

Beaufort County, North Carolina

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

June 30, 1997

Beaufort County, North Carolina  
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**FINANCIAL SECTION**



## Independent Auditor's Report

To the Board of County Commissioners  
Beaufort County  
Washington, North Carolina

We have audited the accompanying general purpose financial statements of Beaufort County, North Carolina as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of Beaufort County, North Carolina's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Beaufort County ABC Board, Beaufort County Hospital Association, Inc., or Warren Field Airport Commission. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Beaufort County ABC Board, Beaufort County Hospital Association, Inc. and Warren Field Airport Commission is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Beaufort County, North Carolina, as of June 30, 1997, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 30, 1997 on our consideration of Beaufort County, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Board of County Commissioners  
October 30, 1997  
Page 2

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Beaufort County, North Carolina taken as a whole. The combining and individual fund financial statements and schedules, as well as the accompanying schedule of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Pittard Perry & Crone, Inc.*  
Belhaven, North Carolina  
October 30, 1997

**GENERAL PURPOSE FINANCIAL STATEMENTS**

Beaufort County, North Carolina  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**AND DISCRETELY PRESENTED COMPONENT UNITS**  
 June 30, 1997

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
<b>ASSETS AND OTHER DEBITS</b>				
Cash and investments	\$ 7,789,252	\$ 328,934	\$ 3,228,756	\$ 455,217
Receivables (net of allowances)				
Property taxes	1,660,225	78,062	-	-
Accounts	2,447,576	-	1,515	219,954
Other	-	-	-	-
Due from other funds	590,651	17,012	-	225
Due from component units	16,532	-	-	-
Prepaid items	-	-	-	-
Inventory	-	-	-	-
Installment obligation receivable - current	77,604	-	-	-
Restricted assets - Cash and cash equivalents	-	-	-	5,611,561
Installment obligation receivable - noncurrent	1,622,396	-	-	-
Fixed assets, net	-	-	-	12,577,788
Other debits				
Amount to be provided for retirement of long-term debt	-	-	-	-
Total assets and other debits	<u>\$ 14,204,236</u>	<u>\$ 424,008</u>	<u>\$ 3,230,271</u>	<u>\$ 18,864,745</u>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,134,785	\$ 10,489	\$ 125	\$ 35,147
Due to primary government	-	-	-	-
Due to other funds	17,310	-	-	590,651
Customer deposits	-	-	-	9,250
Deferred revenue	3,959,675	84,585	-	-
Notes payable - current	-	-	-	7,048,106
Capital leases payable - current	-	-	-	-
General obligation bonds payable - current	-	-	-	85,500
Compensated absences payable	-	-	-	-
Accrued landfill cost	-	-	-	-
General obligation bonds payable - noncurrent	-	-	-	10,101,500
Notes payable - noncurrent	-	-	-	547,930
Capital leases payable - noncurrent	-	-	-	-
Deferred compensation benefits payable	-	-	-	-
Total liabilities	<u>5,111,770</u>	<u>95,074</u>	<u>125</u>	<u>18,418,084</u>
<b>Equity and other credits</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	807,561
Retained earnings	-	-	-	(360,900)
<b>Fund balances</b>				
Reserved for health services	274,957	-	-	-
Reserved by State statute	2,649,581	17,012	1,515	-
Designated for subsequent year's expenditures	1,408,009	-	3,228,631	-
Undesignated	4,759,919	311,922	-	-
Total equity and other credits	<u>9,092,466</u>	<u>328,934</u>	<u>3,230,146</u>	<u>446,661</u>
Total liabilities, equity and other credits	<u>\$ 14,204,236</u>	<u>\$ 424,008</u>	<u>\$ 3,230,271</u>	<u>\$ 18,864,745</u>

EXHIBIT 1

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	Component Units		
	Agency	General Fixed Assets	General Long-Term Debt	Primary Government	Beaufort County Hospital	ABC Board
\$ 272,430	\$ -	\$ -	\$ 12,074,589	\$ 2,909,840	\$ 261,019	\$ 154,444
-	-	-	1,738,287	-	-	-
-	-	-	2,669,045	5,002,864	-	61,459
-	-	-	-	698,116	-	-
73	-	-	607,961	-	-	-
-	-	-	16,532	-	-	-
-	-	-	-	294,967	13,647	2,404
-	-	-	-	760,123	347,007	-
-	-	-	77,604	-	-	-
-	-	-	5,611,561	-	-	65,125
-	-	-	1,622,396	-	-	-
-	12,088,842	-	24,666,630	8,999,630	435,901	1,362,105
-	-	15,990,434	15,990,434	-	-	-
\$ 272,503	\$ 12,088,842	\$ 15,990,434	\$ 65,075,039	\$ 18,665,540	\$ 1,057,574	\$ 1,645,537
\$ 260,399	\$ -	\$ -	\$ 1,440,945	\$ 2,805,835	\$ 201,792	\$ 107,562
-	-	-	-	-	16,532	-
-	-	-	607,961	-	-	-
-	-	-	9,250	-	-	-
-	-	-	4,044,260	35,600	-	69,085
-	-	797,544	7,845,650	202,977	29,168	-
-	-	43,304	43,304	125,626	-	-
-	-	1,145,000	1,230,500	446,072	-	-
-	-	381,174	381,174	-	-	-
-	-	390,438	390,438	-	-	-
-	-	8,765,000	18,866,500	-	-	-
-	-	4,467,974	5,015,904	345,010	38,998	-
-	-	-	-	527,882	-	-
12,104	-	-	12,104	-	-	-
272,503	-	15,990,434	39,887,990	4,489,002	286,490	176,647
-	12,088,842	-	12,088,842	-	-	-
-	-	-	807,561	-	-	1,531,990
-	-	-	(360,900)	14,176,538	771,084	(63,100)
-	-	-	274,957	-	-	-
-	-	-	2,668,108	-	-	-
-	-	-	4,636,640	-	-	-
-	-	-	5,071,841	-	-	-
-	12,088,842	-	25,187,049	14,176,538	771,084	1,468,890
\$ 272,503	\$ 12,088,842	\$ 15,990,434	\$ 65,075,039	\$ 18,665,540	\$ 1,057,574	\$ 1,645,537

The accompanying notes are an integral part of this financial statement

Beaufort County, North Carolina  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
For The Fiscal Year Ended June 30, 1997

EXHIBIT 2

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Project	Primary Government
<b>REVENUES</b>				
Ad valorem taxes	\$ 13,837,792	\$ 585,005	\$ -	\$ 14,422,797
Other taxes, licenses and permits	590,847	-	-	590,847
Intergovernmental	6,161,552	347,532	-	6,509,084
Local option sales tax	5,629,528	-	-	5,629,528
Sales and services	4,339,617	-	-	4,339,617
Investment earnings	384,814	15,991	98,036	498,841
Miscellaneous	327,689	-	-	327,689
<b>Total revenues</b>	<u>31,271,839</u>	<u>948,528</u>	<u>98,036</u>	<u>32,318,403</u>
<b>EXPENDITURES</b>				
General government	2,598,941	-	-	2,598,941
Public safety	3,341,663	581,457	-	3,923,120
Environmental protection	3,417,866	-	-	3,417,866
Economic & physical development	461,529	347,034	-	808,563
Culture and recreation	173,216	3,548	-	176,764
Education	8,411,592	-	-	8,411,592
Human services	10,386,491	-	-	10,386,491
Capital projects	-	-	2,321,929	2,321,929
Debt service:				
Bond principal	1,195,000	-	-	1,195,000
Lease principal	41,222	-	-	41,222
Note principal	488,797	-	-	488,797
Interest	545,031	-	-	545,031
Fees and commissions	152	-	-	152
<b>Total expenditures</b>	<u>31,061,500</u>	<u>932,039</u>	<u>2,321,929</u>	<u>34,315,468</u>
Revenues over (under) expenditures	210,339	16,489	(2,223,893)	(1,997,065)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers from other funds	-	50,000	-	50,000
Operating transfers to other funds	(50,000)	-	-	(50,000)
Proceeds from long-term debt	-	-	3,700,000	3,700,000
Operating transfer from component unit	78,937	-	-	78,937
Operating transfer to component unit	(11,500)	-	-	(11,500)
<b>Total other financing sources (uses)</b>	<u>17,437</u>	<u>50,000</u>	<u>3,700,000</u>	<u>3,767,437</u>
Revenues and other sources over (under) expenditures and other uses	227,776	66,489	1,476,107	1,770,372
Fund balance, beginning of year	<u>8,864,690</u>	<u>262,445</u>	<u>1,754,039</u>	<u>10,881,174</u>
Fund balance, end of year	<u>\$ 9,092,466</u>	<u>\$ 328,934</u>	<u>\$ 3,230,146</u>	<u>\$ 12,651,546</u>

The accompanying notes are an integral part of this financial statement

Beaufort County, North Carolina  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS**  
For The Fiscal Year Ended June 30, 1997

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Ad valorem taxes	\$ 13,484,108	\$ 13,837,792	\$ 353,684
Other taxes, licenses and permits	488,500	590,847	102,347
Intergovernmental	6,988,867	6,161,552	(827,315)
Sales and services	4,484,438	4,339,617	(144,821)
Investment earnings	300,000	384,814	84,814
Miscellaneous	72,661	327,689	255,028
Local option sales tax	5,535,000	5,629,528	94,528
Total revenue	<u>31,353,574</u>	<u>31,271,839</u>	<u>(81,735)</u>
<b>EXPENDITURES</b>			
General government	2,966,115	2,598,941	367,174
Public safety	3,581,513	3,341,663	239,850
Environmental protection	3,939,404	3,417,866	521,538
Economic and physical development	394,909	461,529	(66,620)
Culture and recreation	177,044	173,216	3,828
Education	8,411,592	8,411,592	-
Human services	11,368,336	10,386,491	981,845
Contingency	65,450	-	65,450
Debt service:			
Bond principal	1,195,000	1,195,000	-
Lease principal	41,240	41,222	18
Note principal	443,604	488,797	(45,193)
Interest	539,902	545,031	(5,129)
Fees and commissions	2,965	152	2,813
Total expenditures	<u>33,127,074</u>	<u>31,061,500</u>	<u>2,065,574</u>
Revenue over (under) expenditures	(1,773,500)	210,339	1,983,839
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers from (to) other funds	(50,000)	(50,000)	-
Operating transfer from component unit	-	78,937	78,937
Operating transfer to component unit	(11,500)	(11,500)	-
Total other financing sources (uses)	<u>(61,500)</u>	<u>17,437</u>	<u>78,937</u>
Revenues and other sources over (under) expenditures and other uses	(1,835,000)	227,776	2,062,776
Appropriated fund balance	1,835,000	-	(1,835,000)
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ <u>-</u>	227,776	\$ <u>227,776</u>
Fund Balance, beginning of year		<u>8,864,690</u>	
Fund Balance, end of year		<u>\$ 9,092,466</u>	

Special Revenue			Variance Favorable (Unfavorable)
Budget	Actual		
\$ 544,100	\$ 585,005	\$	40,905
-	-		-
-	-		-
-	-		-
-	15,991		15,991
-	-		-
<u>544,100</u>	<u>600,996</u>		<u>56,896</u>
-	-		-
540,600	581,457		(40,857)
-	-		-
3,500	3,548		(48)
-	-		-
-	-		-
-	-		-
-	-		-
-	-		-
<u>544,100</u>	<u>585,005</u>		<u>(40,905)</u>
-	15,991		15,991
-	50,000		50,000
-	-		-
<u>-</u>	<u>50,000</u>		<u>50,000</u>
-	65,991		65,991
<u>-</u>	<u>-</u>		<u>-</u>
\$ <u>-</u>	65,991	\$	<u>65,991</u>
	<u>262,445</u>		
	<u>\$ 328,436</u>		

The accompanying notes are an integral part of this financial statement

Beaufort County, North Carolina  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -  
 PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNITS**  
 For The Fiscal Year Ended June 30, 1997

EXHIBIT 4  
 PAGE 1 of 2

	Proprietary Fund		Component Unit	
	Type			
	Enterprise	Beaufort County Hospital	ABC Board	Airport
	Primary Government			
<b>OPERATING REVENUES:</b>				
Charges for service and sales	\$ 676,878	\$ 26,896,133	\$ 2,133,299	\$ 27,431
Other operating revenue	134,967	683,180	-	-
Total operating revenues	<u>811,845</u>	<u>27,579,313</u>	<u>2,133,299</u>	<u>27,431</u>
<b>OPERATING EXPENSES:</b>				
Depreciation	185,555	1,168,929	34,146	69,394
Water treatment	48,338	-	-	-
Cost of goods sold	-	-	1,494,413	-
Water distribution	359,308	-	-	-
Store and warehouse	-	-	259,038	-
Administration	37,772	24,908,799	235,792	42,957
Total operating expenses	<u>630,973</u>	<u>26,077,728</u>	<u>2,023,389</u>	<u>112,351</u>
Operating income (loss)	180,872	1,501,585	109,910	(84,920)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest on investments	26,150	93,180	5,741	12,062
Miscellaneous income	3,808	41,803	-	-
Allocated to deferred revenue	-	-	-	(11,500)
Law Enforcement/ Alcohol education	-	-	(28,074)	-
Interest expense	(544,701)	-	(5,100)	-
Donations/ grants	-	68,599	-	-
Total nonoperating revenue (expenses)	<u>(514,743)</u>	<u>203,582</u>	<u>(27,433)</u>	<u>562</u>
Income (loss) before operating transfers	(333,871)	1,705,167	82,477	(84,358)
Operating transfers to primary government	-	-	(78,937)	-
Operating transfers from primary government	-	-	-	11,500
Total operating transfers	<u>-</u>	<u>-</u>	<u>(78,937)</u>	<u>11,500</u>
Net income (loss)	(333,871)	1,705,167	3,540	(72,858)
Add depreciation on contributed capital	-	-	-	43,019

Beaufort County, North Carolina  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -  
 PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNITS**  
 For The Fiscal Year Ended June 30, 1997

EXHIBIT 4  
 PAGE 2 of 2

	Proprietary Fund Type		Component Unit	
	Enterprise Primary Government	Beaufort County Hospital	ABC Board	Airport
Increase (decrease) in retained earnings	\$ (333,871)	\$ 1,705,167	\$ 3,540	\$ (29,839)
RETAINED EARNINGS, beginning of year	<u>(27,029)</u>	<u>12,471,371</u>	<u>767,544</u>	<u>(33,261)</u>
RETAINED EARNINGS, end of year	<u>\$ (360,900)</u>	<u>\$ 14,176,538</u>	<u>\$ 771,084</u>	<u>\$ (63,100)</u>

The accompanying notes are an integral part of this financial statement

Beaufort County, North Carolina  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNITS**  
For The Fiscal Year Ended June 30, 1997

EXHIBIT 5  
PAGE 1 of 2

	Proprietary Fund		Component Unit	
	Type			
	Enterprise	Beaufort County Hospital	ABC Board	Airport
	Primary Government			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers/others	\$ 713,958	\$ 23,927,019	\$ 2,133,441	\$ 24,298
Cash paid for goods and services	(311,564)	(8,721,457)	(1,668,061)	(39,169)
Cash paid to employees for services	-	(12,991,897)	(311,422)	-
Other operating revenue	-	658,512	-	-
Net cash provided by (used in) operating activities	402,394	2,872,177	153,958	(14,871)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental revenues				
Law enforcement/Alcohol education	-	-	(25,502)	-
Operating transfers to/from primary government	-	-	(76,055)	11,500
Gifts and grants	-	119,199	-	-
Other revenue	-	12,714	-	-
Cash payments for physician recruitment incentives	-	(37,892)	-	-
Allocation to deferred revenue	-	-	-	(11,500)
Net cash provided by (used in) non-capital financing activities	-	94,021	(101,557)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital grants and local matches	807,561	-	-	39,586
Acquisition and construction of capital assets	(3,497,587)	(2,297,860)	(18,351)	(124,663)
Proceeds/increase of long-term debt	8,371,337	915,370	-	-
Principal paid on long-term borrowing, including capital lease obligations	(207,300)	(294,657)	(27,487)	-
Interest paid on long-term borrowing, including capital lease obligations	(651,860)	(48,094)	(5,100)	-
Other nonoperating expenses	-	(117,907)	-	-
Net cash provided by (used in) capital and related financing activities	4,822,151	(1,843,148)	(50,938)	(85,077)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	111,429	93,180	5,741	12,062
Net increase (decrease) in cash and cash equivalents	5,335,974	1,216,230	7,204	(87,886)
Cash and cash equivalents at beginning of year	730,804	1,693,610	253,815	307,455
Cash and cash equivalents at end of year	\$ 6,066,778	\$ 2,909,840	\$ 261,019	\$ 219,569

Beaufort County, North Carolina  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNITS**  
For The Fiscal Year Ended June 30, 1997

EXHIBIT 5  
PAGE 2 of 2

	Proprietary Fund		Component Unit	
	Type			
	Enterprise Primary Government	Beaufort County Hospital	ABC Board	Airport
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 180,872	\$ 1,501,585	\$ 109,910	\$ (84,920)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	185,555	1,168,929	34,146	69,394
Interest paid	-	48,094	-	-
Non-operating revenue	3,808			
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(116,114)	(346,872)	-	(3,133)
Decrease (increase) in inventories, prepaid expenses, and other current assets	-	(161,390)	-	3,788
(Decrease) Increase in accounts payable and accrued liabilities	16,888	661,831	9,902	-
Net increase in due to/due from accounts	125,185	-	-	-
Increase in customer deposits	6,200	-	-	-
Total adjustments	<u>221,522</u>	<u>1,370,592</u>	<u>44,048</u>	<u>70,049</u>
Net cash provided by (used in) operating activities	<u>\$ 402,394</u>	<u>\$ 2,872,177</u>	<u>\$ 153,958</u>	<u>\$ (14,871)</u>

Supplemental Disclosures of Cash Flow Information

<u>Airport</u>	
Noncash capital and related financing activity	
Reduction in deferred contributed capital	\$ 30,326
Capital grants receivable	58,111
Payables for capital items	106,633
<u>Water Districts</u>	
Noncash capital and related financing activity	
Tap on fee - City of Washington	(442,537)
Increase in long-term debt	442,537

The accompanying notes are an integral part of this financial statement

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Beaufort County, North Carolina 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 blended component units, although legally separate entities, are in substance, part of the County's operations. The three discretely presented component units presented below are reported in a separate column in the County's combined financial statements in order to emphasize that they are legally separate from the County.

Blended Component Units

County Water District II - Long Acre West  
County Water District III - Long Acre East  
County Water District IV - Bath Township  
County Water District V - Pantego Township  
County Water District VII - Richland Township

The water districts named above (the "Districts") exist to provide and maintain a water system for the County residents within the districts. Under State law [G.S. 162A-89], the County's board of commissioners also serve as the governing board for each District. Therefore, each District is reported as an enterprise fund in the County's financial statements. The Districts do not issue separate financial statements.

Discretely Presented Component Units

Beaufort County Hospital Association, Inc.

Beaufort County Hospital is a public hospital operated by a not-for-profit corporation which leases the hospital facilities from the County. The Beaufort County Commissioners oversight authority is limited to appointing Hospital board members and County ownership of the Hospital physical plant. The Hospital has independent budgeting and accounting functions and is reported as an independent reporting entity. The Hospital, which has a September 30 year-end, is presented as if it were a proprietary fund.

Beaufort 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 surpluses to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund.

Warren Field Airport Commission

The Airport governing board is composed of five members, three of which are appointed by Beaufort County, and two of which are appointed by City of Washington, North Carolina. Beaufort County and City of Washington have an ongoing financial responsibility to the Airport. The Airport which has a June 30 year end, is presented as if it were a proprietary fund.

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Complete financial statements for the individual component units which issue financial statements may be obtained at the administrative offices of those entities.

Beaufort County ABC Board  
P.O. Box 2552  
Washington, NC 27889

Beaufort County Hospital  
628 East 12th Street  
Washington, NC 27889

Warren Field Airport Commission  
P.O. Box 610 Airport Road  
Washington, NC 27889

**B. Basis of Presentation - Fund Accounting**

The accounts of the County are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

The County has the following fund categories (further divided by fund type) and account groups:

Governmental funds are used to account for Beaufort County's general governmental activities. Governmental funds included the following fund types:

**General Fund** - The general fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

**Special Revenue Funds** - Special revenue funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains Special Revenue Funds as detailed in the supplementary schedules.

**Capital Projects Funds** - Capital Projects Funds account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). The County has four Capital Projects Funds within its governmental fund types, County Buildings Renovation, the Beaufort Community College Building Fund, the Health Department Building Fund, and Tideland Mental Health Center Expansion.

Proprietary Funds include the following fund type:

**Enterprise Funds** - Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Beaufort County has five Enterprise Funds, Water District II, III, IV, V, and VII.

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation - Fund Accounting (continued)**

Fiduciary funds account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds include the following funds:

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 that the County holds on behalf of others. The County maintains three agency funds: the Social Services Fund, which accounts for monies deposited with the Social Services Department; the County Home Fund which accounts for monies deposited with the County Home for patient expenditures; and the Fire Districts Fund which accounts for monies deposited with the finance office for individual fire districts.

Account Groups - The general fixed assets account group is used to account for fixed assets that are not accounted for in proprietary or trust funds. The general long-term debt account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements for these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting. The governmental fund types and agency funds are presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus and Basis of Accounting (continued)**

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Beaufort County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly-registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 1996 through February 1997 apply to the fiscal year ended June 30, 1997. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements. For those motor vehicles which are renewed and billed under the annual system, taxes are due on May 1 of each year, and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 1997 because they are intended to finance the County's operations during the 1997-98 fiscal year.

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

The Proprietary fund is presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred. As permitted by generally accepted accounting principles, the County has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

**D. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue (excluding grant project funds), and the enterprise fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Capital Projects funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and enterprise funds, and at the object level for the grant project funds. The County Manager is authorized to transfer appropriations within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgetary Data (continued)**

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 - Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.
- June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
- July 1 - The budget ordinance shall be adopted by the governing board.

As required by State law [G.S. 159-26(d)], the County maintains encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. The County has no encumbrances outstanding at year-end and any unencumbered appropriations lapse at year-end.

**E. Assets, Liabilities, and Fund Equity**

**1. Deposits and Investments**

All deposits of the County, Beaufort County Hospital, Beaufort County ABC Board, and Warren Field Airport Commission are made in board-designated official depositories and are secured as required by [G.S. 159-31]. The County, the Hospital, the ABC Board and the Airport may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County, the Hospital, the ABC Board and the Airport 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, the Hospital, the ABC Board, and the Airport 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 banker's acceptances; and the North Carolina Capital Management Trust, an SEC registered mutual fund. Investments are stated at cost or amortized cost, except for investments in the Deferred Compensation Agency Fund, which are recorded at market value.

**2. Cash and Cash Equivalents**

The County pools monies from several funds, except the Deferred Compensation Agency Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board, the Hospital and the Airport consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Liabilities, and Fund Equity (continued)**

**3. Restricted Assets**

The unexpended bond proceeds of the Water District Serial Bonds are classified as restricted assets within the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued.

**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 July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 1996.

**5. Allowance 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**

Beaufort County and Warren Field Airport Commission account for inventories using the "purchases method". Under the purchases method, purchases are recorded as expenditures when purchased. The County and the Airport did not have significant amounts of inventory on hand at year-end.

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

The inventories of the Hospital are valued at the lower of cost or market and consist of materials and supplies held for consumption. The cost of this inventory is recorded as an expense as it is consumed.

**7. Fixed assets**

The County's general fixed assets are recorded at original cost. Donated assets are listed at the market value at the date of donation. Certain items acquired before July 1, 1970 are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when fixed assets are considered as a whole.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For The Fiscal Year Ended June 30, 1997

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Liabilities, and Fund Equity (continued)**

**7. Fixed assets (continued)**

Public domain or infrastructure general fixed assets are not capitalized because such assets are immovable and of value only to the County. Also, the County has elected not to capitalize those interest costs which are incurred during the construction period of general fixed assets.

Property, plant, and equipment in the proprietary funds of the County and those of the Hospital, the Airport and the ABC Board are recorded at original cost at the time of acquisition. Property, plant, and equipment donated to these proprietary fund type operations are recorded at the estimated fair market value at the date of donation. Any interest incurred during the construction phase of proprietary fund type fixed assets is reflected in the capitalized value of the asset constructed. Plant assets of the County are depreciated on a composite straight-line basis for the entire plant, regardless of the year of acquisition, at a 2% annual rate. In the composite rate, gain or loss on dispositions is not calculated except in extraordinary circumstances. Other proprietary fund assets of the County are depreciated on a class life basis at the following rates:

Furniture and office equipment	10%
Automobiles and light trucks	30%

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

	<u>Useful Life</u>
Buildings	25
Furniture and equipment	5-10
Motor Vehicles	4

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

	<u>Useful Life</u>
Buildings	20 years
Furniture/equipment	10 years
Vehicles	3-5 years
Leasehold improvements	10-20 years
Computers, etc.	3 years

For the Hospital, depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful Life</u>
Buildings	20 years
Equipment	10 years
Leasehold improvements	10-20 years
Computers	3 years

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Fund Equity (continued)

8. Long-term debt

For governmental fund types, bond issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. For the proprietary fund types, material bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method. The long-term debt for water improvements is carried within the enterprise funds rather than in the General Long-Term Debt Account Group. The debt service requirements for the water debt are being met by water revenues, but the taxing power of the District is pledged to make these payments if water revenues should ever be insufficient. Long-term debt for other purposes is included in the General Long-Term Debt Account Group. Included within the General Long-Term Debt Account Group, are the hospital improvement bonds issued by the County. The debt service requirements for all of the debt carried in the General Long-Term Debt Account Group are appropriated annually in the General Fund.

9. Fund equity

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change. State law [G.S. 159-13(b) (16)] restricts the appropriations of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which are not offset by deferred revenues.

Reserved for Health Services - portion of fund balance representing the cumulative excess of federal and State revenues and local fees over expenditures, restricted for health service expenses only.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 1997-1998 budget ordinance.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Revenues, Expenditures and Expenses**

**1. Other Resources**

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers-out" in the General Fund and "Operating transfers-in" in the receiving fund. The County's General Fund also transfers funds to the Airport. In addition, the ABC Board makes quarterly transfers to the County's General Fund. These transfers represent the County's portion of the ABC Board's surpluses which the ABC Board is required by State statute to distribute to the County.

**2. Compensated absences**

The vacation policies of the County, the Hospital, and the ABC Board provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the County's governmental funds. The County's liability for accumulated earned vacation and the salary-related payments as of June 30, 1997 is recorded in the General Long-term Debt Account Group. For the County's proprietary funds, the Hospital, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within those funds as the leave is earned.

The sick leave policies of the County, the Hospital, and the ABC Board 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 neither entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

**G. Total (Memorandum Only) Columns**

The total columns on the accompanying financial statements are captioned "Total (Memorandum Only) - Primary Government" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles for the primary government. Interfund eliminations have not been made in the aggregation of this data.

**H. Comparative Data/Reclassifications**

Comparative total data for the prior year is represented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the County's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Assets**

**1. Deposits**

All of the County's, the Hospital's, the ABC Board's and the Airport'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, the Hospital's, the Airport'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, the Hospital, the Airport 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, the Hospital, the Airport or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Hospital, the Airport 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.

At June 30, 1997, the County's deposits had a carrying amount of \$4,172,097 and a bank balance of \$4,935,940. Of the bank balance, \$200,000 was covered by federal depository insurance and \$1,655,926 in non-interest bearing deposits and \$3,080,014 in interest-bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 1997, the carrying amount of deposits for Beaufort County ABC Board was \$258,269 and the bank balance was \$250,304. Of the bank balance, \$9,976 was covered by federal depository insurance and \$240,328 was collateralized under the Pooling Method.

At September 30, 1996, the Hospital's deposits had a balance of \$2,909,840 and a bank balance of \$2,909,840. All of the bank balance was covered by federal depository insurance and collateralization under the Pooling Method.

At June 30, 1997, the Airport's deposits had a carrying amount of \$219,569 and a bank balance of \$221,507 with \$100,000 of the amount being covered by federal depository insurance, and \$121,507 collateralized under the pooling method.

**2. Investments**

The County's, the Hospital's, the ABC Board's, and the Airport's investments are categorized to give an indication of the level of custodial risk assumed by each of these entities at year-end. In the following tables, Column A includes investments that are insured or registered or for which the securities are held by the County, the Hospital, the ABC Board, or the Airport, or their agents in the entity's name. Column B includes uninsured and unregistered investments for which the securities are

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**2. Investments (continued)**

held by the counterparty's trust department or agent in the County's, the Hospital's, the ABC Board's, or the Airport's name. Column C includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's, the Hospital's, the ABC Board's, or the Airport's name. The County's investments in the Deferred Compensation Agency Fund are held by third-party custodians who take delivery of the investments on behalf of the County. The County's, the Hospital's, the ABC Board's, and the Airport's investments in the North Carolina Capital Management Trust and the County's investments in the Deferred Compensation Agency Fund are exempt from risk categorization because the County, the Hospital, the ABC Board, and the Airport, do not own any identifiable securities in these mutual funds.

At June 30, 1997 the County's investment balances were as follows:

	Categories			Cost Value	Market Value
	A	B	C		
Repurchase Agreements	\$ -	\$ 1,500,000	\$ 5,203,727	\$ 6,703,727	\$ 6,703,727
Federal National Mortgage FNMA Strips-Zero Coupon	999,386	-	-	999,386	983,714
Common Stock	3,764	-	-	3,764	10,374
	<u>\$ 1,003,150</u>	<u>\$ 1,500,000</u>	<u>\$ 5,203,727</u>		
North Carolina Capital Management Trust				5,794,148	5,794,148
Deferred Compensation Mutual Fund				<u>11,989</u>	<u>12,104</u>
Total investments				<u>\$ 13,513,014</u>	<u>\$ 13,504,067</u>

The County's repurchase agreements are ineligible because they do not meet the requirements of State law [G.S. 159-30(c) (12)]. The underlying security is held by the financial institution providing the transaction and is not in the County's name. Due to significantly higher cash flows at certain times during the year, the County's investment in overnight repurchase agreements increased significantly. As a result, the amounts of the County moneys that were in Column C at those times were substantially higher than at year-end. Subsequent to year-end, these repurchase agreement investments were transferred to money market accounts which would be allowed under general statutes.

At June 30, 1997, the ABC Board had no money in the above type investments.

At September 30, 1996, the Beaufort County Hospital had no money in the above type investments.

At June 30, 1997, Warren Field Commission had no money in the above type investments.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

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

In accordance with the general statutes, agriculture, horticulture, and forest land 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 eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
1993	\$ 45,421	\$ 14,875	\$ 60,296
1994	383,887	91,173	475,060
1995	378,171	55,780	433,951
1996	<u>362,876</u>	<u>20,865</u>	<u>383,741</u>
	<u>\$ 1,170,355</u>	<u>\$ 182,693</u>	<u>\$ 1,353,048</u>

**4. Receivables - Allowance For Doubtful Accounts**

For the County, the amounts shown in Exhibit 1, the Combined Balance Sheet are net of the following allowance for doubtful accounts:

<u>Fund</u>	<u>June 30, 1997</u>
Property taxes receivable	
General fund	\$ 391,113
Special revenue fund	26,415
Accounts receivable	
General fund	9,646
Enterprise fund	<u>32,300</u>
	<u>\$ 459,474</u>

The Hospital's accounts receivable are presented net of the allowance for uncollectible accounts of \$2,129,070.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**5. Changes in General Fixed Assets**

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	*General Fixed Assets July 1, 1996	Additions and Discoveries	Retirements	General Fixed Assets June 30, 1997
<b>By Type</b>				
Land	\$ 782,532	\$ 10,000	\$ -	\$ 792,532
Buildings and improvements	4,383,003	4,017	-	4,387,020
Vehicles and equipment	3,620,577	511,692	(33,833)	4,098,436
Construction in progress	<u>488,925</u>	<u>2,321,929</u>	<u>-</u>	<u>2,810,854</u>
Total	<u>\$ 9,275,037</u>	<u>\$ 2,847,638</u>	<u>\$ (33,833)</u>	<u>\$ 12,088,842</u>
<b>By Function</b>				
General government	\$ 1,545,735	\$ 123,683	\$ -	\$ 1,669,418
Public safety	2,896,327	283,696	(17,496)	3,162,527
Human services	3,830,211	102,200	(16,337)	3,916,074
Environmental protection	408,109	1,721	-	409,830
Economic and physical development	105,730	14,409	-	120,139
Construction in progress	<u>488,925</u>	<u>2,321,929</u>	<u>-</u>	<u>2,810,854</u>
Total	<u>\$ 9,275,037</u>	<u>\$ 2,847,638</u>	<u>\$ (33,833)</u>	<u>\$ 12,088,842</u>
<b>Reconciliation of additions:</b>				
Capital outlay expenditures		\$ 511,692		
Capital Projects - construction in progress		2,321,929		
Donated		<u>14,017</u>		
Total		<u>\$ 2,847,638</u>		

\*Beginning general fixed assets have been corrected to reflect an updated inventory of buildings and land at their estimated cost.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**6. Proprietary Fund Fixed Assets**

The fixed assets of the Water District II Fund at June 30, 1997 are as follows:

	Fixed Assets	Accumulated Depreciation	Net
Plant and distribution system	\$ 4,549,677	\$ 136,490	\$ 4,413,187
Furniture & maintenance equipment	43,044	10,535	32,509
Vehicles	13,935	9,725	4,210
Total	<u>\$ 4,606,656</u>	<u>\$ 156,750</u>	<u>\$ 4,449,906</u>

The fixed assets of the Water District III Fund at June 30, 1997 are as follows:

	Fixed Assets	Accumulated Depreciation	Net
Land	\$ 2,000	\$ -	\$ 2,000
Plant and distribution system	3,911,507	117,345	3,794,162
Furniture & maintenance equipment	30,044	7,358	22,686
Vehicles	9,727	7,870	1,857
Construction in progress	1,654,544	-	1,654,544
Total	<u>\$ 5,607,822</u>	<u>\$ 132,573</u>	<u>\$ 5,475,249</u>

The fixed assets of Water Districts IV, V, and VII consist of construction in progress in the amounts of \$442,536, \$1,472,778, and \$737,319, respectively.

The following is a summary of proprietary fund type fixed assets for the ABC Board at June 30, 1997:

Land	\$ 147,594
Buildings	470,051
Furniture and equipment	179,915
Vehicles	19,614
Total	<u>817,174</u>
Less accumulated depreciation	381,273
Fixed assets, net	<u>\$ 435,901</u>

For Beaufort County Hospital, the components of property, plant, and equipment at September 30, 1996 are as follows:

Land and improvements	\$ 483,599
Buildings	9,902,416
Equipment	9,619,798
Construction in progress	65,393
Total	<u>20,071,206</u>
Less accumulated depreciation	(11,071,576)
Fixed assets, net	<u>\$ 8,999,630</u>

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**6. Proprietary Fund Fixed Assets (continued)**

The following is a summary of fixed assets of the Warren Field Airport Commission at June 30, 1997.

Land and improvements	\$	497,226
Lights, taxiway and runway improvements		2,586,633
Building and improvements		374,196
Fuel field		59,954
Reforestation		2,730
Furniture, fixtures and equipment		173,983
Construction in progress		85,314
Total		3,780,036
Less accumulated depreciation		2,417,931
Fixed assets, net	\$	1,362,105

**7. Installment obligation receivable**

The facility used by Tideland Mental Health Center for its headquarters in Washington, North Carolina, is owned by Beaufort County. Expansion and renovation began in fiscal year ended June 30, 1997. Beaufort County, as owner of the property, has borrowed the sum of \$1.7 million dollars to finance the expansion. Tideland Mental Health Center has agreed to be responsible for and reimburse the County for the debt incurred.

Tideland Mental Health Center has entered into an agreement with Beaufort County to repay the debt in fifteen annual payments of \$166,003, including principal and interest, at the rate of 5.2 %. Prepayments will not reduce the interest included in the established payment schedule.

For Beaufort County the receivable as of June 30, 1997 including \$790,051 of interest is:

Year Ending June 30,	Installment Receivable
1998	\$ 166,003
1999	166,003
2000	166,003
2001	166,003
2002	166,003
Thereafter	1,660,036
Total	\$ 2,490,051

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

**Plan Description.** Beaufort County and the ABC Board contribute to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 5.03% and 4.32%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement and for law enforcement officers is 5.15% and 4.32%, respectively of annual covered payroll. The contribution requirements of members and of Beaufort County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 1997, 1996, and 1995 were \$334,801, \$309,476, and \$292,176, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 1997, 1996, and 1995 were \$12,625, \$13,213, and \$1,603, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

**(1) Plan Description.**

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

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For The Fiscal Year Ended June 30, 1997

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**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

**b. Law Enforcement Officers Special Separation Allowance (continued)**

**(1) Plan Description. (continued)**

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 1996, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>42</u>
Total	<u>43</u>

**(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.

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

**(3) Contributions.**

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 1995 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.7% to 8.5% per year. Item (b) included an inflation component of 4.0%. The assumptions did not include postretirement benefit increases.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

**b. Law Enforcement Officers Special Separation Allowance (continued)**

**(3) Contributions. (continued)**

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

Annual required contribution	\$	18,077
Interest on net pension obligation		3,228
Adjustment to annual required contribution		<u>(3,860)</u>
Annual pension cost		17,445
Contributions made		<u>6,568</u>
Increase (decrease) in net pension obligation		10,877
Net pension obligation beginning of year		<u>43,042</u>
Net pension obligation end of year	\$	<u>53,919</u>

**3 Year Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/97	\$ 17,445	37.65 %	\$ 53,919

**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.

**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, 1997 were \$44,785, which consisted of \$44,785 from the County and none from the law enforcement officers.

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

**d. Deferred Compensation Plan**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, and rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the County (without being restricted to the provisions of benefits under the plan), subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of the general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the County's legal counsel that the County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

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

**Plan Description.** Beaufort County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Government Employees' Retirement System (LERS) 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.

**Funding Policy.** On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 1997, the County's required and actual contributions were \$7,343.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

**f. Beaufort County Hospital Pension Plan**

The Hospital has a noncontributory defined benefit pension plan covering substantially all employees meeting minimum age and service requirements. Plan benefits are based on the participant's years of service and average annual earnings in the five consecutive highest paid years during the last ten years preceding retirement. Total pension expense charged to operations amounted to \$250,000 for the year ending September 30, 1996. The Hospital intends to terminate this defined benefit plan and adopt a defined contribution plan to provide more flexibility in future funding and a better benefit to the employees. Although the plan is actually over funded at this time, the laws and regulations governing defined benefit pension plans may require a substantial addition to the plan by the Hospital to permit the termination of the plan. The actuarial present value of accumulated plan benefits must be calculated using the rate for thirty year U.S. Treasury bonds for plan determination. If the interest rate for thirty year U.S. Treasury bonds reaches 7%, it is expected that the plan could be terminated without a substantial addition by the Hospital. The Hospital intends to continue funding the plan in amounts sufficient to cover all present accumulated benefits as determined by the actuary, W.E. Stanley & Company, Inc. However, the Hospital is currently seeking an advisory opinion from the U. S. Department of Labor on certain issues and intends to terminate this plan as soon as those issues are resolved. Pension expense of \$500,000 has been accrued and is being carried as a liability. This amount is expected to be sufficient to cover all cost to terminate the plan.

The actuarial present values were determined using assumed rates of return of 7.5% and annual salary increases of 5%.

	Projected <u>10/1/95</u>
Actuarial present value of accumulated plan benefits	
Vested	\$ 3,922,802
Nonvested	<u>97,674</u>
Accumulated benefit obligation	\$ <u>4,020,476</u>
Net assets available for benefits:	
Held by First Union National Bank invested primarily in Evergreen Funds	
Balanced Portfolio:	
September 30, 1996	\$ <u>4,578,256</u>

**g. Warren Field Airport Commission**

The Airport does not belong to any pension or retirement plan.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**2. Postemployment Health Care Benefits - Beaufort County**

The County does not provide post retirement health benefits to employees.

**3. Closure and Postclosure Care cost - Beaufort County Landfill Facility**

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care cost will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$390,438 reported as landfill postclosure care liability at June 30, 1997 represents a cumulative amount reported to date. These amounts are based on what it would cost to perform all postclosure care in 1996. Beaufort County closed the facility in the year 1994. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements. The County is not currently required to fund the estimated postclosure costs of this facility based upon its present financial stability.

**4. Deferred Revenue**

The balance in deferred revenues at year-end is comprised of the following elements:

	General	Special Fund Revenue	Fund Total
Property taxes receivable	\$ 1,660,225	\$ 78,062	\$ 1,738,287
Prepaid taxes	194,272	6,523	200,795
Solid waste fees	405,178	-	405,178
Installment obligation receivable	1,700,000	-	1,700,000
<b>Total</b>	<b>\$ 3,959,675</b>	<b>\$ 84,585</b>	<b>\$ 4,044,260</b>

**5. Commitments**

The County has commitments of approximately \$10,381,000 for building construction and water district expansion projects. These projects are being funded mainly by debt proceeds.

The ABC Board has elected to pay direct costs of employment securities benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following discharge of employees. For the year ended June 30, 1997 \$0.00 was paid.

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

**B. Liabilities (continued)**

**6. Risk Management**

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general liability coverage of \$2 million per occurrence, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to \$2 million limit for general liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property coverage, and single occurrence losses of \$350,000 for workers' compensation.

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

Beaufort County ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Beaufort County Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical malpractice. The Hospital carries commercial insurance for these 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.

The Warren Field Airport Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Airport carries commercial insurance for risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**7. Long-Term Obligations**

**a. Capital Leases**

Both the County and the Hospital have entered into agreements to lease certain equipment. 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.

For Beaufort County, the lease agreement is for a tax department computer executed on June 25, 1993 requiring 60 monthly payments of \$3,704.

The following is an analysis of the assets recorded under capital leases:

Classes of Property	General Fixed Assets
Equipment	\$ 196,809

For Beaufort County, the future minimum lease obligations and the net present value of these net minimum lease payments as of June 30, 1997 were as follows:

Fiscal Year Ending June 30	General Long-Term Debt
1998	\$ 41,449
Less amount representing interest	(1,145)
Present value of future minimum lease payments	<u>\$ 43,304</u>

The Hospital leases equipment that is used for professional and administrative services. The leases expire in various years through 2002. Leases for the following classes of equipment have been accounted for as capital leases and are classified separately in the Hospital's balance sheet.

Laboratory	\$ 176,460
Radiology	1,163,445
CCU	195,640
Telephone system	136,638
Obstetric	101,716
Patient rooms	<u>49,800</u>
	1,823,699
Less allowances for amortization	<u>1,192,541</u>
	<u>\$ 631,158</u>

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**7. Long-Term Obligations (continued)**

**a. Capital Leases (continued)**

Amortization of capital leases is included in depreciation and amortization expense. Future minimum payments, by year and in the aggregate, under the capital leases with initial or remaining terms of one year or more consist of the following at September 30, 1996:

1997	\$	150,606
1998		150,606
1999		150,606
2000		150,607
2001		132,077
2002		<u>8,241</u>
Total minimum lease payments		<u>742,743</u>
Amounts representing interest		<u>89,235</u>
Present value of net minimum lease payments	\$	<u><u>653,508</u></u>

**b. General Obligations Indebtedness**

The County records long-term debt of the governmental funds at face value in the general long-term debt account group. All general obligation bonds serviced by the County's general fund are collateralized by the full faith, credit, and taxing power of the County. Beaufort County Water Districts issue general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Water District Funds, are collateralized by the full faith, credit, and taxing power of the District. Principal and interest payments are appropriated when due.

In 1996, the County issued \$9,405,000 in general obligation bonds with an average interest rate of 4.0% to advance refund \$8,700,000 of the Series 1988 bonds with an average interest rate of 7.1% and Series 1989 bonds with an average interest rate of 6.75%. The entire proceeds of \$9,379,606 (net of \$71,193 issuance costs and \$25,394 discount) were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1988 and 1989 bonds. As a result, the Series 1988 and 1989 bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**7. Long-Term Obligations (continued)**

**b. General Obligations Indebtedness (continued)**

The County's general obligation bonds payable at June 30, 1997 are comprised of the following individual issues:

Serviced by the County's General fund.

\$2,000,000 1991 Community College Serial bonds, due on May 1 in installments ranging from \$50,000 to \$200,000 through May, 2009; interest ranging from 6.4% to 6.5%	\$ 1,600,000
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\$9,405,000 1997 Refunding bonds, due on February 1 in installments ranging from \$1,095,000 to \$565,000 through February 2006; interest ranging from 4.0% to 4.4%	8,310,000
	9,910,000

Serviced by Water District II Long Acre West:

\$4,226,000 1997 Water Serial Bond due in annual installments; beginning in 1997; of \$39,500 to \$158,000 through June 1, 2034; interest at 6.125%	4,186,500
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\$434,000 1997 Water Serial Bond due in annual installments; beginning in 1997; of \$4500 to \$18,000 through June 1, 2034; interest at 5.625%	429,500
	4,616,000

Serviced by Water District III Long Acre East:

\$3,728,000 1997 Serial Bonds due in annual installments; beginning in 1997; of \$35,000 to \$140,000 through June 1, 2034; interest at 6.125%	3,693,000
--	-----------

\$381,000 1997 Water Serial Bond due in annual installments; beginning in 1997; of \$4000 to \$16,000 through June 1, 2034; interest at 5.625%	377,000
--	---------

\$1,304,000 1997 Water Serial Bond due in annual installments; beginning in 1999; of \$13,500 to \$54,000 through June 1, 2036; with interest only for 1997 and 1998; interest at 5.625%	1,304,000
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\$197,000 1997 Water Serial Bond due in annual installments beginning in 1999; of \$2,500 to \$10,000 through June 1, 2036; with interest only for 1997 and 1998; interest at 5.375%	197,000
	5,571,000

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**7. Long-Term Obligations (continued)**

**b. General Obligations Indebtedness (continued)**

Water District VII Richland:

Bond Anticipation Notes

\$6,000,000 Water note issued June 10, 1997 and due March 4, 1998; interest at 3.72%. The note will be repaid from a bond issue expected to be sold in the next fiscal year.

6,000,000

Total

\$ 26,097,000

Annual debt service requirements to maturity for the County's general obligation bonds including interest of \$2,423,525 for General Long-Term Debt Account Group and \$14,283,256 for the Water Fund are as follows:

Year Ending June 30	Water Districts	General Long-Term Debt Account Group	Total
1997	\$ 697,423	\$ 1,592,775	\$ 2,290,198
1998	713,229	1,524,475	2,237,704
1999	712,335	1,456,975	2,169,310
2000	712,606	1,385,275	2,097,881
2001	712,456	1,314,575	2,027,031
Next 5 years	3,558,523	4,620,450	8,178,973
Thereafter	17,363,684	439,000	17,802,684
	\$ <u>24,470,256</u>	\$ <u>12,333,525</u>	\$ <u>36,803,781</u>

At June 30, 1997, Beaufort County had a legal debt margin of \$157,276,576.

**c. Installment Obligations**

Beaufort County has entered into a loan agreement with Southern Bank in order to purchase and renovate a building to be used for the Department of Social Services. The principal borrowed was \$2,172,237. The terms call for 14 semi-annual payments of \$174,211.30 bearing interest at 3.68%. The first payment is a principal only payment. This debt is included in the General Long-Term Debt Account Group.

Beaufort County has entered into a loan agreement with Nations Bank to borrow \$715,000 to finance the acquisition of the enhanced 911 telephone system. The agreement requires monthly payments bearing interest at 3.66% for 59 months. This debt is included in the General Long-Term Debt Account Group.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**7. Long-Term Obligations (continued)**

**c. Installment Obligations (continued)**

Beaufort County has entered into a loan agreement with Nations Bank to borrow \$315,000 to finance the acquisition of the high band radio system. The agreement requires equal annual installments of \$45,000 plus interest at 5.39% for seven years. This debt is included in the General Long-Term Debt Account Group.

Beaufort County Water District III has entered into a loan agreement with the North Carolina Department of Environment, Health, and Natural Resources for construction of a water distribution system. The total amount financed is \$485,995. The agreement requires equal annual installments of \$24,300 plus interest at 5.85% for 20 years. This debt is included in the enterprise fund. At June 30, 1997, \$452,156 of the loan proceeds had been received.

Beaufort County Water District V has entered into a loan agreement with the North Carolina Department of Environment, Health, and Natural Resources for construction of a water distribution system. The total to be borrowed is \$644,506. Terms call for a 20 year repayment at 3.215% interest. At June 30, 1997 \$418,181 of the loan had been received. Repayment of loan will begin once the full loan amount is received. The entire amount of this loan is treated as a construction loan until the project is completed. This debt is included in the enterprise fund.

Beaufort County has entered into an agreement with the City of Washington to finance water tap-on fees for water districts IV and V. Terms call for one principal only payment of \$585,000 followed by eight annual installments of \$25,850. The installments include a principal amount of \$165,000 with interest at 5.31% per year.

For Beaufort County, the future minimum payments as of June 30, 1997, including interest of \$1,330,370 for the General Long-Term Debt Account Group and \$311,891 for the Water Fund are as follows:

Year Ending June 30	Water Districts	General Long-Term Debt Account Group	Total
1998	\$ 1,080,340	\$ 1,023,742	\$ 2,104,082
1999	75,737	931,938	1,007,675
2000	74,316	868,365	942,681
2001	72,894	691,729	764,623
2002	71,473	515,092	586,565
Next 5 years	284,341	1,735,007	2,019,348
Thereafter	248,827	830,015	1,078,842
	<u>\$ 1,907,928</u>	<u>\$ 6,595,888</u>	<u>\$ 8,503,816</u>

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

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**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**7. Long-Term Obligations (continued)**

**c. Installment Obligations (continued)**

The Hospital issued an installment note payable to First Citizens Bank & Trust Company on August 25, 1994. This note is payable in monthly installments of \$15,225 including interest at 4.97% annually. This note is secured by computer equipment and software.

The Hospital issued an installment note payable to NationsBank, N.A. on January 25, 1996. This note is payable in monthly installments of \$2,691.61 plus interest at 5.25% annually, and one final payment of \$143,570.30 due January 24, 2001. This note is secured by real estate located in the Town of Aurora. The proceeds of this note were used to purchase the Aurora Medical Center building and surrounding 5.09 acres, Town of Aurora, North Carolina.

Aggregate maturities of these notes payable in each of the next five years ended September 30 follows:

1997	\$	202,977	
1998		181,141	
1999		32,299	
2000		32,299	
2001		99,271	
Total payable		547,987	
Less current maturities		(202,977)	
Long-term portion	\$	345,010	

The ABC Board has entered into a loan agreement with Wachovia Bank. The note is unsecured and requires quarterly installments of \$8150 including interest at 5.9%. Maturities of this note payable in each of the next four years ended June 30 follows:

1998	\$	29,168	
1999		30,952	
2000		8,046	
Total	\$	68,166	

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**7. Long-Term Obligations (continued)**

**c. Installment Obligations (continued)**

The following is a summary of changes in the County's general long-term debt for the fiscal year ended June 30, 1997:

	Balance July 1, 1996	Additions	Retirements	Balance June 30, 1997
<b>By type</b>				
General obligation bonds	\$ 11,105,000	\$ -	\$ 1,195,000	\$ 9,910,000
Capitalized leases	84,526	-	41,222	43,304
Installment purchase	2,054,315	3,700,000	488,797	5,265,518
Compensated absences	325,809	55,365	-	381,174
Landfill postclosure care	400,437	-	9,999	390,438
<b>Total</b>	<b>\$ 13,970,087</b>	<b>\$ 3,755,365</b>	<b>\$ 1,735,018</b>	<b>\$ 15,990,434</b>
<b>By Function</b>				
General government	\$ 84,526	\$ -	\$ 41,222	\$ 43,304
Economic and physical development	351,441	-	145,424	206,017
Education	9,035,900	-	954,100	8,081,800
Human services	1,432,874	3,700,000	298,373	4,834,501
Environmental protection	400,437	-	9,999	390,438
Public safety	270,000	-	45,000	225,000
Compensated absences	325,809	55,365	-	381,174
Hospital	2,069,100	-	240,900	1,828,200
<b>Total</b>	<b>\$ 13,970,087</b>	<b>\$ 3,755,365</b>	<b>\$ 1,735,018</b>	<b>\$ 15,990,434</b>

**d. Capitalized Interest**

Construction period interest in the Water District Capital Projects was capitalized as follows:

Water District III	\$ 60,054
Water District VII	47,105

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

**NOTE 2 DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**8. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 1997 are as follows:

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government General Fund	Component unit: Beaufort County ABC Board Required distributions	\$ <u>16,532</u>

**C. Fund Equity**

**Enterprise Funds - Contributed Capital**

Grants, entitlements, and shared revenues restricted for the acquisition or construction of capital assets are recorded as contributed capital. The County utilizes an option allowed under NCGA Statement 2 for the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Exhibit 4) whereby it closes depreciation expense on assets acquired or constructed through grants, entitlements, or shared revenues to the contributed capital account rather than to retained earnings.

The following is a summary of the changes in the contributed capital of the County for the fiscal year ended June 30, 1997.

Sources	Water District V
Beginning balance, July 1, 1996	\$ -
Add: State grant	807,561
Less Amortization	-
Ending balance, June 30, 1997	\$ <u>807,561</u>

**NOTE 3 RELATED ORGANIZATIONS**

The chairman of the County's governing board is also responsible for appointing the members of the board of the Beaufort County Industrial Control Facility, but the County's accountability for this organization does not extend beyond making these appointments. The Facility exists to issue and service revenue bond debt for private business for economic development purposes. Its primary revenues are the payments to service the issued debt that are received from the businesses involved. The County is not responsible for the debt issued by the Facility and the Facility's debt is not included in determining the County's legal debt limit.

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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**NOTE 3 RELATED ORGANIZATIONS (continued)**

The County's governing board serves along with the County Nursing Home's governing board as directors of the Beaufort County Home Foundation. The Foundation is a non-profit organization created to raise funds for the County's Nursing Home. The Foundation's revenues are from gifts and grants.

**NOTE 4 JOINT VENTURES**

The County participates in a joint venture to operate BHM Regional Library with three other local governments. Beaufort County appoints three board members to the nine member board of the Library. The County has an on-going financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 1997. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$96,820 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library offices, at 158 North Market Street, Washington, NC 27889.

The County in conjunction with the State of North Carolina and the Beaufort County Board of Education, participates in a joint venture to operate the Beaufort County Community College. Each of the three participants appoints five members of the fifteen member board of trustees of the community college. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities.

The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$860,606 and \$180,200 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 1997. In addition, the County made debt service payments of \$100,000 during the fiscal year on general obligation bonds issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 1997. Complete financial statements for the community college may be obtained from the community college's administrative offices at Highway 264 East, Washington, NC 27889.

The County, in conjunction with four other counties, participates in the Tideland Mental Health Center. The County Commissioners appoint four members to the twenty member board of the Center. In addition, one County Commissioner also serves on the Center's board. The Center, a multi-county public mental health authority, is a separate and distinct subdivision charged by State law with the responsibility of providing treatment for persons suffering from emotional, mental, or neurological handicaps and to provide services for drug and mental health prevention, treatment and rehabilitation services. The County contributed \$137,000 to the Center during fiscal year ended June 30, 1997. Complete financial statements for the Center can be obtained from the Center's administrative offices at 1308 Highland Drive, Washington, NC 27889.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

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**NOTE 5 JOINTLY GOVERNED ORGANIZATION**

The County, in conjunction with four other counties and thirty-nine municipalities, established the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid membership fees of \$11,475 to the Commission during the fiscal year ended June 30, 1997. The County was the subrecipient of a grant for \$334,255 from the U.S. Department of Health and Human Services and the Division of Aging of the North Carolina Department of Human Resources which was passed through the Commission.

**NOTE 6 SUPPLEMENTAL & ADDITIONAL SUPPLEMENTAL 1/2 OF 1% LOCAL GOVERNMENT SALES AND USE TAXES**

State law (Chapter 105, Articles 40 & 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 1997, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for public school capital outlays.

**NOTE 7 PUBLIC SCHOOL BUILDING BOND ACT OF 1996**

The General Assembly passed the Public School Building Bond Act of 1996 to provide for the issuance of \$1.8 billion in State bonds to be used for making grants to counties for qualified public school capital outlay projects. The Department of Public Instruction is responsible for project approval and the distribution of funds. The principal amounts of bonds or notes issued by the State in any twelve month period may not exceed \$450 million.

Of the total \$1.8 billion authorized, \$30 million will be allocated as grants to counties that have small county school systems, after considering whether the counties demonstrate both greater than average school construction needs and high property tax rates. The primary allocation of \$1.77 billion will be distributed to all counties based on the average daily membership, the ability to pay, and the growth rate of the school administrative units located within each county.

The distribution of the primary allocation is subject to the satisfaction of certain match requirements by the counties. Match requirements may be satisfied by non-State expenditures for public school facilities made on or after January 1, 1992. Beaufort County's matching requirement of \$.50 for each dollar of allocated bond proceeds has been fulfilled.

Because the County has met its matching requirement, the County recognizes revenues equal to the liabilities incurred for approved project expenditures. Beaufort County requests bond funds by project to be transferred to an account established by Beaufort County Board of Education for payment of invoices. To date, the County has expended \$500,000 of their total allocation of \$11,585,308.

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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**NOTE 8 SCHOOL FACILITIES FINANCE ACT OF 1987**

The General Assembly passed the School Facilities Finance Act of 1987 (Act) to assist county governments in meeting their public school facility capital needs. The Act created two State-funded programs for the construction and renewal of school facilities: the Public School Building Capital Fund administered by the office of State Budget and Management and the Critical School Facilities Needs Fund administered by the State Board of Education.

**1. Public School Building Capital Fund**

This program is funded using a portion of the corporate income taxes, which are imposed on corporations doing business in the State. Each calendar quarter, the Department of Revenue makes quarterly deposits into the fund of two thirty-first (2/31) of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million, which it deposits into the Critical School Facilities Needs Fund. (See below.)

The corporate income taxes deposited into the fund are allocated to Beaufort County on the basis of the average daily membership (ADM) for Beaufort County Board of Education as determined by the State Board of Education. The Office of State Budget and Management establishes and maintains an ADM allocation account for the County. At June 30, 1997, the balance of the County's ADM allocation account was \$695,187. The County must match this balance on the basis of one dollar for every three dollars of State funds.

After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. At June 30, 1997, the County had a balance in its disbursing account of \$0.00.

Funds in the allocation and disbursing accounts are considered State moneys until the County issues warrants to disburse them. At that time, they are recognized in the County's General Fund as a restricted intergovernmental revenue.

**2. Critical School Facilities Needs Fund**

This program is funded by the net collections of State income taxes imposed on corporations and received by the Department of Revenue. Each quarter, the Department of Revenue deposits \$2.5 million into the fund.

Grants are awarded by the State Board of Education based on the grant priority list established in 1988 by the Commission on School Facility Needs. A joint application must be made by the Beaufort County Board of Commissioners and the Beaufort County Board of Education. At June 30, 1997, the Boards had not submitted a grant application to the Commission on School Facility Needs.

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 1997

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**NOTE 9 SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**1. Federal and State Assisted Programs**

The County and Warren Field Airport Commission have 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.

**2. Airport Contaminants**

In January, 1991 it was discovered that the Airport had an underground leak from one of its fuel tanks. Initial cleanup efforts concentrated on removal and remediation of contaminated soil. A plan for corrective action, which provided for a natural lessening of the contaminants with monitoring, has been submitted to the State of North Carolina for approval. Future costs have not been determined. No provision has been made in the financial statements for this contingency.

**3. Lawsuits**

The County is a defendant in various lawsuits. At this time, it is not possible to project favorable or unfavorable outcome of such litigation.

**NOTE 10 MAJOR TAXPAYER**

Beaufort County had property tax revenue from one taxpayer in 1997 of \$574,869, which accounted for approximately 19 percent of net property tax levied.

**NOTE 11 BUDGET-TO-GAAP RECONCILIATION**

Exhibit 3, the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual, compares the budget and actual data by fund type for those governmental funds that adopt annual budgets. Therefore, only those Special Revenue Funds that adopt annual budgets are included on Exhibit 3. A budget-to-GAAP reconciliation for the Special Revenue Fund is included below:

Special Revenue Fund	Excess of Revenues and Other Sources over (under) Expenditures and Other Uses
Per Exhibit 3 - Budgetary basis	\$ 65,991
Timing difference	
Transactions of funds with multi-year budgets	
Revenues	347,532
Expenditures	(347,034)
Per Exhibit 2 - GAAP basis	\$ 66,489

Beaufort County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For The Fiscal Year Ended June 30, 1997

**NOTE 12 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Noncompliance With North Carolina General Statutes**

The county holds common stock as an investment, which is in violation of G.S. 159-30 regarding investments.

The County's repurchase agreement is not in accordance with State law. State law [G.S. 159-30 (c) (12)] requires that the security be delivered to the County or its safekeeping agent other than the provider of the repurchase agreement and the security must be in the County's name. The underlying security is held by the financial institution providing the transaction and is not in the County's name.

**B. Excess of Expenditures Over Appropriations**

There were instances of overexpending the approved budget in certain departments of the Enterprise Fund, the General Fund and Special Revenue Funds. G.S. 159-28 states that "no obligation may be incurred in a program, function, or activity accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year".

**C. Deficit in Retained Earnings**

There is a deficit in retained earnings of the following individual funds:

Water District II	\$	146,201
Water District III		308,405

**NOTE 13 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 which do not appear in the general purpose financial statements because they are not revenues and expenditures of the County.

**1. Benefit Payments Issued by the State**

		Federal		State
Food Stamp Program	\$	4,292,584	\$	-
Aid to Families with Dependent Children		1,415,977		368,941
Medical Assistance Program		21,544,189		10,255,081
Special Supplemental Food Program for Women, Infants and Children		755,599		-
Energy Assistance Payment		49,907		-
CWS Adopt Subsidy & Vendor		11,273		13,787
IV-E Adopt Subsidy & Vendor		50,689		14,243
Special Assistance - Aged and Disabled		-		340,126
IV-E Foster Care		80,139		32,932

Beaufort County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 1997

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**NOTE 14 PRIOR PERIOD ADJUSTMENT AND RESTATEMENT**

Cash in the General Fund at June 30, 1996 was understated by \$43,857, due to a duplicate payment issued which was shown as outstanding at June 30, 1996. The General Fund accounts shown as supplementary information herein, have been restated to show corrected totals. The effect of the correction resulted in an increase of revenues over expenditures by \$43,857.

**REQUIRED SUPPLEMENTAL  
FINANCIAL DATA**

This section contains additional information required by generally accepted accounting principles.

- Analysis of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

Beaufort County, North Carolina  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS**

EXHIBIT A-1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/91	-	68,172	68,172	0%	515,292	13.23%
12/31/92	-	72,119	72,119	0%	553,888	13.02%
12/31/93	-	87,049	87,049	0%	737,811	11.80%
12/31/94	-	90,208	90,208	0%	794,597	11.35%
12/31/95	-	113,791	113,791	0%	844,751	13.47%
12/31/96	-	126,204	126,204	0%	865,459	14.58%

Beaufort County, North Carolina  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

EXHIBIT A-2

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Year ended June 30	Annual Required Contribution	Percentage Contributed
1997	\$ 17,445	37.65%

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Notes to the Required Schedules:

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

Valuation date	12/31/96
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed
Remaining amortization period	23 Years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	7.5%
Projected salary increases	4.7 % to 8.5% per year
Includes inflation at	4.0%
Cost-of living adjustments	None

**INDIVIDUAL FUND FINANCIAL STATEMENTS  
AND SCHEDULES**

## GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Beaufort County, North Carolina  
**GENERAL FUND**  
**COMPARATIVE BALANCE SHEET**  
 June 30, 1997  
 With Comparative Totals For June 30, 1996

EXHIBIT B-1

	June 30, 1997	Restated June 30, 1996
<b>ASSETS</b>		
Cash and investments	\$ 7,789,252	\$ 7,441,209
Receivables:		
Taxes	1,660,225	1,565,316
Accounts receivable	2,447,576	2,759,995
Due from other funds	590,651	465,241
Due from other governmental unit	-	12,756
Due from component unit	16,532	13,163
Installment obligation receivable		
Current	77,604	-
Noncurrent	1,622,396	-
 Total assets	\$ 14,204,236	\$ 12,257,680
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,134,785	\$ 1,282,121
Deferred revenues	3,959,675	2,098,290
Due to other funds	17,310	12,579
Total liabilities	5,111,770	3,392,990
Fund Balances:		
Reserved by State statute	2,649,581	2,900,078
Reserved for health services	274,957	414,547
Unreserved:		
Designated for subsequent year's expenditures	1,408,009	1,600,000
Undesignated	4,759,919	3,950,065
Total fund balances	9,092,466	8,864,690
 Total liabilities and fund balances	\$ 14,204,236	\$ 12,257,680

Beaufort County, North Carolina  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
 For The Fiscal Year Ended June 30, 1997  
 With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT B-2  
1 OF 6

	1997			Restated 1996
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenue:</b>				
Ad valorem taxes				
Current Year	\$ 12,710,108	\$ 12,946,838	\$ 236,730	\$ 12,648,962
Prior years	614,000	674,692	60,692	636,708
Interest and penalties	160,000	215,775	55,775	247,672
Animal taxes	-	487	487	1,147
Total	<u>13,484,108</u>	<u>13,837,792</u>	<u>353,684</u>	<u>13,534,489</u>
Local option sales tax				
Article 39 one percent	2,515,000	2,420,380	(94,620)	2,288,058
Article 40 ½ of one percent	1,510,000	1,610,716	100,716	1,539,588
Article 42 ½ of one percent	1,510,000	1,598,432	88,432	1,527,834
Total	<u>5,535,000</u>	<u>5,629,528</u>	<u>94,528</u>	<u>5,355,480</u>
Other taxes and licenses				
Documentary stamps	70,000	80,095	10,095	79,309
Scrap tire disposal tax	36,500	43,007	6,507	26,222
911 access charges	190,000	186,582	(3,418)	200,627
White goods disposal tax	35,000	35,712	712	26,284
Privilege license	12,000	11,880	(120)	12,766
Total	<u>343,500</u>	<u>357,276</u>	<u>13,776</u>	<u>345,208</u>
Restricted intergovernmental				
Federal and state grants	5,302,867	4,986,796	(316,071)	4,764,642
Court facility fees/court costs	165,000	138,155	(26,845)	146,249
Fines and forfeitures	-	-	-	282,860
ABC education/rehabilitation distribution	2,000	1,818	(182)	1,023
ABC bottle tax distributions	14,000	13,997	(3)	13,901
Total	<u>5,483,867</u>	<u>5,140,766</u>	<u>(343,101)</u>	<u>5,208,675</u>
Unrestricted intergovernmental				
Intangibles tax	500,000	-	(500,000)	514,741
Beer and wine tax	120,000	123,681	3,681	121,792
Sales and gas tax refunds	10,000	13,146	3,146	81,225
Senior citizens exemption	30,000	27,391	(2,609)	27,391
Food stamp tax reimbursement	45,000	44,027	(973)	43,948
Inventories tax reimbursement	800,000	812,541	12,541	832,757
Total	<u>1,505,000</u>	<u>1,020,786</u>	<u>(484,214)</u>	<u>1,621,854</u>

Beaufort County, North Carolina  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
 For The Fiscal Year Ended June 30, 1997  
 With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT B-2  
2 OF 6

	1997			Restated 1996
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Permits and fees				
Building inspection fees	\$ 65,000	\$ 89,269	\$ 24,269	\$ 79,560
Register of Deeds	80,000	144,302	64,302	139,463
Total	<u>145,000</u>	<u>233,571</u>	<u>88,571</u>	<u>219,023</u>
Sales and services:				
Patient fees - Nursing Home	725,000	1,022,053	297,053	883,838
Patient fees - other	67,200	53,907	(13,293)	48,985
CAP fees	220,000	174,840	(45,160)	118,128
Personal care - medicaid fees	431,000	330,528	(100,472)	261,013
Rescue squad	55,000	41,102	(13,898)	49,772
Prisoners' reimbursement	80,000	75,918	(4,082)	64,254
Vending concessions	7,000	27,569	20,569	8,569
Rent of public building	25,000	32,832	7,832	28,832
Environmental fees	45,000	42,645	(2,355)	46,101
Landfill fees/availability fee	2,610,000	2,338,392	(271,608)	2,073,044
Cable TV franchise fees	30,000	50,809	20,809	48,272
Candidate filing fees	-	-	-	1,867
Collection fees - town taxes	58,000	54,034	(3,966)	55,095
Sheriff's fees	126,238	91,005	(35,233)	23,196
Animal control fees	5,000	3,983	(1,017)	4,811
Waste management project	-	-	-	18,751
Total	<u>4,484,438</u>	<u>4,339,617</u>	<u>(144,821)</u>	<u>3,734,528</u>
Investment earnings	300,000	384,814	84,814	483,958
Miscellaneous:				
Sale of fixed assets	8,426	-	(8,426)	13,080
Donations & contributions	8,300	35,556	27,256	44,230
Insurance claims & reimbursements	30,935	123,588	92,653	24,584
Hospital share of service	-	15,019	15,019	14,055
Reimbursement from VFDs	-	59,755	59,755	93,544
IV-D travel	5,000	8,413	3,413	7,691
Other	20,000	85,358	65,358	22,738
Total	<u>72,661</u>	<u>327,689</u>	<u>255,028</u>	<u>219,922</u>
Total revenues	31,353,574	31,271,839	(81,735)	30,723,137

Beaufort County, North Carolina  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
 For The Fiscal Year Ended June 30, 1997  
 With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT B-2  
3 OF 6

	1997			Restated 1996
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Expenditures</b>				
<b>General government</b>				
Governing body	\$ 77,140	\$ 73,247	\$ 3,893	\$ 71,389
Elections	169,004	120,628	48,376	117,915
Finance	185,642	179,603	6,039	156,807
County manager	556,793	554,320	2,473	491,236
Court facilities	168,876	99,941	68,935	-
Tax collector	256,740	238,579	18,161	293,083
Land records	241,919	224,271	17,648	-
Tax assessor	394,172	379,303	14,869	458,411
Legal	32,474	29,257	3,217	23,657
Register of deeds	203,599	157,695	45,904	144,750
Public buildings	679,756	542,097	137,659	704,146
Total general government	<u>2,966,115</u>	<u>2,598,941</u>	<u>367,174</u>	<u>2,461,394</u>
<b>Public Safety</b>				
Sheriff	1,754,509	1,701,731	52,778	1,681,023
Jail	790,884	731,829	59,055	752,307
Emergency communications	396,241	362,946	33,295	349,461
Emergency management	48,912	44,655	4,257	41,198
Fire protection	91,121	96,878	(5,757)	128,627
Inspections	163,954	152,803	11,151	140,625
Medical examiner	16,000	15,325	675	13,125
Ambulance/Rescue service	222,929	142,975	79,954	117,096
Animal control	96,963	92,521	4,442	102,169
Total public safety	<u>3,581,513</u>	<u>3,341,663</u>	<u>239,850</u>	<u>3,325,631</u>
<b>Economic and physical development</b>				
Agricultural extension	154,689	152,255	2,434	152,382
Economic development	143,402	218,459	(75,057)	178,681
Road sign maintenance	35,700	35,213	487	48,174
Soil/water conservation	61,118	55,602	5,516	60,268
Total economic and physical development	<u>394,909</u>	<u>461,529</u>	<u>(66,620)</u>	<u>439,505</u>
<b>Culture and recreation</b>				
Libraries	105,620	105,620	-	101,800
Recreation	42,524	38,696	3,828	40,183
Special appropriations	28,900	28,900	-	24,900
Total culture and recreation	<u>177,044</u>	<u>173,216</u>	<u>3,828</u>	<u>166,883</u>

Beaufort County, North Carolina  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
 For The Fiscal Year Ended June 30, 1997  
 With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT B-2  
4 OF 6

	1997		Variance Favorable (Unfavorable)	Restated 1996
	Budget	Actual		Actual
<b>Education</b>				
Public schools - current	\$ 6,187,896	\$ 6,187,896	\$ -	\$ 5,662,896
Public schools - capital outlay	1,182,890	1,182,890	-	1,082,890
Public schools - fines and forfeitures	-	-	-	270,000
Community colleges - current	860,606	860,606	-	800,000
Community colleges - capital outlay	180,200	180,200	-	170,000
Public school building capital fund	-	-	-	334,345
Total education	<u>8,411,592</u>	<u>8,411,592</u>	-	<u>8,320,131</u>
<b>Human services</b>				
<b>Health:</b>				
Administration - general	703,962	661,944	42,018	619,191
Immunization	44,209	11,217	32,992	29,575
Adult health-hypertension	11,562	11,082	480	11,403
Child health	112,948	103,435	9,513	128,287
Maternal health	252,617	235,672	16,945	173,449
WIC - Administration	175,845	165,401	10,444	162,551
TB Program	27,106	25,478	1,628	25,423
Health promotion	25,340	24,967	373	22,611
Environmental health	13,191	11,631	1,560	7,497
Aids Control	31,835	26,042	5,793	44,488
Family planning	265,260	235,538	29,722	133,007
Total health	<u>1,663,875</u>	<u>1,512,407</u>	<u>151,468</u>	<u>1,357,482</u>
<b>Mental health</b>				
General appropriation	120,000	120,000	-	120,000
Alcohol rehab	24,000	24,000	-	38,000
Total mental health	<u>144,000</u>	<u>144,000</u>	-	<u>158,000</u>
<b>Mental retardation</b>				
Beaufort County Development Center	90,000	90,000	-	85,000
N.C. Elderly handicapped transportation	12,500	10,756	1,744	12,208
Total mental retardation	<u>102,500</u>	<u>100,756</u>	<u>1,744</u>	<u>97,208</u>

Beaufort County, North Carolina  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
 For The Fiscal Year Ended June 30, 1997  
 With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT B-2  
5 OF 6

	1997			Restated 1996
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Social services				
Administration	\$ 3,547,020	\$ 3,437,387	\$ 109,633	\$ 3,220,699
Work first program	112,780	49,863	62,917	60,150
State In-Home Aging Services	374,025	329,651	44,374	339,757
AFDC program	473,523	396,954	76,569	435,240
Medical assistance	2,120,972	1,971,658	149,314	1,887,054
Special assistance	395,063	340,534	54,529	391,783
Aid to the blind program	20,596	14,872	5,724	18,439
Foster care	10,850	9,224	1,626	5,130
Transportation - elderly	17,691	16,502	1,189	15,643
Other assistance	108,500	88,310	20,190	71,508
County provided services	7,800	3,360	4,440	6,040
Day care	950,000	750,557	199,443	719,370
Child support enforcement	29,000	20,128	8,872	-
Total social services	<u>8,167,820</u>	<u>7,429,000</u>	<u>738,820</u>	<u>7,170,813</u>
Other human services:				
County home	1,141,063	1,053,947	87,116	967,817
Veterans services	15,678	14,603	1,075	10,842
Youth services	133,400	131,778	1,622	117,079
Total other human service activities	<u>1,290,141</u>	<u>1,200,328</u>	<u>89,813</u>	<u>1,095,738</u>
Total human services	11,368,336	10,386,491	981,845	9,879,241
Environmental protection:				
Solid waste	3,939,404	3,417,866	521,538	2,970,031
Non-departmental/Contingency				
States sales tax - 4%	-	-	-	56,453
County sales tax - 2%	-	-	-	27,411
Tire fee	-	-	-	167
Contingency	65,450	-	65,450	-
Total	<u>65,450</u>	<u>-</u>	<u>65,450</u>	<u>84,031</u>

Beaufort County, North Carolina  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
 For The Fiscal Year Ended June 30, 1997  
 With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT B-2  
6 OF 6

	1997			Restated 1996
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Debt service:				
Bond principal	\$ 1,195,000	\$ 1,195,000	\$ -	\$ 1,020,000
Lease principal - tax department	41,240	41,222	18	39,268
Note principal - DSS building	296,580	298,373	(1,793)	287,727
Note principal - 911 system	147,024	145,424	1,600	145,424
Note principal - VFD Radio System	-	45,000	(45,000)	45,000
Interest	539,902	545,031	(5,129)	884,695
Fees and commissions	2,965	152	2,813	71,295
Total debt service	<u>2,222,711</u>	<u>2,270,202</u>	<u>(47,491)</u>	<u>2,493,409</u>
Total expenditures	<u>33,127,074</u>	<u>31,061,500</u>	<u>2,065,574</u>	<u>30,140,256</u>
Revenue over (under) expenditures	(1,773,500)	210,339	1,983,839	582,881
Other financing sources (uses)				
Operating transfers from (to) other funds				
Capital projects - renovations	-	-	-	(626,169)
Special revenue fund - revaluation	(50,000)	(50,000)	-	(50,000)
Operating transfer from component unit	-	78,937	78,937	50,248
Operating transfer to component unit	(11,500)	(11,500)	-	(28,500)
Total	<u>(61,500)</u>	<u>17,437</u>	<u>78,937</u>	<u>(654,421)</u>
Payment to refunded escrow agent	-	-	-	(9,308,414)
Proceeds of refunding debt	-	-	-	9,379,606
Total other financing sources (uses)	<u>(61,500)</u>	<u>17,437</u>	<u>78,937</u>	<u>(583,229)</u>
Revenues and other sources over (under) expenditures and other uses	(1,835,000)	227,776	2,062,776	(348)
Appropriated fund balance	<u>1,835,000</u>	<u>-</u>	<u>(1,835,000)</u>	<u>-</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures and other uses	\$ <u>-</u>	227,776	\$ <u>227,776</u>	(348)
Fund balance, beginning of year		<u>8,864,690</u>		<u>8,865,038</u>
Fund balance, end of year		\$ <u>9,092,466</u>		\$ <u>8,864,690</u>

### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specified revenue sources (other than Special Assessments) or to finance specified activities as required by law or administrative regulation.

Beaufort County, North Carolina  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
 June 30, 1997  
 With Comparative Totals For June 30, 1996

	Revaluation	Washington Administrative Unit	Richland Fire/Rescue District	Bunyan Fire District	Chocowinity Fire District
<b>ASSETS</b>					
Assets:					
Cash and investments	\$ 144,742	\$ -	\$ -	\$ -	\$ -
Receivables:					
Property taxes receivable	-	10,885	4,462	1,983	14,401
Accounts receivable	-	-	-	-	-
Due from General Fund	-	-	683	-	1,808
Total assets	<u>\$ 144,742</u>	<u>\$ 10,885</u>	<u>\$ 5,145</u>	<u>\$ 1,983</u>	<u>\$ 16,209</u>
<b>LIABILITIES AND EQUITY</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 45	\$ -	\$ 967
Deferred revenue	-	10,885	5,100	1,983	15,242
Total liabilities	<u>-</u>	<u>10,885</u>	<u>5,145</u>	<u>1,983</u>	<u>16,209</u>
Equity:					
Unreserved	<u>144,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>144,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and equity	<u>\$ 144,742</u>	<u>\$ 10,885</u>	<u>\$ 5,145</u>	<u>\$ 1,983</u>	<u>\$ 16,209</u>

EXHIBIT C-1

Northside Fire District	Capital Reserve Funds				Totals	
	Beaufort Co. Buildings	Broad Creek Dredging	Arbitrage Reserve	CDBG Grant	June 30, 1997	June 30, 1996
\$ -	\$ 7,580	\$ 38,472	\$ 137,642	\$ 498	\$ 328,934	\$ 262,445
46,331	-	-	-	-	78,062	74,524
-	-	-	-	-	-	2,858
14,521	-	-	-	-	17,012	12,483
<u>\$ 60,852</u>	<u>7,580</u>	<u>\$ 38,472</u>	<u>\$ 137,642</u>	<u>\$ 498</u>	<u>\$ 424,008</u>	<u>\$ 352,310</u>
\$ 9,477	\$ -	\$ -	\$ -	\$ -	\$ 10,489	\$ 9,296
51,375	-	-	-	-	84,585	80,569
<u>60,852</u>	-	-	-	-	<u>95,074</u>	<u>89,865</u>
-	7,580	38,472	137,642	498	328,934	262,445
-	<u>7,580</u>	<u>38,472</u>	<u>137,642</u>	<u>498</u>	<u>328,934</u>	<u>262,445</u>
<u>\$ 60,852</u>	<u>7,580</u>	<u>\$ 38,472</u>	<u>\$ 137,642</u>	<u>\$ 498</u>	<u>\$ 424,008</u>	<u>\$ 352,310</u>

Beaufort County, North Carolina  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS**  
 For The Year Ended June 30, 1997  
 With Comparative Totals For The Year Ended June 30, 1996

	Revaluation	Washington Administrative Unit	Richland Fire/Rescue District	Bunyan Fire District	Chocowinity Fire District
<b>Revenue:</b>					
Ad valorem taxes	\$ -	\$ 3,548	\$ 110,607	\$ 622	\$ 99,550
Intergovernmental	-	-	-	-	-
Investment earnings	6,979	-	-	-	-
Total revenue	<u>6,979</u>	<u>3,548</u>	<u>110,607</u>	<u>622</u>	<u>99,550</u>
<b>Expenditures:</b>					
General government	-	-	-	-	-
Public safety	-	-	110,607	622	99,550
Economic & physical development	-	-	-	-	-
Education	-	3,548	-	-	-
Total expenditures	<u>-</u>	<u>3,548</u>	<u>110,607</u>	<u>622</u>	<u>99,550</u>
Revenue over (under) expenditures	6,979	-	-	-	-
<b>Other financing sources (uses):</b>					
Operating transfer in	50,000	-	-	-	-
Operating transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures and other financing uses	56,979	-	-	-	-
<b>Fund balances</b>					
Beginning of year	<u>87,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	\$ <u>144,742</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Northside Fire District	Capital Reserve Funds			Arbitrage Reserve	CDBG Grant	Totals	
	Beaufort Co. Buildings	Broad Creek Dredging				June 30, 1997	June 30, 1996
\$ 370,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585,005	\$ 547,175
-	-	-	-	-	347,532	347,532	56,625
-	378	1,768	6,866	-	-	15,991	29,084
<u>370,678</u>	<u>378</u>	<u>1,768</u>	<u>6,866</u>	<u>347,532</u>		<u>948,528</u>	<u>632,884</u>
-	-	-	-	-	-	-	10,016
370,678	-	-	-	-	-	581,457	541,480
-	-	-	-	-	347,034	347,034	56,625
-	-	-	-	-	-	3,548	5,695
<u>370,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,034</u>	<u>932,039</u>	<u>613,816</u>
-	378	1,768	6,866	498	-	16,489	19,068
-	-	-	-	-	-	50,000	50,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(355,784)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(305,784)</u>
-	378	1,768	6,866	498	-	66,489	(286,716)
-	7,202	36,704	130,776	-	-	262,445	549,161
<u>\$ -</u>	<u>7,580</u>	<u>\$ 38,472</u>	<u>\$ 137,642</u>	<u>\$ 498</u>	<u>\$ -</u>	<u>\$ 328,934</u>	<u>\$ 262,445</u>

Beaufort County, North Carolina  
**REVALUATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Year Ended June 30, 1996

EXHIBIT C-3

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Revenue:				
Investment earnings	\$ -	\$ 6,979	\$ 6,979	\$ 2,036
Expenditures:				
General government:				
Reappraisal services	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,016</u>
Revenue over (under) expenditures	-	6,979	6,979	(7,980)
Other financing sources:				
Transfer from general fund	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Revenue and other financing sources over (under) expenditures	\$ <u>-</u>	56,979	\$ <u>56,979</u>	42,020
Fund balance, beginning of year		<u>87,763</u>		<u>45,743</u>
Fund balance, end of year		\$ <u>144,742</u>		\$ <u>87,763</u>

Beaufort County, North Carolina  
**WASHINGTON ADMINISTRATIVE UNIT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Year Ended June 30, 1996

EXHIBIT C-4

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Revenue:				
Ad valorem taxes				
Current year	\$ 3,500	\$ 145	\$ (3,355)	\$ 126
Prior year	<u>-</u>	<u>3,403</u>	<u>3,403</u>	<u>5,569</u>
Total revenues	<u>3,500</u>	<u>3,548</u>	<u>48</u>	<u>5,695</u>
Expenditures:				
Education				
School current expense	<u>3,500</u>	<u>3,548</u>	<u>(48)</u>	<u>5,695</u>
Revenue over expenditures	\$ <u>-</u>	-	\$ <u>-</u>	-
Fund balance, beginning of year		<u>-</u>		<u>-</u>
Fund balance, end of year		\$ <u>-</u>		\$ <u>-</u>

Beaufort County, North Carolina  
**RICHLAND FIRE/RESCUE DISTRICT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Year Ended June 30, 1996

EXHIBIT C-5

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
<b>Revenue:</b>				
Ad valorem taxes				
Current year	\$ 110,000	\$ 109,122	\$ (878)	\$ 81,972
Prior year	-	1,485	1,485	1,644
Total revenues	<u>110,000</u>	<u>110,607</u>	<u>607</u>	<u>83,616</u>
<b>Expenditures:</b>				
Public safety				
Contracted services	<u>110,000</u>	<u>110,607</u>	<u>(607)</u>	<u>83,616</u>
Revenue over expenditures	\$ <u>-</u>	-	\$ <u>-</u>	-
Fund balance, beginning of year		<u>-</u>		<u>-</u>
Fund balance, end of year		\$ <u>-</u>		\$ <u>-</u>

Beaufort County, North Carolina  
**BUNYAN FIRE DISTRICT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Year Ended June 30, 1996

EXHIBIT C-6

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Revenue:				
Ad valorem taxes				
Current year	\$ 600	\$ 13	\$ (587)	\$ 9
Prior year	-	609	609	837
Total revenues	<u>600</u>	<u>622</u>	<u>22</u>	<u>846</u>
Expenditures:				
Public safety				
Contracted services	<u>600</u>	<u>622</u>	<u>(22)</u>	<u>846</u>
Revenue over expenditures	<u>\$ -</u>	-	<u>\$ -</u>	-
Fund balance, beginning of year		<u>-</u>		<u>-</u>
Fund balance, end of year		<u>\$ -</u>		<u>\$ -</u>

Beaufort County, North Carolina  
**CHOCOWINITY FIRE DISTRICT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Year Ended June 30, 1996

EXHIBIT C-7

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Revenue:				
Ad valorem taxes				
Current year	\$ 95,000	\$ 93,238	\$ (1,762)	\$ 83,672
Prior year	-	6,312	6,312	6,399
Total revenues	<u>95,000</u>	<u>99,550</u>	<u>4,550</u>	<u>90,071</u>
Expenditures:				
Public safety				
Contracted services	<u>95,000</u>	<u>99,550</u>	<u>(4,550)</u>	<u>90,071</u>
Revenue over expenditures	\$ <u>-</u>	-	\$ <u>-</u>	-
Fund balance, beginning of year		<u>-</u>		<u>-</u>
Fund balance, end of year		\$ <u>-</u>		\$ <u>-</u>

Beaufort County, North Carolina  
**NORTHSIDE FIRE DISTRICT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Year Ended June 30, 1996

EXHIBIT C-8

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Revenue:				
Ad valorem taxes				
Current year	\$ 335,000	\$ 370,678	\$ 35,678	\$ 349,213
Prior year	-	-	-	17,734
Total revenues	<u>335,000</u>	<u>370,678</u>	<u>35,678</u>	<u>366,947</u>
Expenditures:				
Public safety				
Contracted services	<u>335,000</u>	<u>370,678</u>	<u>(35,678)</u>	<u>366,947</u>
Revenue over expenditures	\$ <u>-</u>	-	\$ <u>-</u>	-
Fund balance, beginning of year		<u>-</u>		<u>-</u>
Fund balance, end of year		\$ <u>-</u>		\$ <u>-</u>

Beaufort County, North Carolina  
**BEAUFORT COUNTY BUILDINGS - CAPITAL RESERVE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Year Ended June 30, 1996

EXHIBIT C-9

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Revenue:				
Investment earnings	\$ -	\$ 378	\$ 378	\$ 18,453
Other financing sources:				
Transfer to capital project - County Buildings	-	-	-	(355,784)
Fund balance appropriated	-	-	-	-
Total	-	378	378	(355,784)
Expenditures	-	-	-	-
Revenue and other sources over (uses) over (under) expenditures	\$ -	378	\$ 378	(337,331)
Fund balance, beginning of year		<u>7,202</u>		<u>344,533</u>
Fund balance, end of year		\$ <u>7,580</u>		\$ <u>7,202</u>

Beaufort County, North Carolina  
**BROAD CREEK DREDGING - CAPITAL RESERVE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Year Ended June 30, 1996

EXHIBIT C-10

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Revenue:				
Investment earnings	\$ -	\$ 1,768	\$ 1,768	\$ 1,863
Expenditures				
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue over (under) expenditures	\$ <u>-</u>	1,768	\$ <u>1,768</u>	1,863
Fund balance, beginning of year		<u>36,704</u>		<u>34,841</u>
Fund balance, end of year		\$ <u>38,472</u>		\$ <u>36,704</u>

Beaufort County, North Carolina  
**ARBITRAGE RESERVE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Year Ended June 30, 1996

EXHIBIT C-11

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Revenue:				
Investment earnings	\$ -	\$ 6,866	\$ 6,866	\$ 6,732
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue over expenditures	\$ <u>-</u>	6,866	\$ <u>6,866</u>	6,732
Fund balance, beginning of year		<u>130,776</u>		<u>124,044</u>
Fund balance, end of year		\$ <u>137,642</u>		\$ <u>130,776</u>

Beaufort County, North Carolina  
**COMMUNITY DEVELOPMENT BLOCK GRANT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
From Inception And For The Year Ended June 30, 1997

EXHIBIT C-12

	Actual			Total to Date
	Project Authorization	Prior Year	Current Year	
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
Community development block grant	\$ 850,000	\$ 56,625	\$ 347,532	\$ 404,157
Clean Water Bond Fund	143,543	-	-	-
Martin County Community Action	19,200	-	-	-
Local funds	60,000	-	-	-
Total revenues	<u>1,072,743</u>	<u>56,625</u>	<u>347,532</u>	<u>404,157</u>
<b>Expenditures:</b>				
Economic and physical development	<u>1,072,743</u>	<u>56,625</u>	<u>347,034</u>	<u>403,659</u>
Revenues over expenditures	\$ <u>          -</u>	\$ <u>          -</u>	498	\$ <u>      498</u>
Fund balance beginning of year			<u>          -</u>	
Fund balance end of year			\$ <u>      498</u>	

## CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**County Buildings Renovation Project** - This fund is used to account for the renovation of the administrative offices and the administrative building.

**Health Department Capital Project** - This fund is used to account for the construction of the building which houses the Health Department. The new building will be financed primarily by a long-term note.

**BCCC Capital Project** - This fund is used to account for construction of Beaufort County Community College Building. The building was financed primarily by general obligation bond proceeds.

**Tideland Mental Health Center** - This fund is used to account for expansion of Tideland Mental Health Center. The new building will be financed primarily by a long-term note paid back through an installment agreement with Tideland.

Beaufort County, North Carolina  
**CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
 June 30, 1997

	County Buildings Renovation	Health Department
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,337	\$ 1,842,793
Accounts receivable (net)	<u>1,515</u>	<u>-</u>
Total assets	<u>\$ 14,852</u>	<u>\$ 1,842,793</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ -	\$ 125
Fund balances:		
Unreserved		
Designated for subsequent year	<u>14,852</u>	<u>1,842,668</u>
Total liabilities and fund balance	<u>\$ 14,852</u>	<u>\$ 1,842,793</u>

EXHIBIT D-1

BCCC Fund	Tideland Mental Health Center Expansion	Totals June 30,	
		1997	1996
\$ 122,178	\$ 1,250,448	\$ 3,228,756	\$ 1,947,256
<u>-</u>	<u>-</u>	<u>1,515</u>	<u>-</u>
\$ <u>122,178</u>	\$ <u>1,250,448</u>	\$ <u>3,230,271</u>	\$ <u>1,947,256</u>
\$ -	\$ -	\$ 125	\$ 193,217
<u>122,178</u>	<u>1,250,448</u>	<u>3,230,146</u>	<u>1,751,039</u>
\$ <u>122,178</u>	\$ <u>1,250,448</u>	\$ <u>3,230,271</u>	\$ <u>1,947,256</u>

Beaufort County, North Carolina  
**CAPITAL PROJECTS FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
For The Fiscal Year Ended June 30, 1997  
With Comparative Actual Amounts For The Year Ended June 30, 1996

	County Buildings Renovation	Health Department
Revenues:		
Intergovernmental revenue	\$ -	\$ -
Investment earnings	-	39,321
Total revenues	-	39,321
Expenditures:		
Capital projects	596,823	196,653
Revenues over (under) expenditures	(596,823)	(157,332)
Other financing sources (uses):		
Operating transfers in (out)	-	-
Proceeds from long-term debt	-	2,000,000
Total	-	2,000,000
Revenues & other sources over (under) expenditures and uses	(596,823)	1,842,668
Fund balances:		
Beginning of year	611,675	-
End of year	\$ 14,852	\$ 1,842,668

BCCC Fund	Tideland Mental Health Center Expansion	Totals June 30,	
		1997	1996
\$ -	\$ -	\$ -	\$ 500,000
<u>6,094</u>	<u>52,621</u>	<u>98,036</u>	<u>34,359</u>
6,094	52,621	98,036	534,359
<u>-</u>	<u>1,528,453</u>	<u>2,321,929</u>	<u>429,618</u>
6,094	(1,475,832)	(2,223,893)	104,741
-	-	-	981,953
<u>-</u>	<u>1,700,000</u>	<u>3,700,000</u>	<u>-</u>
<u>-</u>	<u>1,700,000</u>	<u>3,700,000</u>	<u>981,953</u>
6,094	224,168	1,476,107	1,086,694
<u>116,084</u>	<u>1,026,280</u>	<u>1,754,039</u>	<u>667,345</u>
\$ <u>122,178</u>	\$ <u>1,250,448</u>	\$ <u>3,230,146</u>	\$ <u>1,754,039</u>

Beaufort County, North Carolina  
**CAPITAL PROJECT FUND - COUNTY BUILDINGS RENOVATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
From Inception And For The Year Ended June 30, 1997

EXHIBIT D-3

	Actual			Total to Date
	Project Authorization	Prior Year	Current Year	
Revenues:				
Investment earnings	\$ -	\$ 1,158	\$ -	\$ 1,158
Expenditures:				
Architect	11,835	4,000	7,835	11,835
Construction	1,028,266	425,618	588,988	1,014,606
Contingency	34	-	-	-
Total expenditures	<u>1,040,135</u>	<u>429,618</u>	<u>596,823</u>	<u>1,026,441</u>
Revenues under expenditures	(1,040,135)	(428,460)	(596,823)	(1,025,283)
Other financing sources				
Transfer from DSS capital project	58,182	58,182	-	58,182
Transfer from capital reserve	355,784	355,784	-	355,784
Transfer from general fund	626,169	626,169	-	626,169
Total other financing sources	<u>1,040,135</u>	<u>1,040,135</u>	<u>-</u>	<u>1,040,135</u>
Revenues and other sources over expenditures	\$ -	\$ 611,675	(596,823)	\$ 14,852
Fund balance beginning of year			<u>611,675</u>	
Fund balance end of year			\$ <u>14,852</u>	

Beaufort County, North Carolina  
**CAPITAL PROJECT FUND - HEALTH DEPARTMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
From Inception And For The Year Ended June 30, 1997

EXHIBIT D-4

	Actual			Total to Date
	Project Authorization	Prior Year	Current Year	
Revenues:				
Investment earnings	\$ 59,618	\$ -	\$ 39,321	\$ 39,321
Expenditures:				
Architect	75,000	-	54,273	54,273
Construction	1,743,922	-	142,380	142,380
Furniture	150,000	-	-	-
Contingency	90,696	-	-	-
Total expenditures	<u>2,059,618</u>	<u>-</u>	<u>196,653</u>	<u>196,653</u>
Revenues over (under) expenditures	(2,000,000)	-	(157,332)	(157,332)
Other financing sources				
Proceeds from long-term debt	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	1,842,668	<u>\$ 1,842,668</u>
Fund balance beginning of year			<u>-</u>	
Fund balance end of year			<u>\$ 1,842,668</u>	

Beaufort County, North Carolina  
**CAPITAL PROJECT FUND - BCCC**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
From Inception And For The Year Ended June 30, 1997

EXHIBIT D-5

	Actual			Total to Date
	Project Authorization	Prior Year	Current Year	
Revenues:				
Investment earnings	\$ -	\$ 107,236	\$ 6,094	\$ 113,330
Expenditures:				
Architect	99,673	99,177	-	99,177
Construction	1,761,073	1,758,190	-	1,758,190
Administration	29,156	29,156	-	29,156
Contingency	998	-	-	-
Furnishings/Equipment	107,792	106,920	-	106,920
Total expenditures	<u>1,998,692</u>	<u>1,993,443</u>	<u>-</u>	<u>1,993,443</u>
Revenues over (under) expenditures	(1,998,692)	(1,886,207)	6,094	(1,880,113)
Other financing sources				
Proceeds from long-term debt	<u>1,998,692</u>	<u>2,002,291</u>	<u>-</u>	<u>2,002,291</u>
Revenues and other sources over expenditures	\$ -	\$ <u>116,084</u>	6,094	\$ <u>122,178</u>
Fund balance beginning of year			<u>116,084</u>	
Fund balance end of year			\$ <u>122,178</u>	

Beaufort County, North Carolina  
**CAPITAL PROJECT FUND - TIDELAND MENTAL HEALTH CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
From Inception And For The Year Ended June 30, 1997

EXHIBIT D-6

	Actual			Total to Date
	Project Authorization	Prior Year	Current Year	
<b>Revenues:</b>				
Intergovernmental revenue	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Investment earnings	59,719	26,280	52,621	78,901
<b>Total revenues</b>	<u>59,719</u>	<u>1,026,280</u>	<u>52,621</u>	<u>1,078,901</u>
<b>Expenditures:</b>				
Architect	45,000	-	29,061	29,061
Construction	2,307,083	-	1,499,392	1,499,392
Administration	17,500	-	-	-
Furnishings/Equipment	230,000	-	-	-
Contingency	60,136	-	-	-
<b>Total expenditures</b>	<u>2,659,719</u>	<u>-</u>	<u>1,528,453</u>	<u>1,528,453</u>
Revenues over (under) expenditures	(2,600,000)	1,026,280	(1,475,832)	(449,552)
<b>Other financing sources</b>				
Proceeds from long-term debt	1,600,000	-	1,700,000	1,700,000
Fund balance appropriated	1,000,000	-	-	-
<b>Total other financing sources</b>	<u>2,600,000</u>	<u>-</u>	<u>1,700,000</u>	<u>1,700,000</u>
Revenues and other sources over expenditures	\$ <u>-</u>	\$ <u>1,026,280</u>	224,168	\$ <u>1,250,448</u>
Fund balance beginning of year			<u>1,026,280</u>	
Fund balance end of year			\$ <u>1,250,448</u>	

## ENTERPRISE FUND

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Beaufort County, North Carolina  
**ENTERPRISE FUND**  
**COMBINING BALANCE SHEET**  
 June 30, 1997  
 With Comparative Totals For June 30, 1996

	Water Districts	
	II	III
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 423,861	\$ 21,075
Accounts receivable (net)	72,232	89,507
Due from other Water Districts	-	61,010
Due from General fund	-	-
Total current assets	<u>496,093</u>	<u>171,592</u>
Restricted assets		
Cash and cash equivalents	-	309,518
Fixed assets (net)	<u>4,449,906</u>	<u>5,475,249</u>
Total assets	<u>\$ 4,945,999</u>	<u>\$ 5,956,359</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Current liabilities		
Accounts payable & accrued liabilities	\$ 20,701	\$ 14,446
Due to other Water Districts	107,060	-
Due to general fund	342,514	248,137
Customer deposits	5,925	3,325
Notes payable	-	24,300
General obligation bonds payable current	45,500	40,000
Total current liabilities	<u>521,700</u>	<u>330,208</u>
Liabilities payable from restricted assets	-	-
Noncurrent liabilities		
Notes payable	-	403,556
General obligation bonds payable	4,570,500	5,531,000
Fund equity		
Contributed capital	-	-
Retained earnings, unreserved	<u>(146,201)</u>	<u>(308,405)</u>
Total fund equity	<u>(146,201)</u>	<u>(308,405)</u>
Total liabilities and fund equity	<u>\$ 4,945,999</u>	<u>\$ 5,956,359</u>

Water Districts			Totals	
IV	V	VII	June 30,	
			1997	1996
\$ 893	\$ 9,388	\$ -	\$ 455,217	\$ 357,747
-	14,311	43,904	219,954	103,840
-	-	46,050	107,060	198,363
-	75	150	225	-
<u>893</u>	<u>23,774</u>	<u>90,104</u>	<u>782,456</u>	<u>659,950</u>
-	46,116	5,255,927	5,611,561	373,057
<u>442,536</u>	<u>1,472,778</u>	<u>737,319</u>	<u>12,577,788</u>	<u>8,493,877</u>
\$ <u>443,429</u>	\$ <u>1,542,668</u>	\$ <u>6,083,350</u>	\$ <u>18,971,805</u>	\$ <u>9,526,884</u>
\$ -	\$ -	\$ -	\$ 35,147	\$ 18,259
-	-	-	107,060	198,363
-	-	-	590,651	465,241
-	-	-	9,250	3,050
357,319	666,487	6,000,000	7,048,106	100,000
-	-	-	85,500	83,000
<u>357,319</u>	<u>666,487</u>	<u>6,000,000</u>	<u>7,875,714</u>	<u>867,913</u>
-	-	-	-	-
85,217	59,157	-	547,930	-
-	-	-	10,101,500	8,686,000
-	807,561	-	807,561	-
893	9,463	83,350	(360,900)	(27,029)
<u>893</u>	<u>817,024</u>	<u>83,350</u>	<u>446,661</u>	<u>(27,029)</u>
\$ <u>443,429</u>	\$ <u>1,542,668</u>	\$ <u>6,083,350</u>	\$ <u>18,971,805</u>	\$ <u>9,526,884</u>

Beaufort County, North Carolina  
**ENTERPRISE FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS**  
For The Fiscal Year Ended June 30, 1997  
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

	Water Districts	
	II	III
Operating revenues		
Charges for service	\$ 380,696	\$ 296,182
Tap fees	16,248	24,444
Reconnect fees	1,200	350
Occupancy fee	350	700
Sales tax refund	-	-
<b>Total operating revenues</b>	<b>398,494</b>	<b>321,676</b>
Operating expenses		
Administration	24,942	12,830
Water treatment	29,086	19,252
Water distribution	209,512	149,796
Depreciation	100,610	84,945
<b>Total operating expenses</b>	<b>364,150</b>	<b>266,823</b>
<b>Operating income</b>	<b>34,344</b>	<b>54,853</b>
Nonoperating revenues (expenses)		
Miscellaneous revenue	-	2,595
Investment earnings	25,281	861
Interest expense	(283,255)	(261,446)
	<u>(257,974)</u>	<u>(257,990)</u>
<b>Net income (loss)</b>	<b>(223,630)</b>	<b>(203,137)</b>
Retained earnings, (deficit) beginning of year	<u>77,429</u>	<u>(105,268)</u>
Retained earnings, (deficit) end of year	<u>\$ (146,201)</u>	<u>\$ (308,405)</u>

Water Districts			Totals	
IV	V	VII	June 30,	
			1997	1996
\$ -	\$ -	\$ -	\$ 676,878	\$ 575,337
75	8,250	83,350	132,367	-
-	-	-	1,550	475
-	-	-	1,050	-
-	-	-	-	2,801
75	8,250	83,350	811,845	578,613
-	-	-	37,772	35,261
-	-	-	48,338	40,771
-	-	-	359,308	303,786
-	-	-	185,555	98,226
-	-	-	630,973	478,044
75	8,250	83,350	180,872	100,569
-	1,213	-	3,808	-
8	-	-	26,150	13,602
-	-	-	(544,701)	(533,026)
8	1,213	-	(514,743)	(519,424)
83	9,463	83,350	(333,871)	(418,855)
810	-	-	(27,029)	391,826
\$ 893	\$ 9,463	\$ 83,350	\$ (360,900)	\$ (27,029)

Beaufort County, North Carolina  
**ENTERPRISE FUND - WATER DISTRICTS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For The Fiscal Year Ended June 30, 1997  
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

	Water Districts	
	II	III
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers/others	\$ 394,095	\$ 306,050
Cash paid for goods and services	(270,811)	(15,338)
Net cash provided by operating services	<u>123,284</u>	<u>290,712</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Grant proceeds	-	-
Proceeds of bond anticipation notes	-	-
Proceeds of clean water loans	-	452,156
Proceeds of bond sales	-	1,501,000
Principal payment on notes payable/bonds	(44,000)	(63,300)
Interest paid on bond maturities	(283,255)	(321,500)
Acquisition and construction of capital assets	(8,115)	(1,616,459)
Net cash provided (used) by capital and related financing activities	<u>(335,370)</u>	<u>(48,103)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	<u>25,281</u>	<u>17,163</u>
Net increase in cash and cash equivalents	(186,805)	259,772
Cash and cash equivalents at beginning of year	<u>610,666</u>	<u>70,821</u>
Cash and cash equivalents at end of year	<u>\$ 423,861</u>	<u>\$ 330,593</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating Income	\$ 34,344	\$ 54,853
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	100,610	84,945
Nonoperating revenue	-	2,595
<b>Changes in assets and liabilities:</b>		
(Increase) decrease in accounts receivable	(8,524)	(49,375)
Increase (decrease) in accounts payable and accrued liabilities	9,949	6,939
Net increase (decrease) in due to/due from accounts	(17,220)	188,680
Increase in customer deposits	4,125	2,075
Total adjustments	<u>88,940</u>	<u>235,859</u>
Net cash provided by operating activities	<u>\$ 123,284</u>	<u>\$ 290,712</u>

Water Districts			Totals	
IV	V	VII	June 30,	
			1997	1996
\$ 75	\$ 9,388	\$ 4,350	\$ 713,958	\$ 557,617
-	(14,311)	(11,104)	(311,564)	(292,686)
<u>75</u>	<u>(4,923)</u>	<u>(6,754)</u>	<u>402,394</u>	<u>264,931</u>
-	807,561	-	807,561	-
-	-	6,000,000	6,000,000	100,000
-	418,181	-	870,337	-
-	-	-	1,501,000	-
-	-	(100,000)	(207,300)	-
-	-	(47,105)	(651,860)	(533,026)
-	(1,165,315)	(707,698)	(3,497,587)	(79,171)
-	<u>60,427</u>	<u>5,145,197</u>	<u>4,822,151</u>	<u>(512,197)</u>
<u>8</u>	<u>-</u>	<u>68,977</u>	<u>111,429</u>	<u>14,026</u>
83	55,504	5,207,420	5,335,974	(233,240)
<u>810</u>	<u>-</u>	<u>48,507</u>	<u>730,804</u>	<u>964,044</u>
\$ <u>893</u>	\$ <u>55,504</u>	\$ <u>5,255,927</u>	\$ <u>6,066,778</u>	\$ <u>730,804</u>
\$ 75	\$ 8,250	\$ 83,350	\$ 180,872	\$ 100,569
-	-	-	185,555	98,226
-	1,213	-	3,808	-
-	(14,311)	(43,904)	(116,114)	4,201
-	-	-	16,888	(3,668)
-	(75)	(46,200)	125,185	63,028
-	-	-	6,200	2,578
-	<u>(13,173)</u>	<u>(90,104)</u>	<u>221,522</u>	<u>164,362</u>
\$ <u>75</u>	\$ <u>(4,923)</u>	\$ <u>(6,754)</u>	\$ <u>402,394</u>	\$ <u>264,931</u>

Beaufort County, North Carolina  
**ENTERPRISE FUND - WATER DISTRICT II**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT E-4  
Page 1 of 2

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
<b>Revenue</b>				
Charges for service:				
Water fees	\$ 380,000	\$ 380,696	\$ 696	\$ 331,727
Tap fees	8,000	16,248	8,248	-
Reconnect fees	2,000	1,200	(800)	375
Occupancy fee	-	350	350	-
Sales tax refund	-	-	-	1,660
Total operating revenue	<u>390,000</u>	<u>398,494</u>	<u>8,494</u>	<u>333,762</u>
<b>Nonoperating revenue</b>				
Investment earnings	<u>20,000</u>	<u>25,281</u>	<u>5,281</u>	<u>10,508</u>
Total revenues	<u>410,000</u>	<u>423,775</u>	<u>13,775</u>	<u>344,270</u>
<b>Expenditures</b>				
<b>Administration</b>				
Printing	-	123	(123)	-
Audit	2,000	-	2,000	-
Travel	3,800	4,234	(434)	4,934
Telephone	3,212	2,940	272	2,430
Postage and freight	300	17	283	-
Utilities	8,835	4,859	3,976	6,378
Advertising	100	66	34	-
Bad debts	-	12,452	(12,452)	6,532
Insurance and bonds	286	251	35	2,035
Total	<u>18,533</u>	<u>24,942</u>	<u>(6,409)</u>	<u>22,309</u>
<b>Water treatment</b>				
Professional services	5,345	6,332	(987)	1,489
Testing	-	-	-	2,141
Supplies	23,360	22,754	606	20,980
Total	<u>28,705</u>	<u>29,086</u>	<u>(381)</u>	<u>24,610</u>
<b>Water distribution</b>				
Salaries and employee benefits	76,472	80,592	(4,120)	58,038
Billing service	29,156	23,531	5,625	20,368
Maintenance	1,800	3,131	(1,331)	3,089
Uniforms	-	-	-	58
Water purchase	87,200	102,258	(15,058)	97,397
Total	<u>194,628</u>	<u>209,512</u>	<u>(14,884)</u>	<u>178,950</u>

Beaufort County, North Carolina  
**ENTERPRISE FUND - WATER DISTRICT II**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT E-4  
Page 2 of 2

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Debt service				
Principal retirement	\$ 44,000	\$ 44,000	\$ -	\$ -
Interest	283,255	283,255	-	283,255
Total	<u>327,255</u>	<u>327,255</u>	-	<u>283,255</u>
Capital Outlay				
Equipment	<u>7,418</u>	<u>8,115</u>	<u>(697)</u>	<u>14,872</u>
Total expenditures	<u>576,539</u>	<u>598,910</u>	<u>(22,371)</u>	<u>523,996</u>
Revenues over (under) expenditures	(166,539)	(175,135)	(8,596)	(179,726)
Appropriated fund balance	<u>166,539</u>	<u>-</u>	<u>(166,539)</u>	<u>-</u>
Revenue and appropriated fund balance under expenditures	\$ <u>-</u>	\$ <u>(175,135)</u>	\$ <u>(175,135)</u>	\$ <u>(179,726)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Revenue under expenditures		\$ (175,135)		\$ (179,726)
Reconciling items				
Capital outlay		8,115		14,872
Depreciation		(100,610)		(52,876)
Principal retirement		<u>44,000</u>		<u>-</u>
Net loss, full accrual basis		\$ <u>(223,630)</u>		\$ <u>(217,730)</u>

Beaufort County, North Carolina  
**ENTERPRISE FUND - WATER DISTRICT III**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT E-5  
Page 1 of 2

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
<b>Revenue</b>				
Charges for service:				
Water fees	\$ 285,000	\$ 296,182	\$ 11,182	\$ 243,610
Tap fees	20,000	24,444	4,444	-
Reconnect fees	3,000	350	(2,650)	100
Occupancy fee	-	700	700	-
Sales tax refund	-	-	-	1,141
Total operating revenue	<u>308,000</u>	<u>321,676</u>	<u>13,676</u>	<u>244,851</u>
<b>Nonoperating revenue</b>				
Investment earnings	14,268	861	(13,407)	3,084
Miscellaneous	-	2,595	2,595	-
Total nonoperating revenue	<u>14,268</u>	<u>3,456</u>	<u>(10,812)</u>	<u>3,084</u>
Total revenues	322,268	325,132	2,864	247,935
<b>Expenditures</b>				
Administration				
Office supplies	1,300	1,265	35	-
Travel	3,200	2,960	240	3,375
Telephone	2,288	1,946	342	1,535
Postage and freight	240	12	228	-
Utilities	4,165	3,463	702	4,403
Bad debts	-	2,835	(2,835)	3,179
Advertising	100	46	54	225
Insurance and bonds	986	217	769	235
Printing	-	86	(86)	-
Total	<u>12,279</u>	<u>12,830</u>	<u>(551)</u>	<u>12,952</u>
<b>Water treatment</b>				
Professional services	3,655	4,709	(1,054)	123
Testing	-	-	-	1,445
Supplies	15,000	14,543	457	14,593
Total	<u>18,655</u>	<u>19,252</u>	<u>(597)</u>	<u>16,161</u>

Beaufort County, North Carolina  
**ENTERPRISE FUND - WATER DISTRICT III**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT E-5  
Page 2 of 2

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Water distribution				
Salaries and employee benefits	\$ 55,862	\$ 57,455	\$ (1,593)	\$ 40,516
Billing service	20,344	18,771	1,573	14,218
Maintenance	1,200	2,185	(985)	2,070
Uniforms	-	-	-	41
Water purchase	59,900	71,385	(11,485)	67,991
Total	<u>137,306</u>	<u>149,796</u>	<u>(12,490)</u>	<u>124,836</u>
Debt service				
Principal retirement	39,000	63,300	(24,300)	-
Interest	249,772	261,446	(11,674)	249,771
Total	<u>288,772</u>	<u>324,746</u>	<u>(35,974)</u>	<u>249,771</u>
Capital Outlay				
Equipment	5,282	5,665	(383)	12,382
Total expenditures	<u>462,294</u>	<u>512,289</u>	<u>(49,995)</u>	<u>416,102</u>
Revenues over (under) expenditures	(140,026)	(187,157)	(47,131)	(168,167)
Appropriated fund balance	<u>140,026</u>	<u>-</u>	<u>(140,026)</u>	<u>-</u>
Revenue and appropriated fund balance under expenditures	\$ <u>-</u>	\$ <u>(187,157)</u>	\$ <u>(187,157)</u>	\$ <u>(168,167)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Revenue under expenditures		\$ (187,157)		\$ (168,167)
Reconciling items				
Capital outlay		5,665		12,382
Depreciation		(84,945)		(45,350)
Principal retirement		<u>63,300</u>		<u>-</u>
Net loss, full accrual basis		\$ <u>(203,137)</u>		\$ <u>(201,135)</u>

Beaufort County, North Carolina  
**ENTERPRISE FUND - WATER DISTRICT IV**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT E-6

	1997		Variance Favorable (Unfavorable)	1996	
	Budget	Actual		Actual	Actual
Revenue					
Tap fees	\$ -	\$ 75	\$ 75	\$ -	-
Nonoperating revenue					
Investment earnings	-	8	8	-	10
Revenues over expenditures	<u>\$ -</u>	<u>\$ 83</u>	<u>\$ 83</u>	<u>\$ -</u>	<u>10</u>
Reconciliation from budgetary basis (modified accrual) to full accrual					
Revenue over expenditures		\$ 83		\$ 10	
Adjustments		<u>-</u>		<u>-</u>	
Net income, full accrual basis		<u>\$ 83</u>		<u>\$ 10</u>	

Beaufort County, North Carolina  
**ENTERPRISE FUND - WATER DISTRICT V**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT E-7

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Revenue				
Tap fees	\$ -	\$ 8,250	\$ 8,250	\$ -
Nonoperating revenue				
Miscellaneous revenue	-	1,213	1,213	-
Revenues over expenditures	\$ -	\$ 9,463	\$ 9,463	\$ -
Reconciliation from budgetary basis (modified accrual) to full accrual				
Revenue over expenditures		\$ 9,463		\$ -
Adjustments		-		-
Net income, full accrual basis		\$ 9,463		\$ -

Beaufort County, North Carolina  
**ENTERPRISE FUND - WATER DISTRICT VII**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
For The Year Ended June 30, 1997  
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 1996

EXHIBIT E-8

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Revenue				
Tap fees	\$ -	\$ 83,350	\$ 83,350	\$ -
Nonoperating revenue				
Miscellaneous revenue	-	-	-	-
Revenues over expenditures	<u>\$ -</u>	<u>\$ 83,350</u>	<u>\$ 83,350</u>	<u>\$ -</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Revenue over expenditures		\$ 83,350		\$ -
Adjustments		<u>-</u>		<u>-</u>
Net income, full accrual basis		<u>\$ 83,350</u>		<u>\$ -</u>

Beaufort County, North Carolina  
**WATER DISTRICT CAPITAL PROJECT FUND - WATER DISTRICT III - CLEAN WATER**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
From Inception And For The Year Ended June 30, 1997

EXHIBIT E-9

	Actual			Total To Date	Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year		
Revenues:					
Investment earnings	\$ -	\$ -	\$ 19	\$ 19	\$ 19
Expenditures:					
Engineering	55,305	-	47,633	47,633	7,672
Construction	428,474	-	404,523	404,523	23,951
Contingency	2,216	-	-	-	2,216
Interest	-	-	1,584	1,584	(1,584)
Total expenditures	<u>485,995</u>	<u>-</u>	<u>453,740</u>	<u>453,740</u>	<u>32,255</u>
Revenues under expenditures	(485,995)	-	(453,721)	(453,721)	32,274
Other financing sources					
Proceeds from debt	<u>485,995</u>	<u>-</u>	<u>452,156</u>	<u>452,156</u>	<u>(33,839)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,565)</u>	<u>\$ (1,565)</u>	<u>(1,565)</u>

Beaufort County, North Carolina  
**WATER DISTRICT CAPITAL PROJECT FUND - WATER DISTRICT III - PHASE II**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
From Inception And For The Year Ended June 30, 1997

EXHIBIT E-10

	Actual				Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year	Total To Date	
<b>Revenues:</b>					
Water tap fees	\$ 28,000	\$ -	\$ -	\$ -	\$ (28,000)
Investment earnings	-	-	16,283	16,283	16,283
	<u>28,000</u>	<u>-</u>	<u>16,283</u>	<u>16,283</u>	<u>(11,717)</u>
<b>Expenditures:</b>					
Engineering	140,005	-	115,730	115,730	24,275
Construction	1,253,960	-	1,044,824	1,044,824	209,136
Contingency	25,935	-	-	-	25,935
Interest	61,600	-	58,470	58,470	3,130
Legal	17,500	-	27,163	27,163	(9,663)
Land purchase	2,000	-	-	-	2,000
Initial operation/maintenance	28,000	-	-	-	28,000
Total expenditures	<u>1,529,000</u>	<u>-</u>	<u>1,246,187</u>	<u>1,246,187</u>	<u>282,813</u>
Revenues under expenditures	(1,501,000)	-	(1,229,904)	(1,229,904)	271,096
<b>Other financing sources</b>					
Proceeds from long-term debt	<u>1,501,000</u>	<u>-</u>	<u>1,501,000</u>	<u>1,501,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,096</u>	<u>\$ 271,096</u>	<u>\$ 271,096</u>

Beaufort County, North Carolina  
**WATER DISTRICT CAPITAL PROJECT FUND - WATER DISTRICT V**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
From Inception And For The Year Ended June 30, 1997

EXHIBIT E-11

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total To Date	
<b>Revenues:</b>					
Restricted intergovernmental - State grant	\$ 807,561	\$ -	\$ 807,561	\$ 807,561	\$ -
<b>Expenditures:</b>					
Engineering	129,245	-	107,349	107,349	21,896
Construction	1,275,887	-	1,072,240	1,072,240	203,647
Land purchase	9,000	-	-	-	9,000
Audit/accounting	2,500	-	-	-	2,500
Legal	5,000	-	37	37	4,963
Contingency	30,435	-	-	-	30,435
Total expenditures	<u>1,452,067</u>	<u>-</u>	<u>1,179,626</u>	<u>1,179,626</u>	<u>272,441</u>
Revenues under expenditures	(644,506)	-	(372,065)	(372,065)	272,441
<b>Other financing sources</b>					
Proceeds from long-term debt	<u>644,506</u>	<u>-</u>	<u>418,181</u>	<u>418,181</u>	<u>(226,325)</u>
Revenues and other sources over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>46,116</u>	\$ <u>46,116</u>	\$ <u>46,116</u>

Beaufort County, North Carolina  
**WATER DISTRICT CAPITAL PROJECT FUND - WATER DISTRICT VII**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
From Inception And For The Year Ended June 30, 1997

EXHIBIT E-12

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total To Date	
<b>Revenues:</b>					
Restricted intergovernmental -					
State grant	\$ 1,532,000	\$ -	\$ -	\$ -	\$ (1,532,000)
Investment earnings	-	424	68,977	69,401	69,401
Sales tax refund	75,000	-	-	-	(75,000)
Tap fees	110,250	-	-	-	(110,250)
	<u>1,717,250</u>	<u>424</u>	<u>68,977</u>	<u>69,401</u>	<u>(1,647,849)</u>
<b>Expenditures:</b>					
Engineering	589,526	2,702	354,740	357,442	232,084
Construction	6,620,145	47,630	346,739	394,369	6,225,776
Contingency	113,132	-	-	-	113,132
Interest	283,197	1,585	47,105	48,690	234,507
Legal	25,000	-	16,432	16,432	8,568
Audit/accounting	7,000	-	891	891	6,109
Initial operation/maintenance	79,250	-	-	-	79,250
Total expenditures	<u>7,717,250</u>	<u>51,917</u>	<u>765,907</u>	<u>817,824</u>	<u>6,899,426</u>
Revenues under expenditures	(6,000,000)	(51,493)	(696,930)	(748,423)	5,251,577
<b>Other financing sources (uses)</b>					
Proceeds from debt	6,000,000	-	6,000,000	6,000,000	-
Bond anticipation note payment	-	-	(100,000)	(100,000)	(100,000)
	<u>6,000,000</u>	<u>-</u>	<u>5,900,000</u>	<u>5,900,000</u>	<u>(100,000)</u>
Revenues and other sources over (under) expenditures	\$ <u>-</u>	\$ <u>(51,493)</u>	\$ <u>5,203,070</u>	\$ <u>5,151,577</u>	\$ <u>5,151,577</u>

#### AGENCY FUND

Agency Funds serve primarily as clearing mechanisms for cash resources which are collected by a governmental unit, held as such for a brief period, and then distributed to authorized recipients.

Beaufort County, North Carolina  
**AGENCY FUNDS**  
**COMBINING BALANCE SHEET**  
 June 30, 1997  
 With Comparative Totals For June 30, 1996

EXHIBIT F-1

	Social Services	Agency County Home	Fire Districts	Deferred Compensation Fund	Totals	
					June 30 1997	1996
<b>ASSETS</b>						
Cash and cash equivalents	\$ 42,819	\$ 839	\$ 216,668	\$ 12,104	\$ 272,430	\$ 295,337
Due from other funds	-	73	-	-	73	96
Total assets	\$ <u>42,819</u>	\$ <u>912</u>	\$ <u>216,668</u>	\$ <u>12,104</u>	\$ <u>272,503</u>	\$ <u>295,433</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Miscellaneous liabilities	\$ 42,819	\$ 912	\$ 216,668	\$ -	\$ 260,399	\$ 295,433
Deferred compensation benefits	-	-	-	12,104	12,104	-
Total liabilities	42,819	912	216,668	12,104	272,503	295,433
Fund Balance	-	-	-	-	-	-
Total liabilities and fund balance	\$ <u>42,819</u>	\$ <u>912</u>	\$ <u>216,668</u>	\$ <u>12,104</u>	\$ <u>272,503</u>	\$ <u>295,433</u>

Beaufort County, North Carolina  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
For The Fiscal Year Ended June 30, 1997

EXHIBIT F-2

	Balance July 1 1996	Deposits	Disbursements	Balance June 30 1997
<b>Social Services Fund:</b>				
Assets				
Cash and cash equivalents	\$ 41,173	\$ 310,884	\$ 309,238	\$ 42,819
Liabilities				
Miscellaneous liabilities	\$ 41,173	\$ 310,884	\$ 309,238	\$ 42,819
<b>County Home Fund:</b>				
Assets				
Cash and cash equivalents	\$ 306	\$ 11,185	\$ 10,652	\$ 839
Due from other funds	96	-	23	73
Total Assets	\$ 402	\$ 11,185	\$ 10,675	\$ 912
Liabilities				
	\$ 402	\$ 11,185	\$ 10,675	\$ 912
<b>Fire District Fund:</b>				
Assets				
Cash and cash equivalents	\$ 253,858	\$ 581,457	\$ 618,647	\$ 216,668
Liabilities				
Miscellaneous liabilities	\$ 253,858	\$ 581,457	\$ 618,647	\$ 216,668
<b>Deferred Compensation</b>				
Assets				
Cash and cash equivalents	\$ -	\$ 12,172	\$ 68	\$ 12,104
Liabilities				
Deferred compensation benefits payable	\$ -	\$ 12,172	\$ 68	\$ 12,104
<b>Total - All Agency Funds:</b>				
Assets				
Cash and cash equivalents	\$ 295,337	\$ 915,698	\$ 938,605	\$ 272,430
Due from other funds	96	-	23	73
Total Assets	\$ 295,433	\$ 915,698	\$ 938,628	\$ 272,503
Liabilities				
Miscellaneous liabilities	\$ 295,433	\$ 903,526	\$ 938,560	\$ 260,399
Deferred compensation benefits payable	-	12,172	68	12,104
	\$ 295,433	\$ 915,698	\$ 938,628	\$ 272,503

## OTHER SCHEDULES

This section includes additional information on property taxes, transfers, and cash and investments.

- Schedule of Ad Valorem Taxes Receivable
- Summary of Current Tax Levy
  - Analysis of Current Tax Levy
  - Schedule of Ten Largest Taxpayers
- Schedules of Transfers
- Schedule of Cash and Investment Balances

Beaufort County, North Carolina  
**General Fund**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
June 30, 1997

EXHIBIT G-1

<u>Fiscal Year</u>	Uncollected Balance June 30, 1996	Additions	Collections and Credits	Uncollected Balance June 30, 1997
1996-1997	\$ -	\$ 13,825,154	\$ 12,967,614	\$ 857,540
1995-1996	825,961		451,373	374,588
1994-1995	350,331		125,486	224,845
1993-1994	218,598		57,100	161,498
1992-1993	136,594		27,755	108,839
1991-1992	129,469		17,524	111,945
1990-1991	41,832		7,843	33,989
1989-1990	64,587		4,320	60,267
1988-1989	47,320		2,618	44,702
1987-1988	31,918		1,490	30,428
1986-1987	31,252		31,252	-
	<u>\$ 1,877,862</u>	<u>\$ 13,825,154</u>	<u>\$ 13,694,375</u>	2,008,641
Plus: uncollected 1997-1998 ad valorem taxes receivable on annually registered vehicles				42,697
Less allowance for uncollectible taxes:				<u>(391,113)</u>
Ad valorem taxes receivable-net				<u>\$ 1,660,225</u>
Reconciliation with revenue: Ad valorem taxes - General Fund				\$ 13,837,792
Reconciling items				
Interest collected				(179,084)
Taxes written off per statute of limitations				30,283
Abatements - prior years				5,681
Miscellaneous adjustments				(297)
				<u>(143,417)</u>
				<u>\$ 13,694,375</u>

Beaufort County, North Carolina  
**SUMMARY OF CURRENT TAX LEVY**  
**County-Wide Levy**  
For The Fiscal Year Ended June 30, 1997

EXHIBIT G-2

	County-Wide		
	Property Valuation	Rate	Amount of Levy
Original levy			
Property	\$ 2,300,177,227	\$ .60	\$ 13,801,039
Penalties			12,291
Advertising			16,020
			13,829,350
Discoveries			
Current year taxes	2,818,392	.60	17,078
Prior year taxes			30,227
Penalties			10,369
			57,674
Abatements			
Tax	(10,284,615)		(61,708)
Penalty	-		(162)
			(61,870)
Total property valuation	\$ <u>2,292,711,004</u>		
Net levy			13,825,154
Uncollected taxes at June 30, 1997			857,540
Current years taxes collected			\$ <u>12,967,614</u>
Current levy collection percentage			93.8%

Beaufort County, North Carolina  
**ANALYSIS OF CURRENT TAX LEVY**  
**County-Wide Levy**  
For The Fiscal Year Ended June 30, 1997

EXHIBIT G-2a

Secondary Market Disclosures

Assessed Valuation		
Assessment ratio		100%
Real property	\$ 1,433,388,850	
Personal property	800,541,080	
Public service companies	58,781,074	
Total assessed valuation	<u>2,292,711,004</u>	
Tax rate per \$100		.60
Levy (includes discoveries, releases and abatements)		13,825,154

In addition to the County-Wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the fiscal year ended June 30:

School districts (Discoveries only)	\$	147
Fire protection districts		<u>592,882</u>
Total	\$	<u>593,029</u>

Beaufort County, North Carolina  
**TEN LARGEST TAXPAYERS**  
 For The Fiscal Year Ended June 30, 1997

EXHIBIT G-2b

Taxpayer	Type of Business	1996 Assessed Valuation	Percentage of Total Assessed Valuation
PCS Phosphate Company, Inc.	Phosphate mining/Acid production	\$ 414,994,127	18.10 %
Weyerhaeuser Co.	Tree farm operation	47,179,765	2.06
Purified Acid Partnership	Acid production	29,760,183	1.30
National Spinning Co., Inc.	Textiles	24,754,234	1.08
Carolina Telephone & Telegraph	Communications	19,010,019	.83
Hamilton Beach/Proctor-Silex	Appliances	13,739,291	.60
Weyerhaeuser Real Estate	Real Estate development	11,962,065	.52
Stanadyne Automotive Corp.	Automotive Diesel components	11,072,210	.48
Tideland Electric Membership	Utilities	11,001,198	.48
Carolina Power & Light Co.	Utilities	<u>9,347,520</u>	<u>.41</u>
<b>Total</b>		<u>\$ 592,820,612</u>	<u>25.86 %</u>

Beaufort County, North Carolina  
**SCHEDULE OF TRANSFERS**  
 For The Fiscal Year Ended June 30, 1997

EXHIBIT G-3

	Transfers	
	From	To
Operating Transfers From/To Other Funds		
General Fund		
Special Revenue - Revaluation	\$ -	\$ 50,000
Special Revenue		
Revaluation		
General Fund	50,000	-
	\$ 50,000	\$ 50,000
Operating Transfers From/To Component Units		
General Fund		
Component units - discretely presented		
Beaufort County ABC Board	\$ 78,937	\$ -
Warren Field Airport Commission	-	11,500
Component units discretely presented		
Beaufort County ABC Board		
General fund	-	78,937
Warren Field Airport Commission		
General fund	11,500	-
	\$ 90,437	\$ 90,437

Beaufort County, North Carolina  
**SCHEDULE OF CASH AND INVESTMENT BALANCES**  
 June 30, 1997

EXHIBIT G-4

	<u>Carrying Value</u>	<u>Cost Value</u>	<u>Market Value</u>
<b>Cash:</b>			
On hand	\$ 924	\$ 924	\$ 924
In demand deposits	1,877,709	1,877,709	1,877,709
NOW, SuperNOW, and money market	373,158	373,158	373,158
Certificates of deposits	1,921,230	1,921,230	1,921,230
<b>Total cash</b>	<u>4,173,021</u>	<u>4,173,021</u>	<u>4,173,021</u>
<b>Other investments:</b>			
North Carolina Capital Management Trust	5,794,148	5,794,148	5,794,148
Common stock	3,764	3,764	10,374
Federal National Mortgage Association			
Zero Coupon Bonds	999,386	999,386	983,714
Repurchase agreements	6,703,727	6,703,727	6,703,727
Deferred compensation mutual funds	12,104	11,989	12,104
<b>Total other investments</b>	<u>13,513,129</u>	<u>13,513,014</u>	<u>13,504,067</u>
<b>Total cash and investments</b>	<u>\$ 17,686,150</u>	<u>\$ 17,686,035</u>	<u>\$ 17,677,088</u>
<b>Distribution by Funds:</b>			
General Fund	\$ 7,789,252	\$ 7,789,252	\$ 7,780,190
Special Revenue Fund:			
Revaluation	144,742	144,742	144,742
Capital Reserve Fund-Buildings	7,580	7,580	7,580
Capital Reserve Fund-Broad Creek Dredging	38,472	38,472	38,472
Arbitrage Reserve Fund	137,642	137,642	137,642
Community Development Block Grant	498	498	498
Capital Project Fund:			
County buildings renovation	13,337	13,337	13,337
BCCC	122,178	122,178	122,178
Tideland Mental Health Center Expansion	1,250,448	1,250,448	1,250,448
Health department	1,842,793	1,842,793	1,842,793
Enterprise Fund:			
Water District II-Long Acre West	423,861	423,861	423,861
Water District III-Long Acre East	330,593	330,593	330,593
Water District IV-Bath	893	893	893
Water District V-Pantego	55,504	55,504	55,504
Water District VII-Richlands	5,255,927	5,255,927	5,255,927
Agency Funds:			
Fire districts	216,668	216,668	216,668
Social Services	42,819	42,819	42,819
County Home	839	839	839
Deferred Compensation	12,104	11,989	12,104
	<u>\$ 17,686,150</u>	<u>\$ 17,686,035</u>	<u>\$ 17,677,088</u>

**COMPLIANCE SECTION**



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

To the Board of County Commissioners  
Beaufort County, North Carolina

We have audited the general purpose financial statements of Beaufort County, North Carolina as of and for the year ended June 30, 1997, and have issued our report thereon dated October 30, 1997. We did not audit the financial statements of the Beaufort County ABC Board or Beaufort County Hospital Association, Inc., or Warren Field Airport Commission. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Beaufort County ABC Board, and Beaufort County Hospital Association, Inc., and Warren Field Airport Commission is based solely on the reports of the other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Beaufort County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 97 - 1 and 97 - 2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beaufort County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Beaufort County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 97 - 1, 97 - 2, and 97 - 3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 97 - 2, and 97 - 3 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of Beaufort County, North Carolina in a separate letter dated October 30, 1997.

This report is intended for the information of management and federal and State awarding agencies. However, this report is a matter of public record, and its distribution is not limited.

*Pitland Perry & Crane, Inc.*

Belhaven, North Carolina  
October 30, 1997



**Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners  
Beaufort County, North Carolina

Compliance

We have audited the compliance of Beaufort County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 1997. Beaufort County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Beaufort County's management. Our responsibility is to express an opinion on Beaufort County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Beaufort County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Beaufort County's compliance with those requirements.

In our opinion, Beaufort County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997.

Internal Control Over Compliance

The management of Beaufort County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Beaufort County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is also a matter of public record, and its distribution is not limited.

*Pittard Perry & Crane, Inc.*

Belhaven, North Carolina  
October 30, 1997



**Report On Compliance With Requirements Applicable To Each Major State  
Program And Internal Control Over Compliance In Accordance With OMB  
Circular A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners  
Beaufort County, North Carolina

Compliance

We have audited the compliance of Beaufort County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 1997. Beaufort County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Beaufort County's management. Our responsibility is to express an opinion on Beaufort County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Beaufort County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Beaufort County's compliance with those requirements.

In our opinion, Beaufort County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 1997.

Internal Control Over Compliance

The management of Beaufort County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Beaufort County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and State awarding agencies. However, this report is a matter of public record and its distribution is not limited.

*Pittland Perry & Crone, Inc.*

Belhaven, North Carolina  
October 30, 1997

Beaufort County, North Carolina  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 For The Year Ended June 30, 1997

---

**I. Summary of Auditor's Results**

- A. An unqualified opinion was issued on the financial statements of Beaufort County.
- B. Our audit of the general purpose financial statements disclosed three reportable conditions in internal controls. Two of the reportable conditions were determined to be material weaknesses.
- C. Our audit of the general purpose financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that were material to the general purpose financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the County's major programs disclosed no material weaknesses in internal controls over major programs.
- E. An unqualified opinion was issued on Beaufort County's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on Beaufort County's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no audit finding which related to federal and State awards.
- H. Major federal programs for Beaufort County for the fiscal year ended June 30, 1997 are:

Program Name	CFDA#
Aid to Families with Dependent Children	93.560
Medicaid	93.778
Food Stamps	10.551

- I. Major State programs for Beaufort County for the fiscal year ended June 30, 1997 are:

Program Name
State/County Special Assistance
Public School Bond Fund
Clean Water Grant/Revolving Loan Fund

- J. The threshold for determining Type A programs for Beaufort County is \$941,900.
- K. Beaufort County did not qualify as a low risk auditee under Section .530 of Circular No. A-133.

Beaufort County, North Carolina  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 For The Year Ended June 30, 1997

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**II. Findings Related to the Audit of General Purpose Financial Statements of Beaufort County**

**Finding:97 - 1**

A. Compliance

**Criteria:** G.S. 159-8(a) states that all moneys received and expended by a local government should be included in the budget ordinance

**Condition:** Beaufort County expended funds that exceeded the amount appropriated in the budget ordinance, as follows:

General Fund	
Economic and Community Development	\$ 66,620
Debt Service	50,322
Special Revenue Funds	
School and Fire Districts	40,905
Enterprise Fund	
Water District II	22,371
Water District III	49,995

**Effect:** Moneys were spent that had not been appropriated.

**Cause:** For the general fund and special revenue fund, extra funds were received and expended that were not expected when the budget was adopted.

**Recommendation:** Budget amendments should be adopted when revenues are received that exceed estimated revenues in the budget ordinance, prior to expending the funds. No expenditure should be incurred without an appropriation available.

B. Internal Controls

**Condition:** Management is not reviewing on a timely basis, actual expenditures made versus budgeted expenditures.

**Recommendation:** Management should review reports monthly to more closely track expenditures actually made against budgeted expenditures.

Beaufort County, North Carolina  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For The Year Ended June 30, 1997

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**II. Findings Related to the Audit of General Purpose Financial Statements of Beaufort County (continued)**

**Finding: 97 - 2**

A. Compliance

Criteria: G.S. 159-30(c) details the criteria for eligible investments of the County.

Condition: At June 30, 1997, the County had \$5,203,727 invested in overnight repurchase agreements which did not meet the criteria of G.S. 159-30(c).

Effect: The County held investments in violation of General Statutes.

Cause: Oversight by management. Management relied on the Bank to provide eligible investments.

Recommendation: Each month, the investments held should be verified and reviewed to determine existence and legality.

B. Internal Controls

Condition: Investments were held in violation of general statutes and not detected in a reasonable time.

Recommendation: Same as above.

**Finding: 97 - 3**

A. Internal Controls

Condition: Monthly reconciliations of checking accounts, accounts receivable, and other assets and liability accounts are crucial elements of an effective internal control system. Reconciliations assist staff in identifying posting errors and missing information. If done on a timely basis, reconciliations ensure accurate accounting records and useful budget to actual comparisons. During fiscal year 1996-1997, monthly bank reconciliations were not performed in sufficient time to be useful to the accounting system. Certain "manual" checks were not posted to the accounting system until well after year-end. The general ledger was open all year to allow for corrections to prior months, for omitted information, in the period affected. Back dating and posting to prior months, reduces the audit trail in place to verify transactions. Monthly trial balances do not agree with prior month ending balances when a month-end closing is not performed.

Recommendation: At month-end, reconciliations of all checking accounts should be prepared promptly. In addition, reconciliations of any accounts receivable subsidiary records should be completely reconciled and adjusted. Liabilities should be reviewed to determine accuracy at month-end. A definite closing of the monthly books should be made before departmental reports are printed. All debt issued by the County should be recorded on the general ledger as soon as the debt is issued.

Beaufort County, North Carolina  
CORRECTIVE ACTION PLAN  
For The Year Ended June 30, 1997

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- Finding: 97 - 1**
- A. Name of Contact Person Don Davenport, County Manager  
B. Corrective Action: Budgets and actual expenditures will be monitored more closely and when the Board intends to expend funds in excess of amounts appropriated, it will properly amend the budget resolution.  
C. Proposed Completion Date: Immediately
- Finding: 97 - 2**
- A. Name of Contact Person Don Davenport, County Manager  
B. Corrective Action: As soon as the ineligible investments were found out, the bank was notified and has corrected the overnight investment route to money market savings.  
C. Proposed Completion Date: October 28, 1997
- Finding: 97 - 3**
- A. Name of Contact Person Don Davenport, County Manager  
B. Corrective Action: Staff size of the finance department was increased during the year, as well as full implementation of a new computer system. Duties were reassigned in an effort to segregate workload and improve internal controls. We are making every effort to "catch up" on the current year and improve our reconciliation procedures to ensure timely completion.  
C. Proposed Completion Date: January 31, 1998

Beaufort County, North Carolina  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For The Year Ended June 30, 1997

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- Status:            **Finding: 96 - 1 Child Support Enforcement Questioned Cost**  
Corrected
- Status:            **Finding: 96 - 2 Accounting Procedures**  
Management is still working on "catching up" and improving monthly reconciliation  
procedures
- Status:            **Finding 96 - 3 Water District - Reconciliations**  
Management is still working on "catching up" and improving monthly reconciliation  
procedures
- Status:            **Finding 96 - 4 Segregation of Duties**  
Additional personnel were hired and duties have been reassigned to improve controls  
over financial information.

Beaufort County, North Carolina  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
 For The Year Ended June 30, 1997

PAGE 1 of 5

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal TANF Number	Federal (Direct & Pass Thru) Expenditures	State Expenditures
<b>FEDERAL GRANTS:</b>				
<b>Cash Programs:</b>				
<u>U.S. Department of Health and Human Services</u>				
Passed through N.C. Dept. of Human Resources				
Division of Aging:				
Passed through Mid-East Commission				
In home services:				
Title III-B	93.044		\$ 37,397	\$ 2,200
Title III-D	93.046		1,535	90
SSBG	93.667		15,741	450
			<u>54,673</u>	<u>2,740</u>
Access:				
Title III-B	93.044		35,297	2,076
Nutrition Services:				
Title III-C	93.045		58,396	3,435
Passed through NC Dept. of Human Resources				
Division of Social Services:				
Child care coordinator	93.560		524	-
JOBS program	93.561	93.558	118,404	73,405
IV-E Foster care	93.658		41,849	-
Medical transportation	93.778		9,226	-
Emergency assistance	93.560	93.558	105,135	97,968
Child Care Block Grant	93.574		24,223	-
Child Care Development Fund	93.575		24,222	-
Adult care home case management	93.778		6,024	3,012
Permanency planning	93.645		20,212	5,031
Independent living initiative	93.674		6,279	-
Other services and training	93.667		185,934	-
Child protective services	93.667		56,715	-
IV - D offset fees	93.563		2,025	465
In-home services	93.667		12,626	-
Crisis intervention program	93.568		44,025	-
Aid to families with dependent children	93.560	93.558	77,264	37,114
			<u>734,687</u>	<u>216,995</u>
Administration:				
Aid to families with dependent children	93.560	93.558	176,419	-
Low-income energy	93.568		12,262	-
IV-D administration	93.563		395,849	-
Medical assistance /transportation	93.778		286,477	13,836
Social services block grant	93.667		2,154	-
			<u>873,161</u>	<u>13,836</u>

Beaufort County, North Carolina  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For The Year Ended June 30, 1997

PAGE 2 of 5

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number		Federal (Direct & Pass Thru) Expenditures	State Expenditures
Passed through NC Dept. of Human Resources				
Direct Benefit Payments				
Aid to families with dependent children	93.560	93.558	\$ 1,415,977	\$ 368,941
Energy Assistance	93.568		49,907	-
IV-E Foster care	93.658		80,139	32,932
IV-E Adoption subsidy	93.659		50,689	14,243
CWS Adoption subsidy	93.645		11,273	13,787
			<u>1,607,985</u>	<u>429,903</u>
Division of Medical Assistance:				
Direct Benefit Payments				
Title XIX - Medicaid	93.778		21,544,189	10,255,081
Division of child development				
Title IV-A family support act (FSA)	93.560		12,298	6,742
Child care & development block grant	93.595		25,194	-
Title IV - A At-Risk Child Care	93.574		8,555	4,690
Social services block grant	93.667		21,331	-
Child Care Development fund	93.596		328,024	33,001
			<u>395,402</u>	<u>44,433</u>
Passed through NC Dept. of Environment, Health and Natural Resources:				
Aids prevention	93.118		19,506	-
Family planning Title X	93.217		77,219	-
Maternal & child health block grant	93.994		108,844	-
Preventive health block grant	93.991		32,915	-
Breast & cervical cancer	93.919		4,964	-
			<u>243,448</u>	<u>-</u>
Total U.S. Dept. of Health & Human Services			25,547,238	10,968,499
<u>U.S. Dept. of Agriculture</u>				
Passed through NC Dept. of Human Resources				
Food stamp administration	10.561		245,998	-
Division of Aging				
Passed through Mid-East Commission				
USDA Supplement	10.570		18,503	-
Passed through NC Dept. of Environment, Health and Natural Resources:				
Special supplemental food program for women, infants and children	10.557		137,506	-
Direct Benefit Payments				
Special supplemental food program for women, infants, and children	10.557		755,599	-
Total U.S. Dept. of Agriculture			<u>1,157,606</u>	<u>-</u>

Beaufort County, North Carolina  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
 For The Year Ended June 30, 1997

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Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal (Direct & Pass Thru) Expenditures	State Expenditures
<u>U.S. Dept. of Commerce</u>			
Passed through N.C. Dept. of Environment, Health and Natural Resources			
Coastal zone management	11.419	\$ 2,175	\$ -
<u>U.S. Dept. of Housing and Urban Development</u>			
Passed through NC Dept. of Commerce			
Community Development Block Grant States program	14.228	347,532	-
<u>Federal Emergency Management Agency</u>			
Passed Through NC Dept. of Crime Control and Public Safety:			
Emergency management assistance	83.503	16,616	-
Federal disaster assistance	83.516	32,938	-
		<u>49,554</u>	-
Noncash Programs:			
<u>U.S. Dept. of Agriculture</u>			
Passed through NC Dept. of Social Services			
Direct Benefit Payments			
Food Stamp Program	10.551	4,292,584	-
Total federal noncash assistance		<u>4,292,584</u>	-
STATE GRANTS:			
Cash programs:			
<u>Governors Crime Commission</u>			
Passed through NC Dept. of Crime Control and Public Safety:			
Automated fingerprint system		-	28,990
<u>NC Dept. of Human Resources</u>			
Division of Social Services:			
Day care coordinators		-	2,991
Aid to counties		-	48,712
Food stamp tax intercept		-	7,378
CP & L Energy program		-	863
Equalizing payment		-	96,236
		<u>-</u>	<u>156,180</u>
Direct Benefit Payments			
State/County Special Assistance for Adults		-	340,126
Division of Youth Services:			
Community based alternatives		-	107,494

Beaufort County, North Carolina  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
 For The Year Ended June 30, 1997

PAGE 4 of 5

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal (Direct & Pass Thru) Expenditures	State Expenditures
<u>NC Dept. of Human Resources (continued)</u>			
Division of Child Development			
Non-FSA child care		\$ -	\$ 132,978
Child care Development fund		-	116,050
		-	249,028
Passed Through Mid-East Commission			
In-home services		-	98,468
Access services		-	16,487
Nutrition services		-	44,180
		-	159,135
Total NC Dept. of Human Resources		-	1,011,963
<u>NC Dept. of Environment, Health &amp; Natural Resources</u>			
Division of Human Services:			
Risk reduction		-	300
State aid to counties		-	29,473
Environmental Health		-	3,800
Communicable Disease		-	22,239
Immunization action		-	45,553
Maternal health		-	50,046
Child health		-	13,431
Child Lead Poison screening		-	4,870
Rural obstetrical		-	32,718
Child care coordinator		-	37,549
HIV grant		-	7,295
Food and lodging fees		-	2,321
		-	249,595
Division of Environmental Health			
Clean Water grant		-	807,561
Clean Water revolving loan		-	870,337
		-	1,677,898
Direct Grants:			
State appropriation - soil and water		-	14,046
Total NC Dept. of Environment, Health & Natural Resources		-	1,941,539
<u>NC Dept. of Public Instruction</u>			
Public School Bond Fund		-	500,000
<u>NC Dept. of Transportation</u>			
Elderly/disabled transportation assistance (EDTAP)		-	26,891
<u>NC Dept. of Administration</u>			
Veterans		-	5,000

Beaufort County, North Carolina  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
 For The Year Ended June 30, 1997

PAGE 5 of 5

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal (Direct & Pass Thru) Expenditures	State Expenditures
<u>NC Dept. of Commerce</u> Industrial Development grant		\$ _____ -	\$ _____ 100,000
<b>TOTAL ASSISTANCE</b>		\$ <u>31,396,689</u>	\$ <u>14,582,882</u>

Notes to the preceding schedule:

State awards which have been passed through to subrecipients

Subrecipient	Program Name	State
Beaufort County Board of Education	Public School Bond Fund	\$ 500,000



To the Board of Commissioners  
Beaufort County, North Carolina

In connection with our audit of the general purpose financial statements of Beaufort County, North Carolina, as of and for the year ended June 30, 1997, we reviewed various administrative and financial procedures and controls of the County but did not make a comprehensive review for the purpose of submitting detailed recommendations.

As a result of our review, we noted certain areas where administrative and financial matters should be considered, procedures improved, and administrative controls strengthened. This memorandum summarizes our comments and suggestions. We have separately communicated internal control structure reportable conditions in the Single Audit Reports included with the audited financial statements.

#### Water District II and III

Water District II and III again operated at a loss. This decreases the resources of the funds and indicates that fees charged are not sufficient to cover the full cost of providing services to the customer base. Management should consider available options for implementing changes to turn around the operations of these two funds. The deficits of these two funds should be funded immediately to improve the financial condition of the Districts.

#### Bank reconciliations - outstanding checks

Management should implement a policy of routinely reviewing and verifying old outstanding checks on any bank reconciliations and reissue or "stop payment" as conditions warrant. Checks outstanding for more than five years must be turned over to the Escheat Fund of North Carolina.

#### Returned checks

At June 30, 1997, there were a considerable amount of returned checks on hand, some of which are several years old. Returned checks are handled by the receiving department. Management should actively seek collection or adjust the books appropriately and discontinue carrying any uncollectible amounts.

This report is intended solely for the information and use of the Beaufort County, North Carolina's Board of Commissioners, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Pittard Perry & Crone, Inc.*  
Belhaven, North Carolina  
October 30, 1997