

Pamlico County, North Carolina

FINANCIAL REPORT

June 30, 2017



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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, 2017, and the related notes to the financial statements, which collectively comprise Pamlico County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pamlico County, North Carolina as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Hazard Mitigation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I and Note X to the financial statements, Pamlico County, North Carolina adopted Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinions are not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits Schedules of Funding Progress and Employer Contributions on page 69, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions on pages 70 and 71, 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 72 and 73, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 74 and 75 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 February 2, 2018 on our consideration of Pamlico County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

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

Cary Riggs & Ingram, L.L.C.

New Bern, North Carolina

February 2, 2018

Pamlico County Management's Discussion and Analysis

As management of Pamlico County, we offer readers of Pamlico County's financial statements this narrative overview and analysis of the financial activities of Pamlico County for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

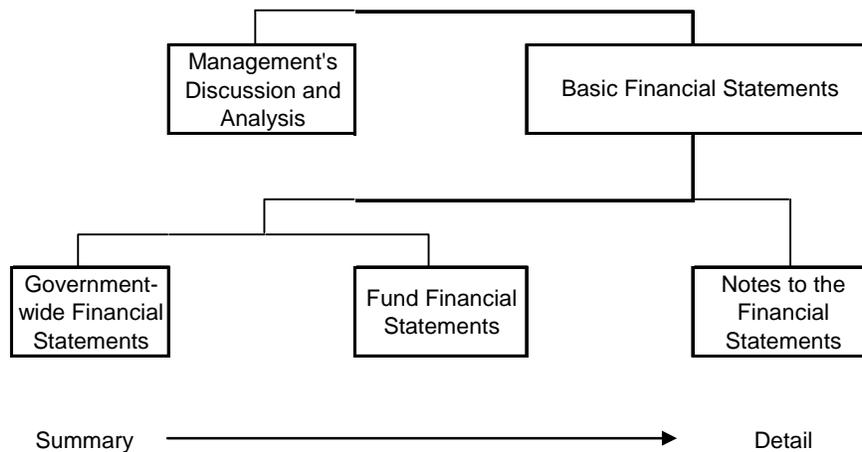
- The assets and deferred outflows of resources of Pamlico County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$25,052,493 (*net position*).
- The government's total net position increased by \$997,306 after restatement, primarily due to the governmental funds.
- As of the close of the current fiscal year, Pamlico County's governmental funds reported combined ending fund balances of \$11,010,461, an increase of \$687,720 before restatement, in comparison with the prior year. Approximately 14.14% of this total amount or \$1,557,796 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,370,672, or 44.47% of total general fund expenditures of \$18,821,188 for the fiscal year.
- Pamlico County's total debt decreased by \$1,079,197 or 7.51% during the current fiscal year. The key factor in this decrease was the repayment of debt principal.
- Tax collection rate was 96.34% for FY 2016-2017. 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 11) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's major and non-major governmental funds, with the non-major funds added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

Pamlico County Management's Discussion and Analysis

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water services offered by Pamlico County. The final category is the component unit. Pamlico County ABC Board is legally separate from the County however the County is financially accountable for the Board by appointing its members. Also, the Board is required to distribute a portion of its profits to the County.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pamlico County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Pamlico County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Pamlico County Management's Discussion and Analysis

The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Pamlico County has three agency funds.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Pamlico County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 69 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$25,052,493 as of June 30, 2017. The County's net position increased by \$997,306, after restatement for the fiscal year ended June 30, 2017. One of the largest portions \$11,953,207 (47.71%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment).

Pamlico County Management's Discussion and Analysis

Pamlico County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Pamlico County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Pamlico County's net position \$1,554,916 (6.21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,544,370 is unrestricted.

Pamlico County's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 12,657,513	\$ 12,437,381	\$ 4,611,419	\$ 4,407,493	\$ 17,268,932	\$ 16,844,874
Capital assets	11,324,830	11,029,828	12,262,697	12,825,495	23,587,527	23,855,323
Deferred outflows of resources	1,476,296	342,045	113,019	27,044	1,589,315	369,089
Total assets and deferred outflows of resources	25,458,639	23,809,254	16,987,135	17,260,032	42,445,774	41,069,286
Long-term liabilities	12,593,221	11,616,672	3,942,059	4,347,118	16,535,280	15,963,790
Other liabilities	558,761	659,304	130,949	97,928	689,710	757,232
Deferred inflows of resources	163,903	279,190	4,388	13,887	168,291	293,077
Total liabilities and deferred inflows of resources	13,315,885	12,555,166	4,077,396	4,458,933	17,393,281	17,014,099
Net position:						
Net investment in capital assets	3,411,212	3,248,362	8,541,995	8,587,469	11,953,207	11,835,831
Restricted	1,554,916	2,108,696	-	-	1,554,916	2,108,696
Unrestricted	7,176,626	5,897,030	4,367,744	4,213,630	11,544,370	10,110,660
Total net position	\$ 12,142,754	\$ 11,254,088	\$ 12,909,739	\$ 12,801,099	\$ 25,052,493	\$ 24,055,187

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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,973,431	\$ 1,811,207	\$ 2,410,899	\$ 2,341,657	\$ 4,384,330	\$ 4,152,864
Operating grants	5,971,660	6,034,560	-	-	5,971,660	6,034,560
Capital grants	259,000	-	-	-	259,000	-
General revenues:						
Property taxes	11,106,873	10,852,711	-	-	11,106,873	10,852,711
Local option sales tax	2,479,519	2,149,756	-	-	2,479,519	2,149,756
Other	548,251	637,942	-	29,894	548,251	667,836
Book value of transferred assets	5,468	-	(5,468)	-	-	637,942
Investment earnings	49,086	31,169	21,039	8,735	70,125	39,904
Total revenues	22,393,288	21,517,345	2,426,470	2,380,286	24,819,758	24,535,573
Expenses:						
General government	2,529,349	2,401,325	-	-	2,529,349	2,401,325
Public safety	5,551,000	4,801,540	-	-	5,551,000	4,801,540
Economic & physical development	3,084,735	3,482,510	-	-	3,084,735	3,482,510
Environmental protection	317,659	276,516	-	-	317,659	276,516
Human services	4,741,012	4,693,260	-	-	4,741,012	4,693,260
Cultural and recreation	567,720	540,607	-	-	567,720	540,607
Education	4,323,738	4,135,353	-	-	4,323,738	4,135,353
Interest on long-term debt	372,608	330,646	-	-	372,608	330,646
Water and sewer	-	-	2,206,298	2,124,704	2,206,298	2,124,704
Total expenses	21,487,821	20,661,757	2,206,298	2,124,704	23,694,119	22,786,461
Increase in net position						
before transfers	905,467	855,588	220,172	255,582	1,125,639	1,749,112
Transfers	111,532	95,000	(111,532)	(95,000)	-	-
Change in net position	1,016,999	950,588	108,640	160,582	1,125,639	1,749,112
Net position, July 1	11,254,088	10,285,033	12,801,099	12,640,517	24,055,187	22,925,550
Restatement	(128,333)	18,467	-	-	(128,333)	18,467
Net position, July 1 restated	11,125,755	10,303,500	12,801,099	12,640,517	23,926,854	22,944,017
Net position, June 30	\$ 12,142,754	\$ 11,254,088	\$ 12,909,739	\$ 12,801,099	\$ 25,052,493	\$ 24,693,129

Governmental activities. Governmental activities increased the County's net position by \$888,666. 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 \$108,640. 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 \$8,370,672, while total fund balance reached \$10,639,811. The County currently has an available fund balance of 44.47% of general fund expenditures, while total fund balance represents 56.53% of that same amount.

At June 30, 2017, the governmental funds of Pamlico County reported a combined fund balance of \$11,010,461, a 6.67% 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 \$4,367,744. There was an increase in net position of \$108,640. 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, 2017, totals \$23,587,527 (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	
	2017	2016	2017	2016	2017	2016
Land	\$ 334,634	\$ 334,634	\$ 70,286	\$ 70,286	\$ 404,920	\$ 404,920
Construction in progress	92,435	95,648	26,250	-	118,685	95,648
Buildings and improvements	12,532,260	12,525,960	7,155,435	7,155,435	19,687,695	19,681,395
Plant	-	-	10,508,279	10,508,279	10,508,279	10,508,279
Equipment and vehicles	3,997,841	3,739,203	2,339,685	2,316,117	6,337,526	6,055,320
Subtotal	16,957,170	16,695,445	20,099,935	20,050,117	37,057,105	36,745,562
Less: accumulated depreciation	(5,632,340)	(5,665,617)	(7,837,238)	(7,224,622)	(13,469,578)	(12,890,239)
Total assets	\$ 11,324,830	\$ 11,029,828	\$ 12,262,697	\$ 12,825,495	\$ 23,587,527	\$ 23,855,323

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, 2017, Pamlico County had total debt outstanding of \$13,298,608, 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	
	2017	2016	2017	2016	2017	2016
Installment notes	\$ 9,514,667	\$ 10,038,374	\$ 3,720,702	\$ 4,238,026	\$ 13,235,369	\$ 14,276,400
Capital lease obligation	63,239	101,405	-	-	63,239	101,405
Total	\$ 9,577,906	\$ 10,139,779	\$ 3,720,702	\$ 4,238,026	\$ 13,298,608	\$ 14,377,805

Pamlico County's total bonded debt decreased by \$1,079,197 (7.51%) 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 \$119,586,287.

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 2017 was projected at 4.5%, down from the 6.0% level reported in 2016. The State unemployment rate for August 2017 was 4.5%.
- Median household income for 2017 was projected at \$41,004, down from the 2016 estimate of \$43,097. In comparison, the State's median household income for 2016 (latest data available) was reported at \$47,900.

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, 2018

Governmental Activities: The approved General Fund budget is balanced at \$19,411,418 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 \$10,550,500, including collections from prior years. Revenue from motor vehicle collections is budgeted at \$755,000. A fund balance allocation of \$901,379 is included in the final budget.

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

Total Board of Education allocation is budgeted at \$3,914,710. Current expense is funded at \$3,664,710 with capital outlay at \$250,000. Pamlico Community College funding is allocated at \$577,389.

Business – type Activities: Water rates for the fiscal year 2017-2018 are budgeted to increase to the levels as summarized below:

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

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 (\$160,000), and (3) preventive maintenance (\$25,000).



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, 2017
Exhibit 1

	Governmental Activities	Business-type Activities	Total	Component Unit Pamlico County ABC Board
ASSETS				
Cash and cash equivalents	\$ 687,937	\$ 1,077,663	\$ 1,765,600	\$ 383,795
Investments	9,183,599	3,099,339	12,282,938	-
Taxes receivable (net)	1,061,150	-	1,061,150	-
Accounts receivable (net)	1,435,429	340,517	1,775,946	-
Inventories	-	38,375	38,375	293,792
Prepaid items	2,880		2,880	-
Restricted cash and cash equivalents	257,233	55,525	312,758	-
Net pension asset	29,285	-	29,285	-
Capital assets:				
Land and construction in progress	427,069	96,536	523,605	36,749
Other capital assets, net	10,897,761	12,166,161	23,063,922	39,080
Total assets	23,982,343	16,874,116	40,856,459	753,416
DEFERRED OUTFLOWS OF RESOURCES	1,476,296	113,019	1,589,315	-
LIABILITIES				
Accounts payable	459,200	75,424	534,624	214,501
Accrued interest payable	99,561	-	99,561	-
Customer deposits	-	55,525	55,525	-
Long-term liabilities:				
Net pension liability - LGERS	1,606,810	125,226	1,732,036	-
Total pension liability - LEOSSA	285,431	-	285,431	-
Due within one year	798,847	455,802	1,254,649	-
Due in more than one year	9,902,133	3,361,031	13,263,164	-
Total liabilities	13,151,982	4,073,008	17,224,990	214,501
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	97,417	-	97,417	-
Pension deferrals	66,486	4,388	70,874	-
Total deferred inflows of resources	163,903	4,388	168,291	-
NET POSITION				
Net investment in capital assets	3,411,212	8,541,995	11,953,207	75,828
Restricted for:				
Stabilization by State Statute	1,435,429	-	1,435,429	-
Other purposes	119,487	-	119,487	260,458
Unrestricted	7,176,626	4,367,744	11,544,370	202,629
Total net position	\$ 12,142,754	\$ 12,909,739	\$ 25,052,493	\$ 538,915

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

**Pamlico County
Statement of Activities
For the Fiscal Year Ended June 30, 2017
Exhibit 2**

Net (Expense) Revenue and Changes in Net Position
Component

Functions/ Programs	Expenses	Program Revenues			Primary Government			Component
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	Governmental Activities	Business-type Activities	Total	Unit Pamlico County ABC Board
Primary government:								
Governmental activities:								
General government	\$ 2,529,349	\$ 79,916	\$ -	\$ -	\$ (2,449,433)	\$ -	\$ (2,449,433)	
Public safety	5,551,000	1,547,538	7,318	-	(3,996,144)	-	(3,996,144)	
Environmental protection	317,659	69,148	22,818	-	(225,693)	-	(225,693)	
Economic and physical development	3,084,735	168,461	3,719,370	-	803,096	-	803,096	
Human services	4,741,012	101,863	2,222,154	-	(2,416,995)	-	(2,416,995)	
Cultural and recreation	567,720	6,505	-	259,000	(302,215)	-	(302,215)	
Education	4,323,738	-	-	-	(4,323,738)	-	(4,323,738)	
Interest on long-term debt	372,608	-	-	-	(372,608)	-	(372,608)	
Total governmental activities	21,487,821	1,973,431	5,971,660	259,000	(13,283,730)	-	(13,283,730)	
Business-type activities:								
Water	2,206,298	2,410,899	-	-	-	204,601	204,601	
Total primary government	\$ 23,694,119	\$ 4,384,330	\$ 5,971,660	\$ 259,000	(13,283,730)	204,601	(13,079,129)	
Component Unit:								
Pamlico County ABC Board	\$ 1,376,503	\$ 1,386,369	\$ -	\$ -				\$ 9,866
General revenues:								
Taxes:								
Property taxes, levied for general purposes					11,106,873	-	11,106,873	-
Local option sales tax					2,479,519	-	2,479,519	-
Other taxes					532,211	-	532,211	-
Investment earnings					49,086	21,039	70,125	104
Book value of transferred assets					5,468	(5,468)	-	-
Miscellaneous					16,040	-	16,040	30
Total general revenues					14,189,197	15,571	14,204,768	134
Transfers					111,532	(111,532)	-	-
Change in net position					1,016,999	108,640	1,125,639	10,000
Net position - beginning, as previously reported					11,254,088	12,801,099	24,055,187	528,915
Restatement					(128,333)	-	(128,333)	-
Net position - beginning, as restated					11,125,755	12,801,099	23,926,854	528,915
Net position - ending					\$ 12,142,754	\$ 12,909,739	\$ 25,052,493	\$ 538,915

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

Pamlico County
Balance Sheet – Governmental Funds
June 30, 2017
Exhibit 3

	Major Fund		Other Non- major Governmental Funds	Total Governmental Funds
	General	Hazard Mitigation Grant Fund		
ASSETS				
Cash and cash equivalents	\$ 585,857	\$ -	\$ 168,579	\$ 754,436
Investments	9,183,599	-	-	9,183,599
Taxes receivable (net)	985,564	-	75,586	1,061,150
Accounts receivable (net)	1,367,600	32,430	35,399	1,435,429
Prepaid items	160	-	2,720	2,880
Restricted cash and cash equivalents	-	-	257,233	257,233
Total assets	\$ 12,122,780	\$ 32,430	\$ 539,517	\$ 12,694,727
LIABILITIES				
Accounts payable and accrued liabilities	\$ 399,988	\$ 10,120	\$ 49,092	\$ 459,200
Cash overdraft	-	65,205	1,294	66,499
Total liabilities	399,988	75,325	50,386	525,699
DEFERRED INFLOWS OF RESOURCES				
Property tax receivable	985,564	-	75,586	1,061,150
Prepaid taxes	97,417	-	-	97,417
Total deferred inflows of resources	1,082,981	-	75,586	1,158,567
FUND BALANCES				
Non-spendable	160	-	2,720	2,880
Restricted				
Stabilization of State Statute	1,367,600	32,430	35,399	1,435,429
Public safety	-	-	96,872	96,872
Economic development	-	-	21,741	21,741
Register of Deeds	-	-	874	874
Committed				
Tax Revaluation	-		257,233	257,233
Assigned				
Subsequent year's expenditures	901,379	-	-	901,379
Unassigned	8,370,672	(75,325)	(1,294)	8,294,053
Total fund balances	10,639,811	(42,895)	413,545	11,010,461
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,122,780	\$ 32,430	\$ 539,517	\$ 12,694,727

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

Pamlico County
Reconciliation of the Governmental Funds
to the Statement of Net Position
June 30, 2017
Exhibit 3

Total fund balances - governmental funds	\$	11,010,461
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	16,957,170	
Accumulated depreciation	<u>(5,632,340)</u>	11,324,830
Net pension asset		29,285
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position		384,195
Deferred inflows of resources for taxes receivable in fund statements		1,061,150
Benefit payments and pension administration costs for LEOSSA and deferred outflows of resources on the Statement of Net Position		11,808
Net pension liability		(1,606,810)
Total pension liability		(285,431)
Pension related deferrals		1,013,807
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>(10,800,541)</u>
Net position of governmental funds	\$	<u>12,142,754</u>

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, 2017
Exhibit 4

	Major Fund		Other Non- major Governmental Funds	Total Governmental Funds
	General	Hazard Mitigation Grant Fund		
REVENUES				
Ad valorem taxes	\$10,537,872	\$ -	\$ 647,975	\$ 11,185,847
Local option sales tax	2,479,519	-	-	2,479,519
Other taxes and licenses	313,074	-	150,212	463,286
Unrestricted intergovernmental	1,499,344	-	-	1,499,344
Restricted intergovernmental	3,989,370	2,218,472	139,937	6,347,779
Permits and fees	295,211	-	-	295,211
Sales and services	129,923	-	759	130,682
Investment earnings	47,990	-	1,096	49,086
Miscellaneous	28,595	-	977	29,572
Total revenues	19,320,898	2,218,472	940,956	22,480,326
EXPENDITURES				
Current:				
General government	2,329,485	-	-	2,329,485
Public safety	4,772,013	-	1,037,768	5,809,781
Environmental protection	292,084	-	-	292,084
Economic and physical development	789,822	2,257,068	30,854	3,077,744
Human services	4,620,911	-	-	4,620,911
Cultural and recreation	829,487	-	-	829,487
Education	4,323,738	-	-	4,323,738
Debt service:				
Interest	370,592	-	2,684	373,276
Principal	493,056	-	54,576	547,632
Total expenditures	18,821,188	2,257,068	1,125,882	22,204,138
Excess (deficiency) of revenues over expenditures	499,710	(38,596)	(184,926)	276,188
OTHER FINANCING SOURCES (USES)				
Installment purchase obligation	300,000	-	-	300,000
Transfer from other funds	111,532	-	-	111,532
Total other financing sources (uses)	411,532	-	-	411,532
Net change in fund balance	911,242	(38,596)	(184,926)	687,720
Fund balances - beginning, as previously reported	9,728,569	(4,299)	592,624	10,316,894
Restatement	-	-	5,847	5,847
Fund balances - beginning, as restated	9,728,569	(4,299)	598,471	10,322,741
Fund balances - ending	\$10,639,811	\$ (42,895)	\$ 413,545	\$ 11,010,461

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, 2017
Exhibit 5

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

Net change in fund balances - governmental funds	\$ 687,720
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 capital outlay exceeded depreciation in the current period.	295,002
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	384,195
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	11,808
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(78,974)
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.	286,466
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.	(569,218)
Total changes in net position of governmental activities	\$ 1,016,999

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, 2017
Exhibit 6

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 10,089,448	\$ 10,521,648	\$ 10,537,872	\$ 16,224
Local option sales tax	2,090,000	2,409,000	2,479,519	70,519
Other taxes and licenses	221,200	351,200	313,074	(38,126)
Unrestricted intergovernmental	1,305,488	1,550,831	1,499,344	(51,487)
Restricted intergovernmental	3,613,591	5,378,842	3,989,370	(1,389,472)
Permits and fees	277,410	287,910	295,211	7,301
Sales and services	112,378	112,928	129,923	16,995
Investment earnings	10,000	40,000	47,990	7,990
Miscellaneous	4,170	96,104	28,595	(67,509)
Total revenues	17,723,685	20,748,463	19,320,898	(1,427,565)
EXPENDITURES				
Current:				
General government	2,622,306	2,879,006	2,329,485	549,521
Public safety	4,413,083	5,120,474	4,772,013	348,461
Environmental protection	285,711	372,494	292,084	80,410
Economic and physical development	548,057	2,249,327	789,822	1,459,505
Human services	5,191,354	5,647,398	4,620,911	1,026,487
Cultural and recreation	863,514	897,120	829,487	67,633
Education	4,323,738	4,323,738	4,323,738	-
Debt service				
Principal	500,505	495,505	493,056	2,449
Interest	390,981	375,981	370,592	5,389
Total expenditures	19,139,249	22,361,043	18,821,188	3,539,855
Revenues over (under) expenditures	(1,415,564)	(1,612,580)	499,710	2,112,290
OTHER FINANCING SOURCES (USES)				
Installment purchase obligation	-	220,881	300,000	79,119
Transfer to other funds	-	(100,000)	-	100,000
Transfer from other funds	117,000	117,000	111,532	(5,468)
Total other financing sources (uses)	117,000	237,881	411,532	173,651
Fund balance appropriated	1,298,564	1,374,699	-	(1,374,699)
Net change in fund balance	\$ -	\$ -	911,242	\$ 911,242
Fund balances - beginning			9,728,569	
Fund balance - ending			\$ 10,639,811	

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, 2017
Exhibit 7**

	Hazard Mitigation Grant Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES				
Restricted intergovernmental	\$ 12,972,070	\$ 12,972,070	\$ 2,218,472	\$ (10,753,598)
EXPENDITURES				
Current:				
Economic and physical development	12,972,070	12,972,070	2,257,068	10,715,002
Revenues over (under) expenditures	\$ -	\$ -	(38,596)	\$ (38,596)
Fund balances - beginning			(4,299)	
Fund balance - ending			\$ (42,895)	

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

Pamlico County
Statement of Net Position – Proprietary Funds
June 30, 2017
Exhibit 8

	Water Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,077,663
Investments	3,099,339
Accounts receivable (net)	340,517
Inventories	38,375
Restricted cash and cash equivalents	55,525
Total current assets	4,611,419
Noncurrent assets:	
Capital assets:	
Land and construction in progress	96,536
Capital assets, net of depreciation	12,166,161
Total capital assets	12,262,697
Total assets	16,874,116
DEFERRED OUTFLOWS OF RESOURCES	
	113,019
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	75,424
Compensated absences	12,000
Current portion of long-term debt	443,802
Customer deposits payable from restricted assets	55,525
Total current liabilities	586,751
Noncurrent liabilities:	
Compensated absences	22,359
Installment purchases payable	3,276,900
Net pension liability	125,226
Other post-employment benefits	61,772
Total noncurrent liabilities	3,486,257
Total liabilities	4,073,008
DEFERRED INFLOWS OF RESOURCES	
	4,388
NET POSITION	
Net investment in capital assets	8,541,995
Unrestricted	4,367,744
Total net position	\$ 12,909,739

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, 2017
Exhibit 9**

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 2,324,181
Water taps	54,990
User fees	3,500
Other operating revenues	28,228
Total operating revenues	2,410,899
OPERATING EXPENSES	
Water operations	1,533,992
Depreciation	654,014
Total operating expenses	2,188,006
Operating income (loss)	222,893
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	21,039
Book value of transferred assets	(5,468)
Interest on long-term debt	(18,292)
Total nonoperating revenues (expenses)	(2,721)
Income (loss) before contributions and transfers	220,172
Transfer to other funds	(111,532)
Change in net position	108,640
Total net position, beginning	12,801,099
Total net position, ending	\$ 12,909,739

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, 2017
Exhibit 10

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,358,980
Cash paid for goods and services	(900,596)
Cash paid to or on behalf of employees	(599,883)
Customer deposits received	7,875
Customer deposits returned	(4,450)
Net cash provided by operating activities	861,926
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	
Transfer to other funds	(111,532)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Other non-operating revenues	
Acquisition of capital assets	(96,685)
Principal paid on long-term debt	(517,324)
Interest paid on long-term debt	(18,292)
Net cash used by capital and financing activities	(632,301)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(3,099,339)
Investment earnings	21,039
Net cash used by investing activities	(3,078,300)
Net increase in cash and cash equivalents	(2,960,207)
Cash, beginning of year	4,093,395
Cash, ending of year	\$ 1,133,188

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, 2017
Exhibit 10

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 222,893
Adjustments to reconcile income to cash provided by operations:	
Depreciation	654,014
(Increase) decrease in accounts receivable	(51,919)
(Increase) decrease in inventory	(12,875)
(Increase) decrease in deferred outflows of resources for pensions	(85,975)
Increase (decrease) in accounts payable	29,597
Increase (decrease) in accrued vacation	3,509
Increase (decrease) in customer deposits	3,425
Increase (decrease) in net pension liability	100,004
Increase (decrease) in OPEB liability	8,752
Increase (decrease) in deferred inflows of resources for pensions	(9,499)
Total adjustments	639,033
Net cash provided by operating activities	\$ 861,926
Reconciliation of cash - ending:	
Cash	\$ 1,077,663
Restricted cash	55,525
Total cash	\$ 1,133,188

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

Pamlico County
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2017
Exhibit 11

	<u>Agency Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 100,106
Accounts receivable (net)	203,541
<hr/>	
Total assets	303,647
<hr/>	
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	303,647
<hr/>	
Total liabilities	\$ 303,647
<hr/>	

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County, which is governed by a seven-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The discretely presented component unit presented below is reported in a separate column in the County's financial statements in order to emphasize that it is legally separate from the County.

Pamlico County ABC Board

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Pamlico County Notes to the Financial Statements

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

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

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise funds:

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

The County reports the following fund types:

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

Nonmajor Funds. The County maintains eight legally budgeted nonmajor governmental funds. The Fire Districts Fund, the Reappraisal Fund, the Emergency Telephone System Fund, the CDBG Scattered Sites Fund; the Register of Deeds Enhancement and Preservation Fund; the 4-H Fund; 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. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB – accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). Investments are reported at fair value, with the exception of external investment pools which comply with criteria set forth in Section I50: *Investments* of the GASB Codification and have elected to measure their investments at amortized cost. Accordingly, the fair value of the County's position in the external investment pools having met these criteria is equal to the value of pooled shares.

2. Cash and Cash Equivalents

The County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are considered cash and cash equivalents. The ABC Board considers demand deposits and investments with a maturity date of 90 days or less at a time of purchase to be cash and cash equivalents.

Pamlico County Notes to the Financial Statements

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the County's access to 100 percent of their account value in either external investment pool.

3. Restricted Assets

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

Pamlico County Notes to the Financial Statements

Capital assets are defined by the County as assets with an initial, individual cost greater than \$5,000 and an estimated useful life greater than two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Pamlico County Board of Education and Pamlico Community College properties, which have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County, the Board of Education, and Community College give the Board of Education and Community College full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education and Community College once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as fixed assets in the financial statements of the Pamlico County Board of Education and Pamlico Community College.

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

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

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	5-10 years
Buildings	50 years

8. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has two items that meet this criterion – pension related deferrals, and contributions made to the 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 thirty days earned vacation leave, with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide and proprietary funds.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

Pamlico County Notes to the Financial Statements

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.

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

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

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 three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) the Registers of Deeds' Supplemental Pension Fund (RODSPF), and the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due.

The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

Pamlico County
Notes to the Financial Statements

F. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position.

The governmental fund balance sheet includes a reconciliation between total fund balance - total governmental funds and net position for governmental activities as reported in the government-wide Statement of Net Position. The net adjustment of \$1,132,293 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	\$ 16,957,170
Less accumulated depreciation	<u>(5,632,340)</u>
Net capital assets	11,324,830
Net pension asset	29,285
Contributions to pension plan in the current fiscal year	384,195
Benefit payments and pension administration costs for LEOSSA	11,808
Deferred inflows of resources reported in the government-wide statements but not the fund statements:	
Deferred inflows of resources for taxes	1,061,150
Pension related deferrals	1,013,807
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	(9,514,667)
Compensated absences	(337,679)
Other post-employment benefits	(785,395)
Net pension liability	(1,892,241)
Capital lease obligation	(63,239)
Accrued interest payable	<u>(99,561)</u>
Total adjustment	<u>\$ 1,132,293</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 \$329,279 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$	876,404
Cost of disposed capital assets not recorded in fund statements		(8,065)
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		(573,337)
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		(300,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.		585,798
Contributions to the pension plan in the current fiscal year are not included on the statement of activities		384,195
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the statement of net position		11,808
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)		668
Compensated absences		(7,196)
Other post-employment benefits		(86,517)
Pension expense		(475,505)
Revenues reported in the statement of activities that do not provide current resources are not recorded in the fund statements.		
Decrease in deferred inflows of resources		(78,974)
Total adjustment	\$	329,279

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 \$42,895. 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, 2017, the County's deposits had a carrying amount of \$2,177,277. The bank balances with financial institutions were \$2,541,774. Of these bank balances, \$250,000 was covered by federal depository insurance and \$2,291,774 was covered by collateral held under the Pooling Method.

At June 30, 2017, Pamlico County had \$1,187 cash on hand.

Pamlico County Notes to the Financial Statements

At June 30, 2017, the carrying amount of deposits for Pamlico County ABC Board was \$381,045 and the bank balance was \$356,952. Of these bank balances, \$250,000 was covered by federal depository insurance and \$106,952 was covered by collateral held under the Pooling Method.

At June 30, 2017, the ABC Board had \$2,750 cash on hand.

2. Investments

As of June 30, 2017, the County had the following investments and maturities:

Investment Type	Valuation		Fair Value	Less than 6 Months	6-12 Months
	Measurement Method				
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$	12,282,938	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. The County presents its investments as cash on the Statement of Net Position.

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

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

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSRO's); however, the County had no formal policy on managing credit risk. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017.

At June 30, 2017, 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
2014	\$ 476,977	\$ 156,225	\$ 633,202
2015	483,486	114,832	598,318
2016	490,876	72,435	563,311
2017	496,795	28,566	525,361
Total	\$ 1,948,134	\$ 372,058	\$ 2,320,192

4. Receivables

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

	Taxes	Accounts	Total
Governmental activities:			
General	\$ 1,335,564	\$ 1,367,600	\$ 2,703,164
Other governmental	75,586	67,829	143,415
Total receivables	1,411,150	1,435,429	2,846,579
Allowance for doubtful accounts	(350,000)	-	(350,000)
Total governmental activities	\$ 1,061,150	\$ 1,435,429	\$ 2,496,579
Business-type activities:			
Water	\$ -	\$ 377,598	\$ 377,598
Allowance for doubtful accounts	-	(37,081)	(37,081)
Total business-type activities	\$ -	\$ 340,517	\$ 340,517

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

Local options sales tax	\$ 706,798
White goods disposal tax	1,269
Scrap tire tax	4,689
Total	\$ 712,756

Pamlico County
Notes to the Financial Statements

5. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 334,634	\$ -	\$ -	\$ -	\$ 334,634
Construction in progress	95,648	12,530	15,743	-	92,435
Total capital assets not being depreciated	430,282	12,530	15,743	-	427,069
Capital assets being depreciated:					
Buildings and improvements	12,525,960	6,300	-	-	12,532,260
Equipment and vehicles	3,739,203	873,317	661,545	46,866	3,997,841
Total capital assets being depreciated	16,265,163	879,617	661,545	46,866	16,530,101
Less accumulated depreciation for:					
Buildings and improvements	3,041,891	239,278	-	-	3,281,169
Equipment and vehicles	2,623,726	334,059	648,012	41,398	2,351,171
Total accumulated depreciation	5,665,617	573,337	648,012	41,398	5,632,340
Total capital assets being depreciated, net	<u>10,599,546</u>				<u>10,897,761</u>
Governmental activities capital assets, net	<u>\$ 11,029,828</u>				<u>\$ 11,324,830</u>

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

General government	\$ 225,902
Public safety	231,073
Environmental protection	21,507
Human services	88,002
Cultural and recreation	6,853
Total depreciation expense	<u>\$ 573,337</u>

Pamlico County
Notes to the Financial Statements

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 70,286	\$ -	\$ -	\$ -	\$ 70,286
Construction in progress	-	26,250	-	-	26,250
Total capital assets not being depreciated	70,286	26,250	-	-	96,536
Capital assets being depreciated:					
Buildings and improvements	7,155,435	-	-	-	7,155,435
Plant	10,508,279	-	-	-	10,508,279
Equipment and vehicles	2,316,117	70,434	-	(46,866)	2,339,685
Total capital assets being depreciated	19,979,831	70,434	-	(46,866)	20,003,399
Less accumulated depreciation for:					
Buildings and improvements	2,859,803	281,119	-	-	3,140,922
Plant	3,202,095	250,891	-	-	3,452,986
Equipment and vehicles	1,162,724	122,004	-	(41,398)	1,243,330
Total accumulated depreciation	7,224,622	654,014	-	(41,398)	7,837,238
Total capital assets being depreciated, net	<u>12,755,209</u>				<u>12,166,161</u>
Business-type activities capital assets, net	<u>\$ 12,825,495</u>				<u>\$ 12,262,697</u>

Discretely presented component units

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 36,749	\$ -	\$ -	\$ 36,749
Capital assets being depreciated:				
Furniture and equipment	75,400	14,487	1,930	87,957
Buildings	306,980	-	-	306,980
Total capital assets being depreciated	382,380	14,487	1,930	394,937
Less accumulated depreciation for:				
Furniture and equipment	70,459	3,078	1,930	71,607
Buildings	281,767	2,483	-	284,250
Total accumulated depreciation	352,226	5,561	1,930	355,857
Total capital assets being depreciated, net	<u>30,154</u>			<u>39,080</u>
Governmental activities capital assets, net	<u>\$ 66,903</u>			<u>\$ 75,829</u>

Pamlico County
Notes to the Financial Statements

B. Liabilities

1. Payables

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

Type of Payable	Governmental Activities	Business-type Activities	Total
Trade payables	\$ 350,342	\$ 67,311	\$ 417,653
Salaries payable	108,858	8,113	116,971
Total	\$ 459,200	\$ 75,424	\$ 534,624

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or

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have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% 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 \$407,987 for the year ended June 30, 2017.

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

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

At June 30, 2017, the County reported a liability of \$1,732,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the

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County's proportion was 0.082%, which was an increase of 0.005% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$479,799. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,542	\$ 60,693
Changes of assumptions	118,629	-
Net difference between projected and actual earnings on pension plan investments	957,599	-
Changes in proportion and differences between County contributions and proportionate share of contributions	46,444	-
County contributions subsequent to the measurement date	407,987	-
Total	\$ 1,563,201	\$ 60,693

\$407,987 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 174,392
2019	174,499
2020	466,058
2021	279,572
2022	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 4,110,933	\$ 1,732,036	\$ (254,993)

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Pamlico County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	2
Active plan members	21
Total	23

2. Summary of Significant Accounting Policies.

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

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

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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

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

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

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

4. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$13,419 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$285,431. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$29,007.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ -	\$ 6,734
County benefit payments and plan administrative expenses made subsequent to the measurement date	11,808	-
Total	\$ 11,808	\$ 6,734

\$11,808 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease to the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:

2018	\$ (1,247)
2019	(1,247)
2020	(1,247)
2021	(1,247)
2022	(1,247)
Thereafter	(499)

\$11,808 paid as benefits came due subsequent to the measurement date is reported as deferred outflows of resources.

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

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 314,015	\$ 285,431	\$ 259,740

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

	2017
Beginning Balance	\$ 276,577
Service cost	20,620
Interest on the total pension liability	9,634
Change of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Change of assumptions or other inputs	(7,981)
Benefit payments	(13,419)
Other changes	-
Ending balance of the total pension liability	\$ 285,431

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

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$52,050 which consisted of \$49,639 from the County and \$2,411 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, 2017 was \$48,433.

d. Registers of Deeds' Supplemental Pension Fund

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

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$5,705 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$29,285 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was 0.157%, which was an increase of 0.0018% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$730. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31	\$ 379
Changes of assumptions	7,802	-
Net difference between projected and actual earnings on pension plan investments	50	-
Changes in proportion and differences between County contributions and proportionate share of contributions	718	3,068
County contributions subsequent to the measurement date	5,705	-
Total	\$ 14,306	\$ 3,447

\$5,705 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 2,345
2019	2,219
2020	914
2021	(324)
2022	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

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

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (23,613)	\$ (29,285)	\$ (34,050)

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 65th birthday, or obtains Medicare, whichever comes first.

Retirees can purchase coverage for their dependents at the County's group rates until the retiree reaches age 65, or until the retiree obtains Medicare, whichever comes first. Currently, two retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2017, the County made payments for post-retirement health benefit premiums of \$25,788. 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:

	General Employees	Law Enforcement Officers
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.

The current ARC rate is 2.40% of annual covered payroll. For the current year, the County contributed \$25,788 or 0.53% 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.

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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	\$ 116,359
Interest on net OPEB obligation	30,076
Adjustments to annual required contributions	<u>(25,378)</u>
Annual OPEB cost (expense)	121,057
Contributions made	<u>(25,788)</u>
Increase (decrease) in net OPEB obligation	95,269
Net OPEB obligation - beginning	<u>751,898</u>
Net OPEB obligation - ending	<u><u>\$ 847,167</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 were as follows:

Year End June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 121,057	13.20%	\$ 646,852
2016	121,057	13.22%	751,898
2017	121,057	21.30%	847,167

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%. 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

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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. 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.

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Notes to the Financial Statements

3. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pensions - difference between expected and actual experience	\$ 32,573	\$ 61,072
Pensions - difference between projected and actual investment earnings	957,649	6,734
Pensions - change in assumptions	126,431	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	47,162	3,068
Contributions to pension plan in current fiscal year	425,500	-
Prepaid taxes not yet earned (General)	-	97,417
Total	<u>\$ 1,589,315</u>	<u>\$ 168,291</u>

4. Risk Management

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

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

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

Pamlico County Notes to the Financial Statements

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, 2017, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters cannot be determined at this time due to uncertainty in the application of relevant laws to the pending litigation.

6. Long-Term Obligations

a. Capital Leases

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

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

Pamlico County
Notes to the Financial Statements

At June 30, 2017, the County leased vehicles and equipment valued at:

Class of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles	\$ 46,220	\$ 17,643	\$ 28,577
Equipment	102,453	34,701	67,752
Total	\$ 148,673	\$ 52,344	\$ 96,329

For Pamlico County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

Year Ending June 30

2018	\$	40,236
2019		25,581
Total minimum lease payments		65,817
Less: amount representing interest		(2,578)
Present value of minimum lease payments	\$	63,239

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 \$ 1,664,288

\$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 1,952,062

\$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 5,252,893

\$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 345,424

Pamlico County
Notes to the Financial Statements

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

300,000
\$ 9,514,667

Total

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

\$ 564,657

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

2,883,180

\$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

42,096

\$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

230,769
\$ 3,720,702

Total

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

Year Ending June	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 610,319	\$ 365,244	\$ 443,802	\$ 13,845
2019	615,680	346,533	401,706	10,846
2020	557,233	329,854	286,321	8,677
2021	497,585	314,376	286,321	6,508
2022	499,410	299,201	286,321	4,338
2023-2027	1,117,444	1,333,269	1,055,169	2,169
2028-2032	1,082,048	1,123,857	961,062	-
2033-2037	1,334,999	870,906	-	-
2038-2042	1,647,128	558,777	-	-
2043-2046	1,552,821	173,756	-	-
Total	\$ 9,514,667	\$ 5,715,773	\$ 3,720,702	\$ 46,383

Pamlico County
Notes to the Financial Statements

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, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment notes	\$ 9,762,299	\$ 300,000	\$ 547,632	\$ 9,514,667	\$ 610,319
Installment note serviced by Bay River Sewer Authority	276,075	-	276,075	-	-
Capital lease obligations	101,405	-	38,166	63,239	38,528
Compensated absences	330,483	151,683	144,487	337,679	150,000
Other postemployment benefits	698,878	86,517	-	785,395	-
Net pension liability (LIGERS)	318,554	1,288,256	-	1,606,810	-
Total pension obligation (LEOSSA)	276,577	8,854	-	285,431	-
Governmental activity long-term liabilities	\$ 11,764,271	\$ 1,835,310	\$ 1,006,360	\$ 12,593,221	\$ 798,847
Business-type activities:					
Installment notes	\$ 4,238,026	\$ -	\$ 517,324	\$ 3,720,702	\$ 443,802
Compensated absences	30,850	17,614	14,105	34,359	12,000
Net pension liability (LIGERS)	25,222	100,004	-	125,226	-
Other postemployment benefits	53,020	8,752	-	61,772	-
Business-type long-term liabilities	\$ 4,347,118	\$ 126,370	\$ 531,429	\$ 3,942,059	\$ 455,802

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

C. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Capital assets	\$ 11,324,830	\$ 12,262,697
Total long-term debt	9,514,667	3,720,702
Capital lease obligations	63,239	-
Pamlico County Board of Education debt:		
High school cafeteria	(1,664,288)	-
Long-term debt related to capital assets	7,913,618	3,720,702
Net investment in capital assets	\$ 3,411,212	\$ 8,541,995

Pamlico County
Notes to the Financial Statements

D. Fund Balance

Pamlico County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-County funds, and County funds.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The County has not adopted a formal fund balance policy.

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

Total fund balance - General Fund	\$ 10,639,811
Less:	
Prepays	(160)
Stabilization by State Statute	(1,367,600)
Appropriated Fund Balance in 2018 budget	(901,379)
Remaining Fund Balance	\$ 8,370,672

E. Interfund Balances and Activity

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

Transfer from the Water Fund to General Fund for administrative purposes	\$ 111,532
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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 \$26,517 to the Authority during the fiscal year ended June 30, 2017, which represents the Scrap Tire Disposal tax collected by the County.

Pamlico County Notes to the Financial Statements

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, 2017. 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, 2017. 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 \$566,028 to the Community College during the fiscal year ended June 30, 2017. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements at June 30, 2017. 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, 2017, the County contributed \$222,394 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.

Pamlico County
Notes to the Financial Statements

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

VII. Benefit Payments Issued by the State

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

	Federal	State
Medicaid	\$ 11,632,844	\$ 6,292,674
NC Health Choice	406,110	1,001
Food Stamp Program	2,532,491	-
Women, Infants, and Children	198,556	-
Temporary Assistance for Needy Families	31,627	-
Foster Care	44,646	15,256
Adoption Assistance	37,644	9,411
CWS Adoption Subsidy	-	59,365
SC/SA Domicillary Care Payment	-	79,348
State Foster Home	-	4,504
Total	\$ 14,883,918	\$ 6,461,559

VIII. Component Unit Transactions

In the fiscal year 2017, the County and Pamlico County ABC Board, its component unit, reported the following transactions:

Purpose	Amount
Profit distribution	\$ 73,460
ABC law enforcement	2,325
Total	\$ 75,785

IX. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

X. Change in Accounting Principle/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$134,180.

XI. 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 \$5,847.

**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
2017	\$ 116,359	21.30%
2016	120,089	13.33%
2015	120,089	13.33%

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
Last Four Fiscal Years *

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

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

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

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

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

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

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

	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.157%	0.143%	0.148%	0.136%
County's proportion of the net pension liability (asset) (\$)	\$ (29,285)	\$ (32,318)	\$ (33,516)	\$ (28,996)
County's covered-employee payroll	\$ 74,228	\$ 70,901	\$ 70,768	\$ 70,653
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-39.45%	-45.58%	-47.36%	-41.04%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

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

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

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

	2017	2016	2015	2014
Contractually required contribution	\$ 5,705	\$ 1,280	\$ 3,218	\$ 1,207
Contributions in relation to the contractually required contribution	<u>5,705</u>	<u>1,280</u>	<u>3,218</u>	<u>1207</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 78,691	\$ 74,228	\$ 70,901	\$ 70,768
Contributions as a percentage of covered-employee payroll	7.25%	1.72%	4.54%	1.71%

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

Pamlico County
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplemental Information
For the Year Ended June 30, 2017

	2017
Beginning Balance	\$ 276,577
Service cost	20,620
Interest on the total pension liability	9,634
Change of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Change of assumptions or other inputs	(7,981)
Benefit payments	(13,419)
Other changes	-
Ending balance of the total pension liability	\$ 285,431

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

Pamlico County

Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Required Supplemental Information
For the Year Ended June 30, 2017

	2017
Total pension liability	\$ 285,431
Covered payroll	994,023
Total pension liability as a percentage of covered payroll	28.71%

Notes to the schedule:

Pamlico County has not assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes			
Taxes		\$ 10,402,958	
Penalties and interest		134,914	
Total	\$ 10,521,648	10,537,872	\$ 16,224
Local option sales tax			
Article 39 and 44		849,345	
Article 40		1,015,358	
Article 42		614,816	
Total	2,409,000	2,479,519	70,519
Other taxes and licenses			
Documentary stamps		55,542	
Scrap tire disposal tax		17,638	
White goods disposal tax		5,180	
Medicaid hold harmless		217,335	
Other taxes		17,379	
Total	351,200	313,074	(38,126)
Unrestricted intergovernmental			
Beer and wine tax		35,123	
ABC profit distribution		49,696	
School resource officer		82,534	
Sheriff & Jail fees		1,315,790	
Facility fees		16,201	
Total	1,550,831	1,499,344	(51,487)
Restricted intergovernmental			
Federal and State grants		3,978,370	
Controlled substance tax		7,318	
ABC bottle tax		3,682	
Total	5,378,842	3,989,370	(1,389,472)

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Permits and fees			
Building permits		167,702	
Register of Deeds		58,361	
Other permits and fees		69,148	
Total	287,910	295,211	7,301
Sales and services			
Rents and concessions		21,555	
Recreation fees		6,505	
Patient Fees - Nursing Home & Health Dept.		12,767	
Senior Citizens fees		910	
Other fees		88,186	
Total	112,928	129,923	16,995
Investment earnings	40,000	47,990	7,990
Miscellaneous	96,104	28,595	(67,509)
Total revenues	20,748,463	19,320,898	(1,427,565)
EXPENDITURES			
General government			
Governing board			
Salaries and benefits		82,407	
Operating expenditures		331,932	
Total	480,513	414,339	66,174
County manager			
Salaries and benefits		158,694	
Operating expenditures		11,232	
Total	220,211	169,926	50,285
Personnel			
Salaries and benefits		111,674	
Operating expenditures		8,457	
Total	161,066	120,131	40,935
Finance			
Salaries and benefits		303,993	
Operating expenditures		37,673	
Total	393,476	341,666	51,810

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Tax Administrator			
Salaries and benefits		386,438	
Operating expenditures		147,765	
Total	585,921	534,203	51,718
Board of Elections			
Salaries and benefits		100,981	
Operating expenditures		45,320	
Total	175,828	146,301	29,527
Register of Deeds			
Salaries and benefits		102,615	
Operating expenditures		42,359	
Total	166,748	144,974	21,774
Data processing	38,900	22,976	15,924
Public Buildings			
Salaries and benefits		117,939	
Operating expenditures		272,625	
Capital outlay		44,405	
Total	656,343	434,969	221,374
Total general government	2,879,006	2,329,485	549,521
Public safety			
Sheriff			
Salaries and benefits		1,419,250	
Operating expenditures		420,697	
Capital outlay		224,571	
Total	2,187,156	2,064,518	122,638
Jail			
Salaries and benefits		973,860	
Operating expenditures		611,043	
Capital outlay		63,827	
Total	1,754,621	1,648,730	105,891

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Dispatch			
Salaries and benefits		288,980	
Operating expenditures		1,099	
Total	337,778	290,079	47,699
Medical examiner	23,000	12,750	10,250
Emergency management			
Salaries and benefits		156,982	
Operating expenditures		35,692	
Fire Departments		66,308	
Rescue Squads		486,000	
Capital outlay		10,954	
Total	817,919	755,936	61,983
Total public safety	5,120,474	4,772,013	348,461
Environmental protection			
Recycling			
Salaries and benefits		99,159	
Operating expenditures		102,142	
Total	244,834	201,301	43,533
Landfill monitoring	29,600	8,712	20,888
Animal control			
Salaries and benefits		40,429	
Operating expenditures		41,642	
Total	98,060	82,071	15,989
Total environmental protection	372,494	292,084	80,410
Economic & physical development			
Planning			
Salaries and benefits		56,907	
Operating expenditures		269,509	
Total	1,290,314	326,416	963,898

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Building inspections			
Salaries and benefits		147,249	
Operating expenditures		22,988	
Total	205,956	170,237	35,719
Soil conservation			
Salaries and benefits		84,537	
Operating expenditures		6,044	
Total	504,480	90,581	413,899
Cooperative extension	133,912	102,843	31,069
Forrestry	114,665	99,745	14,920
Total economic & physical development	2,249,327	789,822	1,459,505
Human services			
Senior Center			
Salaries and benefits		171,445	
Operating expenses		113,363	
Small home repair		4,750	
NRCOG Nutrition		1,873	
Senior health insurance info		1,441	
Capital outlay		29,597	
Total	421,145	322,469	98,676

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Health department			
Salaries and benefits		145,476	
Operating expenses		69,604	
Bioterrorism		19,908	
Tuberculosis		14,066	
Communicable disease		21,884	
Immunization action plan		28,331	
Primary care		72,255	
Breast cervical cancer		30,685	
Child health		46,377	
Maternal health		15,664	
Women preventive health		80,458	
Health promotion		21,398	
Environmental health		152,989	
HIV/STD		32,829	
Food and lodging		63,822	
Woman, infant and children		128,312	
Total	1,337,738	944,058	393,680
East Carolina Behavioral Health	42,593	34,991	7,602
Social services			
Salaries and benefits		1,790,665	
Operating expenditures		242,299	
Work First transportation		3,910	
Medicaid transportation		111,015	
Special Assistance for Adults		84,185	
Drug test/ child welfare		165	
State foster care		20,903	
AFDC/TANF foster care		80,368	
Emergency foster care		3,436	
Aid to the blind		672	
Adoption assistance		71,580	
Crisis intervention program		71,467	
Daycare		580,875	
Child support		837	
Aging services		78,205	
Duke Energy utility program		855	
Transportation		42,963	
NRCOG chore services		39,597	
Total	3,725,330	3,223,997	501,333

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Veterans services	26,309	21,612	4,697
Department of Juvenile Justice Partnership			
Task Force Certification		107	
Intervention - delinquency		73,677	
Total	94,283	73,784	20,499
Total human services	5,647,398	4,620,911	1,026,487
Cultural and recreation			
Salaries and benefits		250,672	
Operating expenditures		82,521	
Capital outlay		273,900	
Total	674,726	607,093	67,633
Libraries	222,394	222,394	-
Total cultural and recreation	897,120	829,487	67,633
Education			
Pamlico County Board of Education			
Current		3,507,710	
Capital		250,000	
Total	3,757,710	3,757,710	-
Pamlico Community College	566,028	566,028	-
Total education	4,323,738	4,323,738	-
Debt service			
Principal		493,056	
Interest		370,592	
Total debt service	871,486	863,648	7,838
Total expenditures	22,361,043	18,821,188	3,539,855
Revenues over (under) expenditures	(1,612,580)	499,710	2,112,290

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Installment purchase obligation	220,881	300,000	79,119
Transfer to Revaluation Fund	(100,000)	-	100,000
Transfer from Water Fund	117,000	111,532	(5,468)
Total other financing sources	237,881	411,532	173,651
Fund balance appropriated	1,374,699	-	(1,374,699)
Net change in fund balance	\$ -	911,242	\$ 911,242
Fund balance, beginning		<u>9,728,569</u>	
Fund balance, ending		<u>\$ 10,639,811</u>	

Pamlico County
Schedule of Revenues, Expenditures
and Changes in Fund Balances
Hazard Mitigation Grant Fund
For The Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental	\$ 12,972,070	\$ 2,218,472	\$ (10,753,598)
EXPENDITURES			
Economic & physical development			
Soft costs	797,154	300,960	496,194
Acquisition	3,557,084	-	3,557,084
Administration	328,079	-	328,079
Clearance	861,374	-	861,374
Rehabilitation	7,428,379	1,956,108	5,472,271
Total expenditures	12,972,070	2,257,068	10,715,002
Revenues over (under) expenditures	\$ -	(38,596)	\$ (38,596)
Fund balance, beginning		(4,299)	
Fund balance, ending		\$ (42,895)	

**Pamlico County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

	Special Revenue Funds							Capital Project Fund	Total Non- Major Governmental Funds
	Fire District Funds	Reappraisal Fund	Emergency Telephone System Fund	CDBG Scattered Site Fund	Register of Deeds Enhancement & Preservation	4H Fund	Electronic Management Fund	PCC Roof Project	
ASSETS									
Cash and cash equivalents	\$ 23,500	\$ -	\$ 119,887	\$ 2,500	\$ 874	\$ 17,054	\$ 4,764	\$ -	\$ 168,579
Accounts receivable	-	-	35,399	-	-	-	-	-	35,399
Taxes receivable, net	75,586	-	-	-	-	-	-	-	75,586
Prepaid items	-	-	-	-	-	2,720	-	-	2,720
Restricted cash and cash equivalents	-	257,233	-	-	-	-	-	-	257,233
Total assets	99,086	257,233	155,286	2,500	874	19,774	4,764	-	539,517
LIABILITIES									
Accounts payable	-	-	46,515	2,500	-	51	26	-	49,092
Cash overdraft	-	-	-	-	-	-	-	1,294	1,294
Total liabilities	-	-	46,515	2,500	-	51	26	1,294	50,386
DEFERRED INFLOWS OF RESOURCES									
Property taxes receivable	75,586	-	-	-	-	-	-	-	75,586
FUND BALANCES									
Non-spendable	-	-	-	-	-	2,720	-	-	2,720
Restricted									
Stabilization by State Statute	-	-	35,399	-	-	-	-	-	35,399
Public Safety	23,500	-	73,372	-	-	-	-	-	96,872
Economic and physical development	-	-	-	-	-	17,003	4,738	-	21,741
Register of deeds	-	-	-	-	874	-	-	-	874
Committed	-	257,233	-	-	-	-	-	-	257,233
Unassigned	-	-	-	-	-	-	-	(1,294)	(1,294)
Total fund balances	23,500	257,233	108,771	-	874	19,723	4,738	(1,294)	413,545
Total liabilities, deferred inflows of resources and fund balances	\$ 99,086	\$ 257,233	\$ 155,286	\$ 2,500	\$ 874	\$ 19,774	\$ 4,764	\$ -	\$ 539,517

Pamlico County
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balance
Non-major Governmental Funds
For The Fiscal Year Ended June 30, 2017

	Special Revenue Funds						Capital Project Fund		Total Non-Major Governmental Funds
	Fire District Funds	Reappraisal Fund	Emergency Telephone System Fund	CDBG Scattered Site Fund	Register of Deeds Enhancement & Preservation	4H Fund	Electronic Management Fund	PCC Roof Project	
REVENUES									
Ad valorem taxes	\$ 601,368	\$ 46,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 647,975
Restricted intergovernmental	-	-	133,013	-	6,924	-	-	-	139,937
Other taxes and license	150,212	-	-	-	-	-	-	-	150,212
Sales and service	-	-	-	-	-	759	-	-	759
Investment earnings	-	1,039	-	-	-	-	-	57	1,096
Miscellaneous	-	-	-	-	-	-	977	-	977
Total revenues	751,580	47,646	133,013	-	6,924	759	977	57	940,956
EXPENDITURES									
Current									
Public safety	733,675	-	304,093	-	-	-	-	-	1,037,768
Economic & physical development	-	-	-	-	17,940	1,014	-	11,900	30,854
Debt service	-	-	-	-	-	-	-	57,260	57,260
Total expenditures	733,675	-	304,093	-	17,940	1,014	-	69,160	1,125,882
Revenues over (under) expenditures	17,905	47,646	(171,080)	-	(11,016)	(255)	977	(69,103)	(184,926)
Fund balances, beginning as previously reported	5,595	209,587	274,004	-	11,890	19,978	3,761	67,809	592,624
Restatement	-	-	5,847	-	-	-	-	-	5,847
Fund balance, as restated	5,595	209,587	279,851	-	11,890	19,978	3,761	67,809	598,471
Fund balances, ending	\$ 23,500	\$ 257,233	\$ 108,771	\$ -	\$ 874	\$ 19,723	\$ 4,738	\$ (1,294)	\$ 413,545

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, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes	\$ 681,430	\$ 601,368	\$ (80,062)
Other taxes	146,940	150,212	3,272
Total revenues	828,370	751,580	(76,790)
EXPENDITURES			
Public safety			
Operating expenditures	828,370	733,675	(94,695)
Revenues over (under) expenditures	\$ -	17,905	\$ 17,905
Fund balance, beginning		<u>5,595</u>	
Fund balance, ending		<u><u>\$ 23,500</u></u>	

Pamlico County
Schedule of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual
Reappraisal Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes	\$ 42,000	\$ 46,607	\$ 4,607
Investment earnings	-	1,039	1,039
Total revenues	42,000	47,646	5,646
EXPENDITURES			
General government			
Operating expenditures	142,000	-	142,000
Revenues over (under) expenditures	(100,000)	47,646	147,646
OTHER FINANCING SOURCES			
Transfer from General Fund	100,000	-	(100,000)
Net change in fund balance	\$ -	47,646	\$ 47,646
Fund balance, beginning		<u>209,587</u>	
Fund balance, ending		<u>\$ 257,233</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, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental	\$ 134,469	\$ 133,013	\$ (1,456)
EXPENDITURES			
Public safety			
Contracted services		74,943	
Capital outlay		229,150	
Total expenditures	333,193	304,093	29,100
Revenues over (under) expenditures	(198,724)	(171,080)	27,644
Appropriated fund balance	198,724	-	(198,724)
Revenues and appropriated fund balance over (under) expenditures	\$ -	(171,080)	\$ (171,080)
Fund balance, beginning		274,004	
Restatement		5,847	
Fund balance, beginning, as restated		279,851	
Fund balance, ending		\$ 108,771	

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, 2017**

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

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
Register of Deeds Enhancement Preservation Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Other taxes and license			
Other taxes	\$ 6,452	\$ 6,924	\$ 472
EXPENDITURES			
Economic and physical development			
Operating expenditures		17,940	
Total expenditures	18,342	17,940	402
Revenues over (under) expenditures	(11,890)	(11,016)	874
Appropriated fund balance	11,890	-	(11,890)
Revenues and appropriated fund balance over (under) expenditures	\$ -	(11,016)	\$ (11,016)
Fund balance, beginning		<u>11,890</u>	
Fund balance, ending		<u>\$ 874</u>	

Pamlico County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
4-H Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales and service	\$ 18,000	\$ 759	\$ (17,241)
EXPENDITURES			
Economic and physical development			
Operating expenditures	18,000	1,014	16,986
Revenues over (under) expenditures	\$ -	(255)	\$ (255)
Fund balance, beginning		<u>19,978</u>	
Fund balance, ending		<u>\$ 19,723</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, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Miscellaneous	\$ 1,000	\$ 977	\$ (23)
EXPENDITURES			
Economic and physical development			
Operating expenditures	1,000	-	1,000
Revenues over (under) expenditures	\$ -	977	\$ 977
Fund balance, beginning		<u>3,761</u>	
Fund balance, ending		<u>\$ 4,738</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, 2017

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
REVENUES					
Restricted Intergovernmental	\$ 50,000	\$ 11,607	\$ -	\$ 11,607	\$ (38,393)
Investment earnings	-	35	57	92	92
Total revenues	50,000	11,642	57	11,699	(38,301)
EXPENDITURES					
Economic and physical development					
Construction	456,000	430,932	11,900	442,832	13,168
Professional fees	12,121	11,001	-	11,001	1,120
Administration	22,850	1,900	-	1,900	20,950
Contingency	44,000	-	-	-	44,000
Debt Service	-	-	57,260	57,260	(57,260)
Total expenditures	534,971	443,833	69,160	512,993	21,978
Revenues over (under) expenditures	(484,971)	(432,191)	(69,103)	(501,294)	(16,323)
OTHER FINANCING SOURCES					
Installment purchase obligation issue	484,971	500,000	-	500,000	15,029
Total other financing sources	484,971	500,000	-	500,000	15,029
Revenues and other sources					
over (under) expenditures	\$ -	\$ 67,809	\$ (69,103)	\$ (1,294)	\$ (1,294)

Pamlico County
Schedule of Revenues, Expenditures and
Budget and Actual (Non-GAAP)
Water Fund
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues			
Charges for services	\$ 2,286,494	\$ 2,324,181	\$ 37,687
Taps and connection fees	45,000	54,990	9,990
Other operating revenue	25,168	28,228	3,060
Total revenues	2,356,662	2,407,399	50,737
EXPENDITURES			
Water operations			
Salaries and benefits		605,345	
Contract services		402,275	
Monitoring services		54,677	
Utilities		121,036	
Maintenance and repairs		21,286	
Supplies and materials		294,900	
Other operating expenditures		17,020	
Total	1,681,397	1,516,539	164,858
Debt service			
Principal		517,324	
Interest		18,292	
Total	583,751	535,616	48,135
Capital outlay	267,500	70,434	197,066
Total expenditures	2,532,648	2,122,589	410,059
Revenues over (under) expenditures	(175,986)	284,810	460,796

Pamlico County
Schedule of Revenues, Expenditures and
Budget and Actual (Non-GAAP)
Water Fund
For the Fiscal Year Ended June 30, 2017

OTHER FINANCING SOURCES (USES)

Transfer to other funds	(117,000)	(111,532)	5,468
Total other financing sources (uses)	(117,000)	(111,532)	5,468
Appropriated fund balance	292,986	-	(292,986)
Revenues and other sources over (under) expenditures and other uses	\$ -	173,278	<u>\$ 173,278</u>

Reconciliation from budgetary basis to
full accrual:

Reconciling items:

Increase in accrued vacation	(3,509)
Increase in accrued OPEB liability	(8,752)
Capital reserve revenues	24,539
Capital outlay	70,434
Debt principal	517,324
Increase in deferred outflows of resources-pensions	85,975
Increase in net pension liability	(100,004)
Decrease in deferred inflows of resources - pensions	8,837
Book value of transferred asstes	(5,468)
Depreciation	(654,014)
Total reconciling items	<u>(64,638)</u>
Change in net position	<u>\$ 108,640</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, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
User fees	\$ 30,000	\$ 3,500	\$ (26,500)
Non-operating revenues:			
Investment earnings	2,000	21,039	19,039
Total revenues	32,000	24,539	(7,461)
OTHER FINANCING SOURCES (USES)			
Transfer to other funds	32,000	-	32,000
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 24,539	\$ 24,539

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, 2017

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

Pamlico County
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Kershaw Water Treatment Plant Project
From Inception and for the Fiscal Year Ended June 30, 2017

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

Pamlico County
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Reelsboro Elevated Tank Project
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		Variance Positive (Negative)
		Current Year	Total to Date	
EXPENDITURES				
Economic and physical development				
Engineering	\$ 48,500	\$ 1,350	\$ 1,350	\$ 47,150
Administration	141,225	4,823	4,823	136,402
Legal	11,000	-	-	11,000
Environmental	30,000	20,078	20,078	9,922
Demolition	50,000	-	-	50,000
Construction	907,250	-	-	907,250
Contingency	96,000	-	-	96,000
Total expenditures	1,283,975	26,251	26,251	1,257,724
Revenues over (under) expenditures	(1,283,975)	(26,251)	(26,251)	1,257,724
OTHER FINANCING SOURCES				
Long-term debt proceeds	1,283,975	-	-	(1,283,975)
Total other financing sources (uses)	1,283,975	-	-	(1,283,975)
Revenues and other sources over (under) expenditures	\$ -	\$ (26,251)	\$ (26,251)	\$ (26,251)

Pamlico County
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Social services:				
Assets:				
Cash and cash equivalents	\$ 45,108	\$ 176,673	\$ 177,662	\$ 44,119
Liabilities:				
Accounts payable	\$ 45,108	\$ 176,673	\$ 177,662	\$ 44,119
Jail Inmate Trust:				
Assets:				
Cash and cash equivalents	\$ 10,165	\$ 229,526	\$ 220,818	\$ 18,873
Liabilities:				
Accounts payable	\$ 10,165	\$ 229,526	\$ 220,818	\$ 18,873
Bay River Metropolitan Sewer District:				
Assets:				
Cash and cash equivalents	\$ 54,408	\$ 1,285,288	\$ 1,302,582	\$ 37,114
Accounts receivable	173,995	1,281,149	1,251,603	203,541
Total assets	<u>\$ 228,403</u>	<u>\$ 2,566,437</u>	<u>\$ 2,554,185</u>	<u>\$ 240,655</u>
Liabilities:				
Accounts payable	<u>\$ 228,403</u>	<u>\$ 1,291,605</u>	<u>\$ 1,279,353</u>	<u>\$ 240,655</u>
Total - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 109,681	\$ 1,691,487	\$ 1,701,062	\$ 100,106
Accounts receivable	173,995	1,281,149	1,251,603	203,541
Total assets	<u>\$ 283,676</u>	<u>\$ 2,972,636</u>	<u>\$ 2,952,665</u>	<u>\$ 303,647</u>
Liabilities:				
Accounts payable	<u>\$ 283,676</u>	<u>\$ 1,697,804</u>	<u>\$ 1,677,833</u>	<u>\$ 303,647</u>

Pamlico County
Schedule of Ad Valorem Taxes Receivable
General Fund
June 30, 2017

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 10,395,802	\$ 10,014,809	\$ 380,993
2015-2016	397,748		\$ 181,221	216,527
2014-2015	245,333	-	83,217	162,116
2013-2014	198,392	-	60,211	138,181
2012-2013	142,796	-	33,713	109,083
2011-2012	99,765	-	17,982	81,783
2010-2011	89,904	-	18,853	71,051
2009-2010	72,349	-	7,745	64,604
2008-2009	67,212	-	7,736	59,476
2007-2008	55,044	-	3,294	51,750
2006-2007	45,529	-	45,529	-
	<u>\$ 1,414,072</u>	<u>\$ 10,395,802</u>	<u>\$ 10,474,310</u>	<u>1,335,564</u>
				Less: allowance for uncollectible amounts <u>(350,000)</u>
				Ad valorem taxes receivable - net <u>\$ 985,564</u>
				<u>Reconciliation with revenues:</u>
				Ad valorem taxes - General Fund \$ 10,537,872
				Ad valorem taxes - Reappraisal Fund 47,646
				Penalties and interest (134,914)
				Tax garnishment fees collected (25,204)
				Taxes written off 48,910
				<u>Total collections and credits \$ 10,474,310</u>

**Pamlico County
Analysis of Current Tax Levy
County-wide Levy
For the Fiscal Year Ended June 30, 2017**

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property taxed at current	\$ 1,641,259,255	\$0.625	\$ 10,257,869	\$ 9,497,376	\$ 760,493
Less: Senior Citizens exemptions	(15,043,650)	0.625	(94,023)	(94,023)	-
Public utilities	35,043,305	0.625	219,021	219,021	-
Penalties	-		14,170	14,170	-
Discoveries	3,607,780	0.625	22,549	22,549	-
Abatements	(3,805,493)	0.625	(23,784)	(23,784)	-
Total property valuation	<u>\$ 1,661,061,197</u>				
Net levy			\$ 10,395,802	\$ 9,635,309	\$ 760,493
Uncollected taxes at June 30, 2017			<u>380,993</u>	<u>380,993</u>	<u>-</u>
Current year's tax collected			<u>\$ 10,014,809</u>	<u>\$ 9,254,316</u>	<u>\$ 760,493</u>
Current levy collection percentage			<u>96.34%</u>	<u>96.05%</u>	<u>100.00%</u>

Pamlico County
Analysis of Current Tax Levy
County-wide Levy
For the Fiscal Year Ended June 30, 2017

Secondary Market Disclosures:

Assessed Valuation:

Assessment ratio	100%
Real property	\$ 1,495,098,206
Personal property	130,919,686
Public service companies	35,043,305
Total assessed valuation	<u>\$ 1,661,061,197</u>
Tax rate per \$100	<u>\$ 0.625</u>
Levy (includes discoveries, releases and abatements)	<u>\$ 10,395,802</u>

**Pamlico County
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2017**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Weyerhaeuser Co.	Timber Land	\$ 23,389,706	1.40%
River Dunes Development LLC	Real Estate Developer	17,830,702	1.06%
Burton Farm Development	Real Estate Developer	14,741,486	0.88%
River Dunes Land Holdings LLC	Real Estate Developer	12,513,988	0.75%
Reserveco Inc.	Real Estate Developer	10,063,288	0.60%
Time Warner Cable Southeast	Cable Company	5,258,295	0.31%
Cutter Bay Development LLC	Real Estate Developer	5,165,863	0.31%
Fulcher Point LLC	Seafood Distributor	4,643,905	0.28%
McCotter Farm LLC	Agriculture	4,246,895	0.25%
Wal-Mart Real Estate	Retail	3,699,106	0.22%
		<u>\$ 101,553,234</u>	<u>6.06%</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, 2017, and the related notes to the financial statements, which collectively comprises Pamlico County's basic financial statements, and have issued our report thereon dated February 2, 2018. Our report includes a reference to other auditors who audited the financial statements of the Pamlico County ABC Board, as described in our report on Pamlico County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Pamlico County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [2017-001]

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003.

Response to Findings

The Pamlico County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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
February 2, 2018



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

Independent Auditor's Report

To the Board of Commissioners
Pamlico County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Pamlico County, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Pamlico County's major federal programs for the year ended June 30, 2017. 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Pamlico County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pamlico County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003 that we consider to be significant deficiencies.

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

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

Carri Riggs & Ingram, L.L.C.

New Bern, North Carolina
February 2, 2018

Pamlico County
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section II. Financial Statement Findings

Significant Deficiencies

2017-001 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 \$42,895 at June 30, 2017.

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, 2017

Section III. Federal Award Findings and Questioned Costs

Significant Deficiencies

2017-002 Improper day sheets supporting Form DSS-1571

US Department of Health and Human Services
Passed through the NC Dept. of Health and Human Services
Program Name: Medical Assistance Program (Medicaid; Title XIX)
CFDA # 93.778
Funding Year June 30, 2017

Reporting

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

Condition: Two employees did not have proper documentation in the case files of the amount of time spent on the files as reported on Form DSS-1571.

Questioned Costs: None

Context: We examined 12 case files and determined that two employees did not have proper documentation in the case files for the amount of time reported on Form DSS-1571.

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

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

Recommendation: Checks and balances should be in place to ensure proper documentation is included in the case files each month.

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

Pamlico County
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

2017-003 Improper documentation of real property search performed

US Department of Health and Human Services
Passed through the NC Dept. of Health and Human Services
Program Name: Medical Assistance Program (Medicaid; Title XIX)
CFDA # 93.778
Funding Year June 30, 2017

Reporting

Criteria: In accordance with 42 CFR 431.10 and the State approved plan, the requirement applicable in this case, an applicant is not eligible for assistance unless the applicant's family income and assets fall below the State-provided standard.

Condition: Two applicants did not have proper documentation of real property search within the NC FAST system. The County performed the search, but did not maintain proper documentation showing the applicant did not own any real property. The County is required to use a certain format with the NC FAST system. There was no effect on eligibility determination, as all applicants qualified for benefits.

Questioned Costs: None

Context: We examined 71 case files and determined that two applicants did not have proper documentation of real property search as required within the NC FAST system.

Effect: Two applicants did not have proper documentation of real property search using the NC FAST system. There was no effect on eligibility, as all applicants qualified for benefits.

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

Recommendation: The NC FAST system should be fully utilized to adequately document and verify all aspects of the eligibility determination process, as required by the State of North Carolina.

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

Section IV. State Award Findings and Questioned Costs

None reported.

Section II. Financial Statement Findings

Significant Deficiencies

2017-001 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

Significant Deficiencies

2017-002 Improper day sheets supporting Form DSS-1571

Name of contact person: Debbie Green, DSS Director

Corrective Action: Case files will be reviewed timely to ensure all day sheets are properly documented to support Form DSS-1571.

Proposed Completion Date: Immediately

2017-003 Improper documentation of real property search performed

Name of contact person: Debbie Green, DSS Director

Corrective Action: The NC FAST system will be utilized fully to adequately document and verify all aspects of the application and eligibility determination process.

Proposed Completion Date: Immediately

Section IV. State Award Findings and Questioned Costs

None reported.

**Pamlico County
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017**

Section II. Financial Statement Findings

Significant Deficiencies

2016-1 Deficit fund balance

Status: This finding has not partially corrected. The Hazard Mitigation Grant Project Fund has a deficit fund balance of \$42,895 as of June 30, 2017. See finding 2017-001.

Section III. Federal Award Findings and Questioned Costs

None reported.

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, 2017

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
Federal Awards:				
<u>U.S. Dept. of Agriculture</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Administration:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	\$ 185,101	\$ -
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	63,117	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	198,556	-
Total U.S. Department of Agriculture			<u>446,774</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>				
Passed-through N.C. Deptment of Public Safety:				
Division of Emergency Management				
Emergency Management	97.042	XXXX	38,584	-
Hazard Mitigation Grant Program	97.039	XXXX	1,828,472	-
Total U. S. Department of Homeland Security			<u>1,867,056</u>	<u>-</u>
<u>U.S. Dept. of Health & Human Services</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Aging and Adult Services				
<u>Aging Cluster:</u>				
Special Programs for the Aging - Title III B				
Grants for Supportive Services & Senior Center	93.044	XXXX	27,386	91,325
Special Programs for the Aging - Title III C				
Nutrition Services	93.045	XXXX	63,621	18,416
Social Services Block Grant - In Home Services	93.667	XXXX	7,701	1,100
Nutrition Services Incentive Program	93.053	XXXX	12,117	-
Total Aging Cluster			<u>110,825</u>	<u>110,841</u>

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

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
Division of Social Services				
<u>Temporary Assistance for Needy Families Cluster</u>				
Temporary Assistance for Needy Families (TANF) /				
Work First	93.558	XXXX	129,510	-
TANF / Work First - Direct Benefit Payments	93.558	XXXX	31,627	-
Total TANF Cluster			161,137	-
<u>Foster Care and Adoption Cluster (Note 4)</u>				
Foster Care - Title IV-E	93.658	XXXX	81,022	6,760
Adoption Assistance	93.659	XXXX	241	-
Foster Care - Title IV-E - Direct Benefit Payments	93.658	XXXX	44,646	15,256
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	37,644	9,411
Total Foster Care and Adoption Cluster (Note 4)			163,553	31,427
Family Preservation	93.556	XXXX	11,459	-
Child Support Enforcement	93.563	XXXX	92,868	-
Low-Income Home Energy Assistance:				
Administration	93.568	XXXX	79,444	-
Stephanie Tubbs Jones Child Welfare Services Program:				
- Permanency Planning	93.645	XXXX	2,323	-
SSBG - Other Service and Training	93.667	XXXX	48,393	5,289
LINKS	93.674	XXXX	899	79
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	210,714	-
Child Care and Development Fund - Mandatory	93.596	XXXX	78,656	-
Child Care and Development Fund - Match	93.596	XXXX	82,539	27,228
Total Child Care Development Fund Cluster			451,909	27,228
Temporary Asssitance for Needy Families	93.558	XXXX	65,444	-
Foster Care - Title IV-E	93.658	XXXX	7,270	3,626
State Appropriations		XXXX	-	38,968
Smart Smart		XXXX	-	55
TANF - MOE		XXXX	-	65,953
Total Subsidized Child Care (Note 4)			524,623	135,830

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

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Medical Assistance:				
Direct Benefit Payments:				
Medical Assistance Program	93.778	XXXX	11,632,844	6,292,674
Administration:				
Medical Assistance Program	93.778	XXXX	649,921	62
Total Medical Assistance Program			12,282,765	6,292,736
Direct Benefit Payments:				
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	406,110	1,001
Division of Social Services:				
Administration:				
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	23,037	29
Total State Children's Insurance			429,147	1,030
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	15,331	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	XXXX	50	-
Preventive Health Services Sexually Transmitted Diseases Control Grant	93.977	XXXX	988	-
Immunization Grants	93.268	XXXX	2,184	-
Maternal and Child Health Services Block Grant	93.994	XXXX	37,495	28,125
Preventive Health and Health Services Block Grant	93.758	XXXX	23,264	-
HIV Prevention Activities Health Department Based	93.940	XXXX	3,000	-
Immunization Infrastructure and Performance	93.539	XXXX	3,094	-
Public Health Funds	93.752	XXXX	9,690	-
Temporary Assistance for Needy Families (TANF)	93.558	XXXX	1,703	-
Office of Population Affairs				
Family Planning Services	93.217	XXXX	22,429	-
Total U.S. Department of Health and Human Services			14,026,664	6,605,357
Total federal awards			16,340,494	6,605,357

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

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
State Awards:				
<u>N.C. Dept. of Health and Human Services</u>				
Division of Aging and Adult Services				
Division of Social Services				
Child Welfare Benefits		XXXX	-	25,161
CWS Adoption Benefits		XXXX	-	59,365
Special Children Adoption		XXXX	-	4,114
Domiciliary Care		XXXX	-	79,348
State Foster Home		XXXX	-	4,504
Total Division of Social Service			-	172,492
Division of Public Health				
General Aid to Counties		XXXX	-	96,045
General Communicable Disease Control		XXXX	-	10,077
Food and Lodging		XXXX	-	5,103
Public Health Nursing		XXXX	-	14,390
Women's Health Service Fund		XXXX	-	563
HMNC - Family Planning		XXXX	-	4,445
Breast and Cervical Cancer Program		XXXX	-	2,040
HIV/STD SSBG Aid		XXXX	-	500
Sexually Transmitted Diseases		XXXX	-	82
Child Health		XXXX	-	1,418
Maternal Health		XXXX	-	1,698
Tuberculosis		XXXX	-	2,113
Tuberculosis Medical Service		XXXX	-	540
Total Division of Public Health			-	139,014
Total N. C. Department of Health and Human Services			-	311,506
<u>N.C. Dept. of Public Safety</u>				
Juvenile Crime Prevention Programs		XXXX	-	66,300
<u>N.C. Dept. of Transportation</u>				
Rural Operating Assistance Program (ROAP) Cluster				
- ROAP Elderly and Disabled Transportation Assistance		XXXX	-	50,893
- ROAP Rural General Public Program		XXXX	-	5,176
- ROAP Work First Transitional - Employment			-	25,506
Total ROAP Cluster			-	81,575
Total N.C. Department of Transportation			-	81,575
Golden Leaf Foundation		XXXX	-	257,989
Total State awards			-	717,370
Total federal and State awards			<u>\$16,340,494</u>	<u>\$ 7,322,727</u>



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

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

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, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit 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 not 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