259,189	13,725
Medical examiner	10,500	10,500	-
Emergency management			
Salaries and benefits		73,670	
Operating expenditures		20,015	
Fire Departments		66,308	
Rescue Squads		411,708	
Capital outlay		94,688	
Total	689,225	666,389	22,836
Total public safety	4,304,145	4,100,774	203,371
Environmental Protection			
Recycling			
Salaries and benefits		98,528	
Operating expenditures		73,297	
Total	205,498	171,825	33,673
Landfill monitoring	20,600	12,035	8,565
Animal control			
Salaries and benefits		40,345	
Operating expenditures		32,564	
Total	89,800	72,909	16,891
Total environmental protection	315,898	256,769	59,129
Economic & physical development			
Planning			
Salaries and benefits		51,157	
Operating expenditures		46,900	
Total	122,503	98,057	24,446



**Pamlico County**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

Building inspections			
Salaries and benefits		148,250	
Operating expenditures		16,441	
Total	176,800	164,691	12,109
Soil conservation			
Salaries and benefits		82,445	
Operating expenditures		5,501	
Total	110,784	87,946	22,838
Cooperative extension	115,578	62,775	52,803
Forrestry	91,985	81,250	10,735
Total economic & physical development	617,650	494,719	122,931
Human services			
Senior Center			
Salaries and benefits		160,748	
Operating expenses		114,779	
Small home repair		4,280	
NRCOG Nutrition		1,854	
Senior health insurance info		2,244	
Total	356,212	283,905	72,307
Health department			
Salaries and benefits		158,332	
Operating expenses		68,939	
Bioterrorism		32,913	
Tuberculosis		28,614	
Communicable disease		24,135	
Immunization action plan		35,204	
Primary care		89,287	
Breast cervical cancer		32,080	
Child health		16,966	
Maternal health		37,108	
Women preventive health		100,753	
Health promotion		22,376	
Child services		18,064	
Breastfeeding peer counselor		5,111	
Mosquito control		360	
Environmental health		138,032	
HIV/STD		39,793	
Food and lodging		58,514	
Woman, infant and children		89,998	
Total	1,219,676	996,579	223,097

**Pamlico County**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

East Carolina Behavioral Health	39,593	34,724	4,869
<hr/>			
Social services			
Salaries and benefits		1,817,888	
Operating expenditures		251,818	
Jobs program		613	
Work First transportation		1,188	
Medicaid transportation		125,508	
Special Assistance for Adults		97,382	
State foster care		5,700	
AFDC/TANF foster care		61,263	
Emergency foster care		295	
Aid to the blind		703	
Adoption assistance		114,972	
Crisis intervention program		19,346	
Daycare		494,158	
Child support		1,376	
Aging services		50,208	
Duke Energy utility program		63,260	
Transportation		62,682	
NRCOG chore services		46,577	
<hr/>			
Total	3,478,960	3,214,937	264,023
<hr/>			
Veterans services	25,829	22,100	3,729
<hr/>			
Department of Juvenile Justice Partnership			
Juvenile Service Restitution		15,706	
Task Force Certification		60	
Intervention - delinquency		57,357	
<hr/>			
Total	82,157	73,123	9,034
<hr/>			
Total human services	5,202,427	4,625,368	577,059
<hr/>			
Cultural and recreation			
Salaries and benefits		234,570	
Operating expenditures		101,424	
<hr/>			
Total	642,076	335,994	306,082
<hr/>			
Libraries	198,053	198,053	-
<hr/>			
Total cultural and recreation	840,129	534,047	306,082
<hr/>			

**Pamlico County**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

Education			
Pamlico County Board of Education			
Current		3,324,138	
Capital		250,000	
Total	3,574,138	3,574,138	-
Pamlico Community College	561,215	561,215	-
Total education	4,135,353	4,135,353	-
Debt service			
Principal		558,117	(558,117)
Interest		336,089	(336,089)
Total debt service	896,484	894,206	2,278
Total expenditures	18,844,589	17,343,383	1,501,206
Revenues over (under) expenditures	(669,366)	659,695	1,329,061
<b>OTHER FINANCING SOURCES (USES)</b>			
Installment purchase obligation	-	51,156	51,156
Transfer from CDBG	-	2,171	2,171
Transfer from Water Fund	106,321	95,000	(11,321)
Total other financing sources	106,321	148,327	42,006
Fund balance appropriated	563,045	-	(563,045)
Net change in fund balance	\$ -	808,022	\$ 808,022
<b>Fund balance, beginning</b>		<u>8,920,547</u>	
<b>Fund balance, ending</b>		<u>\$ 9,728,569</u>	

**Pamlico County**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Hazard Mitigation Grant Fund**  
**For The Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Restricted intergovernmental	\$ 15,028,124	\$ 2,327,955	\$ (12,700,169)
<b>EXPENDITURES</b>			
Economic & physical development			
Soft costs	1,826,964	458,697	1,368,267
Acquisition	6,523,866	36,346	6,487,520
Administration	355,500	1,425	354,075
Clearance	861,374	-	861,374
Rehabilitation	5,460,420	1,787,115	3,673,305
Total expenditures	15,028,124	2,283,583	12,744,541
Revenues over (under) expenditures	\$ -	44,372	\$ 44,372
<b>Fund balance, beginning</b>		<u>(48,671)</u>	
<b>Fund balance, ending</b>		<u>\$ (4,299)</u>	

**Pamlico County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016**

	Special Revenue Funds									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	PCC Roof Project		
<b>ASSETS</b>										
Cash and cash equivalents	\$ 5,595	\$ -	\$ 248,370	\$ 2,500	\$ 11,890	\$ 17,522	\$ 3,787	67,809	\$ 357,473	
Accounts receivable	-	-	29,673	-	-	-	-	-	29,673	
Taxes receivable, net	76,052	-	-	-	-	-	-	-	76,052	
Prepaid items	-	-	-	-	-	2,720	-	-	2,720	
Restricted cash and cash equivalents	-	209,587	-	-	-	-	-	-	209,587	
<b>Total assets</b>	<b>81,647</b>	<b>209,587</b>	<b>278,043</b>	<b>2,500</b>	<b>11,890</b>	<b>20,242</b>	<b>3,787</b>	<b>67,809</b>	<b>675,505</b>	
<b>LIABILITIES</b>										
Accounts payable	-	-	4,039	2,500	-	264	26	-	6,829	
Due to other funds	-	-	-	-	-	-	-	-	-	
Cash overdraft	-	-	-	-	-	-	-	-	-	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>4,039</b>	<b>2,500</b>	<b>-</b>	<b>264</b>	<b>26</b>	<b>-</b>	<b>6,829</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Property taxes receivable	76,052	-	-	-	-	-	-	-	76,052	
<b>FUND BALANCES</b>										
Non-spendable	-	-	-	-	-	2,720	-	-	2,720	
Restricted										
Stabilization by State Statute	-	-	29,673	-	-	-	-	-	29,673	
Public Safety	-	-	244,331	-	-	-	-	-	244,331	
Economic and physical development	-	-	-	-	-	17,258	3,761	67,809	88,828	
Register of deeds	-	-	-	-	11,890	-	-	-	11,890	
Committed	-	209,587	-	-	-	-	-	-	209,587	
Unassigned	5,595	-	-	-	-	-	-	-	5,595	
<b>Total fund balances</b>	<b>5,595</b>	<b>209,587</b>	<b>274,004</b>	<b>-</b>	<b>11,890</b>	<b>19,978</b>	<b>3,761</b>	<b>67,809</b>	<b>592,624</b>	
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 81,647</b>	<b>\$ 209,587</b>	<b>\$ 278,043</b>	<b>\$ 2,500</b>	<b>\$ 11,890</b>	<b>\$ 20,242</b>	<b>\$ 3,787</b>	<b>\$ 67,809</b>	<b>\$ 675,505</b>	

**Pamlico County**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Non-major Governmental Funds**  
**For The Fiscal Year Ended June 30, 2016**

**Special Revenue Funds**

	<b>Fire District Funds</b>	<b>Reappraisal Fund</b>	<b>Emergency Telephone System Fund</b>	<b>CDBG Scattered Site Fund</b>	<b>Register of Deeds Enhancement &amp; Preservation</b>	<b>4H Fund</b>	<b>Electronic Management Fund</b>	<b>PCC Roof Project</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>									
Ad valorem taxes	\$ 581,607	\$ 45,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 627,250
Restricted intergovernmental	-	-	134,469	262,423	7,485	-	-	-	404,377
Other taxes and license	124,316	-	-	-	-	-	-	-	124,316
Sales and service	-	-	-	-	-	10,862	-	-	10,862
Investment earnings	-	441	-	-	-	-	-	28	469
Miscellaneous	-	-	-	-	-	-	1,265	-	1,265
<b>Total revenues</b>	<b>705,923</b>	<b>46,084</b>	<b>134,469</b>	<b>262,423</b>	<b>7,485</b>	<b>10,862</b>	<b>1,265</b>	<b>28</b>	<b>1,168,539</b>
<b>EXPENDITURES</b>									
Current									
Public safety	695,431	-	158,222	-	-	-	-	-	853,653
Economic & physical development	-	-	-	262,423	2,001	6,259	-	430,932	701,615
<b>Total expenditures</b>	<b>695,431</b>	<b>-</b>	<b>158,222</b>	<b>262,423</b>	<b>2,001</b>	<b>6,259</b>	<b>-</b>	<b>430,932</b>	<b>1,555,268</b>
Revenues over (under) expenditures	10,492	46,084	(23,753)	-	5,484	4,603	1,265	(430,904)	(386,729)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfer to General fund	-	-	-	(2,171)	-	-	-	-	(2,171)
Revenues and other sources over (under) expenditures and other uses	10,492	46,084	(23,753)	(2,171)	5,484	4,603	1,265	(430,904)	(388,900)
Fund balances, beginning as previously reported	(4,897)	163,503	279,290	2,171	6,406	15,375	2,496	498,713	963,057
Restatement	-	-	18,467	-	-	-	-	-	18,467
Fund balances, as restated	(4,897)	163,503	297,757	2,171	6,406	15,375	2,496	498,713	981,524
Fund balances, ending	\$ 5,595	\$ 209,587	\$ 274,004	\$ -	\$ 11,890	\$ 19,978	\$ 3,761	\$ 67,809	\$ 592,624

**Pamlico County**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance – Budget and Actual**  
**Fire District Funds**  
**For The Fiscal Year Ended June 30, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 655,698	\$ 581,607	\$ (74,091)
Other taxes	136,940	124,316	(12,624)
<b>Total revenues</b>	<b>792,638</b>	<b>705,923</b>	<b>(86,715)</b>
<b>EXPENDITURES</b>			
Public safety			
Operating expenditures	792,638	695,431	(97,207)
<b>Revenues over (under) expenditures</b>	<b>\$ -</b>	<b>10,492</b>	<b>\$ 10,492</b>
<b>Fund balance, beginning</b>		<u>(4,897)</u>	
<b>Fund balance, ending</b>		<u>\$ 5,595</u>	

**Pamlico County**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance – Budget and Actual**  
**Reappraisal Fund**  
**For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes	\$ 42,000	\$ 45,643	\$ 3,643
Investment earnings	-	441	441
<b>Total revenues</b>	<b>42,000</b>	<b>46,084</b>	<b>4,084</b>
<b>EXPENDITURES</b>			
General government			
Operating expenditures	42,000	-	42,000
<b>Revenues over (under) expenditures</b>	<b>\$ -</b>	<b>46,084</b>	<b>\$ 46,084</b>
<b>Fund balance, beginning</b>		<u>163,503</u>	
<b>Fund balance, ending</b>		<u>\$ 209,587</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, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Restricted intergovernmental	\$ 134,469	\$ 134,469	\$ -
<b>EXPENDITURES</b>			
Public safety			
Salaries and benefits		-	
Contracted services		66,966	
Operating expenditures		914	
Capital outlay		90,342	
Total expenditures	197,093	158,222	38,871
Revenues over (under) expenditures	(62,624)	(23,753)	38,871
Appropriated fund balance	62,624	-	(62,624)
Revenues and appropriated fund balance over (under) expenditures	\$ -	(23,753)	\$ (23,753)
<b>Fund balance, beginning as previously reported</b>		279,290	
<b>Restatement</b>		<u>18,467</u>	
<b>Fund balance, beginning as restated</b>		<u>297,757</u>	
<b>Fund balance, ending</b>		<u>\$ 274,004</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, 2016**

	Project Authorization	Actual		Variance Positive (Negative)	
		Prior Year	Current Year		Total to Date
<b>REVENUES</b>					
Resticted revenues:					
CDBG Grants	\$ 2,210,702	\$ 177,919	\$ 262,423	\$ 440,342	\$ (1,770,360)
<b>EXPENDITURES</b>					
Economic and physical development					
Clearance	139,569	-	16,267	16,267	123,302
Rehabilitation	685,261	157,820	44,628	202,448	482,813
Relocation	1,157,000	-	186,829	186,829	970,171
Administration	228,872	17,928	14,699	32,627	196,245
Total expenditures	2,210,702	175,748	262,423	438,171	1,772,531
Revenues over (under) expenditures	-	2,171	-	2,171	2,171
<b>OTHER FINANCING USES</b>					
Transfer to General Fund	-	-	(2,171)	(2,171)	(2,171)
Revenues over (under) expenditures and other uses	\$ -	\$ 2,171	(2,171)	\$ -	\$ -
<b>Fund balance, beginning</b>			<u>2,171</u>		
<b>Fund balance, ending</b>			<u>\$ -</u>		

**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, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Other taxes and license			
Other taxes	\$ 4,935	\$ 7,485	\$ 2,550
<b>EXPENDITURES</b>			
Economic and physical development			
Operating expenditures		2,001	
Total expenditures	4,935	2,001	2,934
Revenues over (under) expenditures	\$ -	5,484	\$ 5,484
<b>Fund balance, beginning</b>		6,406	
<b>Fund balance, ending</b>		\$ 11,890	

**Pamlico County**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**4-H Fund**  
**For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Sales and service	\$ 20,345	\$ 10,862	\$ (9,483)
<b>EXPENDITURES</b>			
Economic and physical development			
Operating expenditures	20,345	6,259	14,086
Revenues over (under) expenditures	<u>\$ -</u>	4,603	<u>\$ 4,603</u>
<b>Fund balance, beginning</b>		<u>15,375</u>	
<b>Fund balance, ending</b>		<u>\$ 19,978</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, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Miscellaneous	\$ 1,000	\$ 1,265	\$ 265
<b>EXPENDITURES</b>			
Economic and physical development Operating expenditures	1,000	-	1,000
Revenues over (under) expenditures	<u>\$ -</u>	1,265	<u>\$ 1,265</u>
<b>Fund balance, beginning</b>		<u>2,496</u>	
<b>Fund balance, ending</b>		<u>\$ 3,761</u>	

**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, 2016**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>REVENUES</b>					
Restricted Intergovernmental	\$ 50,000	\$ 11,607	\$ -	\$ 11,607	\$ (38,393)
Investment earnings	-	7	28	35	35
Total revenues	50,000	11,614	28	11,642	(38,358)
<b>EXPENDITURES</b>					
Economic and physical development					
Construction	456,000	-	430,932	430,932	25,068
Professional fees	12,121	11,001	-	11,001	1,120
Administration	22,850	1,900	-	1,900	20,950
Contingency	44,000	-	-	-	44,000
Total expenditures	534,971	12,901	430,932	443,833	91,138
Revenues over (under) expenditures	(484,971)	(1,287)	(430,904)	(432,191)	52,780
<b>OTHER FINANCING SOURCES</b>					
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	\$ -	\$ 498,713	\$ (430,904)	\$ 67,809	\$ 67,809

**Pamlico County**  
**Schedule of Revenues, Expenditures and**  
**Budget and Actual (Non-GAAP)**  
**Water Fund**  
**For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Operating revenues			
Charges for services	\$ 2,220,494	\$ 2,250,732	\$ 30,238
Taps and connection fees	35,000	52,958	17,958
Other operating revenue	32,061	15,967	(16,094)
Total	2,287,555	2,319,657	32,102
Nonoperating revenues			
Sale of fixed assets	-	1,700	1,700
Reimbursements	45,000	43,027	(1,973)
Total	45,000	44,727	(273)
Total revenues	2,332,555	2,364,384	31,829
<b>EXPENDITURES</b>			
Water operations			
Salaries and benefits		575,899	
Contract services		277,144	
Monitoring services		46,877	
Utilities		119,591	
Maintenance and repairs		23,814	
Supplies and materials		398,511	
Other operating expenditures		15,182	
Total	1,483,789	1,457,018	26,771
Debt service			
Principal		520,778	
Interest		22,806	
Total	583,751	543,584	40,167
Capital outlay	158,694	96,160	62,534
Total expenditures	2,226,234	2,096,762	129,472
Revenues over (under) expenditures	106,321	267,622	161,301

**Pamlico County**  
**Schedule of Revenues, Expenditures and**  
**Budget and Actual (Non-GAAP)**  
**Water Fund**  
**For the Fiscal Year Ended June 30, 2016**

**OTHER FINANCING SOURCES (USES)**

Transfer to other funds	(106,321)	(95,000)	11,321
<b>Total other financing sources (uses)</b>	<b>(106,321)</b>	<b>(95,000)</b>	<b>11,321</b>
Revenues and other sources over (under) expenditures and other uses	\$ -	172,622	<u>\$ 172,622</u>

Reconciliation from budgetary basis to  
full accrual:

Reconciling items:

Increase in accrued vacation	(3,232)
Increase in accrued OPEB liability	(8,973)
Capital reserve revenues	30,735
Capital outlay	96,160
Debt principal	520,778
Deferred outflows of resources for contributions made to pension plan in current fiscal year	24,326
Loss on sale of fixed assets	(3,512)
Book value of transferred assets	(11,321)
Pension expense	(12,385)
Depreciation	<u>(644,616)</u>
Total reconciling items	<u>(12,040)</u>
Change in net position	<u>\$ 160,582</u>



**Pamlico County**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Water Fund – Capital Reserve Fund**  
**For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Operating revenues:			
User fees	\$ 30,000	\$ 22,000	\$ (8,000)
Non-operating revenues:			
Investment earnings	2,000	8,735	6,735
Total revenues	32,000	30,735	(1,265)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to other funds	32,000	-	32,000
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 30,735	\$ 30,735

**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, 2016**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>REVENUES</b>					
Operating revenues	\$ -	\$ 33,009	\$ -	\$ 33,009	\$ 33,009
Investment earnings	-	4,293	-	4,293	4,293
<b>Total revenues</b>	<b>-</b>	<b>37,302</b>	<b>-</b>	<b>37,302</b>	<b>37,302</b>
<b>EXPENDITURES</b>					
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)
<b>Total expenditures</b>	<b>4,780,207</b>	<b>3,675,826</b>	<b>-</b>	<b>3,675,826</b>	<b>1,104,381</b>
Revenues over (under) expenditures	(4,780,207)	(3,638,524)	-	(3,638,524)	1,141,683
<b>OTHER FINANCING SOURCES (USES)</b>					
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)	-
<b>Total other financing sources (uses)</b>	<b>4,780,207</b>	<b>4,101,799</b>	<b>-</b>	<b>4,101,799</b>	<b>(678,408)</b>
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, 2016**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
<b>EXPENDITURES</b>					
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
<b>OTHER FINANCING SOURCES</b>					
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**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
<b>Social services:</b>				
Assets:				
Cash and cash equivalents	\$ 39,364	\$ 177,149	\$ 171,405	\$ 45,108
Liabilities:				
Accounts payable	\$ 39,364	\$ 177,149	\$ 171,405	\$ 45,108
<b>Jail Inmate Trust:</b>				
Assets:				
Cash and cash equivalents	\$ 10,286	\$ 205,673	\$ 205,794	\$ 10,165
Liabilities:				
Accounts payable	\$ 10,286	\$ 205,673	\$ 205,794	\$ 10,165
<b>Bay River Metropolitan Sewer District:</b>				
Assets:				
Cash and cash equivalents	\$ 24,968	\$ 1,263,452	\$ 1,234,012	\$ 54,408
Accounts receivable	181,981	1,199,078	1,207,064	173,995
Total assets	<u>\$ 206,949</u>	<u>\$ 2,462,530</u>	<u>\$ 2,441,076</u>	<u>\$ 228,403</u>
Liabilities:				
Accounts payable	<u>\$ 206,949</u>	<u>\$ 1,187,869</u>	<u>\$ 1,166,415</u>	<u>\$ 228,403</u>
<b>Total - All Agency Funds:</b>				
Assets:				
Cash and cash equivalents	\$ 74,618	\$ 1,646,274	\$ 1,611,211	\$ 109,681
Accounts receivable	181,981	1,199,078	1,207,064	173,995
Total assets	<u>\$ 256,599</u>	<u>\$ 2,845,352</u>	<u>\$ 2,818,275</u>	<u>\$ 283,676</u>
Liabilities:				
Accounts payable	<u>\$ 256,599</u>	<u>\$ 1,570,691</u>	<u>\$ 1,543,614</u>	<u>\$ 283,676</u>

**Pamlico County**  
**Schedule of Ad Valorem Taxes Receivable**  
**General Fund**  
**June 30, 2016**

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 10,270,435	\$ 9,872,687	\$ 397,748
2014-2015	415,576	-	170,243	245,333
2013-2014	266,909	-	68,517	198,392
2012-2013	183,740	-	40,944	142,796
2011-2012	116,103	-	16,338	99,765
2010-2011	99,151	-	9,247	89,904
2009-2010	81,595	-	9,246	72,349
2008-2009	75,368	-	8,156	67,212
2007-2008	55,910	-	866	55,044
2006-2007	45,652	-	123	45,529
2005-2006	55,444	-	55,444	-
	<u>\$ 1,395,448</u>	<u>\$ 10,270,435</u>	<u>\$ 10,251,811</u>	<u>1,414,072</u>
				Less: allowance for uncollectible amounts
				<u>(350,000)</u>
				Ad valorem taxes receivable - net
				<u>\$ 1,064,072</u>
				<u>Reconcilement with revenues:</u>
				Ad valorem taxes - General Fund
				\$ 10,202,578
				Ad valorem taxes - Reappraisal Fund
				45,643
				Penalties and interest
				(100,968)
				Tax garnishment fees collected
				(9,782)
				Taxes written off
				114,340
				<u>Total collections and credits</u>
				<u>\$ 10,251,811</u>

**Pamlico County  
Analysis of Current Tax Levy  
County-wide Levy  
For the Fiscal Year Ended June 30, 2016**

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property taxed at current	\$ 1,604,922,659	\$ 0.625	\$ 10,051,203	\$ 9,314,048	\$ 737,155
Less: Senior Citizens exemptions	(2,934,238)	0.625	(18,339)	(18,339)	-
Public utilities	36,481,982	0.625	228,012	228,012	-
Penalties	-		11,228	11,228	-
Discoveries	5,735,150	0.625	35,844	35,844	-
Abatements	(6,002,067)	0.625	(37,513)	(31,989)	(5,524)
Total property valuation	<u>\$ 1,638,203,486</u>				
Net levy			\$ 10,270,435	\$ 9,538,804	\$ 731,631
Uncollected taxes at June 30, 2016			<u>397,748</u>	<u>397,748</u>	<u>-</u>
Current year's tax collected			<u>\$ 9,872,687</u>	<u>\$ 9,141,056</u>	<u>\$ 731,631</u>
Current levy collection percentage			<u>96.13%</u>	<u>95.83%</u>	<u>100.00%</u>

**Pamlico County**  
**Analysis of Current Tax Levy**  
**County-wide Levy**  
**For the Fiscal Year Ended June 30, 2016**

**Secondary Market Disclosures:**

**Assessed Valuation:**

Assessment ratio	100%
Real property	1,479,639,005
Personal property	126,337,755
Public service companies	35,496,384
Total assessed valuation	<u>\$ 1,641,473,144</u>
Tax rate per \$100	<u>\$ 0.625</u>
Levy (includes discoveries, releases and abatements)	<u>\$ 10,270,435</u>

**Pamlico County  
Ten Largest Taxpayers  
For the Fiscal Year Ended June 30, 2016**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
Weyerhaeuser Co.	Timber Land	\$ 23,431,616	1.54%
Burton Farm Development	Real Estate Developer	15,854,059	1.04%
River Dunes Land Holdings LLC	Real Estate Developer	12,219,922	0.80%
River Dunes Development LLC	Real Estate Developer	10,433,890	0.69%
Reserveco Inc.	Real Estate Developer	10,063,288	0.66%
RR Doc North III LLC	Real Estate Developer	5,157,730	0.34%
Fulcher Point LLC	Seafood Retail	4,392,007	0.29%
McCotter Farm LLC	Agriculture	4,246,895	0.28%
Wal-Mart Real Estate	Retail	3,699,106	0.24%
Lee Don Farms Inc.	Agriculture	3,575,147	0.24%
Neil Realty Company	Real Estate Developer	3,207,435	0.21%
		<u>\$ 96,281,095</u>	<u>6.33%</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, 2016, 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 21, 2016. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [2016-1]

#### 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*.

#### Response to Findings

The Pamlico County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### 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 21, 2016



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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, 2016. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of 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, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

### **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 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.

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

*Cary Riggs & Ingram, L.L.C.*

New Bern, North Carolina  
November 21, 2016



**Pamlico County**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2016**

State Awards

None

**Section II. Financial Statement Findings**

Significant Deficiencies

2016-1 Deficit fund balance

Criteria: General Statutes require that all money received and expended by a local government or public authority be included in the budget ordinance.

Condition: The Hazard Mitigation Grant Project Fund had a deficit fund balance of \$4,299 at June 30, 2016.

Effect: The County was in violation of North Carolina General Statutes by overspending the reserve balance at year end.

Cause: The County overspent its reserve balance due to a timing difference between the receipt and disbursement of funds.

Recommendation: The County should review its budget and reserve amounts to determine if appropriations are available before expenditure is made.

Views of responsible officials: The County agrees with this finding. The deficit fund balance will be restored to positive amounts with future revenues and transfers from other funds.



**Pamlico County  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016**

**Section III. Federal Award Findings and Questioned Costs**

None reported.

**Section IV. State Award Findings and Questioned Costs**

None reported.

**Section II. Financial Statement Findings**

Significant Deficiencies

*2015-1 Deficit fund balance*

Name of contact person: Bill Fentress, Finance Officer

Corrective Action: The deficit fund balance will be restored to positive amounts with future revenues and transfers from other funds.

Proposed Completion Date: Immediately

**Section III. Federal Award Findings and Questioned Costs**

None reported.

**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, 2016**

**Section II. Financial Statement Findings**

Significant Deficiencies

*2015-1 Deficit fund balance*

Status: This finding has been partially corrected. The Hazard Mitigation Grant Project Fund has a deficit fund balance of \$4,299 as of June 30, 2016. See finding 2016-1.

**Section III. Federal Award Findings and Questioned Costs**

Significant Deficiencies

*2015-1 Improper File Documentation*

Status: This finding has been corrected. Department of Social Services has provided additional training to employees and revised their procedures to ensure all files contain proper documentation and verification of employment.

**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, 2016**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Federal (Direct &amp; Pass-through) Expenditures</b>	<b>State Expenditures</b>
<b>Federal Awards:</b>				
<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	10.561	XXXX	\$ 163,914	\$ -
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	81,581	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	226,548	-
Total U.S. Department of Agriculture			472,043	-
<u>U.S. Dept. of Housing and Urban Development</u>				
Passed-through the N.C. Department of Commerce: Community Development Block Grant				
	14.228	XXXX	262,240	-
<u>U. S. Department of Homeland Security</u>				
Passed-through N.C. Deptment of Public Safety: Division of Emergency Management				
Emergency Management	97.042	XXXX	37,658	-
Hazard Mitigation Grant Program	97.039	XXXX	2,327,955	-
Total U. S. Department of Homeland Security			2,365,613	-
<u>U.S. Dept. of Health &amp; 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	29,416	80,685
Special Programs for the Aging - Title III C				
Nutrition Services	93.045	XXXX	68,310	23,167
Nutrition Services Incentive Program	93.053	XXXX	15,701	-
Total Aging Cluster			113,427	103,852
Social Services Block Grant - In Home Services	93.667	XXXX	1,965	56

**Pamlico County**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2016**

<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 &amp;</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
Division of Social Services				
Temporary Assistance for Needy Families	93.558	XXXX	1,703	-
<u>Temporary Assistance for Needy Families Cluster</u>				
Temporary Assistance for Needy Families (TANF) / Work First	93.558	XXXX	129,335	-
TANF / Work First - Direct Benefit Payments	93.558	XXXX	43,039	-
Total TANF Cluster			172,374	-
<u>Foster Care and Adoption Cluster (Note 4)</u>				
Foster Care - Title IV-E	93.658	XXXX	80,650	6,713
Adoption Assistance	93.659	XXXX	3,327	-
Foster Care - Title IV-E - Direct Benefit Payments	93.658	XXXX	36,511	12,250
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	37,017	-
Total Foster Care and Adoption Cluster (Note 4)			157,505	18,963
Family Preservation	93.556	XXXX	3,967	-
Child Support Enforcement	93.563	XXXX	76,153	-
Low-Income Home Energy Assistance: Administration	93.568	XXXX	80,424	-
Stephanie Tubbs Jones Child Welfare Services Program: - Permanency Planning	93.645	XXXX	3,427	-
SSBG - Other Service and Training	93.667	XXXX	50,580	5,470
LINKS	93.674	XXXX	320	80
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	80,000	-
Division of Child Development:				
Child Care and Development Fund - Discretionary	93.575	XXXX	223,273	-
Child Care and Development Fund - Mandatory	93.596	XXXX	73,030	-
Child Care and Development Fund - Match	93.596	XXXX	63,718	20,988
Total Child Care Development Fund Cluster			440,021	20,988
Temporary Asssitance for Needy Families	93.558	XXXX	62,090	-
Foster Care - Title IV-E	93.658	XXXX	-	2,048
State Appropriations		XXXX	-	40,687
TANF - MOE		XXXX	-	56,076
Total Subsidized Child Care (Note 4)			502,111	119,799

**Pamlico County**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2016**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Federal (Direct &amp; Pass-through) Expenditures</b>	<b>State Expenditures</b>
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Medical Assistance:				
Direct Benefit Payments:				
Medical Assistance Program	93.778	XXXX	10,909,898	5,982,520
Administration:				
Medical Assistance Program	93.778	XXXX	654,032	122
Total Medical Assistance Program			11,563,930	5,982,642
Direct Benefit Payments:				
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	253,077	23,623
Division of Social Services:				
Administration:				
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	19,623	1,745
Total State Children's Insurance			272,700	25,368
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	34,773	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs				
	93.116	XXXX	43	-
Preventive Health Services Sexually Transmitted Diseases Control Grant				
	93.977	XXXX	510	-
Immunization Grants				
	93.268	XXXX	3,819	-
Maternal and Child Health Services Block Grant				
	93.994	XXXX	20,396	15,299
Preventive Health and Health Services Block Grant				
	93.758	XXXX	18,440	-
HIV Prevention Activities Health Department Based Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs				
	93.919	XXXX	8,415	-
Office of Population Affairs				
Family Planning Services	93.217	XXXX	22,429	-
Total U.S. Department of Health and Human Services			13,111,411	6,271,529
Total federal awards			16,211,307	6,271,529

**Pamlico County**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2016**

<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 &amp;</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
<b>State Awards:</b>				
<u>N.C. Department of Administration</u>				
Veterans Service		XXXX	-	1,525
<u>N.C. Dept. of Health and Human Services</u>				
Division of Aging and Adult Services				
Division of Social Services				
Child Welfare Benefits		XXXX	-	24,867
CWS Adoption Benefits		XXXX	-	96,188
Special Children Adoption		XXXX	-	55,200
Domiciliary Care		XXXX	-	65,418
State Foster Home		XXXX	-	2,850
Total Division of Social Service			-	244,523
Division of Public Health				
General Aid to Counties		XXXX	-	71,701
General Communicable Disease Control		XXXX	-	10,077
Food and Lodging		XXXX	-	3,641
Public Health Nursing		XXXX	-	600
Women's Health Service Fund		XXXX	-	1,021
HMNC - Family Planning		XXXX	-	5,198
Breast and Cervical Cancer Program		XXXX	-	3,825
HIV/STD SSBG Aid		XXXX	-	500
Sexually Transmitted Diseases		XXXX	-	24
Child Health		XXXX	-	1,034
Maternal Health		XXXX	-	1,886
Tuberculosis		XXXX	-	2,113
Tuberculosis Medical Service		XXXX	-	540
Total Division of Public Health			-	102,160
Total N. C. Department of Health and Human Services			-	346,683
<u>N.C. Dept. of Public Safety</u>				
Juvenile Crime Prevention Programs		XXXX	-	52,654
<u>N.C. Dept. of Transportation</u>				
Rural Operating Assistance Program (ROAP) Cluster				
- ROAP Elderly and Disabled Transportation Assistance		XXXX	-	46,310
- ROAP Rural General Public Program		XXXX	-	44,156
- ROAP Work First Transitional - Employment			-	5,363
Total ROAP Cluster			-	95,829
Total N.C. Department of Transportation			-	191,658
Total State awards			-	496,691
Total federal and State awards			<u>\$16,211,307</u>	<u>\$ 6,768,220</u>



**Pamlico County**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2016**

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

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**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, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit 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. Pamlico County has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Cluster of Programs**

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