

# Beaufort County, North Carolina

## FINANCIAL REPORT

June 30, 2015



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**Beaufort County, North Carolina**  
**Table of Contents**  
**June 30, 2015**

**TAB: REPORT**

Independent Auditors' Report	1
Management's Discussion and Analysis	4

**TAB: FINANCIAL STATEMENTS**

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1 – Statement of Net Position	13
---------------------------------------	----

Exhibit 2 – Statement of Activities	14
-------------------------------------	----

Fund Financial Statements

Exhibit 3 – Balance Sheet – Governmental Fund and Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	15
--	----

Exhibit 4 – Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	16
--	----

Exhibit 5 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	17
--	----

Exhibit 6 – General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	18
---	----

Exhibit 7 – Statement of Net Position – Proprietary Funds	19
---	----

Exhibit 8 – Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	20
---	----

Exhibit 9 – Statement of Cash Flows – Proprietary Funds	21
---	----

Exhibit 10 – Statement of Fiduciary Net Position – Fiduciary Fund	22
---	----

Notes to Financial Statements	23
-------------------------------	----

**Beaufort County, North Carolina**  
**Table of Contents**  
**June 30, 2015**

Required Supplemental Financial Data

Schedule 1 – Law Enforcement Officers’ Special Separation Allowance Required Supplemental Information	66
Schedule 2 – Other Postemployment Benefits Required Supplemental Information – Schedule of Funding Progress	67
Schedule 3 – Local Governmental Employees’ Retirement System Required Supplemental Information – Schedule of County’s Proportionate Share of the Net Pension Liability (Asset)	68
Schedule 4 – Local Governmental Employees’ Retirement System Required Supplemental Information – Schedule of County’s Contributions	69
Schedule 5 – Register of Deeds Supplemental Pension Fund Required Supplemental Information – Schedule of County’s Proportionate Share of the Net Pension Liability (Asset)	70
Schedule 6 – Register of Deeds Supplemental Pension Fund Required Supplemental Information – Schedule of County’s Contributions	71

Combining and Individual Fund Statements and Schedules:

Schedule 7 – General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	72
Schedule 8 – Revaluation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	76
Schedule 9 – Administrative Building Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	77
Schedule 10 – Nonmajor Governmental Funds Combining Balance Sheet	78
Schedule 11 – Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	80

Schedules of Revenues, Expenditures, and changes in fund Balance –  
Budget and Actual:

Schedule 12 – Economic Development Fund	82
Schedule 13 – Fire and Rescue Tax Districts Fund	83



**Beaufort County, North Carolina**  
**Table of Contents**  
**June 30, 2015**

Schedule 14 – Emergency Telephone Fund	84
Schedule 15 – Industrial Recruitment Fund	85
Schedule 16 – State and Federal Seizures Fund	86
Schedule 17 – Hazard Mitigation Fund	87
Schedule 18 – Economic Development Fund	88
Schedule 19 – BCCC Project Fund	89
Schedule 20 – Water District I Fund	90
Schedule 21 – Water District I Capital Project Fund	92
Schedule 22 – Water District II Fund	93
Schedule 23 – Water District III Fund	95
Schedule 24 – Water District IV Fund	97
Schedule 25 – Water District V Fund	99
Schedule 26 – Water District VI Fund	101
Schedule 27 – Water District VI Capital Project Fund	103
Schedule 28 – Water District VII Capital Project Fund	104
Schedule 29 – Agency Funds	106
Other Schedules	
Schedule 30 – General Fund Schedule of Ad Valorem Taxes Receivable	108
Schedule 31 – County-Wide Levy Analysis of Current Tax Levy	109
Schedule 32 – Ten Largest Taxpayers	110

Beaufort County, North Carolina  
Table of Contents  
June 30, 2015

Compliance

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	111
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 Implementation Act	113
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	116
Schedule of Findings and Questioned Costs	119
Corrective Action Plan	128
Summary Schedule of Prior Year Audit Findings	131
Schedule of Expenditures of Federal and State Awards	132
Notes to the Schedule of Expenditures of Federal and State Awards	137
<b>TAB: REQUIRED COMMUNICATIONS</b>	
Required Communications	139
Accounting Policies, Judgments & Sensitive Estimates & CRI Comments on Quality	144
Summary of Audit Adjustments	146
Management Representation Letter	149
<b>TAB: INTERNAL CONTROL RECOMMENDATIONS</b>	
Internal Controls	157



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of County Commissioners  
Beaufort County, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Beaufort County, North Carolina, as of and for the year then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Beaufort County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Beaufort County ABC Board, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Beaufort County ABC Board is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Beaufort County ABC Board were not audited in accordance with Governmental Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Beaufort County, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, the other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 4 through 12, and 66, and 67, and 68 through 69, and pages 70 through 71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Beaufort County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by 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 basic financial statements.

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016 on our consideration of Beaufort County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaufort County's internal control over financial reporting and compliance.

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

Belhaven, North Carolina  
February 1, 2016

## Beaufort County, North Carolina Management's Discussion and Analysis

As management of Beaufort County, we offer this overview and analysis of the financial activities of Beaufort County for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with the County's financial statements and notes to those financial statements, which follow this narrative.

### Financial Highlights

- The assets and deferred outflows of resources of Beaufort County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$55,440,518 (*net position*).
- Beaufort County's total net position increased by \$9,023,008.
- As of June 30, 2015, Beaufort County's governmental funds reported combined ending fund balances of \$27,795,028, an increase of \$1,965,642 in comparison with the prior year. Approximately 31.03% of this total amount or \$8,627,185 is restricted or committed.
- Also at June 30, 2015, unassigned fund balance for the General Fund was \$19,318,500, or 35.85% of total general fund expenditures of \$53,891,949 for the fiscal year.
- Beaufort County's total debt increased by \$371,416 or 0.59% during the current fiscal year. The key factor in this increase was installment financing of the building purchase at 117 West 3<sup>rd</sup> Street.

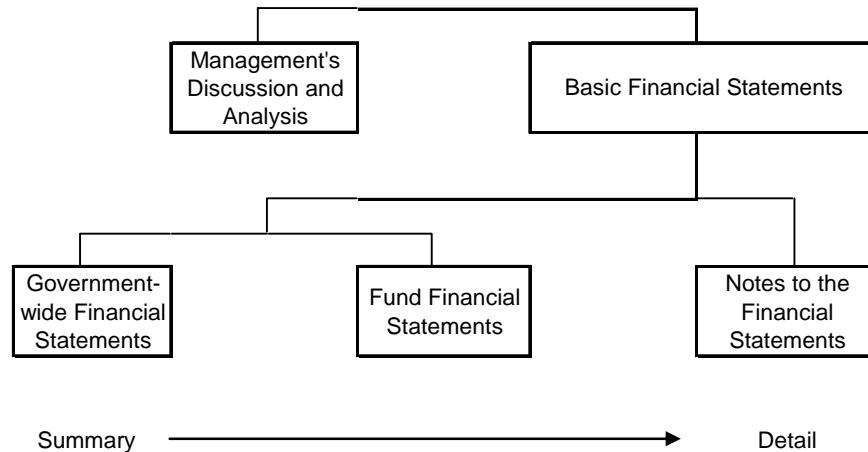
### Overview of the Financial Statements

The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two views of the County's activities both from a broad government-wide and from a more focused fund perspective. This report contains supplemental information intended to enhance the understanding of the County's financial condition.

# Beaufort County, North Carolina Management's Discussion and Analysis

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements and include four parts: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The **notes** to the financial statements follow the Fund Financial Statements, explaining in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's major and non-major governmental funds, with the non-major funds added together in one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes also can be found within the supplemental information.

### Government-wide Financial Statements

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

## Beaufort County, North Carolina Management's Discussion and Analysis

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

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

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

### Fund Financial Statements

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

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

Beaufort County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to

## Beaufort County, North Carolina Management's Discussion and Analysis

finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Beaufort County has several fiduciary funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 23 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Beaufort County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 66 of this report.

## Beaufort County, North Carolina Management's Discussion and Analysis

### Government-Wide Financial Analysis

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 41,925,037	\$ 39,879,406	\$ 7,131,057	\$ 4,771,014	\$ 49,056,094	\$ 44,650,420
Capital assets	15,045,520	16,416,746	64,310,209	58,953,158	79,355,729	75,369,904
Deferred outflows of resources	1,652,115	888,707	62,690	338,858	1,714,805	1,227,565
<b>Total assets and deferred outflows of resources</b>	<b>58,622,672</b>	<b>57,184,859</b>	<b>71,503,956</b>	<b>64,063,030</b>	<b>130,126,628</b>	<b>121,247,889</b>
Current and other liabilities	1,145,946	4,921,597	1,361,860	218,768	2,507,806	5,140,365
Long-term liabilities outstanding	28,458,955	27,604,594	40,481,472	38,929,525	68,940,427	66,534,119
Deferred inflows of resources	3,023,568	41,148	214,309	-	3,237,877	41,148
<b>Total liabilities and deferred inflows of resources</b>	<b>32,628,469</b>	<b>32,567,339</b>	<b>42,057,641</b>	<b>39,148,293</b>	<b>74,686,110</b>	<b>71,715,632</b>
Net position:						
Net investment in capital assets	11,724,124	10,401,512	26,174,232	19,769,132	37,898,356	30,170,644
Restricted	7,817,266	7,138,380	-	-	7,817,266	7,138,380
Unrestricted	6,452,813	7,077,628	3,272,083	5,145,605	9,724,896	12,223,233
<b>Total net position</b>	<b>\$ 25,994,203</b>	<b>\$ 24,617,520</b>	<b>\$ 29,446,315</b>	<b>\$ 24,914,737</b>	<b>\$ 55,440,518</b>	<b>\$ 49,532,257</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$55,440,518 as of June 30, 2015. The County's net position increased by \$9,023,008 for the fiscal year ended June 30, 2015. One of the largest portions \$37,898,356 (68.36%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Beaufort County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Beaufort County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Beaufort County's net position \$7,817,266 (14.10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,724,896 is unrestricted.

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

- An overall increase in current and capital assets without corresponding increasing in current and long-term liabilities.

## Beaufort County, North Carolina Management's Discussion and Analysis

**Beaufort County's Changes in Net Position  
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,864,187	\$ 4,255,314	\$ 6,091,919	\$ 6,062,569	\$ 9,956,106	\$ 10,317,883
Operating grants and contributions	13,043,360	12,435,882	-	-	13,043,360	12,435,882
Capital grants and contributions	170,651	1,120,000	4,495,630	-	4,666,281	1,120,000
General revenues:						
Property taxes	34,653,688	35,196,060	-	-	34,653,688	35,196,060
Other taxes	8,724,043	7,601,306	-	-	8,724,043	7,601,306
Investment earnings	11,067	13,207	736,849	-	747,916	13,207
Miscellaneous	78,932	223,312	125,919	-	204,851	223,312
<b>Total revenues</b>	<b>60,545,928</b>	<b>60,845,081</b>	<b>11,450,317</b>	<b>6,062,569</b>	<b>71,996,245</b>	<b>66,907,650</b>
<b>Expenses:</b>						
General government	4,702,186	5,452,543	-	-	4,702,186	5,452,543
Public safety	11,047,562	11,929,832	-	-	11,047,562	11,929,832
Economic and physical development	1,404,848	3,033,547	-	-	1,404,848	3,033,547
Human services	16,712,928	3,175,313	-	-	16,712,928	3,175,313
Environmental protection	3,023,901	15,245,075	-	-	3,023,901	15,245,075
Cultural and recreational	359,481	16,192,116	-	-	359,481	16,192,116
Education	17,687,882	282,641	-	-	17,687,882	282,641
Interest and fees on long-term debt	956,536	1,016,788	-	-	956,536	1,016,788
	-	-	7,077,913	6,374,707	7,077,913	6,374,707
<b>Total expenses</b>	<b>55,895,324</b>	<b>56,327,855</b>	<b>7,077,913</b>	<b>6,374,707</b>	<b>62,973,237</b>	<b>62,702,562</b>
Increase in net position before transfers	4,650,604	4,517,226	4,372,404	(312,138)	9,023,008	4,205,088
Transfers	-	(13,753)	-	13,753	-	-
<b>Increase in net position</b>	<b>4,650,604</b>	<b>4,503,473</b>	<b>4,372,404</b>	<b>(298,385)</b>	<b>9,023,008</b>	<b>4,205,088</b>
Net position-beginning, previously reported	24,617,520	20,114,047	24,914,737	25,213,122	49,532,257	45,327,169
Prior period adjustment	(1,734,059)	-	276,744	-	(1,457,315)	-
Restatement	(1,539,862)	-	(117,570)	-	(1,657,432)	-
<b>Net position-beginning, restated</b>	<b>21,343,599</b>	<b>20,114,047</b>	<b>25,073,911</b>	<b>25,213,122</b>	<b>46,417,510</b>	<b>45,327,169</b>
<b>Net position-ending</b>	<b>\$ 25,994,203</b>	<b>\$ 24,617,520</b>	<b>\$ 29,446,315</b>	<b>\$ 24,914,737</b>	<b>\$ 55,440,518</b>	<b>\$ 49,532,257</b>

**Governmental activities.** Governmental activities increased the County's net position by \$4,650,604. Key elements of this increase include:

- General Fund revenues exceeded expenditures

**Business-type activities:** Business-type activities increased Beaufort County's net position by \$4,372,404. Key elements of this increase include:

- Water District increased revenues due to capital project grant income.

### Financial Analysis of the County's Funds

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

**Governmental Funds.** The focus of Beaufort County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in

## Beaufort County, North Carolina Management's Discussion and Analysis

assessing Beaufort County's financing requirements. Specifically, fund balance available for appropriations can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of Beaufort County. At the end of the current fiscal year, Beaufort County's fund balance available in the General Fund was \$19,318,500, while total fund balance reached \$26,777,573. The Beaufort County Board of Commissioners has determined that the County should maintain an available fund balance of 35% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 35.85% of general fund expenditures, while total fund balance represents 49.69% of that same amount.

At June 30, 2015, the governmental funds of Beaufort County reported a combined fund balance of \$27,795,028, a 7.73% increase over last year.

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

**Proprietary Funds.** Beaufort County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water districts equaled \$3,272,083. There was an increase in net position of \$4,372,404. Other factors concerning the finances of these funds have already been addressed in the discussion of Beaufort County's business-type activities.

### Capital Asset and Debt Administration

**Capital assets.** Beaufort County's capital assets for its governmental and business – type activities as of June 30, 2015, totals \$79,355,729 (net of accumulated depreciation). These assets include buildings, land, equipment, and vehicles.

Major capital asset transactions during the year include:

- Various Vehicles
- Miscellaneous Technological Replacements and Improvements
- Continued progress on Water District Capital Projects

## Beaufort County, North Carolina Management's Discussion and Analysis

**Beaufort County's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,854,084	\$ 3,854,084	\$ 75,961	\$ 75,961	\$ 3,930,045	\$ 3,930,045
Building and system	8,594,190	8,623,786	56,881,702	58,659,255	65,475,892	67,283,041
Machinery and equipment	1,064,150	894,694	84,945	69,722	1,149,095	964,416
Construction in progress	1,533,096	3,044,182	7,267,601	148,219	8,800,697	3,192,401
<b>Total</b>	<b>\$ 15,045,520</b>	<b>\$ 16,416,746</b>	<b>\$ 64,310,209</b>	<b>\$ 58,953,157</b>	<b>\$ 79,355,729</b>	<b>\$ 75,369,903</b>

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

**Long-term Debt.** As of June 30, 2015, Beaufort County had total debt outstanding of \$63,690,445, all of which is backed by the full faith and credit of the County.

**Beaufort County's Outstanding Debt  
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 20,375,000	\$ 22,020,000	\$ -	\$ -	\$ 20,375,000	\$ 22,020,000
Limited obligation bonds	-	-	35,815,000	35,995,000	35,815,000	35,995,000
Installment purchases	5,179,469	5,126,527	2,320,976	177,502	7,500,445	5,304,029
<b>Total</b>	<b>\$ 25,554,469</b>	<b>\$ 27,146,527</b>	<b>\$ 38,135,976</b>	<b>\$ 36,172,502</b>	<b>\$ 63,690,445</b>	<b>\$ 63,319,029</b>

Beaufort County's total debt increased by \$371,416 (0.59%) during the past fiscal year, primarily due to the installment financing of the building purchase at 117 West 3<sup>rd</sup> Street.

Beaufort County maintained its A bond rating from Moody's Investor Service. This bond rating is a clear indication of the sound financial condition of Beaufort County, and a primary factor in keeping interest costs low on the County's outstanding debt. After the close of the fiscal year, the County received word of an increase in its Standard and Poor's bond rating from A+ to AA-

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Beaufort County is \$451,544,822.

Additional information regarding Beaufort County's long-term debt can be found in Note III.B.7 beginning on page 56 of this audited financial report.

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

In recent years, the County has aggressively managed costs in response to uncertain economic conditions that have persisted in much of rural North Carolina. Corresponding fund balance increases have occurred and the County's fund balance is healthy relative to recent economic

## Beaufort County, North Carolina Management's Discussion and Analysis

conditions. However, indicators do point towards economic improvement. Certain County revenues, particularly sales tax revenue, show favorable trends. County unemployment rates continued to improve, and are approaching pre-recession levels, though little real property growth has been realized. Along with staff, we remain cautious in both budget recommendations and revenue estimates.

### **Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities:** Revenue growth estimates are somewhat improved for the upcoming fiscal year. As a result, the adopted budget for the fiscal year ending June 30, 2016 contains a number of increases including capital outlay for the Beaufort County School system, for Beaufort County Community College, and for the Beaufort County Sheriff's Office. A portion of that increase was funded with appropriated fund balance, as certain budgeted items included needs previously unmet due to economic conditions. However, into the second quarter of the fiscal year ending June 30, 2016, as County staff begin preparations for the next fiscal year budget recommendations, actual expenditures are tracking slightly below estimates. The Board of Commissioners has continued to task staff to recommend conservatively where possible in an effort to maintain fund balance levels at or above our peer counties. This will be the goal for finishing the fiscal year, and staff will continue to focus the Board's efforts on plans for future capital needs and designating any growth in fund balance to offset further rate or tax increases.

**Business – type Activities:** Water rates were increased slightly across districts for the fiscal year ending June 30, 2016. This will allow for continued capital improvements and preparation for increased debt service costs through the fiscal year ending June 30, 2018. The Board of Commissioners will continue to evaluate rates. While the refinancing has increased financial stability, capital needs and debt service may force increases in certain districts. While some growth is likely, we are estimating revenue based on current customer counts and usage.

### Requests for Information

This report is designed to provide an overview of the County's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to:

County Finance Officer  
121 West Third Street  
Washington, North Carolina 27889

**Beaufort County, North Carolina**  
**Statement of Net Position**  
**June 30, 2015**  
**Exhibit 1**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Beaufort County ABC Board
<b>Assets:</b>				
Cash and cash equivalents	\$ 23,373,315	\$ 5,283,460	\$ 28,656,775	\$ 753,724
Receivables, (net)	6,086,292	2,065,812	8,152,104	-
Notes receivables	10,000,000	-	10,000,000	-
Internal balances	360,389	(360,389)	-	-
Inventories	-	-	-	421,790
Other assets	-	-	-	133
Restricted cash and cash equivalents	747,500	52,275	799,775	-
Total current assets	40,567,496	7,041,158	47,608,654	1,175,647
Net pension asset	1,357,541	89,899	1,447,440	48,625
<b>Capital assets:</b>				
Land, improvements, and construction in progress	5,387,180	7,343,562	12,730,742	968,928
Other capital assets, net of depreciation	9,658,340	56,966,647	66,624,987	-
Total capital assets	15,045,520	64,310,209	79,355,729	968,928
Total assets	56,970,557	71,441,266	128,411,823	2,193,200
<b>Deferred Outflows of Resources</b>	1,652,115	62,690	1,714,805	4,006
<b>Liabilities:</b>				
Accounts payable and accrued expenses	1,145,946	1,309,585	2,455,531	404,839
Customer deposits	-	52,275	52,275	-
<b>Long-term liabilities</b>				
Due within one year	2,156,027	558,799	2,714,826	-
Due in more than one year	26,302,928	39,922,673	66,225,600	-
Total long-term liabilities	28,458,955	40,481,472	68,940,426	-
Total liabilities	29,604,901	41,843,332	71,448,232	404,839
<b>Deferred Inflows of Resources</b>	3,023,568	214,309	3,237,877	44,041
<b>Net Position:</b>				
Net investment in capital assets	11,724,124	26,174,232	37,898,356	969,928
<b>Restricted for:</b>				
Stabilization by State Statute	6,905,600	-	6,905,600	-
Other	911,666	-	911,666	-
Working capital	-	-	-	778,398
Unrestricted (deficit)	6,452,813	3,272,083	9,724,896	-
Total net position	\$ 25,994,203	\$ 29,446,315	\$ 55,440,518	\$ 1,748,326

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

**Beaufort County, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 2**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Beaufort County ABC Board
<b>Primary government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 4,702,186	\$ 1,204,354	\$ 264,498	\$ -	\$ (3,233,334)	\$ -	\$ (3,233,334)	\$ -
Public safety	11,047,562	487,871	1,956,182	-	(8,603,509)	-	(8,603,509)	-
Economic and physical development	1,404,848	-	280,800	170,651	(953,397)	-	(953,397)	-
Human services	16,712,928	148,844	10,062,893	-	(6,501,191)	-	(6,501,191)	-
Environmental protection	3,023,901	2,023,118	28,987	-	(971,796)	-	(971,796)	-
Cultural and recreational	359,481	-	-	-	(359,481)	-	(359,481)	-
Education	17,687,882	-	450,000	-	(17,237,882)	-	(17,237,882)	-
<b>Debt service:</b>								
Interest and fees on long-term debt	956,536	-	-	-	(956,536)	-	(956,536)	-
<b>Total governmental activities</b>	<b>55,895,324</b>	<b>3,864,187</b>	<b>13,043,360</b>	<b>170,651</b>	<b>(38,817,126)</b>	<b>-</b>	<b>(38,817,126)</b>	<b>-</b>
<b>Business-type activities:</b>								
Water Districts	7,077,913	6,091,919	-	4,495,630	-	3,509,636	-	-
<b>Total business-type activities</b>	<b>7,077,913</b>	<b>6,091,919</b>	<b>-</b>	<b>4,495,630</b>	<b>-</b>	<b>3,509,636</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 62,973,237</b>	<b>\$ 9,956,106</b>	<b>\$ 13,043,360</b>	<b>\$ 4,666,281</b>	<b>\$ (38,817,126)</b>	<b>\$ 3,509,636</b>	<b>\$ (38,817,126)</b>	<b>\$ -</b>
<b>Component unit:</b>								
ABC Board	\$ 3,665,356	\$ 3,781,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,876
<b>General revenues:</b>								
<b>Taxes:</b>								
Property taxes, levied for general purpose					34,653,688	-	34,653,688	-
Local option sales tax					8,400,913	-	8,400,913	-
Other taxes and licenses					323,130	-	323,130	-
Investment earnings, unrestricted					11,067	736,849	747,916	2,317
Miscellaneous, unrestricted					78,932	125,919	204,851	-
<b>Total general revenues</b>					<b>43,467,730</b>	<b>862,768</b>	<b>44,330,498</b>	<b>2,317</b>
Change in net position					4,650,604	4,372,404	9,023,008	118,193
Net position-beginning, previously reported					24,617,520	24,914,737	49,532,257	1,621,553
Prior period adjustment					(1,734,059)	276,744	(1,457,315)	-
Restatement					(1,539,862)	(117,570)	(1,657,432)	8,580
<b>Net position-beginning, restated</b>					<b>21,343,599</b>	<b>25,073,911</b>	<b>46,417,510</b>	<b>1,630,133</b>
<b>Net position-ending</b>					<b>\$ 25,994,203</b>	<b>\$ 29,446,315</b>	<b>\$ 55,440,518</b>	<b>\$ 1,748,326</b>

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

**Beaufort County, North Carolina**  
**Balance Sheet – Governmental Fund**  
**June 30, 2015**  
**Exhibit 3**

	Major		Non-Major		Total Governmental Funds
	General Fund	Administrative Building Fund	Other Governmental Funds		
<b>Assets:</b>					
Cash and cash equivalents	\$ 22,355,556	\$ -	\$ 1,017,759	\$	23,373,315
Taxes receivable, net	1,593,771	-	-	-	1,593,771
Accounts receivable, net	4,298,494	-	194,027	-	4,492,521
Hospital lease receivable	10,000,000	-	-	-	10,000,000
Due from other funds	530,691	-	-	-	530,691
Restricted cash	747,500	-	-	-	747,500
<b>Total assets</b>	<b>39,526,012</b>	<b>-</b>	<b>1,211,786</b>	<b>-</b>	<b>40,737,798</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	1,120,790	-	25,156	-	1,145,946
Due to other funds	1,127	-	169,175	-	170,302
<b>Total liabilities</b>	<b>1,121,917</b>	<b>-</b>	<b>194,331</b>	<b>-</b>	<b>1,316,248</b>
<b>Deferred Inflows of Resources:</b>					
Taxes receivable	1,593,771	-	-	-	1,593,771
Prepaid taxes	32,751	-	-	-	32,751
Hospital lease receivable	10,000,000	-	-	-	10,000,000
<b>Total deferred inflows of resources</b>	<b>11,626,522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,626,522</b>
<b>Fund balances:</b>					
<b>Restricted:</b>					
Stabilization for State Statute	6,711,573	-	194,027	-	6,905,600
Other	-	-	911,666	-	911,666
<b>Committed:</b>					
Tax Revaluation	747,500	-	-	-	747,500
Other	-	-	62,419	-	62,419
Unassigned	19,318,500	-	(150,657)	-	19,167,843
<b>Total fund balances</b>	<b>26,777,573</b>	<b>-</b>	<b>1,017,455</b>	<b>-</b>	<b>27,795,028</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 39,526,012</b>	<b>\$ -</b>	<b>\$ 1,211,786</b>	<b>\$ -</b>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:					
Total Fund Balance, Governmental Funds					27,795,028
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					15,045,520
Deferred charges on refunding reported in governmental activities are not reported in the funds					820,345
Net pension asset					1,357,541
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position					831,770
Pension related deferrals					(2,990,817)
Deferred inflows of resources for taxes and special assessments.					11,593,771
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.					(28,458,955)
<b>Net assets of governmental activities</b>					<b>\$ 25,994,203</b>

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

**Beaufort County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance – Governmental Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 4**

	Major		Non-Major	Total Governmental Funds
	General Fund	Administrative Building Fund	Other Governmental Funds	
<b>Revenues:</b>				
Ad valorem taxes	\$ 32,090,979	\$ -	\$ 2,562,709	\$ 34,653,688
Local option sales tax	8,400,913	-	-	8,400,913
Other taxes and licenses	323,130	-	-	323,130
Unrestricted intergovernmental revenues	228,056	-	-	228,056
Restricted intergovernmental revenues	12,132,128	-	1,290,230	13,422,358
Permits and fees	284,080	-	-	284,080
Sales and services	3,143,704	-	-	3,143,704
Investment earnings	11,067	-	-	11,067
Miscellaneous	49,385	-	29,547	78,932
Total revenues	56,663,442	-	3,882,486	60,545,928
<b>Expenditures:</b>				
Current:				
General government	5,573,700	-	-	5,573,700
Public safety	8,008,742	-	3,160,093	11,168,835
Economic and physical development	783,582	643,914	-	1,427,496
Human services	15,843,723	-	884,330	16,728,053
Environmental protection	3,023,901	-	-	3,023,901
Cultural and recreational	359,481	-	-	359,481
Education	17,530,319	-	-	17,530,319
Debt service:				
Principal	1,811,965	-	-	1,811,965
Interest and other charges	956,536	-	-	956,536
Total expenditures	53,891,949	643,914	4,044,423	58,580,286
Excess (deficiency) of revenues over expenditures	2,771,493	(643,914)	(161,937)	1,965,642
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	127,066	-	-	127,066
Transfers to other funds	(2,017,597)	1,529,597	360,934	(127,066)
Total other financing sources and uses	(1,890,531)	1,529,597	360,934	-
Net change in fund balance	880,962	885,683	198,997	1,965,642
Fund balances-beginning - as previously reported	25,475,670	(885,683)	818,458	25,408,445
Prior period adjustment	420,941	-	-	420,941
Beginning of year - restated	25,896,611	(885,683)	818,458	25,829,386
Fund balances-ending	\$ 26,777,573	\$ -	\$ 1,017,455	\$ 27,795,028

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

**Beaufort County, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance – Governmental Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$	1,965,642
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(369,147)
Expenses related to compensated absences, OPEB, landfill post-closure care, and Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.		(71,565)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.		1,302,471
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.		(518,697)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.		1,817,058
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, they are not a revenue, rather they are an increase in liabilities.		(225,000)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.		79,848
Deferred charges on refunding reported in governmental activities are not reported in the funds.		(68,362)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		831,770
County's portion of collective pension expense.		(93,414)
<b>Total changes in net position of governmental activities</b>	<b>\$</b>	<b>4,650,604</b>

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

**Beaufort County, North Carolina**  
**General Fund Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 6**

	General Fund			Variance With Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 31,794,998	\$ 32,453,525	\$ 32,090,979	\$ (362,546)
Local option sales tax	7,398,200	7,598,200	8,400,913	802,713
Other taxes and licenses	245,400	245,400	323,130	77,730
Unrestricted intergovernmental revenues	206,900	206,900	228,056	21,156
Restricted intergovernmental revenues	10,686,694	12,041,477	12,132,128	90,651
Permits and fees	317,400	317,400	284,080	(33,320)
Sales and services	2,861,635	2,883,754	3,143,704	259,950
Investment earnings	-	-	11,067	11,067
Miscellaneous	-	2,974	49,385	46,411
<b>Total revenues</b>	<b>53,511,227</b>	<b>55,749,630</b>	<b>56,663,442</b>	<b>913,812</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	5,498,293	5,968,793	5,573,700	395,093
Public safety	8,484,822	8,567,136	8,008,742	558,394
Economic and physical development	765,025	795,449	783,582	11,867
Human services	16,117,936	17,140,640	15,843,723	1,296,917
Environmental protection	3,223,488	3,223,488	3,023,901	199,587
Cultural and recreational	337,873	362,601	359,481	3,120
Education	16,750,722	17,531,800	17,530,319	1,481
<b>Debt service:</b>				
Principal	1,920,511	1,920,511	1,811,965	108,546
Interest and other charges	847,991	847,990	956,536	(108,546)
<b>Total expenditures</b>	<b>53,946,661</b>	<b>56,358,408</b>	<b>53,891,949</b>	<b>2,466,459</b>
<b>Revenues over (under) expenditures</b>	<b>(435,434)</b>	<b>(608,778)</b>	<b>2,771,493</b>	<b>3,380,271</b>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	40,000	40,000	127,066	87,066
Transfers to other funds	(138,000)	(2,768,596)	(2,765,097)	3,499
<b>Total other financing sources and uses</b>	<b>(98,000)</b>	<b>(2,728,596)</b>	<b>(2,638,031)</b>	<b>90,565</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(533,434)</b>	<b>(3,337,374)</b>	<b>133,462</b>	<b>3,470,836</b>
<b>Appropriated fund balance</b>	<b>533,434</b>	<b>3,337,374</b>	<b>-</b>	<b>(3,337,374)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>133,462</b>	<b>\$ 133,462</b>
Fund balances-beginning - as previously reported			25,475,670	
Prior period adjustment			420,941	
Beginning of year - restated			25,896,611	
<b>Fund balances-ending</b>			<b>\$ 26,030,073</b>	
The legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Transfers in - General Fund			\$ 747,500	
<b>Fund balance, ending (Exhibit 4)</b>			<b>\$ 26,777,573</b>	

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

**Beaufort County, North Carolina**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2015**  
**Exhibit 7**

	Business-type Activities - Proprietary Funds - Major								County Water Service Fund	Total
	Water District I	Water District II	Water District III	Water District IV	Water District V	Water District VI	Water District VII			
<b>Assets:</b>										
<b>Current assets:</b>										
Cash and investments	\$ 430,101	\$ 1,028,916	\$ 900,827	\$ 794,931	\$ 24,363	\$ 1,627,367	\$ 476,955	\$ -	\$ 5,283,460	
Accounts receivable, net	892,549	109,200	118,873	116,329	58,590	682,646	87,625	-	2,065,812	
Due (to)/from other funds	(111,062)	(4,648)	(168,746)	(3,887)	(1,591)	103,017	(173,472)	-	(360,389)	
<b>Total current assets</b>	<b>1,211,588</b>	<b>1,133,468</b>	<b>850,954</b>	<b>907,373</b>	<b>81,362</b>	<b>2,413,030</b>	<b>391,108</b>	<b>-</b>	<b>6,988,883</b>	
<b>Noncurrent assets:</b>										
<b>Restricted assets:</b>										
Due from Districts	-	-	-	-	-	-	-	35,815,000	35,815,000	
Cash and investments	8,025	8,625	7,950	8,550	3,000	11,850	4,275	-	52,275	
Net pension asset	9,778	14,656	14,756	15,216	6,591	18,047	10,855	-	89,899	
<b>Capital assets:</b>										
Land and improvements	-	-	2,000	-	-	73,961	-	-	75,961	
Construction in progress	3,652,838	-	-	-	-	3,614,763	-	-	7,267,601	
Buildings, improvements, and equipment	8,925,608	4,938,957	6,530,828	12,826,599	8,885,270	20,060,200	9,560,475	-	71,727,937	
Less accumulated depreciation	(1,306,784)	(2,748,853)	(2,985,040)	(2,009,668)	(1,382,437)	(2,875,669)	(1,452,839)	-	(14,761,290)	
<b>Total capital assets</b>	<b>11,271,662</b>	<b>2,190,104</b>	<b>3,547,788</b>	<b>10,816,931</b>	<b>7,502,833</b>	<b>20,873,255</b>	<b>8,107,636</b>	<b>-</b>	<b>64,310,209</b>	
<b>Total noncurrent assets</b>	<b>11,289,465</b>	<b>2,213,385</b>	<b>3,570,494</b>	<b>10,840,697</b>	<b>7,512,424</b>	<b>20,903,152</b>	<b>8,122,766</b>	<b>35,815,000</b>	<b>100,267,383</b>	
<b>Total assets</b>	<b>12,501,053</b>	<b>3,346,853</b>	<b>4,421,448</b>	<b>11,748,070</b>	<b>7,593,786</b>	<b>23,316,182</b>	<b>8,513,874</b>	<b>35,815,000</b>	<b>107,256,266</b>	
<b>Deferred Outflows of Resources</b>	<b>6,821</b>	<b>10,218</b>	<b>10,300</b>	<b>10,607</b>	<b>4,583</b>	<b>12,588</b>	<b>7,573</b>	<b>-</b>	<b>62,690</b>	
<b>Liabilities:</b>										
<b>Current liabilities:</b>										
Accounts payable and accrued liabilities	778,486	20,210	19,997	20,765	9,561	449,300	11,266	-	1,309,585	
Customer deposits	8,025	8,625	7,950	8,550	3,000	11,850	4,275	-	52,275	
Compensated absences	7,621	11,417	11,508	11,851	5,120	14,064	8,461	-	70,042	
Installment purchase	55,000	-	24,299	-	32,225	55,000	-	-	166,524	
Due to County	-	15,000	15,000	20,000	15,000	210,000	10,000	-	285,000	
Limited obligation bonds	-	-	-	-	-	-	-	285,000	285,000	
Original issue discount/premium	9,746	14,635	14,752	15,192	6,563	18,029	10,845	-	89,762	
<b>Total current liabilities</b>	<b>858,878</b>	<b>69,887</b>	<b>93,506</b>	<b>76,358</b>	<b>71,469</b>	<b>758,243</b>	<b>44,847</b>	<b>285,000</b>	<b>2,258,188</b>	
<b>Noncurrent liabilities:</b>										
Installment purchase	1,045,000	-	-	-	64,453	1,045,000	-	-	2,154,453	
Due to County	4,650,000	3,240,000	3,960,000	6,670,000	3,120,000	9,180,000	4,710,000	-	35,530,000	
Limited obligation bonds	-	-	-	-	-	-	-	35,530,000	35,530,000	
Original issue discount/premium	233,891	351,240	354,039	364,597	157,519	432,691	260,306	-	2,154,283	
Other postemployment benefits	3,416	5,120	5,155	5,316	2,303	6,305	3,793	-	31,408	
<b>Total noncurrent liabilities</b>	<b>5,932,307</b>	<b>3,596,360</b>	<b>4,319,194</b>	<b>7,039,913</b>	<b>3,344,275</b>	<b>10,663,996</b>	<b>4,974,099</b>	<b>35,530,000</b>	<b>75,400,144</b>	
<b>Total liabilities</b>	<b>6,791,185</b>	<b>3,666,247</b>	<b>4,412,700</b>	<b>7,116,271</b>	<b>3,415,744</b>	<b>11,422,239</b>	<b>5,018,946</b>	<b>35,815,000</b>	<b>77,658,332</b>	
<b>Deferred Inflows of Resources</b>	<b>23,310</b>	<b>34,937</b>	<b>35,176</b>	<b>36,272</b>	<b>15,713</b>	<b>43,023</b>	<b>25,878</b>	<b>-</b>	<b>214,309</b>	
<b>Net Position:</b>										
Net investment in capital assets	5,521,662	(1,064,896)	(451,511)	4,126,931	4,271,155	10,383,255	3,387,636	-	26,174,232	
Unrestricted	171,717	720,783	435,383	479,203	(104,243)	1,480,253	88,987	-	3,272,083	
<b>Total net position</b>	<b>\$ 5,693,379</b>	<b>\$ (344,113)</b>	<b>\$ (16,128)</b>	<b>\$ 4,606,134</b>	<b>\$ 4,166,912</b>	<b>\$ 11,863,508</b>	<b>\$ 3,476,623</b>	<b>\$ -</b>	<b>\$ 29,446,315</b>	

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

**Beaufort County, North Carolina**  
**Statement of Revenues, Expenses and Changes in Fund Net Position –**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 8**

	Business-type Activities - Proprietary Funds - Major									Total
	Water District I	Water District II	Water District III	Water District IV	Water District V	Water District VI	Water District VII	County Water Service Fund		
<b>Operating Revenues:</b>										
Water sales	\$ 732,425	\$ 826,833	\$ 948,321	\$ 1,054,420	\$ 475,330	\$ 1,140,668	\$ 620,446	\$ -	\$ -	5,798,443
Tap on fees	20,475	11,875	16,750	19,339	6,750	25,725	7,863	-	-	108,777
Miscellaneous	28,390	30,317	26,049	23,714	8,626	45,652	21,951	-	-	184,699
<b>Total operating revenue</b>	<b>781,290</b>	<b>869,025</b>	<b>991,120</b>	<b>1,097,473</b>	<b>490,706</b>	<b>1,212,045</b>	<b>650,260</b>	<b>-</b>	<b>-</b>	<b>6,091,919</b>
<b>Operating Expenses:</b>										
Salaries and benefits	122,681	197,070	184,788	190,483	82,549	225,689	135,878	-	-	1,139,138
Water purchase	114,339	179,050	175,279	182,896	80,022	22,626	-	-	-	754,212
Water operations and maintenance	126,659	185,817	211,078	198,617	81,665	282,707	163,782	-	-	1,250,325
Depreciation expense	196,660	294,628	296,978	305,835	132,131	362,953	218,350	-	-	1,807,535
<b>Total operating expenses</b>	<b>560,339</b>	<b>856,565</b>	<b>868,123</b>	<b>877,831</b>	<b>376,367</b>	<b>893,975</b>	<b>518,010</b>	<b>-</b>	<b>-</b>	<b>4,951,210</b>
Operating income (loss)	220,951	12,460	122,997	219,642	114,339	318,070	132,250	-	-	1,140,709
<b>Nonoperating revenues (expenses):</b>										
Investment earnings	-	-	-	-	-	-	-	-	736,849	736,849
Sales tax revenues	43,119	-	-	-	-	82,800	-	-	-	125,919
Interest, fees and amortization	(180,517)	(123,515)	(18,047)	(396,483)	(126,262)	(361,702)	(183,328)	(736,849)	(2,126,703)	
<b>Total nonoperating revenues (expenses)</b>	<b>(137,398)</b>	<b>(123,515)</b>	<b>(18,047)</b>	<b>(396,483)</b>	<b>(126,262)</b>	<b>(278,902)</b>	<b>(183,328)</b>	<b>-</b>	<b>-</b>	<b>(1,263,935)</b>
Income (loss) before contributions and operating transfers	83,553	(111,055)	104,950	(176,841)	(11,923)	39,168	(51,078)	-	-	(123,226)
Capital contributions	2,160,550	-	-	-	-	2,335,080	-	-	-	4,495,630
<b>Total transfers and capital contributions</b>	<b>2,160,550</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,335,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,495,630</b>
Change in net position	2,244,103	(111,055)	104,950	(176,841)	(11,923)	2,374,248	(51,078)	-	-	4,372,404
Net position, beginning, as previously reported	3,464,084	(285,814)	(159,636)	4,754,501	4,163,101	9,454,458	3,524,043	-	-	24,914,737
Prior period adjustment	(2,020)	71,922	57,856	48,373	24,354	58,404	17,855	-	-	276,744
Restatement	(12,788)	(19,166)	(19,298)	(19,899)	(8,620)	(23,602)	(14,197)	-	-	(117,570)
Net position, beginning, restated	3,449,276	(233,058)	(121,078)	4,782,975	4,178,835	9,489,260	3,527,701	-	-	25,073,911
<b>Net position, ending</b>	<b>5,693,379</b>	<b>(344,113)</b>	<b>(16,128)</b>	<b>4,606,134</b>	<b>4,166,912</b>	<b>11,863,508</b>	<b>3,476,623</b>	<b>-</b>	<b>-</b>	<b>29,446,315</b>

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

**Beaufort County, North Carolina**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 9**

	Business-type Activities -Proprietary Funds-Major							Total
	Water District I	Water District II	Water District III	Water District IV	Water District V	Water District VI	Water District VII	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Cash received from customers	\$ 756,383	\$ 849,927	\$ 976,171	\$ 1,083,976	\$ 486,301	\$ 1,163,725	\$ 633,287	\$ 5,949,770
Cash paid for goods and services	(249,854)	(381,554)	(402,681)	(398,395)	(168,545)	(315,462)	(162,134)	(2,078,625)
Cash paid to employees for services	(126,824)	(203,340)	(191,095)	(197,022)	(85,329)	(233,707)	(140,578)	(1,177,895)
Customer deposits (net)	1,725	2,400	2,625	3,600	300	3,825	1,425	15,900
Other operating revenues	28,390	30,317	26,049	23,714	8,626	45,652	21,951	184,699
Net cash provided (used) by operating activities	409,820	297,750	411,069	515,873	241,353	664,033	353,951	2,893,849
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Due to other funds	98,946	(13,656)	(14,667)	(15,116)	(48,336)	(125,663)	(16,622)	(135,114)
Net cash provided (used) from noncapital financing activities	98,946	(13,656)	(14,667)	(15,116)	(48,336)	(125,663)	(16,622)	(135,114)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Acquisition and construction of capital assets	(2,865,789)	(7,368)	(7,427)	(7,649)	(3,304)	(3,504,634)	(5,461)	(6,401,632)
Interest paid on construction debt	(190,263)	(138,150)	(32,799)	(411,675)	(132,825)	(379,731)	(194,174)	(1,479,617)
Principal paid on bond maturities and equipment contracts	-	-	(34,300)	(5,000)	(32,225)	(165,000)	-	(236,525)
Capital contributions - Federal grant	1,407,899	-	-	-	-	2,335,080	-	3,742,979
Proceeds from long-term borrowing	1,100,000	-	-	-	-	1,100,000	-	2,200,000
Net cash provided (used) for capital and related financing activities	(548,153)	(145,518)	(74,526)	(424,324)	(168,354)	(614,285)	(199,635)	(2,174,795)
Net increase (decrease) in cash and cash equivalents	(39,387)	138,576	321,876	76,433	24,663	(75,915)	137,694	583,940
Cash and cash equivalents, beginning	477,513	898,965	586,901	727,048	2,700	1,715,132	343,536	4,751,795
Cash and cash equivalents, ending	\$ 438,126	\$ 1,037,541	\$ 908,777	\$ 803,481	\$ 27,363	\$ 1,639,217	\$ 481,230	\$ 5,335,735
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating revenues</b>								
Operating income (loss)	\$ 220,951	\$ 12,460	\$ 122,997	\$ 219,642	\$ 114,339	\$ 318,070	\$ 132,250	\$ 1,140,709
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	196,660	294,628	296,978	305,835	132,131	362,953	218,350	1,807,535
Pension expense	744	1,115	1,122	1,157	502	1,374	826	6,840
Change in assets and liabilities:								
(Increase) decrease in accounts receivable	3,483	11,219	11,100	10,217	4,221	(2,668)	4,978	42,550
Increase (decrease) in accounts payable and accrued liabilities	(8,856)	(16,687)	(16,324)	(16,882)	(6,858)	(10,129)	1,648	(74,088)
Increase (decrease) in customer deposits	1,725	2,400	2,625	3,600	300	3,825	1,425	15,900
Increase (decrease) in accrued vacation	778	1,165	1,174	1,209	522	1,435	863	7,146
Increase (decrease) in deferred outflows of resources for pensions	(6,821)	(10,218)	(10,300)	(10,607)	(4,583)	(12,588)	(7,573)	(62,690)
Increase (decrease) in OPEB payable	1,156	1,668	1,697	1,702	779	1,761	1,184	9,947
Total adjustments	188,869	285,290	288,072	296,231	127,014	345,963	221,701	1,753,140
Net cash provided (used) by operating activities	\$ 409,820	\$ 297,750	\$ 411,069	\$ 515,873	\$ 241,353	\$ 664,033	\$ 353,951	\$ 2,893,849

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

**Beaufort County, North Carolina**  
**Statement of Fiduciary Net Position – Fiduciary Funds**  
**June 30, 2015**  
**Exhibit 10**

**Assets**

Current assets:

Cash and investments	\$ 176,231
Taxes receivable	474,643
Assessments receivable	90,209
<hr/>	
Total assets	\$ 741,083
<hr/>	

**Liabilities**

Accounts payable	\$ 741,083
<hr/>	

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

# Beaufort County, North Carolina

## Notes to Financial Statements

### **I. Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

The County, which is governed by a seven-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principals, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Beaufort County Water Districts (the “Districts”) exists to construct and operate a water system for the County’s residents. The Districts are presented as if they were enterprise funds. Beaufort County ABC Board (the “Board”), which has a June 30 year-end, is presented as if they are separate proprietary funds of the County (discrete presentation).

Component Unit	Reporting Method	Criteria for Inclusion	For Separate Financial Statements
Beaufort County Water Districts I-VII	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing board for the districts.	None Issued
Beaufort County ABC Board	Discrete	The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State Statute to distribute its surpluses to the General Fund of the County.	Beaufort County ABC Board PO Box 552 Washington, NC 27889

### **B. Basis of Presentation, Basis of Accounting**

#### **Basis of Presentation, Measurement Focus – Basis of Accounting**

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital

## Beaufort County, North Carolina Notes to Financial Statements

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

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

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

The County reports the following major governmental fund:

*General Fund.* This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

*Administrative Building Fund.* The Administrative Building Fund accounts for all financial resources of the administrative building.

The County reports the following major enterprise funds:

*Water Fund* – This fund is used to account for the debt service of the Limited Obligation Bonds.

*Beaufort County Water District I-VII Funds* - These funds are used to account for the operations of the Water Districts within the County. All are major funds. The individual District statements are shown as supplementary statements. The Water District VI – Chocowinity Capital Project Fund is consolidated with Water District VI (the operating fund) for financial reporting purposes. The Water District I –Northside to Southside Connectivity Capital Project Fund is consolidated with Water District I (the operating fund) for financial reporting purposes.

The County reports the following fund types:

*Agency Funds.* Agency funds are custodial in nature and do not involve measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Social Services Department for the benefit of certain individuals; the Inmate Fund, which accounts for monies deposited with the Sheriff's Office; the Beaufort County Home Foundation Fund, which accounts for funds held for those who benefited from services of the

## Beaufort County, North Carolina Notes to Financial Statements

County's extended care facility; Tax Collections Fund, which accounts for property taxes that are billed and collected by the County for various municipalities within the County; the Drainage Assessments Fund, which accounts for drainage assessments that are billed and collected by the County for various drainage districts within the County; the 4-H Fund, which accounts for the 4-H funds that the organization uses to run their program within the County; and the Cooperative Extension, which accounts for funds that are provided by seed manufacturers and fertilizer companies for use in the cooperative extension's annual field days, test plots, and demonstrations on the research conducted specific to the funding received.

*Nonmajor Funds.* The County maintains nine legally budgeted nonmajor governmental funds. The Economic Development Fund, the Fire and Rescue Tax Districts Fund, the Emergency Telephone System Fund, the Industrial Recruitment, and the State and Federal Seizures Fund are reported as nonmajor special revenue funds. The Hazard Mitigation Fund, the Economic Development-Industrial Ready Building Fund, the BCCC Project Fund, and the Capital Reserve Fund are reported as nonmajor capital projects funds.

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

## Beaufort County, North Carolina Notes to Financial Statements

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with the change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

### **C. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, special revenue funds (excluding grant and capital projects funds), and enterprise funds. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the capital projects funds except capital reserve.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the General Fund. Expenditures may not legally exceed appropriations at the fund level for all other annually budgeted funds and at the project level for multi-year funds. Amendments are required for revisions that alter total

## Beaufort County, North Carolina Notes to Financial Statements

expenditures of any fund or that change functional appropriations by more than \$25,000. The governing board must approve all amendments. During the year several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

### **D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity**

#### **1. Deposits and Investments**

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

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

The County and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Non-participating interest earnings and investment contracts are reported at cost.

#### **2. Cash and Cash Equivalents**

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

#### **3. Restricted Assets**

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

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

**Governmental Activities:**

General Fund:

Tax Revaluation	\$ 747,500
<u>Total governmental activities</u>	<u>\$ 747,500</u>

**Business-type Activities:**

Water Districts I - VII:

Customer deposits	\$ 52,275
<u>Total business-type activities</u>	<u>\$ 52,275</u>
<u>Total Restricted Cash</u>	<u>\$ 799,775</u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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

**6. Inventories**

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

**7. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The County's minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant distributions systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Beaufort County Board of Education properties, which have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to

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

receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as fixed assets in the financial statements of the Beaufort County Board of Education.

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

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

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	25 years
Furniture and equipment	5-10 years
Motor vehicles	4 years

**8. Deferred outflows/inflows of resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion – a charge on refunding, pension related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has four items that meet the criterion for this category – prepaid taxes, taxes receivable, hospital lease receivable, and other pension related deferrals.

### **9. Long-term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **10. Compensated Absences**

The vacation policies of the County and the ABC Board, generally provides for the accumulation of up to 180 days earned vacation leave with such leave being fully vested when earned. The County's liability for accumulated earned vacation and the salary-related payments as of June 30, 2015, are recorded in the governmental activities of the government-wide financial statements. For the County's proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded within those funds as the benefits accrue to the employees. The County has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

### **11. Net Position/Fund Balances**

#### **Net Position**

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

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There is no nonspendable fund balance at June 30, 2015.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

**Restricted Fund Balance** – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization of State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

**Committed Fund Balance** – This classification includes the portion of fund balance that can only be used for specific purpose imposed by majority vote of the County’s governing body (highest level of decision-making authority). The Board of Commissioners is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Committed for Economic and Physical Development – represents the portion of fund balance committed by the Board of Commissioners that can only be used for economic and physical development.

Purpose	General Fund	Other Governmental Funds
Tax revaluation	\$ 747,500	\$ -
Economic and physical development	-	62,419
Total	\$ 747,500	\$ 62,419

**Assigned Fund Balance** – This classification is the portion of fund balance that the County’s governing board has budgeted. The County’s governing body approves the appropriation; however, the budget ordinance authorizes the Manager to modify the appropriations by resource or appropriation within funds up to \$5,000.

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

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

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

Within the General Fund, management strives to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 35 percent of budgeted expenditures. Any portion of the General Fund balance in excess of 35 percent of budgeted expenditures is typically utilized, with the Board’s approval, to fund approved capital projects or pay down outstanding County debt.

Management also follows a revenue spending convention utilizing resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification expenditures are typically spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

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

Total fund balance - General Fund	\$ 26,777,573
Less:	
Stabilization by State statute	6,711,573
<u>Total available fund balance</u>	<u>\$ 20,066,000</u>

**12. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

**13. Defined Benefit Pension Plans**

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

## Beaufort County, North Carolina Notes to Financial Statements

plans' fiduciary net positions have been determined on the same basis as they are reported by the state administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(1,800,825) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 28,412,059
Less accumulated depreciation	(13,366,539)
Net capital assets	15,045,520
Deferred charges on refunding reported in governmental activities are not reported in the funds	820,345
Net pension asset	1,357,541
Contributions to the pension plan in the current fiscal year	831,770
Pension related deferrals	(2,990,817)
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	11,593,771
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the funds statements:	
Bonds, leases, and installment financing	(26,643,726)
Pension obligation	(480,023)
Other postemployment benefit obligation	(438,549)
Compensated absences	(896,657)
	(28,458,955)
<b>Total adjustment</b>	<b>(1,800,825)</b>

## Beaufort County, North Carolina Notes to Financial Statements

### 2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$2,684,962 as follows:

Description	Amount
Capital outlay expenditures recorded in the funds statements but capitalized as assets in the statement of activities.	\$ 1,302,471
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(518,697)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position.	(225,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	1,831,623
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	831,770
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Change in deferred revenue	(369,147)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental statements.	79,848
Deferred charges on refunding reported in governmental activities are not reported in the funds.	(68,362)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not reported as expenditures in fund statements.	
Compensated absences	(55,951)
Other postemployment benefit obligation	(48,386)
Net pension obligation	18,207
County's portion of collective pension expense	(93,414)
Total adjustment	\$ 2,684,962

### F. Subsequent Events

#### 1. Date of Management Evaluation

Management has evaluated subsequent events through February 1, 2016, the date on which the financial statements were available to be issued.

**2. Significant Effects of Subsequent Events**

On November 18, 2015, the County refinanced the Energy Improvement Note. The balance outstanding at June 30, 2015 was \$1,858,073.

On November 18, 2015, the County refinanced the 2006 General Obligation Bond. The balance outstanding at June 30, 2015 was \$5,400,000.

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

**Deficit Fund Balance or Net Position of Individual Funds**

The County's Water District II and Water District III had deficit net positions of \$344,113 and \$16,128, respectively. The deficit net positions will be eliminated with future revenues.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

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

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

## Beaufort County, North Carolina Notes to Financial Statements

At June 30, 2015, the County's deposits had a carrying amount of \$20,530,906. The bank balances with financial institutions were \$22,315,200. Of these bank balances, \$1,007,056 was covered by federal depository insurance and \$21,308,144 was covered by collateral held under the Pooling Method.

At June 30, 2015, Beaufort County had \$1,525 cash on hand.

At June 30, 2015, the carrying amount of deposits for Beaufort County ABC Board was \$753,724 and the bank balance was \$732,204. All of the bank balance was covered by federal depository insurance.

### **2. Investments**

At June 30, 2015, the County's investments consisted of \$8,924,119 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

At June 30, 2015, the ABC Board had no investments.

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

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2012	\$ 1,525,690	\$ 87,703	\$ 1,613,393
2013	1,551,650	88,992	1,640,642
2014	1,395,371	80,257	1,475,628
2015	1,393,444	80,123	1,473,567
<b>Total</b>	<b>\$ 5,866,155</b>	<b>\$ 337,075</b>	<b>\$ 6,203,230</b>

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

**4. Receivables**

Receivables at the government-wide level at June 30, 2015, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General	\$ 1,962,439	\$ 2,212,064	\$ 2,336,055	\$ 6,510,558
Other Governmental	194,027	-	-	194,027
Total receivables	2,156,466	2,212,064	2,336,055	6,704,585
Allowance for doubtful accounts	-	(618,293)	-	(618,293)
<b>Total governmental activities</b>	<b>\$ 2,156,466</b>	<b>\$ 1,593,771</b>	<b>\$ 2,336,055</b>	<b>\$ 6,086,292</b>
Business-type activities:				
Water Districts	2,680,579	\$ -	\$ -	\$ 2,680,579
Total receivables	2,680,579	-	-	2,680,579
Allowance for doubtful accounts	(614,767)	-	-	(614,767)
<b>Total business-type activities</b>	<b>\$ 2,065,812</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,065,812</b>

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

Local option sales tax	\$ 2,263,845
Sales tax receivable	72,210
	<u>\$ 2,336,055</u>

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

**5. Capital Assets**

**Primary Government**

Capital asset activity for the year ended June 30, 2015, was as follows:

<b>Governmental Activities:</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 3,854,084	\$ -	\$ -	\$ 3,854,084
Construction in progress	3,044,182	643,914	2,155,000	1,533,096
<b>Total capital assets not being depreciated</b>	<b>6,898,266</b>	<b>643,914</b>	<b>2,155,000</b>	<b>5,387,180</b>
<b>Capital assets being depreciated:</b>				
Buildings	17,496,313	235,000	-	17,731,313
Equipment and vehicles	4,915,053	423,557	45,044	5,293,566
<b>Total capital assets being depreciated</b>	<b>22,411,366</b>	<b>658,557</b>	<b>45,044</b>	<b>23,024,879</b>
<b>Less accumulated depreciation for:</b>				
Buildings	8,872,527	264,596	-	9,137,123
Equipment and vehicles	4,020,359	254,101	45,044	4,229,416
<b>Total accumulated depreciation</b>	<b>12,892,886</b>	<b>518,697</b>	<b>45,044</b>	<b>13,366,539</b>
<b>Total capital assets being depreciated, net</b>	<b>9,518,480</b>			<b>9,658,340</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 16,416,746</b>			<b>\$ 15,045,520</b>

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

General government	\$ 131,826
Public safety	184,166
Economic and physical development	4,858
Human services	40,284
Education	157,563
<b>Total depreciation expense</b>	<b>\$ 518,697</b>

## Beaufort County, North Carolina Notes to Financial Statements

<b>Business-type Activities:</b>	Beginning			Ending
<b>Water Districts</b>	Balances	Increases	Decreases	Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 75,961	\$ -	\$ -	\$ 75,961
Construction in progress	2,179,654	5,087,947	-	7,267,601
Total capital assets not being depreciated	2,255,615	5,087,947	-	7,343,562
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	71,102,127	-	-	71,102,127
Furniture and equipment	179,105	-	-	179,105
Vehicles and motor equipment	401,500	45,205	-	446,705
Total capital assets being depreciated	71,682,732	45,205	-	71,727,937
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	12,442,872	1,777,553	-	14,220,425
Furniture and equipment	174,073	1,353	-	175,426
Vehicles and motor equipment	336,810	28,629	-	365,439
Total accumulated depreciation	12,953,755	1,807,535	-	14,761,290
Total capital assets being depreciated, net	58,728,977			56,966,647
<b>Water Districts capital assets, net</b>	<b>\$ 60,984,592</b>			<b>\$ 64,310,209</b>

Depreciation for the Water Districts was charged as follows:

Water District I	\$ 196,660
Water District II	294,628
Water District III	296,978
Water District IV	305,835
Water District V	132,131
Water District VI	362,953
Water District VII	218,350
Total depreciation expense	\$ 1,807,535

### Construction commitments

The government has active construction projects as of June 30, 2015. The projects include the water district projects and the Beaufort High School construction. At June 30, 2015, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water District I	\$ 3,652,838	\$ 2,387,162
Water District VI-DWSFR	3,614,763	-
Total	\$ 7,267,601	\$ 2,387,162

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

**Discretely presented component units**

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

<b>ABC Board:</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 338,834	\$ -	\$ -	\$ 338,834
Total capital assets not being depreciated	338,834	-	-	338,834
<b>Capital assets being depreciated:</b>				
Buildings	902,005	164,384	-	1,066,389
Equipment and Furniture	571,792	5,255	-	577,047
Vehicles	17,963	-	-	17,963
Total capital assets being depreciated	1,491,760	169,639	-	1,661,399
<b>Less accumulated depreciation for:</b>				
Buildings	521,858	10,418	-	532,276
Equipment and Furniture	457,127	23,939	-	481,066
Vehicles	17,963	-	-	17,963
Total accumulated depreciation	996,948	34,357	-	1,031,305
<b>ABC capital assets, net</b>	<b>\$ 1,335,782</b>			<b>\$ 968,928</b>

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2015, were as follows:

	Vendors	Total
<b>Governmental Activities:</b>		
General	\$ 1,120,790	\$ 1,120,790
Other Governmental	25,156	25,156
Total governmental funds	\$ 1,145,946	\$ 1,145,946
<b>Business-type Activities:</b>		
Water Districts	\$ 1,309,585	\$ 1,309,585
Total business-type activities	\$ 1,309,585	\$ 1,309,585

**2. Pension Plan and Other Postemployment Obligations**

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

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

## Beaufort County, North Carolina Notes to Financial Statements

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees

## Beaufort County, North Carolina Notes to Financial Statements

during the year. Contributions to the pension plan from the County were \$891,406 for the year ended June 30, 2015.

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

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

At June 30, 2015, the County reported an asset of \$1,345,151 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension asset was based on a projection of the County’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County’s proportion was .22809%, which was an increase of .01039% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$102,331. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 146,981
Net difference between projected and actual earnings on pension plan investments	-	3,131,484
Changes in proportion and differences between County contributions and proportionate share of contributions	-	(71,804)
County contributions subsequent to the measurement date	891,406	-
Total	\$ 891,406	\$ 3,206,661

\$891,406 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	
2016	\$ (801,712)
2017	(801,712)
2018	(801,712)
2019	(801,525)
2020	-
Thereafter	-
Total	\$ (3,206,661)

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

## Beaufort County, North Carolina Notes to Financial Statements

real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.00%	2.50%
Global Equity	40.50%	6.10%
Real Estate	8.00%	5.70%
Alternatives	6.50%	10.50%
Credit	4.50%	6.80%
Inflation Protection	4.50%	3.70%
Total	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 4,566,028	\$ (1,345,151)	\$ (6,322,175)

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

**b. Law Enforcement Officers' Special Separation Allowance**

***1. Plan Description.***

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. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	9
Active plan members	56
Total	65

A separate report was not issued for the plan.

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

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable

## Beaufort County, North Carolina Notes to Financial Statements

- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

*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, 2014, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25 to 7.85 percent per year. Both (a) and (b) included an inflation component of 3 percent. The assumptions did not include post-retirement benefit increases.

*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	\$	96,977
Interest on net OPEB obligation		24,912
Adjustment to annual required contribution		(42,088)
Annual OPEB cost (expense)		79,801
Contributions made		98,008
Increase (decrease) in net OPEB obligation		(18,207)
Net pension obligation, beginning of year		498,230
Net pension obligation, end of year		\$ 480,023

Three-Year Trend Information			
For Year Ended June 30	Annual Pension Cost		Net Pension Obligation
	(APC)	Percentage of APC Contributed	
2013	\$ 74,027	59.73%	\$ 491,591
2014	\$ 64,072	89.64%	\$ 498,230
2015	\$ 79,801	122.82%	\$ 480,023

**4. Funded Status and Funding Progress**

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$816,932. The covered payroll (annual payroll of active employees covered by the plan) was \$2,438,480 and the ratio of the UAAL to the covered payroll was 33.50 percent.

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

**c. Supplemental Retirement Income Plan**

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$142,853 which consisted of \$114,915 from the County and \$27,938 from the law enforcement officers.

The County also elected to contribute an amount equal to five percent of each general employee's salary, and all amounts contributed are vested immediately. Also, the general employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$307,753 which consisted of \$130,076 from the County and \$177,677 from the general employees.

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

*Plan Description.* Carolina County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed

## Beaufort County, North Carolina Notes to Financial Statements

by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,054 for the year ended June 30, 2015.

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

At June 30, 2015, the County reported an asset of \$102,287 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was .45133%, which was a decrease of .00776% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$(2,076). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Beaufort County, North Carolina Notes to Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 939	\$ -
Net difference between projected and actual earnings on pension plan investments	(551)	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,147	-
County contributions subsequent to the measurement date	3,054	-
<b>Total</b>	<b>\$ 4,589</b>	<b>\$ -</b>

\$3,054 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 811
2017	811
2018	52
2019	(138)
2020	-
Thereafter	-
<b>Total</b>	<b>\$ 1,536</b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

## Beaufort County, North Carolina Notes to Financial Statements

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ (91,849)	\$ (102,287)	\$ (111,258)

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

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

**e. Other Post employment Benefit**

**Healthcare Benefits**

*Plan Description.* Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System). The County provides these benefits according to the following guidelines: a) The County will pay 50% of the cost of the premiums for an employee who is at least 55 years of age retiring with 15 years of continuous service with Beaufort County; b) The County will pay 100% of the cost of the premiums for an employee retiring with 20 years of continuous service with Beaufort County; c) The County will pay 100% of the cost of the premiums for an employee retiring with 25 years of non-continuous service with Beaufort County; Coverage will continue until the employee becomes eligible for Medicare, at which time the County will convert coverage to a Medicare Supplement policy. The cost for the employee’s share of the premiums, if any, will be determined on an annual basis. Service time credit with the County will be calculated based on actual service time and any sick leave time that is on balance with the County at the time of retirement. The health insurance provision of this article shall apply to County Commissioners. The County pays the full cost of coverage for these benefits through private insurers. Also, the County’s retirees can purchase coverage for their dependents at the County’s group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	16	-
Active plan members	254	49
	270	49

*Funding Policy.* The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by County Commissioners. The County’s members pay \$13.56 per month if electing to participate in the County’s 80/20 plan. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 1.08% of annual covered payroll. For the current year, the County contributed \$71,921 or .06% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County’s required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented .913% and .165% of covered payroll, respectively. There were no contributions made by employees. The County’s obligation to contribute to HCB Plan is established and may be amended by the County Commissioners.

## Beaufort County, North Carolina Notes to Financial Statements

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

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

Annual Required Contribution	\$	129,518
Interest on net OPEB obligation		16,465
Adjustment to annual required contribution		(15,729)
Annual OPEB cost (expense)		130,254
Contributions made		(71,921)
Increase (decrease) in net OPEB obligation		58,333
Net OPEB obligation, beginning of year		411,624
Net OPEB obligation, end of year		\$ 469,957

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 128,156	56.30%	\$ 363,795
2014	\$ 118,361	59.60%	\$ 411,624
2015	\$ 130,254	55.20%	\$ 469,957

*Funded Status and Funding Progress.* As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,125,518. The covered payroll (annual payroll of active employees covered by the plan) was \$12,002,003 and the ratio of the UAAL to the covered payroll was 9.4%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.5% to 5.00% annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of long-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

**f. Other Employment Benefits**

The County has elected to provide death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

For the fiscal year ended June 30, 2015, the County made contributions to the State for death benefits of \$0. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

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

No. Years Contributing	Years Relief	FY Contributions Resume
less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. Beaufort County will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

**3. Closure and Post-Closure Care Cost – Beaufort County Landfill Facility**

State and Federal laws regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$131,083 reported as landfill post-closure liability at June 30, 2015, represents a cumulative amount reported to that date. These amounts are based on what it would cost to perform all post-closure care in 1994. Beaufort County closed the facility in the year 1994. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**4. Deferred Outflows and Inflows of Resources**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience		
LGERS	\$ -	\$ 146,981
Register of Deeds	-	939
Pensions - difference between projected and actual investment earnings	-	3,130,157
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	-	(72,951)
Contributions to pension plan in 2014 - 2015 fiscal year	894,460	-
Prepaid taxes not yet earned (General)	-	32,751
Taxes receivables, net (General)	-	1,593,771
Hospital lease receivable, net (General)	-	10,000,000
Unamortized bond refunding charge	820,345	-
	\$ 1,714,805	\$ 14,831,648

**5. Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association

## Beaufort County, North Carolina Notes to Financial Statements

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, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. The pool is reinsured through commercial carrier for individual losses in excess of \$100,000.

Blue Cross/Blue Shield of North Carolina provides the County's health insurance and the dental insurance is provided by Assurant.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. The County also is eligible to but has not purchased commercial flood insurance for another \$3,500,000 of coverage per structure.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance, the Tax Collector, and the Register of Deeds are each individually bonded for \$50,000 each. The Sheriff is individually bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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

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

### **6. Contingent Liabilities**

At June 30, 2015, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

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

**7. Long-Term Obligations**

**Installment Purchase**

*Serviced by the General Fund:*

On June 15, 2011, the County secured financing for the Allied Health Building at Beaufort County Community College in the amount of \$3,802,000. On May 1, 2013, the County entered into a permanent loan agreement with the United States Department of Agriculture's Division of Rural Development in the amount of \$3,231,285. The loan agreement offers simple interest financing at 3.5% for 30 years with annual payments of \$175,718.	\$ 3,103,846
On March 18, 2011, the County secured financing of the purchase of energy and HVAC upgrades, in the amount of \$2,155,000. The payments will be made in monthly payments of \$18,063 for 185 payments including interest at 4.25% annually.	1,858,073
On October 10, 2014, the County entered into an installment purchase contract for the purchase of the building located at 117 West Third Street. The payments will be made in monthly payments of \$1,670.57 for 180 payments including interest at 4.00% annually.	217,550
<b>Total installment purchases serviced by the General Fund</b>	<b>\$ 5,179,469</b>

*Serviced by the Water Districts*

Beaufort County Water District III has entered into a loan agreement with the North Carolina Department of Environment, Health, and Natural Resources for the construction of a water distribution system. The total amount financed is \$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 funds.	\$ 24,300
Beaufort County Water District V has entered into a loan agreement with the North Carolina Department of Environment, Health, and Natural Resources for the construction of a water distribution system. The total amount financed is \$644,506. The agreement requires repayment at 3.215% for 20 years. The entire amount of this loan is treated as a construction loan until the project is completed.	96,676
Beaufort County Water District I has entered into a loan agreement with the North Carolina Department of Environment, Health, and Natural Resources for the construction of a water distribution system. The total amount financed is \$1,100,000. The agreement requires equal annual installments of \$55,000 for 20 years. The interest rate is 0%. This debt is included in the enterprise funds.	1,100,000
Beaufort County Water District VI has entered into a loan agreement with the North Carolina Department of Environment, Health, and Natural Resources for the construction of a water distribution system. The total amount financed is \$1,100,000. The agreement requires equal annual installments of \$55,000 for 20 years. The interest rate is 0%. This debt is included in the enterprise funds.	1,100,000
<b>Total revolving loans serviced by the enterprise funds</b>	<b>\$ 2,320,976</b>

## Beaufort County, North Carolina Notes to Financial Statements

For Beaufort County, the future minimum payments of these installment purchases as of June 30, 2015, including \$2,326,146 of interest, are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 187,450	\$ 185,534	\$ 166,526	\$ 3,442
2017	199,796	178,377	142,225	2,072
2018	212,782	170,722	142,225	1,036
2019	226,431	162,543	110,000	-
2020	240,782	153,813	110,000	-
2021-2025	1,445,772	616,748	550,000	-
2026-2030	857,027	378,436	550,000	-
2031-2035	602,677	275,913	550,000	-
2036-2040	715,792	162,799	-	-
2041-2044	490,960	34,711	-	-
<b>Total</b>	<b>\$ 5,179,469</b>	<b>\$ 2,319,596</b>	<b>\$ 2,320,976</b>	<b>\$ 6,550</b>

### Water Bonds

In August 2012, the Water Districts (blended component units of the County) issued general obligation debt totaling \$36,005,000. The balance at June 30, 2015 was \$35,815,000. The County then issued Limited Obligation Bonds in an amount sufficient to purchase all of the Districts' GO debt. The Districts and the County assign their rights to a third-party trustee who receives the debt payments from the Districts and uses those funds to make debt service payments on the Limited Obligation Bonds.

Due to the nature of this transaction and considering that the Districts are blended component units of the County, both the current and non-current portions of the GO debt have been reclassified to a "Due to County Water Fund" in the Districts and an equal and opposite "Due from Water Districts" in the Water Fund.

### Limited Obligation Bonds

The Water Fund is responsible for accounting for the limited obligation bonds which should be accounted for as limited obligations in the Water Department.

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

The minimum payments for the limited obligation bonds as of June 30, 2015, in the business-type activities are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2016	\$ 285,000	\$ 1,470,100
2017	650,000	1,464,400
2018	1,125,000	1,444,900
2019	1,235,000	1,399,900
2020	1,305,000	1,350,500
2021-2025	7,230,000	5,794,000
2026-2030	8,270,000	4,047,175
2031-2035	8,815,000	2,384,088
2036-2040	6,175,000	770,138
2041-2044	725,000	27,988
<b>Total</b>	<b>\$ 35,815,000</b>	<b>\$ 20,153,189</b>

**General Obligation Indebtedness**

All general obligation bonds serviced by the County's General Fund are collateralized by the full-faith credit and taxing power of the County.

The County's general obligation bonds payable at June 30, 2015 are comprised of the following individual issues:

\$9,000,000 2006 School Bonds, dated November 1, 2006, and maturing annually on November 1, \$450,000 to 2026, inclusive; bearing interest payable on November 1 and May 1, ranging from 3.65% to 4%.	\$ 5,400,000
\$7,000,000 2008 School Bonds, dated February 19, 2008, and maturing semi-annually August 1 and February 1, \$350,000 inclusive; bearing interest payable on August 1 and February 1 ranging from 3% to 3.7%	4,550,000
\$10,545,000 Refunding Series 2012, dated August 8, 2012, due in semi-annual installments; beginning in 2013, from \$259,000 to \$1,200,000 through April 1, 2008; interest at 2% to 5%	10,425,000
	<u>\$ 20,375,000</u>

## Beaufort County, North Carolina Notes to Financial Statements

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

Year ending June 30	Governmental Activities	
	Principal	Interest
2016	\$ 1,650,000	\$ 703,950
2017	1,630,000	658,450
2018	1,625,000	605,838
2019	1,620,000	553,350
2020	1,620,000	492,700
2021-2025	7,985,000	1,626,888
2026-2030	4,245,000	295,550
<b>Total</b>	<b>\$ 20,375,000</b>	<b>\$ 4,936,726</b>

At June 30, 2015, Beaufort County had a legal debt margin of \$451,544,822.

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2015:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
<b>Governmental activities:</b>					
General obligation bonds	\$ 22,020,000	\$ -	\$ 1,645,000	\$ 20,375,000	\$ 1,650,000
Unamortized premium	1,038,022	-	79,848	958,174	79,848
Installment purchases	5,126,527	225,000	172,058	5,179,469	187,450
Compensated absences	840,706	55,951	-	896,657	224,164
Net pension obligation	498,230	-	18,207	480,023	-
Other postemployment benefits	390,163	48,386	-	438,549	-
Landfill post-closure care	145,648	-	14,565	131,083	14,565
<b>Total governmental activities</b>	<b>\$ 30,059,296</b>	<b>\$ 329,337</b>	<b>\$ 1,929,678</b>	<b>\$ 28,458,955</b>	<b>\$ 2,156,027</b>
<b>Business-type activities:</b>					
Unamortized premium	\$ 2,672,666	\$ -	\$ 102,795	\$ 2,569,871	\$ 102,795
Unamortized discounts	(338,858)	13,033	-	(325,825)	(13,033)
Limited obligation debt - Due to the County	35,995,000	-	180,000	35,815,000	285,000
Revolving loans	177,502	2,200,000	56,526	2,320,976	166,526
Compensated absences	62,896	7,146	-	70,042	17,511
Other postemployment benefits	21,461	9,947	-	31,408	-
<b>Total business-type activities</b>	<b>\$ 38,590,667</b>	<b>\$ 2,230,126</b>	<b>\$ 339,321</b>	<b>\$ 40,481,472</b>	<b>\$ 558,799</b>

Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a FIFO basis, assuming that the employees are taking leave time as it is earned. The unfunded Special Separation Allowance had been liquidated in the General Fund. OPEB has been liquidated in the General Fund and Water Districts.

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

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2015 consist of the following:

Balances due to/from other funds at June 30, 20xx consist of the following:

Due to the General Fund from the Hazard Mitigation Fund	146,675
Due to the General Fund from Water District I	2,602
Due to the General Fund from Water District II	4,809
Due to the General Fund from Water District III	168,907
Due to the General Fund from Water District IV	4,048
Due to the General Fund from Water District V	1,752
Due to the General Fund from Water District VI	4,802
Due to the General Fund from Water District VII	174,366
Due to the General Fund from the Water District I Project Fund	108
Due to the General Fund from the Water District VI Project Fund	122
Due to the Water Districts from the General Fund	1,127
Due to the Water District VI from the Water District I Project Fund	108,513
Due to Water District I from the Water District I Project Fund	883
Due to Water District VII from the Water District VI Project Fund	733
Due to the General Fund from the Industrial Recruitment Fund	22,500

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

Transfers to/from other funds at June 30, 2015, consist of the following:

Transfer from the Administrative Building Fund to the General Fund for dividend income.	3,498
Transfer from the General Fund to the Administrative Building Fund for operating expenses.	1,533,095
Transfer from the Allied Health Fund to the General Fund for a sales tax refund.	122,066
Transfer from the General Fund to the Beaufort County Rescue Fund for the White Oak contract.	488,000
Transfer from the General Fund to the Revaluation Fund for operating expenses.	747,500
<b>Total</b>	<b>\$ 2,894,159</b>

**D. Net Investment in Capital Assets**

	Governmental	Business-type
Capital assets	\$ 15,045,520	\$ 64,310,209
Less: long-term debt	25,554,469	38,135,977
Add: debt related to assets not owned by the County	22,233,073	-
Net investment in capital assets	\$ 11,724,124	\$ 26,174,232

**E. Fund Balance**

Beaufort County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Director has the authority to deviate from this policy if it's in the best interest of the County.

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

Total fund balance - General Fund	\$ 26,777,573
Less:	
Stabilization by State Statute	6,711,573
Tax Revaluation	747,500
Working Capital/Fund Balance Policy	19,568,341
Remaining Fund Balance	\$ (249,841)

## Beaufort County, North Carolina Notes to Financial Statements

Beaufort County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 35% of budgeted expenditures.

### **IV. Joint Ventures**

The County participates in a joint venture to operate BHM Regional Library (“the Library”) with three other local governments. Beaufort County appoints three members to the nine-member Board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library’s continued existence depends on the participating governments’ continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$201,500 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library’s offices at 158 North Market Street, Washington, North Carolina 27889.

The County, in conjunction with the State of North Carolina and the Beaufort County Board of Education, participates in a joint venture to operate the Beaufort County Community College (the “Community College”). Each of the three participants appoints five members of the 15-member Board of Trustees of the Community College. The President of the Community College’s student government serves as an ex officio non-voting member on the Board of Trustees. The Community College is included as a component unit of the State. The County has the basic support for the Community College’s 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 responsibility for the Community College because of the statutory responsibility to provide funding for the Community College’s facilities. The County contributed \$2,270,934 and \$605,578 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2015. 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, 2015. Complete financial statements for the Community College may be obtained from the Community College’s administrative offices at 1308 Highland Drive, Washington, NC 27889.

The County, in conjunction with nine other counties, participates in the East Carolina Behavioral Health (the “ECBH”) Local Management Entity for local mental health services. The County Commissioners appoint two members to the 20-member Board of ECBH. ECBH, a multi-County LME, is a separate and distinct subdivision charged by the State law with the responsibility of providing for drug and mental health prevention, treatment, and rehabilitation services. The County contributed \$173,599 to ECBH during the fiscal year ended June 30, 2015. Complete financial statements for ECBH can be obtained from the administrative offices at P.O. Box 1636, New Bern, North Carolina 28563.

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

**V. Jointly Governed Organizations**

The County, in conjunction with four other counties and 39 municipalities, established the Mid-East Commission (the "Commission"). The participating governments established the Commission to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$13,731 to the Council during the fiscal year ended June 30, 2015.

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

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

	Federal	State
Medical Assistance Program	\$ 49,528,925	\$ 27,470,588
State Children's Health Insurance Program - NC Health Choice	692,974	220,832
Special Supplemental Food Program, WIC	1,129,983	-
TANF	329,635	-
Foster Care	90,623	23,795
Adoption Assistance	481,966	125,536
CWS Adoption Subsidy	-	168,505
Foster Care at Risk Maximum	-	2,831
SC/SA Domiciliary Care	-	546,075
SFHF Maximization	-	1,811
State Foster Home	-	26,385
<b>Total</b>	<b>\$ 52,254,106</b>	<b>\$ 28,586,358</b>

**VII. Summary Disclosure of Significant Commitments and Contingencies**

**Federal and State Assisted Programs**

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

**VIII. Major Taxpayer**

Beaufort County had property tax revenue from one taxpayer in 2015 of \$5,407,136.

**IX. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,539,862 and \$117,570 respectively.

**X. Prior Period Adjustment**

During the fiscal year ended June 30, 2015, the County determined Construction in Progress for the Governmental Funds was overstated by \$2,155,000. Therefore, an adjustment to beginning net position has been recorded to account for those costs, the net effect of which decreased beginning net position by \$2,155,000 in the Governmental Funds.

During the fiscal year ended June 30, 2015, the County determined the Allowance for Doubtful Accounts Receivable in the Proprietary Funds were overstated by \$356,743. Therefore, an adjustment to beginning net position has been recorded to account for those costs, the net effect of which increased beginning net position by \$199,983 in the Proprietary Funds.

During the fiscal year ended June 30, 2015, the County determined the unbilled revenue and receivables accounts in Water Districts VI and VII were understated by \$107,408. Therefore, an adjustment to beginning net position has been recorded to account for those costs, the net effect of which increased beginning net position by \$107,408 in the Proprietary Funds.

During the fiscal year ended June 30, 2015, the County determined the accounts receivable, accounts payable, retainage payable, revenue, and expense accounts in Water Districts I and VI capital project funds were understated. Therefore, an adjustment to beginning net position has been recorded to account for those costs, the net effect of which decreased beginning net position by \$30,597 in the Proprietary Funds.

During the fiscal year ended June 30, 2015, the County determined the accounts receivable in the General Fund was overstated by \$199,492. Therefore, an adjustment to beginning net position has been recorded to account for those costs, the net effect of which decreased beginning net position by \$199,492 in the Governmental Funds.

During the fiscal year ended June 30, 2015, the County determined the accounts receivable and revenue in the General Fund were understated by \$620,433. Therefore, an adjustment to beginning net position has been recorded to account for those costs, the net effect of which increased beginning net position by \$620,433 in the Governmental Funds.

**XI. Hospital Lease Receivable**

Pursuant to an agreement executed between Beaufort County and Vidant Health Systems effective September 1, 2011, the County began leasing its Hospital facilities to Vidant Health Systems under the terms of a 30-year capital lease expiring on September 1, 2041. Under the terms of the agreement, the County received lease prepayments of \$18,331,754 in fiscal year 2012; in which \$17,607,125 and \$724,629 was consumed to retire County owned hospital related principal and interest, respectively. In accordance to the lease agreement, upon the expiration of the term, Vidant has the option to purchase the leased assets for \$10,000,000 less excluded liabilities, as defined in the assignment agreement. Therefore, \$10,000,000 is reflected as a long term lease receivable in the General Fund.

**Beaufort County, North Carolina  
Law Enforcement Officers' Special Separation Allowance  
Required Supplemental Information  
Schedule of Employer Contributions  
Schedule 1**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val Date (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2004	\$ -	\$ 264,787	\$ 264,787	0.00%	\$ 1,403,511	18.87%
12/31/2005	-	284,787	284,787	0.00%	1,546,967	18.41%
12/31/2006	-	324,408	324,408	0.00%	1,703,157	19.05%
12/31/2007	-	354,536	354,536	0.00%	1,880,073	18.86%
12/31/2008	-	465,780	465,780	0.00%	2,134,858	21.82%
12/31/2009	-	625,403	625,403	0.00%	2,050,330	30.50%
12/31/2010	-	591,027	591,027	0.00%	2,057,815	28.72%
12/31/2011	-	642,233	642,233	0.00%	2,100,270	30.58%
12/31/2012	-	604,453	604,453	0.00%	2,091,435	28.90%
12/31/2013	-	656,607	656,607	0.00%	2,239,966	29.31%
12/31/2014	-	816,932	816,932	0.00%	2,438,480	33.50%

Schedule of Employer Contributions		
Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2005	\$ 37,642	0.00%
2006	42,426	16.76%
2007	44,866	26.23%
2008	48,213	24.05%
2009	52,036	33.25%
2010	64,092	26.99%
2011	76,924	29.93%
2012	73,254	47.74%
2013	79,675	55.50%
2014	79,543	72.20%
2015	96,977	101.06%

**Notes to the Required Schedules:**

The information presented above was determined as a part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
*Includes inflation of	3.00%
Cost-of-living adjustments	N/A

**Beaufort County, North Carolina  
Other Postemployment Benefits  
Required Supplemental Information  
Schedule of Funding Progress  
Schedule 2**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val Date (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 920,907	\$ 920,907	0.00%	\$ 10,955,905	8.41%
12/31/2009	-	917,575	917,575	0.00%	11,754,362	7.81%
12/31/2010	-	1,011,362	1,011,362	0.00%	11,436,462	8.84%
12/31/2011	-	1,195,962	1,195,962	0.00%	11,703,701	10.22%
12/31/2012	-	1,022,544	1,022,544	0.00%	11,424,455	8.95%
12/31/2013	-	1,130,773	1,130,773	0.00%	12,087,038	9.36%
12/31/2014	-	1,125,518	1,125,518	0.00%	12,002,003	9.38%

Schedule of Employer Contributions		
Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2010	105,859	0.00%
2011	101,869	49.78%
2012	113,018	61.08%
2013	127,606	56.50%
2014	117,710	59.92%
2015	129,518	55.53%

**Notes to the Required Schedules:**

The information presented above was determined as a part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75% - 5.00%
*Includes inflation of	3.00%
Year of Ultimate trend rate	2020

**Beaufort County, North Carolina  
Local Governmental Employee's Retirement System  
Required Supplemental Information  
Schedule of the County's Proportionate Share  
of the Net Pension Liability (Asset)  
Schedule 3**

	2015	2014
County's proportion of the net pension liability (asset) %	0.22809%	0.21770%
County's proportionate share of the net pension liability (asset) \$	\$ (1,345,151)	\$ 2,624,121
County's covered-employee payroll	\$ 12,908,791	\$ 12,497,637
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.42%	21.00%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

**Beaufort County, North Carolina**  
**Local Governmental Employee's Retirement System**  
**Required Supplemental Information**  
**Schedule of the County Contributions**  
**Schedule 4**

	2015	2014
Contractually required contribution	\$ 891,406	\$ 864,942
Contributions in relation to the contractually required contribution	891,406	864,942
Contribution deficiency (excess)	\$ -	\$ -
County's covered-employee payroll	\$ 12,908,791	\$ 12,497,637
Contributions as a percentage of covered-employee payroll	6.91%	6.92%

**Beaufort County, North Carolina**  
**Register of Deeds' Supplemental Pension Fund**  
**Required Supplemental Information**  
**Schedule of the County's Proportionate Share**  
**of the Net Pension Liability (Asset)**  
**Schedule 5**

	2015	2014
County's proportion of the net pension liability (asset) %	0.45133%	0.45909%
County's proportionate share of the net pension liability (asset) \$	\$ (102,287)	\$ (98,062)
County's covered-employee payroll	\$ 186,360	\$ 183,611
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-54.89%	-53.41%
Plan fiduciary net position as a percentage of the total pension liability	193.88%	190.50%

**Beaufort County, North Carolina  
 Register of Deeds' Supplemental Pension Fund  
 Required Supplemental Information  
 Schedule of the County Contributions  
 Schedule 6**

	2015	2014
Contractually required contribution	\$ 3,054	\$ 3,685
Contributions in relation to the contractually required contribution	3,054	3,685
Contribution deficiency (excess)	\$ -	\$ -
County's covered-employee payroll	\$ 186,360	\$ 183,611
Contributions as a percentage of covered-employee payroll	1.64%	2.01%

**Beaufort County, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 7**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad Valorem Taxes:				
Current year	32,113,218	\$ 31,751,111		\$ 32,343,045
Penalties and interest	340,307	339,868		522,979
Total	32,453,525	32,090,979	(362,546)	32,866,024
Local Option Sales Taxes:				
Local option sales tax	7,598,200	8,400,913		7,376,048
Total	7,598,200	8,400,913	802,713	7,376,048
Other Taxes and Licenses:				
Documentary stamps	130,200	167,325		127,924
Scrap tire disposal tax/grant	85,600	122,479		72,249
White goods disposal tax	5,000	8,795		-
Privilege licenses	7,000	626		7,851
Beer and wine licenses	-	3,393		-
Rental vehicles receipt tax	17,600	20,512		17,234
Total	245,400	323,130	77,730	225,258
Unrestricted Intergovernmental Revenues:				
Beer and wine tax	132,400	163,341		150,612
Other	74,500	64,715		77,859
Total	206,900	228,056	21,156	228,471
Restricted Intergovernmental Revenues:				
State and Federal Grants	11,943,977	11,991,094		11,059,989
ABC distributions/tax	97,500	141,034		130,396
Total	12,041,477	12,132,128	90,651	11,190,385
Permits and Fees:				
Building permits and inspection fees	124,900	112,275		148,519
Register of Deeds	192,500	171,441		182,216
Other permits and fees	-	364		320
Total	317,400	284,080	(33,320)	331,055
Sales and Services:				
Attorney fees/tax administration	51,000	128,760		139,923
Animal control fees	15,300	48,046		41,098
Tax collection fees	111,800	105,304		110,207
Sheriff fees	65,000	56,570		98,017
Electronic house arrest	4,200	7,900		6,200
IV-D deputy travel	64,800	68,430		65,177
Gun storage fees	-	374		471
State prisoner's reimbursement	-	6,613		2,934
Environmental health	47,375	47,180		42,045
Vending and phones	12,400	17,408		14,276
Health and immunizations	120,479	132,946		107,164
Solid waste	1,940,300	1,975,938		2,513,159
Rescue fees	142,600	146,519		157,352
Share of service fee	18,500	21,391		21,591
Rent	132,500	230,704		371,959
Cable franchise fee	138,500	133,723		134,189
DSS aging	8,500	4,638		6,868
NC Health Choice	10,500	11,260		13,770
Total	2,883,754	3,143,704	259,950	3,846,400

**Beaufort County, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 7**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
Investment earnings	-	11,067	11,067	13,207
Miscellaneous:				
Proceeds from sale of assets/insurance claims	-	26,064		30,852
Donations	-	13,120		14,629
Miscellaneous	2,974	10,201		43,244
Total	2,974	49,385	46,411	88,725
Total revenues	55,749,630	56,663,442	913,812	56,165,573
<b>EXPENDITURES</b>				
<b>General Government:</b>				
Governing body	203,471	227,612		192,470
County manager	1,209,586	903,940		893,715
Finance	252,217	496,479		547,042
Alternative finance	194,000	71,625		-
Tax administration	1,882,827	1,749,860		1,528,090
Legal	108,250	100,466		114,961
Register of Deeds	332,339	336,382		334,582
Elections	335,252	302,230		251,377
Public buildings	1,274,901	1,251,238		1,266,441
Court facilities	175,950	133,868		128,410
Total	5,968,793	5,573,700	395,093	5,257,088
<b>Public Safety:</b>				
Sheriff	4,710,457	4,608,061		4,336,695
Jail	1,810,861	1,627,030		2,284,425
Criminal justice partnership	39,000	77,185		47,369
Emergency communications	683,149	648,639		601,740
Emergency management	357,737	235,763		203,711
Fire protection	152,172	107,115		106,756
Inspection	199,815	199,816		169,658
Ambulance/rescue service	192,874	148,999		144,714
Animal control	387,671	309,448		316,237
Emergency medical services	-	13,336		-
Medical examiner	33,400	33,350		36,450
Total	8,567,136	8,008,742	558,394	8,247,755
<b>Economic and Physical Development:</b>				
Economic development	416,236	452,891		472,853
Agricultural extension	240,719	205,037		189,929
Soil/water conservation	138,494	125,654		122,968
Total	795,449	783,582	11,867	785,750
<b>Human Services:</b>				
Administration - general	239,894	223,148		246,687
AIDS control/STD	245,123	237,880		214,016
TB program	65,532	62,673		70,042
Immunization	263,139	255,103		227,947
Health promotion	44,207	44,321		44,043
Child health	478,540	475,248		410,885
Maternal health	338,952	320,210		341,613
WIC - administration	402,246	365,005		354,514

**Beaufort County, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 7**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
Environmental health	634,333	624,446		592,731
Family planning	361,538	321,461		352,557
Other health programs	328,099	321,866		303,835
Total	3,401,603	3,251,361	150,242	3,158,870
<b>Mental Health:</b>				
General appropriation	156,599	156,599		156,599
Alcohol rehabilitation	17,000	17,000		17,000
Total	173,599	173,599	-	173,599
Beaufort County Development Center	226,264	55,000		55,000
NC Elderly handicapped transportation/other	32,500	24,818		26,405
<b>Social Services:</b>				
Administration	6,192,775	5,897,221		5,769,570
State in-home aging services	599,770	432,601		483,868
Day Care	2,657,220	2,621,796		2,142,525
Medical assistance	585,000	577,254		514,922
Energy assistance	802,002	552,160		579,240
County provided assistance	561,719	550,634		571,901
Transportation	148,750	135,817		131,219
Child support enforcement	820,994	820,992		793,229
Aid to the blind program	12,500	6,835		10,835
Foster care	537,774	437,338		462,339
Work First Program	123,500	40,514		44,087
Total	13,042,004	12,073,162	968,842	11,503,735
<b>Other Human Services:</b>				
Veterans services	55,402	54,995		53,066
Youth services	209,268	210,788		216,172
Total	264,670	265,783	(1,113)	269,238
Total social services	13,306,674	12,338,945	967,729	11,772,973
Total human services	17,140,640	15,843,723	1,296,917	15,186,847
<b>Cultural and Recreational:</b>				
Recreation	49,073	49,073		33,341
Library and museum	213,300	211,300		213,300
Special appropriation	100,228	99,108		36,000
Total	362,601	359,481	3,120	282,641
<b>Environmental Protection:</b>				
Solid waste	3,223,488	3,023,901	199,587	3,048,112
<b>Education:</b>				
Public schools:				
Current expense	12,669,163	12,669,163		12,445,150
Capital outlay	1,961,125	1,961,125		1,100,000
Community colleges:				
Current expense	2,270,934	2,270,934		2,232,403
Capital outlay	630,578	629,097		257,000
Total	17,531,800	17,530,319	1,481	16,034,553

**Beaufort County, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 7**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>Debt Service:</b>				
Principal retirement	1,920,511	1,811,965		1,797,807
Interest and fees	847,990	956,536		1,028,274
<b>Total</b>	<b>2,768,501</b>	<b>2,768,501</b>	<b>-</b>	<b>2,826,081</b>
Total expenditures	56,358,408	53,891,949	2,466,459	51,668,827
Revenues over (under) expenditures	(608,778)	2,771,493	(3,380,271)	4,496,746
<b>Other Financing Sources (Uses):</b>				
Transfers (to) from other funds:				
Revaluation Fund	(747,500)	(747,500)	-	-
Capital project - CDBG Fund	-	-	-	(82,892)
Capital project - Administrative Building	(1,533,096)	(1,529,597)	3,499	-
Capital Project - BCCC Project Fund	-	122,066	122,066	-
Special revenue - Fire Tax Districts	(488,000)	(488,000)	-	-
Special revenue - Drug Seizure Fund	-	5,000	5,000	-
Special revenue - Emergency Telephone	40,000	-	(40,000)	-
Special revenue - Industrial Recruitment	-	-	-	(67,500)
Appropriated fund balance	3,337,374	-	(3,337,374)	-
<b>Total other financing sources and (uses)</b>	<b>608,778</b>	<b>(2,638,031)</b>	<b>(3,246,809)</b>	<b>(150,392)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 133,462</b>	<b>\$ 133,462</b>	<b>\$ 4,346,354</b>
<b>Fund Balance:</b>				
Beginning of year - as previously reported		25,475,670		21,129,316
Prior period adjustment		420,941		-
Beginning of year - restated		25,896,611		-
<b>End of year - June 30</b>		<b>\$ 26,030,073</b>		<b>\$ 25,475,670</b>

**Beaufort County, North Carolina**  
**Revaluation Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 8**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>Other Financing Sources (Uses):</b>				
Transfers in - General Fund	\$ -	\$ 747,500	\$ 747,500	\$ -
Other sources over (under) expenditures	-	747,500	747,500	-
<b>Fund Balance:</b>				
Beginning of year - July 1		-		-
End of year - June 30	\$	747,500		\$ -

**Beaufort County, North Carolina**  
**Administrative Building Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2015**  
**Schedule 9**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Investment earnings	\$ 3,498	\$ -	\$ -	\$ -	\$ (3,498)
Total revenues	3,498	-	-	-	(3,498)
<b>Expenditures:</b>					
Economic and physical development	\$ 2,155,000	\$ 889,182	\$ 643,914	\$ 1,533,096	\$ 621,904
Total expenditures	2,155,000	889,182	643,914	1,533,096	621,904
Revenues over (under) expenditures	(2,151,502)	(889,182)	(643,914)	(1,533,096)	618,406
<b>Other Financing Sources (Uses):</b>					
Installment financing issue	2,155,000	-	-	-	(2,155,000)
Transfers (to)/from other funds	(3,498)	-	1,529,597	1,529,597	1,533,095
Total other financing sources (uses)	2,151,502	-	1,529,597	1,529,597	(621,905)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (889,182)</b>	<b>885,683</b>	<b>\$ (3,499)</b>	<b>\$ (3,499)</b>
<b>Fund Balance:</b>					
Beginning of year - July 1			(885,683)		
End of year - June 30			\$ -		

**Beaufort County, North Carolina**  
**Nonmajor Governmental Funds Combining Balance Sheet**  
**June 30, 2015**  
**Schedule 10**

	Special Revenue Funds					Total Nonmajor Special Revenue Funds
	Economic Development	Fire and Rescue Tax Districts	Emergency Telephone System	Industrial Recruitment	State and Federal Seizures	
<b>Assets:</b>						
Cash and investments	\$ 79,247	\$ 707	\$ 660,094	\$ -	\$ 145,244	\$ 885,292
Accounts receivable (net)	814	-	19,165	22,500	184	42,663
<b>Total assets</b>	<b>80,061</b>	<b>707</b>	<b>679,259</b>	<b>22,500</b>	<b>145,428</b>	<b>927,955</b>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	1,453	-	2,013	-	-	3,466
Due to other funds	-	-	-	22,500	-	22,500
<b>Total liabilities</b>	<b>1,453</b>	<b>-</b>	<b>2,013</b>	<b>22,500</b>	<b>-</b>	<b>25,966</b>
<b>Fund Balances:</b>						
Restricted:						
Stabilization by State Statute	814	-	19,165	22,500	184	42,663
Restricted, all other	77,794	-	658,081	(22,500)	145,244	858,619
Committed	-	-	-	-	-	-
Unassigned	-	707	-	-	-	707
<b>Total fund balances</b>	<b>78,608</b>	<b>707</b>	<b>677,246</b>	<b>-</b>	<b>145,428</b>	<b>901,989</b>
<b>Total liabilities and fund balances</b>	<b>\$ 80,061</b>	<b>\$ 707</b>	<b>\$ 679,259</b>	<b>\$ 22,500</b>	<b>\$ 145,428</b>	<b>\$ 927,955</b>

**Beaufort County, North Carolina**  
**Nonmajor Governmental Funds Combining Balance Sheet**  
**June 30, 2015**  
**Schedule 10**

	Capital Project Funds			Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Hazard Mitigation	Economic Development	Capital Reserves Fund		
<b>Assets:</b>					
Cash and investments	\$ -	\$ 79,420	\$ 53,047	\$ 132,467	\$ 1,017,759
Accounts receivable (net)	151,364	-	-	151,364	194,027
<b>Total assets</b>	<b>151,364</b>	<b>79,420</b>	<b>53,047</b>	<b>283,831</b>	<b>1,211,786</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	4,689	17,001	-	21,690	25,156
Due to other funds	146,675	-	-	146,675	169,175
<b>Total liabilities</b>	<b>151,364</b>	<b>17,001</b>	<b>-</b>	<b>168,365</b>	<b>194,331</b>
<b>Fund Balances:</b>					
Restricted:					
Stabilization by State Statute	151,364	-	-	151,364	194,027
Restricted, all other	-	-	53,047	53,047	911,666
Committed	-	62,419	-	62,419	62,419
Unassigned	(151,364)	-	-	(151,364)	(150,657)
<b>Total fund balances</b>	<b>-</b>	<b>62,419</b>	<b>53,047</b>	<b>115,466</b>	<b>1,017,455</b>
<b>Total liabilities and fund balances</b>	<b>\$ 151,364</b>	<b>\$ 79,420</b>	<b>\$ 53,047</b>	<b>\$ 283,831</b>	<b>\$ 1,211,786</b>

**Beaufort County, North Carolina**  
**Nonmajor Governmental Funds Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**For The Fiscal Year Ended June 30, 2015**  
**Schedule 11**

	Special Revenue Funds					Total Nonmajor Special Revenue Funds
	Economic Development	Fire and Rescue Tax Districts	Emergency Telephone System	Industrial Recruitment	State and Federal Seizures	
<b>Revenues</b>						
Ad valorem taxes	\$ -	\$ 2,562,709	\$ -	\$ -	\$ -	\$ 2,562,709
Restricted intergovernmental	258,300	-	187,867	184,500	23,926	654,593
Other	17,604	-	-	-	11,943	29,547
<b>Total revenues</b>	<b>275,904</b>	<b>2,562,709</b>	<b>187,867</b>	<b>184,500</b>	<b>35,869</b>	<b>3,246,849</b>
<b>Expenditures</b>						
Current:						
Public safety	-	2,974,152	180,710	-	5,231	3,160,093
Economic and physical development	250,945	-	-	184,500	-	435,445
<b>Total expenditures</b>	<b>250,945</b>	<b>2,974,152</b>	<b>180,710</b>	<b>184,500</b>	<b>5,231</b>	<b>3,595,538</b>
Excess (deficiency) of revenues over (under) expenditures	24,959	(411,443)	7,157	-	30,638	(348,689)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	488,000	-	-	(5,000)	483,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>488,000</b>	<b>-</b>	<b>-</b>	<b>(5,000)</b>	<b>483,000</b>
Net change in fund balance	24,959	76,557	7,157	-	25,638	134,311
<b>Fund Balances</b>						
Beginning of year, July 1	53,649	(75,850)	670,089	-	119,790	767,678
End of year - June 30	\$ 78,608	\$ 707	\$ 677,246	\$ -	\$ 145,428	\$ 901,989

**Beaufort County, North Carolina**  
**Nonmajor Governmental Funds Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**For The Fiscal Year Ended June 30, 2015**  
**Schedule 11**

	Capital Project Funds				Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Hazard Mitigation	Economic Development	BCCC Project Fund	Capital Reserves Fund		
<b>Revenues</b>						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,562,709
Restricted intergovernmental	626,986	8,651	-	-	635,637	1,290,230
Other	-	-	-	-	-	29,547
<b>Total revenues</b>	<b>626,986</b>	<b>8,651</b>	<b>-</b>	<b>-</b>	<b>635,637</b>	<b>3,882,486</b>
<b>Expenditures</b>						
Current:						
Public safety	-	-	-	-	-	3,160,093
Economic and physical development	423,233	25,652	-	-	448,885	884,330
<b>Total expenditures</b>	<b>423,233</b>	<b>25,652</b>	<b>-</b>	<b>-</b>	<b>448,885</b>	<b>4,044,423</b>
Excess (deficiency) of revenues over (under) expenditures	203,753	(17,001)	-	-	186,752	(161,937)
<b>Other Financing Sources (Uses)</b>						
Transfers in (out)	-	-	(122,066)	-	(122,066)	360,934
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(122,066)</b>	<b>-</b>	<b>(122,066)</b>	<b>360,934</b>
Net change in fund balance	203,753	(17,001)	(122,066)	-	64,686	198,997
<b>Fund Balances</b>						
Beginning of year, July 1	(203,753)	79,420	122,066	53,047	50,780	818,458
End of year - June 30	\$ -	\$ 62,419	\$ -	\$ 53,047	\$ 115,466	\$ 1,017,455

**Beaufort County, North Carolina**  
**Economic Development Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For The Fiscal Year Ended June 30, 2015**  
**With Comparative Actual Amounts For the Year Ended June 30, 2014**  
**Schedule 12**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Restricted intergovernmental	\$ 258,300	\$ 258,300	\$ -	\$ 237,121
Other income	6,479	17,604	11,125	6,819
Total revenues	264,779	275,904	11,125	243,940
<b>Expenditures:</b>				
Economic and physical development	289,656	250,945	38,711	281,605
Total expenditures	289,656	250,945	38,711	281,605
Revenues over (under) expenditures	(24,877)	24,959	49,836	(37,665)
<b>Other Financing Sources (Uses):</b>				
Town contribution	4,500	-	(4,500)	-
Appropriated fund balance	20,377	-	(20,377)	-
	24,877	-	(24,877)	-
Net change in fund balance	-	24,959	24,959	(37,665)
<b>Fund Balance:</b>				
Beginning of year - July 1, previously reported		53,649		91,314
End of year - June 30		\$ 78,608		\$ 53,649

**Beaufort County, North Carolina**  
**Fire and Rescue Tax District Funds Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 13**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,155,170	\$ 2,562,709	\$ (592,461)	\$ 3,241,146
Total revenues	3,155,170	2,562,709	(592,461)	3,241,146
<b>Expenditures:</b>				
Public safety expenditures	3,155,170	2,974,152	181,018	3,316,996
Total expenditures	3,155,170	2,974,152	181,018	3,316,996
Revenues over (under) expenditures	-	(411,443)	(411,443)	(75,850)
<b>Other Financing Sources (Uses):</b>				
Transfer in	-	488,000	488,000	-
Net change in fund balance	-	76,557	76,557	(75,850)
<b>Fund Balance:</b>				
Beginning of year - July 1		(75,850)		-
End of year - June 30		\$ 707		\$ (75,850)

**Beaufort County, North Carolina**  
**Emergency Telephone System Fund Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 14**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Restricted intergovernmental	\$ 211,232	\$ 187,867	\$ (23,365)	\$ 211,232
Total revenues	211,232	187,867	(23,365)	211,232
<b>Expenditures:</b>				
Public Safety:				
Implemental functions	26,300	87,389	(61,089)	87,050
Telephone	71,422	63,376	8,046	25,441
Software maintenance	21,623	14,704	6,919	24,127
Hardware maintenance	64,360	5,479	58,881	58,905
Training	1,500	5,170	(3,670)	1,440
Capital outlay	133,364	4,592	128,772	-
Total expenditures	318,569	180,710	137,859	196,963
Revenues over (under) expenditures	(107,337)	7,157	114,494	14,269
<b>Other Financing Sources (Uses):</b>				
Fund balance appropriated	107,337	-	(107,337)	-
Net change in fund balance	-	7,157	7,157	14,269
<b>Fund Balance:</b>				
Beginning of year - July 1		670,089		655,820
End of year - June 30		\$ 677,246		\$ 670,089

**Beaufort County, North Carolina**  
**Industrial Recruitment Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 15**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Restricted intergovernmental	\$ 156,000	\$ 184,500	\$ 28,500	\$ 202,500
Total revenues	156,000	184,500	28,500	202,500
<b>Expenditures:</b>				
Economic and physical development	156,000	184,500	(28,500)	270,000
Total expenditures	156,000	184,500	(28,500)	270,000
Revenues over (under) expenditures	-	-	-	(67,500)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	\$ -	\$ -	\$ -	67,500
Net change in fund balance	-	-	-	-
<b>Fund Balance:</b>				
Beginning of year - July 1		-		-
End of year - June 30		\$ -		\$ -

**Beaufort County, North Carolina**  
**State and Federal Seizures Fund Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 16**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Restricted intergovernmental	\$ 52,000	\$ 23,926	\$ (28,074)	\$ 18,231
Miscellaneous	-	11,943	11,943	5,702
<b>Total revenues</b>	<b>52,000</b>	<b>35,869</b>	<b>(16,131)</b>	<b>23,933</b>
<b>Expenditures:</b>				
Public safety expenditures	47,000	5,231	41,769	11,456
<b>Total expenditures</b>	<b>47,000</b>	<b>5,231</b>	<b>41,769</b>	<b>11,456</b>
Revenues over (under) expenditures	5,000	30,638	25,638	12,477
<b>Other Financing Sources (Uses):</b>				
Transfer out	(5,000)	(5,000)	-	-
<b>Total other financing sources (uses)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>25,638</b>	<b>25,638</b>	<b>12,477</b>
<b>Fund Balance:</b>				
Beginning of year - July 1		119,790		107,313
End of year - June 30		\$ 145,428		\$ 119,790

**Beaufort County, North Carolina**  
**Hazard Mitigation Fund Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2015**  
**Schedule 17**

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental - HMGP	\$ -	\$ 1,154,121	\$ -	\$ 1,154,121	\$ 1,154,121
Restricted intergovernmental	57,656	1,502,375	-	1,502,375	1,444,719
Restricted intergovernmental - CDBG 08-C-1870	850,842	689,059	-	689,059	(161,783)
Restricted intergovernmental - SRL-PJ-NC-2008-002	333,212	131,166	-	131,166	(202,046)
Restricted intergovernmental - CDBG 08-T-1906	75,000	74,823	-	74,823	(177)
Restricted intergovernmental - CDBG 10-C-2115	400,000	396,763	-	396,763	(3,237)
Restricted intergovernmental - CDBG 10-C-2136	500,000	489,584	-	489,584	(10,416)
Restricted intergovernmental - HMGP 1448-0084	1,160,178	-	-	-	(1,160,178)
Restricted intergovernmental - HMGP 1490-0013	124,435	-	-	-	(124,435)
Restricted intergovernmental - HMGP 1969-011	716,980	231,940	472,683	704,623	(12,357)
Restricted intergovernmental - HMGP 1969-012	93,600	4,676	83,190	87,866	(5,734)
Restricted intergovernmental - HMGP 4019-022	149,063	19,975	71,113	91,088	(57,975)
Restricted intergovernmental - CDBG 05-I-1382	600,000	-	-	-	(600,000)
Restricted intergovernmental - FMA-PJ-MC-2005-002	45,806	-	-	-	(45,806)
Restricted intergovernmental - CDBG 07-C-1650	320,000	-	-	-	(320,000)
Restricted intergovernmental - RFC-PJ-NC-2008-003	181,088	-	-	-	(181,088)
Restricted intergovernmental - PDM-PL-04-NC	46,064	17,268	-	17,268	(28,796)
Restricted intergovernmental - SRL-PJ-04-NC-2010-002	264,380	264,379	-	264,379	(1)
Miscellaneous	-	3,744	-	3,744	3,744
<b>Total revenues</b>	<b>5,918,304</b>	<b>4,979,873</b>	<b>626,986</b>	<b>5,606,859</b>	<b>(311,445)</b>
<b>Expenditures:</b>					
Economic and physical development					
CDBG 10-C-2115 2010 Scattered Sites	400,000	396,763	-	396,763	3,237
CDBG 10-C-2136 ER Project	500,000	489,584	-	489,584	10,416
Economic and physical development	5,022,040	4,413,446	423,233	4,836,679	185,361
<b>Total expenditures</b>	<b>5,922,040</b>	<b>5,299,793</b>	<b>423,233</b>	<b>5,723,026</b>	<b>199,014</b>
Revenues over (under) expenditures	(3,736)	(319,920)	203,753	(116,167)	(112,431)
<b>Other Financing Sources (Uses)</b>					
Transfers (to)/from other funds	3,736	116,167	-	116,167	112,431
<b>Total other financing sources (uses)</b>	<b>3,736</b>	<b>116,167</b>	<b>-</b>	<b>116,167</b>	<b>112,431</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (203,753)</b>	<b>203,753</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance:</b>					
Beginning of year - July 1			(203,753)		
End of year - June 30			\$ -		

**Beaufort County, North Carolina**  
**Economic Development Fund Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2015**  
**Schedule 18**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues:</b>					
CDBG Grant - 12-E-2403 Pronamics	\$ 750,000	\$ 753,673	\$ -	\$ 753,673	\$ 3,673
CDBG Economic Development	518,635	-	8,651	8,651	(509,984)
Sale of industrial ready building	-	1,387,466	-	1,387,466	1,387,466
Miscellaneous	24,100	24,100	-	24,100	-
Interest income	26,245	13,517	-	13,517	(12,728)
<b>Total revenues</b>	<b>1,318,980</b>	<b>2,178,756</b>	<b>8,651</b>	<b>2,187,407</b>	<b>868,427</b>
<b>Expenditures:</b>					
Economic and physical development					
Construction - CDBG 12-E-2403 Pronamics	7,207,412	3,520,036	-	3,520,036	3,687,376
Construction - CDBG Page Road	-	-	25,652	25,652	(25,652)
<b>Total expenditures</b>	<b>7,207,412</b>	<b>3,520,036</b>	<b>25,652</b>	<b>3,545,688</b>	<b>3,661,724</b>
Revenues over (under) expenditures	(5,888,432)	(1,341,280)	(17,001)	(1,358,281)	4,530,151
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	3,211,159	51,474	-	51,474	(3,159,685)
Transfers to other funds	(79,420)	-	-	-	79,420
Principal payoff on IRB I	-	(1,098,980)	-	(1,098,980)	(1,098,980)
Loan proceeds - IRB II	2,756,693	2,468,206	-	2,468,206	(288,487)
<b>Total other financing sources (uses)</b>	<b>5,888,432</b>	<b>1,420,700</b>	<b>-</b>	<b>1,420,700</b>	<b>(4,467,732)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 79,420</b>	<b>(17,001)</b>	<b>\$ 62,419</b>	<b>\$ 62,419</b>
<b>Fund Balance:</b>					
Beginning of year - July 1				79,420	
End of year - June 30				\$ 62,419	

**Beaufort County, North Carolina**  
**BCCC Project Fund Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2015**  
**Schedule 19**

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
<b>Revenues:</b>					
Grants	\$ 2,500,000	\$ 2,499,999	\$ -	\$ 2,499,999	\$ (1)
Investment earnings	514	515	-	515	1
Miscellaneous	122,066	122,066	-	122,066	-
<b>Total revenues</b>	<b>2,622,580</b>	<b>2,622,580</b>	<b>-</b>	<b>2,622,580</b>	<b>-</b>
<b>Expenditures:</b>					
Economic and physical development					
Construction	5,731,799	5,731,799	-	5,731,799	-
Principal payment	570,715	570,715	-	570,715	-
<b>Total expenditures</b>	<b>6,302,514</b>	<b>6,302,514</b>	<b>-</b>	<b>6,302,514</b>	<b>-</b>
Revenues over (under) expenditures	(3,679,934)	(3,679,934)	-	(3,679,934)	-
<b>Other Financing Sources (Uses)</b>					
USDA loan issued	3,802,000	3,802,000	-	3,802,000	-
Transfers (to)/from other funds	(122,066)	-	(122,066)	(122,066)	-
<b>Total other financing sources (uses)</b>	<b>3,679,934</b>	<b>3,802,000</b>	<b>(122,066)</b>	<b>3,679,934</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 122,066</b>	<b>(122,066)</b>	<b>\$ -</b>	<b>-</b>
<b>Fund Balance:</b>					
Beginning of year - July 1			122,066		
End of year - June 30			\$ -		

**Beaufort County, North Carolina**  
**Water District I Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 20**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales		\$ 732,425		\$ 715,521
Tap on fees		20,475		14,542
Miscellaneous		28,390		27,677
Total operating revenues	\$ 708,920	781,290	\$ 72,370	757,740
<b>Expenditures:</b>				
Administration:				
Supplies		3,687		892
Telephone		3,593		-
Travel		8,523		10,348
Utilities		12,510		11,643
Other administration expenses		9,009		12,191
Total	28,307	37,322	(9,015)	35,074
Water treatment and distribution				
Salaries and employee benefits		126,824		125,945
Water purchase		114,339		110,002
Supplies		19,998		580
Maintenance		12,938		58,970
Other expenses		56,401		24,437
Total	378,934	330,500	48,434	319,934
Budgetary appropriations:				
Interest, fees, and amortization		190,263		190,263
Total	306,597	190,263	116,334	190,263
Total expenditures	713,838	558,085	155,753	545,271
Revenues over (under) expenditures	(4,918)	223,205	228,123	212,469
<b>Other financing sources (uses):</b>				
Appropriated fund balance	4,918	-	(4,918)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	223,205	\$ 223,205	\$ 212,469

**Beaufort County, North Carolina**  
**Water District I Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 20**

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

Revenues over (under) expenditures	223,205
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Reconciling items:	
Depreciation	(196,660)
Amortization	9,746
Capital contribution	2,160,550
Sales tax refunds	43,119
Contributions to the pension plan in the current fiscal year	6,821
Pension expense	(744)
(Increase) decrease in accrued vacation payable	(778)
(Increase) decrease in other postemployment benefits	(1,156)
Change in net position	<u>\$ 2,244,103</u>

**Beaufort County, North Carolina**  
**Water District I Capital Project Fund Northside to Southside**  
**Connectivity Project Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**From Inception and For the Fiscal Year Ended June 30, 2015**  
**Schedule 21**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
Restricted intergovernmental:					
NC Department of Environment and Natural Resources	\$ 2,400,000	\$ -	\$ 2,160,550	\$ 2,160,550	\$ (239,450)
Other	90,000	-	43,119	43,119	(46,881)
<b>Total revenues</b>	<b>2,490,000</b>	<b>-</b>	<b>2,203,669</b>	<b>2,203,669</b>	<b>(286,331)</b>
<b>EXPENDITURES:</b>					
Engineering	366,802	352,900	141,631	494,531	(127,729)
Construction	5,261,616	603,187	2,398,967	3,002,154	2,259,462
Land purchase	120,700	103,200	10,103	113,303	7,397
Interest	150,000	-	-	-	150,000
Other	140,882	40,249	2,601	42,850	98,032
<b>Total expenditures</b>	<b>6,040,000</b>	<b>1,099,536</b>	<b>2,553,302</b>	<b>3,652,838</b>	<b>2,387,162</b>
<b>Revenues over (under) expenditures</b>	<b>(3,550,000)</b>	<b>(1,099,536)</b>	<b>(349,633)</b>	<b>(1,449,169)</b>	<b>2,100,831</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
DWSRF Revolving loan	1,100,000	949,341	150,659	1,100,000	-
Transfers (to)/from other funds	2,450,000	-	-	-	(2,450,000)
<b>Total other financing sources (uses)</b>	<b>3,550,000</b>	<b>949,341</b>	<b>150,659</b>	<b>1,100,000</b>	<b>(2,450,000)</b>
<b>Revenues and other sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (150,195)</b>	<b>\$ (198,974)</b>	<b>\$ (349,169)</b>	<b>\$ (349,169)</b>

**Beaufort County, North Carolina**  
**Water District II Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 22**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales		\$ 826,833		\$ 820,564
Tap on fees		11,875		12,200
Miscellaneous		30,317		29,042
Total operating revenues	\$ 888,200	869,025	\$ (19,175)	861,806
<b>Expenditures:</b>				
Administration:				
Supplies		5,523		1,337
Telephone		5,516		5,021
Travel		12,769		15,503
Utilities		18,287		17,555
Other administration expenses		13,497		13,244
Total	41,359	55,592	(14,233)	52,660
Water treatment and distribution				
Salaries and employee benefits		203,340		190,666
Water purchase		179,050		172,260
Supplies		29,959		867
Maintenance		18,575		88,349
Other expenses		81,691		34,974
Total	683,752	512,615	171,137	487,116
Budgetary appropriations:				
Interest, fees, and amortization		138,150		138,150
Total	170,457	138,150	32,307	138,150
Total expenditures	895,568	706,357	189,211	677,926
Revenues over (under) expenditures	(7,368)	162,668	170,036	183,880
<b>Other financing sources (uses):</b>				
Appropriated fund balance	7,368	-	(7,368)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	162,668	\$ 162,668	\$ 183,880

**Beaufort County, North Carolina**  
**Water District II Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 22**

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

Revenues over (under) expenditures	162,668
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Reconciling items:	
Depreciation	(294,628)
Amortization	14,635
Contributions to the pension plan in the current fiscal year	10,218
Pension expense	(1,115)
(Increase) decrease in accrued vacation payable	(1,165)
(Increase) decrease in other postemployment benefits	(1,668)
Change in net position	\$ (111,055)

**Beaufort County, North Carolina**  
**Water District III Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 23**

	2015		2014	
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales		\$ 948,321		\$ 959,368
Tap on fees		16,750		16,000
Miscellaneous		26,049		25,139
Total operating revenues	\$ 973,500	991,120	\$ 17,620	1,000,507
<b>Expenditures:</b>				
Administration:				
Supplies		5,560		1,348
Telephone		5,425		5,061
Travel		12,870		15,627
Utilities		17,974		17,374
Other administration expenses		13,604		4,995
Total	41,513	55,433	(13,920)	44,405
Water treatment and distribution				
Salaries and employee benefits		191,095		190,208
Water purchase		175,279		168,632
Supplies		30,198		44,605
Maintenance		20,215		44,449
Other expenses		105,232		45,584
Total	702,525	522,019	180,506	493,478
Budgetary appropriations:				
Principal payments on long term debt		39,300		24,300
Interest, fees, and amortization		32,799		308,749
Total	236,889	72,099	164,790	333,049
Total expenditures	980,927	649,551	331,376	870,932
Revenues over (under) expenditures	(7,427)	341,569	348,996	129,575
<b>Other financing sources (uses):</b>				
Appropriated fund balance	7,427	-	(7,427)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	341,569	\$ 341,569	\$ 129,575

**Beaufort County, North Carolina**  
**Water District III Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 23**

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

Revenues over (under) expenditures	341,569
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Reconciling items:	
Depreciation	(296,978)
Amortization	14,752
Debt principal	39,300
Contributions to the pension plan in the current fiscal year	10,300
Pension expense	(1,122)
(Increase) decrease in accrued vacation payable	(1,174)
(Increase) decrease in other postemployment benefits	(1,697)
Change in net position	\$ 104,950

**Beaufort County, North Carolina**  
**Water District IV Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 24**

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales		\$ 1,054,420		\$ 1,066,073
Tap on fees		19,339		16,775
Miscellaneous		23,714		19,041
Total operating revenues	\$ 1,063,100	1,097,473	\$ 34,373	1,101,889
<b>Expenditures:</b>				
Administration:				
Supplies		5,733		1,388
Telephone		5,585		5,212
Travel		13,255		16,093
Utilities		18,809		18,181
Other administration expenses		14,010		3,981
Total	43,333	57,392	(14,059)	44,855
Water treatment and distribution				
Salaries and employee benefits		197,022		196,106
Water purchase		182,896		175,960
Supplies		31,099		45,935
Maintenance		24,528		27,013
Other expenses		85,598		66,904
Total	714,429	521,143	193,286	511,918
Budgetary appropriations:				
Principal payments on long term debt		5,000		-
Interest, fees, and amortization		411,675		137,225
Total	312,987	416,675	(103,688)	137,225
Total expenditures	1,070,749	995,210	75,539	693,998
Revenues over (under) expenditures	(7,649)	102,263	109,912	407,891
<b>Other financing sources (uses):</b>				
Appropriated fund balance	7,649	-	(7,649)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	102,263	\$ 102,263	\$ 407,891

**Beaufort County, North Carolina**  
**Water District IV Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 24**

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

Revenues over (under) expenditures	102,263
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Reconciling items:	
Depreciation	(305,835)
Amortization	15,192
Debt principal	5,000
Contributions to the pension plan in the current fiscal year	10,607
Pension expense	(1,157)
(Increase) decrease in accrued vacation payable	(1,209)
(Increase) decrease in other postemployment benefits	(1,702)
Change in net position	\$ (176,841)

**Beaufort County, North Carolina**  
**Water District V Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 25**

	2015		2014	
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales		\$ 475,330		\$ 473,837
Tap on fees		6,750		7,700
Miscellaneous		8,626		9,269
Total operating revenues	\$ 498,230	490,706	\$ (7,524)	490,806
<b>Expenditures:</b>				
Administration:				
Supplies		2,477		600
Telephone		2,662		2,251
Travel		5,727		6,953
Utilities		8,245		7,970
Other administration expenses		6,053		1,719
Total	17,602	25,164	(7,562)	19,493
Water treatment and distribution				
Salaries and employee benefits		85,329		84,928
Water purchase		80,022		76,987
Supplies		14,082		19,845
Maintenance		10,626		19,776
Other expenses		31,793		21,294
Total	304,391	221,852	82,539	222,830
Budgetary appropriations:				
Principal payments on long term debt		32,225		32,225
Interest, fees, and amortization		132,825		133,861
Total	179,541	165,050	14,491	166,086
Total expenditures	501,534	412,066	89,468	408,409
Revenues over (under) expenditures	(3,304)	78,640	81,944	82,397
<b>Other financing sources (uses):</b>				
Appropriated fund balance	3,304	-	(3,304)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	78,640	\$ 78,640	\$ 82,397

**Beaufort County, North Carolina**  
**Water District V Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 25**

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

Revenues over (under) expenditures	78,640
<hr/>	
Reconciling items:	
Depreciation	(132,131)
Amortization	6,563
Debt principal	32,225
Contributions to the pension plan in the current fiscal year	4,583
Pension expense	(502)
(Increase) decrease in accrued vacation payable	(522)
(Increase) decrease in other postemployment benefits	(779)
Change in net position	\$ (11,923)

**Beaufort County, North Carolina**  
**Water District VI Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 26**

	2015		2014	
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales		\$ 1,140,668		\$ 1,145,016
Tap on fees		25,725		17,400
Miscellaneous		45,652		31,823
Total operating revenues	\$ 1,144,800	1,212,045	\$ 67,245	1,194,239
<b>Expenditures:</b>				
Administration:				
Supplies		6,803		1,646
Telephone		6,630		6,185
Travel		15,730		19,099
Utilities		62,316		60,986
Other administration expenses		16,626		36,094
Total	63,459	108,105	(44,646)	124,010
Water treatment and distribution				
Salaries and employee benefits		233,707		232,621
Water purchase		22,626		21,768
Supplies		37,245		54,513
Maintenance		32,817		65,871
Other expenses		104,540		131,104
Total	517,549	430,935	86,614	505,877
Budgetary appropriations:				
Principal payments on long term debt		165,000		-
Interest, fees, and amortization		379,731		379,731
Total	584,531	544,731	39,800	379,731
Total expenditures	1,165,539	1,083,771	81,768	1,009,618
Revenues over (under) expenditures	(20,739)	128,274	149,013	184,621
<b>Other financing sources (uses):</b>				
Appropriated fund balance	20,739	-	(20,739)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	128,274	\$ 128,274	\$ 184,621

**Beaufort County, North Carolina**  
**Water District VI Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 26**

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

Revenues over (under) expenditures	128,274
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Reconciling items:	
Depreciation	(362,953)
Amortization	18,029
Debt principal	165,000
Capital contributions	2,335,080
Sales tax revenue	82,800
Contributions to the pension plan in the current fiscal year	12,588
Pension expense	(1,374)
(Increase) decrease in accrued vacation payable	(1,435)
(Increase) decrease in other postemployment benefits	(1,761)
Change in net position	\$ 2,374,248

**Beaufort County, North Carolina**  
**Water District VI Capital Project Fund Chocowinity Schedule of**  
**Revenues and Expenditures Budget and Actual (Non-GAAP)**  
**From Inception and For the Fiscal Year Ended June 30, 2015**  
**Schedule 27**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
NC Department of Environment and Natural Resources	\$ 2,400,000	\$ -	\$ 2,335,080	\$ 2,335,080	\$ (64,920)
Other	10,000	-	82,800	82,800	72,800
Total revenues	2,410,000	-	2,417,880	2,417,880	7,880
<b>Expenditures:</b>					
Engineering	574,467	280,014	-	280,014	294,453
Construction	2,976,308	772,537	2,532,285	3,304,822	(328,514)
Contingency	54,760	-	-	-	54,760
Other	4,465	27,567	2,360	29,927	(25,462)
Total expenditures	3,610,000	1,080,118	2,534,645	3,614,763	(4,763)
Revenues over (under) expenditures	(1,200,000)	(1,080,118)	(116,765)	(1,196,883)	3,117
<b>Other financing sources (uses):</b>					
DWSRF Revolving loan	1,100,000	1,020,582	79,418	1,100,000	-
Transfers (to)/from other funds	100,000	109,312	-	109,312	9,312
Total other financing sources (uses)	1,200,000	1,129,894	79,418	1,209,312	9,312
Revenues and other sources over (under) expenditures	\$ -	\$ 49,776	\$ (37,347)	\$ 12,429	\$ 12,429

**Beaufort County, North Carolina**  
**Water District VII Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 28**

	2015		2014	
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales		\$ 620,446		\$ 628,080
Tap on fees		7,863		5,000
Miscellaneous		21,951		22,502
Total operating revenues	\$ 671,500	650,260	\$ (21,240)	655,582
<b>Expenditures:</b>				
Administration:				
Supplies		4,094		1,001
Telephone		3,985		3,721
Travel		9,766		11,489
Utilities		32,008		35,755
Other administration expenses		10,004		21,353
Total	38,264	59,857	(21,593)	73,319
Water treatment and distribution				
Salaries and employee benefits		140,578		139,926
Supplies		22,204		32,793
Maintenance		19,200		39,628
Other expenses		62,521		9,537
Total	420,579	244,503	176,076	221,884
Budgetary appropriations:				
Interest, fees, and amortization		194,174		194,175
Total	218,118	194,174	23,944	194,175
Total expenditures	676,961	498,534	178,427	489,378
Revenues over (under) expenditures	(5,461)	151,726	157,187	166,204
<b>Other financing sources (uses):</b>				
Appropriated fund balance	5,461	-	(5,461)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	151,726	\$ 151,726	\$ 166,204

**Beaufort County, North Carolina**  
**Water District VII Fund Schedule of Revenues and**  
**Expenditures Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**  
**With Comparative Amounts For the Year Ended June 30, 2014**  
**Schedule 28**

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

Revenues over (under) expenditures	151,726
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Reconciling items:	
Depreciation	(218,350)
Amortization	10,846
Contributions to the pension plan in the current fiscal year	7,573
Pension expense	(826)
(Increase) decrease in accrued vacation payable	(863)
(Increase) decrease in other postemployment benefits	(1,184)
Change in net position	\$ (51,078)
<hr/>	

**Beaufort County, North Carolina**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2015**  
**Schedule 29**

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
<b>Social Services Trust Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 57,604	\$ 512,561	\$ 517,193	\$ 52,972
Liabilities:				
Accounts payable	\$ 57,604	\$ 512,561	\$ 517,193	\$ 52,972
<b>Sheriff Accounts:</b>				
Assets:				
Cash and cash equivalents	\$ 15,807	\$ 248,460	\$ 257,211	\$ 7,056
Liabilities:				
Accounts payable	\$ 15,807	\$ 248,460	\$ 257,211	\$ 7,056
<b>Beaufort County Home Foundation:</b>				
Assets:				
Cash and cash equivalents	\$ 62,646	\$ 50	\$ -	\$ 62,696
Liabilities:				
Accounts payable	\$ 62,646	\$ 50	\$ -	\$ 62,696
<b>Tax Collection Fund:</b>				
Assets:				
Taxes receivable	\$ 641,618	\$ 98,260	\$ 265,622	\$ 474,256
Liabilities:				
Intergovernmental payable	\$ 641,618	\$ 98,260	\$ 265,622	\$ 474,256
<b>Drainage Assessments:</b>				
Assets:				
Taxes receivable	\$ 992	\$ -	\$ 605	\$ 387
Assessments receivable	51,955	38,254	-	90,209
Total assets	52,947	38,254	605	90,596
Liabilities:				
Intergovernmental payable	\$ 52,947	\$ 38,254	\$ 605	\$ 90,596

**Beaufort County, North Carolina**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2015**  
**Schedule 29**

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
<b>4-H:</b>				
Assets:				
Cash and cash equivalents	\$ 14,459	\$ 104,916	\$ 110,690	\$ 8,685
Liabilities:				
Accounts payable	\$ 14,459	\$ 104,916	\$ 110,690	\$ 8,685
<b>Cooperative Extension:</b>				
Assets:				
Cash and cash equivalents	\$ 27,616	\$ 49,571	\$ 32,365	\$ 44,822
Liabilities:				
Accounts payable	\$ 27,616	\$ 49,571	\$ 32,365	\$ 44,822
<b>Total - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 178,132	\$ 915,558	\$ 917,459	\$ 176,231
Taxes receivable	642,610	98,260	266,227	474,643
Assetsments receivable	51,955	38,254	-	90,209
<b>Total assets</b>	<b>\$ 872,697</b>	<b>\$ 1,052,072</b>	<b>\$ 1,183,686</b>	<b>\$ 741,083</b>
Liabilities:				
Accounts payable	\$ 872,697	\$ 1,052,072	\$ 1,183,686	\$ 741,083

**Beaufort County, North Carolina**  
**General Fund Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2015**  
**Schedule 30**

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014 - 2015	\$ -	\$ 31,622,348	\$ 30,824,256	\$ 798,092
2013 - 2014	960,624	-	600,038	360,586
2012 - 2013	374,826	-	137,993	236,833
2011 - 2012	233,998	-	68,855	165,143
2010 - 2011	155,588	-	38,062	117,526
2009 - 2010	141,516	-	29,891	111,625
2008 - 2009	121,845	-	17,656	104,189
2007 - 2008	127,215	-	11,590	115,625
2006 - 2007	113,472	-	8,018	105,454
2005 - 2006	102,836	-	5,845	96,991
2004 - 2005	93,936	-	93,936	-
	<u>2,425,856</u>	<u>31,622,348</u>	<u>31,836,140</u>	<u>2,212,064</u>
Less: Allowance for uncollectible accounts:				
General Fund				618,293
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 1,593,771</u>
<u>Reconciliation with revenues</u>				
Ad valorem taxes - General Fund				\$ 32,090,979
Reconciling items:				
Interest collected				(339,868)
Taxes written off				86,141
Discoveries and adjustments				(1,112)
<u>Total collections and credits</u>				<u>\$ 31,836,140</u>

**Beaufort County, North Carolina**  
**County-Wide Levy Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2015**  
**Schedule 31**

	County Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 5,959,668,868	0.53	\$ 31,586,245	\$ 29,360,080	\$ 2,226,165
Total	5,959,668,868		31,586,245	29,360,080	2,226,165
Discoveries:					
Current year taxes	20,774,528	0.53	110,105	110,105	-
Penalties	-		14,520	14,520	-
Abatements	(16,702,264)	0.53	(88,522)	(88,522)	-
Total property valuation	\$ 5,963,741,132				
Net Levy			31,622,348	29,396,183	2,226,165
Current year's taxes collected			30,824,256	28,606,959	2,217,297
Uncollected taxes at June 30, 2015			\$ 798,092	\$ 789,224	\$ 8,868
Current levy collection percentage			97.48%	97.32%	99.60%

**Beaufort County, North Carolina**  
**Ten Largest Taxpayers**  
**For the Fiscal Year Ended June 30, 2014**  
**Schedule 32**

Taxpayer	Type of Business	Valuation	Percentage of Total Assessed Valuation
PCS Phosphate Company Inc	Phosphate Mining/Acid Production	\$ 948,547,473	17.49%
Weyerhaeuser Co	Tree Farm Operation	119,065,756	2.20%
Purified Acid Partnership	Acid Production	84,468,171	1.56%
Tideland Electric Membership	Utilities	29,769,459	0.55%
Flanders Filters Inc	Manufacturing	17,165,308	0.32%
Alabama Carbon LLC	Agricultural	13,938,318	0.26%
Fountain Powerboats Inc	Boat Manufacturing	12,990,346	0.24%
Carolina Telephone & Telegraph	Utilities	12,833,937	0.24%
Clarcor (Former Stanadyne)	Automotive Diesel Components	9,755,569	0.18%
Duke Progress Energy	Utilities	9,002,278	0.17%



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

**Independent Auditors' Report**

To the Board of Commissioners  
Beaufort County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Beaufort County, North Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises Beaufort County's basic financial statements, and have issued our report thereon dated February 1, 2016. Our audit includes a reference to other auditors who audited the financial statements of the Beaufort County ABC Board, as described in our report on Beaufort County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Beaufort County ABC Bard were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies, described in the accompanying schedule of findings and questioned costs, listed as items 15-1 through 15-8, to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies, described in the accompanying schedule of findings and questioned costs, listed as items 15-9 and 15-10, to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaufort County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 15-11 through 15-13.

#### Beaufort County's Responses to Findings

Beaufort County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Beaufort County's responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Belhaven, North Carolina  
February 1, 2016



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**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**

**Independent Auditor's Report**

To the Board of Commissioners  
Beaufort County, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Beaufort County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Beaufort County's major federal programs for the year ended June 30, 2015. Beaufort County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Beaufort County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Beaufort County's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Beaufort County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 15-11 and 15-12. Our opinion on each major federal program is not modified with respect to these matters.

Beaufort County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Beaufort County's responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of Beaufort County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Beaufort County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Beaufort County's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 15-11 and 15-12, that we consider to be significant deficiencies.

Beaufort County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Beaufort County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Belhaven, North Carolina

February 1, 2016



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**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**

**Independent Auditor's Report**

To the Board of Commissioners  
Beaufort County, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Beaufort County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Beaufort County's major state programs for the year ended June 30, 2015. Beaufort County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Beaufort County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Beaufort County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### **Opinion on Each Major State Program**

In our opinion, Beaufort County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as items 15-11 and 15-13. Our opinion on each major state program is not modified with respect to these matters.

Beaufort County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Beaufort County's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Beaufort County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Beaufort County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Beaufort County's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 15-11 and 15-13, that we consider to be significant deficiencies.

Beaufort County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Beaufort County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Belhaven, North Carolina  
February 1, 2016

**Beaufort County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?   X   Yes        No

Significant deficiency(ies) identified that are not considered to be material weaknesses   X   Yes        None Reported

Noncompliance material to financial statements noted        Yes   X   No

*Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses   X   Yes        None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133   X   Yes        No

Identification of major federal programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
93.558	Subsidized Child Care Cluster
93.575	
93.596	
93.658	
66.468	Drinking Water State Revolving Fund
93.778	Title XIX - Medicaid

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,926,421

Auditee qualified as low-risk Auditee?        Yes   X   No

**Beaufort County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

*State Awards*

Internal control over major State programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weaknesses  Yes  None Reported

Noncompliance material to State award  Yes  No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133  Yes  No

Identification of major State programs

- Name of State Program or Cluster
- Medical Assistance
- Public School Building Capital Fund
- Drinking Water State Revolving Fund
- Subsidized Child Care Cluster

**Beaufort County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

**Section II - Financial Statement Findings**

**Material Weaknesses**

**15-1 Prior Period Adjustment - Governmental Funds - Administrative Building**

Criteria: The County should review their accounting records to ensure that all Construction in Progress is removed at the close of a project.

Condition: The County conducted an energy improvement study and upgrades consisting of small items such as motion sensor light switches and "smart" thermostats. The costs were reported as Construction in Progress until the project was complete. The project closed as of June 30, 2014. However, the associated costs were not removed from Construction in Progress. It was determined that these costs should have been expensed.

Effect: Fund balance in the governmental funds was overstated by \$2,155,000 in the prior year.

Cause: The County did not thoroughly review their accounting records at year end to determine if Construction in Progress was accurately classified.

Recommendation: The County should thoroughly review all accounting records at year end for all funds to determine if they are accurately classified.

Views of responsible officials and planned corrective action: The County agrees with this finding and will put procedures in place to ensure that accounting records are thoroughly reviewed at year end.

**15-2 Prior Period Adjustment - Proprietary Funds - Water Districts I-VII**

Criteria: The County should review their accounting records to ensure that all allowance accounts for the proprietary funds are accurately and timely updated at year end.

Condition: The County's allowance accounts for doubtful receivables in the proprietary funds were not updated at year end.

Effect: Fund balance in the proprietary funds was understated by \$199,933 in the prior year.

Cause: The County did not thoroughly review their accounting records at year end to determine if the allowance accounts for the proprietary funds were accurate.

Recommendation: The County should thoroughly review all accounting records at year end for all funds to determine if they are accurate.

Views of responsible officials and planned corrective action: The County agrees with this finding and will put procedures in place to ensure that accounting records are thoroughly reviewed at year end.

**Beaufort County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

**15-3 Prior Period Adjustment - Proprietary Funds - Water Districts VI and VII**

Criteria: The County should review their accounting records to ensure that all revenues and receivables are accurately recorded.

Condition: The County did not record unbilled revenues and receivables for Water Districts VI and VII at year end.

Effect: Fund balance in the Water Districts VI and VII was understated by \$107,408 in the prior year.

Cause: The County did not thoroughly review their accounting records at year end to determine if they were accurate.

Recommendation: The County should thoroughly review all accounting records at year end for all funds to determine if they are accurate.

Views of responsible officials and planned corrective action: The County agrees with this finding and will put procedures in place to ensure that accounting records are thoroughly reviewed at year end.

**15-4 Prior Period Adjustment - Proprietary Funds - Capital Projects Water Districts I and VI**

Criteria: The County should review their accounting records to ensure that all accounts receivables, accounts payables, retainage payables, revenues, and expenditures are accurately recorded.

Condition: There were accounts receivables, accounts payables, retainage payables, revenues, and expenditures in the funds for the Water Districts I and VI Capital Projects that were not recorded in the prior year.

Effect: Fund balance in the funds for the Water District I Projects and Water District VI Projects were overstated in the prior year by \$28,449 and \$2,148, respectively.

Cause: The County did not thoroughly review their accounting records at year end to determine if they were accurate.

Recommendation: The County should thoroughly review all accounting records at year end for all funds to determine if they are accurate.

Views of responsible officials and planned corrective action: The County agrees with this finding and will put procedures in place to ensure that accounting records are thoroughly reviewed at year end.

**Beaufort County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

**15-5 Prior Period Adjustment - General Fund**

Criteria: The County should review their accounting records to ensure that all revenues and receivables are accurately recorded.

Condition: The County's records contained receivables that should have been removed in the prior year.

Effect: The County's fund balance and accounts receivables in the General Fund were overstated by \$199,492 in the prior year.

Cause: The County did not thoroughly review their accounting records at year end to determine if they were accurate.

Recommendation: The County should thoroughly review all accounting records at year end for all funds to determine if they are accurate.

Views of responsible officials and planned corrective action: The County agrees with this finding and will put procedures in place to ensure that accounting records are thoroughly reviewed at year end.

**15-6 Prior Period Adjustment - General Fund**

Criteria: The County should review their accounting records to ensure that all revenues and receivables are accurately recorded.

Condition: The County did not record the final payment as a revenue and receivable in the prior year for the Sales and Use Tax.

Effect: The County's accounts receivable, fund balance, and revenue in the General fund was understated by \$770,058, \$620,433, and \$148,625, respectively.

Cause: The County did not thoroughly review their accounting records at year end to determine if they were accurate.

Recommendation: The County should thoroughly review all accounting records at year end for all funds to determine if they are accurate.

Views of responsible officials and planned corrective action: The County agrees with this finding and will put procedures in place to ensure that accounting records are thoroughly reviewed at year end.

**Beaufort County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

**15-7 Cash Reconciliation**

Criteria: Bank accounts should be reconciled with cash balances on the County's general ledger on a timely basis.

Condition: The County did not properly reconcile their bank balances with their general ledger accounts at year end.

Effect: The County's cash was not properly reconciled with the general ledger.

Cause: The County did not have adequate procedures in place to ensure that its cash transactions were properly recorded and that these transactions were reconciled with the bank account balances.

Recommendation: The County should put procedures in place to ensure that all cash transactions are recorded to the general ledger and reconciled with the bank account balance on a monthly basis.

Views of responsible officials and planned corrective action: The County agrees with this finding and will put procedures in place to ensure that the bank accounts are reconciled with the appropriate general ledger accounts on a monthly basis.

**15-8 Booking of Accounts Receivables in the General Fund**

Criteria: The County should review their accounting records to ensure that all accounts receivables are accurately recorded.

Condition: A material receivable was not recorded at year end.

Effect: The County's accounting records were not accurately recorded.

Cause: The County did not thoroughly review their accounting records at year end to determine if they were accurate.

Recommendation: The County should thoroughly review all accounting records at year end for all funds to determine if they are accurate.

Views of responsible officials and planned corrective action: The County agrees with this finding and will put procedures in place to ensure that accounting records are thoroughly reviewed at year end.

**Beaufort County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

**Significant Deficiencies**

**15-9 Information Provided to Actuary**

Criteria: The County should provide accurate information to the actuary performing the annual studies for the County's Other Postemployment Benefits and the County's Law Enforcement Officers' Special Separation Allowance.

Condition: The County submitted inaccurate information regarding the number of participants and compensation for both studies. For the County's Law Enforcement Officers' Special Separation Allowance, an incorrect amount for the monthly benefit of one participant tested in our sample was provided.

Effect: The actuarial study could yield inaccurate amounts.

Cause: The County's payroll system extracted inaccurate data and the information was not reviewed in detail prior to its submission.

Recommendation: The County should perform a detail review on all information submitted to the actuary.

Views of responsible officials and planned corrective action: The County agrees with the finding and management will put procedures in place to ensure that all information submitted to the actuary is accurate.

**15-10 Incorrect Recording of Payroll Liabilities**

Criteria: The County should review supporting documentation for all adjusting journal entries to ensure that the adjustment is necessary and accurate.

Condition: The County posted a journal entry that reduced its accounts receivable balances and its payroll liability balances. The entry was incorrect and should not have been posted.

Effect: The County's accounts receivable balances and payroll liability balances were understated.

Cause: The County posted the entry in error.

Recommendation: Supporting documentation for all adjusting journal entries should be thoroughly reviewed to ensure that the adjustment is necessary and accurate.

Views of responsible officials and planned corrective action: The County agrees with the finding and management will put procedures in place to ensure that supporting documentation for all adjusting journal entries is thoroughly reviewed prior to posting the entry.

**Beaufort County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

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

**Significant Noncompliance**

**15-11 Three Day Rule**

Criteria: All requisitioned Drinking Water State Revolving Loan Fund funds must be expended within three banking days following a receipt of funds.

Condition: There were several instances in which the County received Drinking Water State Revolving Fund funds and the funds were not expended within three banking days.

Effect: The County was not in compliance with the program's cash management requirements.

Cause: The County was unaware that the funds had been deposited.

Recommendation: The County should monitor its checking account daily after requisitions are sent to the State Agency. When the deposit is received, checks should be written and mailed to vendors.

Views of responsible officials and planned corrective action: The County agrees with this finding and management will put procedures in place to ensure that Drinking Water State Revolving Fund funds are disbursed within three banking days of receipt.

**15-12 Vendor Monitoring**

Criteria: The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) requires that local agencies perform onsite monitoring on all new vendors and also perform onsite monitoring on a minimum of a third of the existing vendors on an annual basis.

Condition: For the state's fiscal year ended September 30, 2014, the compliance requirement was not met.

Effect: Vendors might not be providing WIC participants with the level of service that the program requires.

Cause: Due to the transition to the Crossroads program, there was not sufficient staff time to complete vendor monitoring.

Recommendation: The County should put procedures in place to ensure that the staff has adequate time to fulfill its compliance requirements.

Views of responsible officials and planned corrective action: The County agrees with this finding and will put procedures in place to ensure that compliance requirements are fulfilled in the future.

**Beaufort County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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

**Significant Noncompliance**

**See Finding 15-11**

**15-13 In-Home Aid Costs**

Criteria: Overhead costs for in-home aides should be reported on the DSS-1571, Part II using the appropriate code.

Condition: The reimbursement request for State In-Home was improperly calculated on the DSS-1571, Part II as required.

Effect: Overhead costs were over reported.

Cause: There was a malfunction in the spreadsheet used to perform the calculation.

Recommendation: Someone should periodically review the County's spreadsheets to ensure that links are functioning properly and that information is accurately calculation and transmitted.

Views of responsible officials and planned corrective action: The County agrees with this finding and will put procedures in place to ensure that all spreadsheet are reviewed for proper functionality in the future.

**Beaufort County, North Carolina  
Corrective Action Plan  
For the Year Ended June 30, 2015**

**Section II - Financial Statement Findings**

**Material Weaknesses**

**15-1 Prior Period Adjustment - Governmental Funds - Administrative Building**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement a procedure to review all of their accounting records on a periodic basis to determine if they are accurate.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**15-2 Prior Period Adjustment - Proprietary Funds - Water Districts I-VII**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement a procedure to review all of their accounting records on a periodic basis to determine if they are accurate.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**15-3 Prior Period Adjustment - Proprietary Funds - Water Districts VI and VII**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement a procedure to review all of their accounting records on a periodic basis to determine if they are accurate.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**15-4 Prior Period Adjustment - Proprietary Funds - Capital Projects Water Districts I and VII**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement a procedure to review all of their accounting records on a periodic basis to determine if they are accurate.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**15-5 Prior Period Adjustment - General Fund**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement a procedure to review all of their accounting records on a periodic basis to determine if they are accurate.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**Beaufort County, North Carolina**  
**Corrective Action Plan**  
**For the Year Ended June 30, 2015**

**15-6 Prior Period Adjustment - General Fund**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement a procedure to review all of their accounting records on a periodic basis to determine if they are accurate.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**15-7 Cash Reconciliation**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement procedures to ensure that the bank account balances are reconciled to the general ledger accounts on a monthly basis.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**15-8 Booking of Accounts Receivables in the General Fund**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement procedures to ensure that all accounting records are reviewed for accuracy at year end.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**Significant Deficiencies**

**15-9 Information Provided to Actuary**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement procedures to ensure that information is reviewed for accuracy before it is sent to actuaries.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**15-10 Incorrect Recording of Payroll Liabilities**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement procedures to ensure that all accounting records are reviewed for accuracy at year end.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**Beaufort County, North Carolina  
Corrective Action Plan  
For the Year Ended June 30, 2015**

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

**Significant Noncompliance**

**15-11 Three Day Rule**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement procedures to ensure that Drinking Water State Revolving funds are disbursed within three banking days of receipt.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**15-12 Vendor Monitoring**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement procedures to ensure that the staff has adequate time to fulfill its compliance requirements.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

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

**Significant Noncompliance**

**See Finding 15-11**

**15-13 In-Home Aid Costs**

Name of Contact Person: Brian Alligood, County Manager

Corrective Action: The County will implement procedures to ensure that spreadsheets are reviewed regularly for functionality.

Proposed Completion Date: The Board agrees with this finding and has begun the implementation process.

**Beaufort County, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2015**

**Findings:**

**2014-001 Preparation of Financial Statements**

Status: Corrected

**2014-002 Internal Control Over Journal Entry Process**

Status: Corrected

**2014-003 Turnover of Key Positions**

Status: Corrected

**2014-004 Significant Year-End Adjustments**

Status: See related findings and questioned costs.

**2014-005 Deficit Fund Balance in Net Position**

Status: Not Corrected

**2014-006 Non-Compliance with Budget Policy**

Status: Corrected

**2014-007 Untimely Financial Statement Preparation**

Status: Not Corrected

**2014-008 Delay of Account Reconciliations**

Status: See related findings and questioned costs.

**2014-009 Information Provided to Actuary**

Status: See 15-9

**Beaufort County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2015**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
<b>Federal Awards:</b>			
<u>U.S. Dept. of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed –through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Administration:			
<u>SNAP Cluster:</u>			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	\$ 508,379	\$ -
Fraud Administration	10.561	34,541	-
<b>Total SNAP</b>		<b>542,920</b>	<b>-</b>
Division of Public Health			
Administration:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	352,602	-
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	1,129,983	-
WIC Grants to States (WGS)	10.578	2,614	-
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	889	-
<b>Total U.S. Dept. of Agriculture</b>		<b>2,029,008</b>	<b>-</b>
<u>US Department of Justice</u>			
Bureau of Justice Assistance			
Direct Program:			
State Criminal Alien Assistance Program	16.606	3,665	-
<b>Total US Department of Justice</b>		<b>3,665</b>	<b>-</b>
<u>US Department of Homeland Security</u>			
<u>Administration on Aging</u>			
Passed-through Department of Public Safety:			
Division of Emergency Management:			
Federal Emergency Management Agency:			
Public Assistance Grants	97.036	586,602	-
Emergency Management Performance Grant	97.042	39,324	-
Hazardous Mitigation Grant	97.039	626,986	-
<b>Total US Department of Homeland Security</b>		<b>1,252,912</b>	<b>-</b>
<u>US Department of Education</u>			
Passed-through NC Department of Health and Human Services:			
Division of Public Health:			
Race to the Top - Early Learning College	84.412	87,734	-
<b>Total US Department of Education</b>		<b>87,734</b>	<b>-</b>

**Beaufort County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2015**

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
<u>US Department of Health and Human Services</u>			
Administration of Aging and Adult Services			
Passed-through Mid-East Commission			
Council of Government			
Aging Cluster:			
Access Title III-B	93.044	45,642	2,685
Congregate Nutrition:			
Title III-C1	93.045	59,867	3,522
Home Delivered Meals:			
Title III-C2	93.045	26,422	1,554
Total Aging Cluster		131,931	7,761
Social Services Block Grant	93.667	38,300	1,094
NSIP Supplement	10.570	13,139	-
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Work First Administration	93.558	163,043	-
Work First Service	93.558	657,391	-
TANF Direct Benefit Payments	93.558	329,635	-
Division of Public Health:			
Temporary Assistance for Needy Families	93.558	5,753	-
Total TANF Cluster		1,155,822	-
Division of Social Services:			
IV-D Offset Fees Federal	93.563	2,187	-
IV-D Administration	93.563	425,485	-
Low-Income Home Energy Assistance Block Grant:			
Administration	93.568	42,312	-
Crisis Intervention Payments	93.568	210,931	-
Energy Assistance	93.568	318,557	-
Permanency Planning - Families for Kids	93.645	12,462	-
CPS TANF to SSBG	93.667	39,072	-
In-Home Services	93.667	5,463	-
SSBG Other Services and Training	93.667	207,464	22,660
Independent Living Grant	93.674	15,981	3,995
Family Preservation	93.556	19,998	-
Total Division of Social Services		1,299,912	26,655
Foster Care and Adoption Cluster: (Note 2)			
Foster Care Administration			
Title IV-E Foster Care - CPS	93.658	39,583	57,974
Title IV-E Foster Care TRN	93.658	348	-
Title IV-E Foster Care/Off Trn	93.658	136,906	-
Title IV-E Foster Admin	93.658	47	-
Foster Care - Direct Benefit Payments:			
IV-E Admin County	93.658	5,311	2,656
IV-E Family Foster Max	93.658	100	-
IV-E Foster Care	93.658	81,531	21,139
IV-E Max Level III	93.658	3,681	-

**Beaufort County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2015**

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
Adoption Assistance - Administration			
IV-E Adoption Training	93.659	3,240	-
IV-E Adoption/Off TRN	93.659	3,725	-
IV-E Optional Adopt TRN 5	93.659	148	-
Adoption Assistance - Direct Benefit Payments	93.659	481,966	125,536
Total Foster Care and Adoption Cluster		756,586	207,305
Division of Child Development			
Subsidized Child Care Cluster: (See Note 2)			
Child Care Development Fund Cluster			
Division of Social Services:			
Child Care Development Fund - Administration	93.596	80,000	-
Division of Child Development			
Child Care and Development Fund - Discretionary	93.575	896,335	-
Child Care and Development Fund - Mandatory	93.596	267,397	-
Child Care and Development Fund - Match	93.596	481,536	206,935
Total Child Care Development Fund Cluster		1,725,268	206,935
Temporary Assistance for Needy Families (TANF)	93.558	226,616	-
Foster Care Title IV-E	93.658	18,885	9,781
State Appropriations	N/A	-	299,543
TANF - MOE	N/A	-	90,224
Total Child Care Development Fund Cluster		1,970,769	606,483
Centers for Medicare and Medicaid Services			
Passed-through the NC Department of Health and Human Services			
Medicaid Cluster:			
Division of Medical Assistance			
Direct Benefit Payment:			
Medical Assistance Program	93.778	49,528,925	27,470,588
Division of Social Services:			
Administration:			
Adult Care Home Case Management	93.778	8,986	4,493
Medical Administrative Claiming	93.778	116,226	-
Medical Assistance Administration	93.778	1,018,201	-
Medical Transportation Administration	93.778	78,564	-
Medical Transportation Service	93.778	3,298	1,710
State County Special Assistance	93.778	18,585	-
Total Medicaid Cluster		50,772,785	27,476,791
State Children's Health Insurance Program -			
NC Health Choice			
Administration	93.767	9,156	2,051
Direct Benefit Payments	93.767	692,974	220,832
Total Centers for Medicare and Medical Assistance		51,474,915	27,699,674

**Beaufort County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2015**

Grantor/Pass-through	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
<b>Division of Public Health:</b>			
Health Resources and Service Administration			
Passed-through NC Department of Health and Human Services			
Division on Public Health			
Hospital Preparedness Program and Public Health			
Emergency Preparedness Aligned Coop Agreements	93.074	34,719	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	28	-
Immunization Grant	93.268	13,560	-
Family Planning Services	93.217	51,130	-
Statewide Health Promotion Program	93.991	3,160	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	17,386	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	24,070	-
HIV Prevention Activities - Health Department Based	93.940	987	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	217	-
Maternal and Child Health Services Block Grant	93.994	64,925	48,700
<b>Total Division of Public Health</b>		<b>210,182</b>	<b>48,700</b>
<b>Total US Department of Health and Human Services</b>		<b>57,051,556</b>	<b>28,597,672</b>
<b>Department of Housing and Urban Development</b>			
CDBG - State - Administered CDBG Cluster:			
CDBG Grant -	14.228	8,651	-
<b>Total US Department of Housing and Urban Development</b>		<b>8,651</b>	<b>-</b>
<b>U.S. Dept. of Environmental Protection</b>			
Passed-through the N.C. Dept. of Environment and Natural Resources:			
Drinking Water State Revolving Fund	66.468	1,848,967	462,242
Drinking Water State Revolving Fund	66.468	1,931,534	482,884
<b>Total US Department of Environmental Protection</b>		<b>3,780,501</b>	<b>945,126</b>
<b>Total Federal Awards</b>		<b>64,214,027</b>	<b>29,542,798</b>
<b>State Awards:</b>			
<b>NC Department of Health and Human Services</b>			
Division of Aging and Adult Services:			
Passed-through Mid-East Commission			
Council of Government			
In-Home Services - State Funds		-	221,676
Caregiver Match		-	15,584
Home Delivered Meals - State Funds		-	34,445
<b>Total Division of Aging and Adult Services</b>		<b>-</b>	<b>271,705</b>

**Beaufort County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2015**

Grantor/Pass-through	Federal CFDA Number	(Direct and Pass-through) Expenditures	State Expenditures
<b>Division of Social Services:</b>			
Energy Assistance		-	7,829
AFDC Incent/Program		-	488
<b>Direct Benefit Payments:</b>			
CWS Adoption Subsidy		-	168,505
Foster Care At-Risk Maximum		-	2,831
SC/SA Domiciliary Care		-	546,075
SFHF Maximization		-	1,811
State Foster Home		-	26,385
<b>Division of Public Health:</b>			
Food and Lodging Fees		-	13,453
Environmental Health		-	4,000
General Aid to Counties		-	84,025
General Communicable Disease Control		-	2,684
Public Health Nursing		-	800
Risk Reduction/Health Promotion		-	6,285
Breast and Cervical Cancer Program		-	10,200
Child Health		-	254
HMHC-Family Planning		-	3,898
Maternal Health (HMHC)		-	4,808
Women's Health Service Fund		-	4,302
HIV/STD State		-	3,139
HIV/STD SSBG Aid		-	784
State Child Welfare/CPS		-	27,257
HIV/STD Non-Traditional Test Site		-	38,500
Sexually Transmitted Diseases		-	975
School Nurse Funding Initiative		-	250,000
Tuberculosis		-	23,945
TB Medical Service		-	1,776
<b>Total NC Department of Health and Human Services</b>			<b>1,506,714</b>
<b>NC Department of Public Safety</b>			
Criminal Justice Partnership Program		-	71,044
Juvenile Crime Prevention		-	152,389
<b>Total NC Department of Public Safety</b>			<b>223,433</b>
<b>NC Department of Transportation</b>			
Rural Operating Assistance Program (ROAP):			
Elderly and Disable Transportation Assistance Program (EDTAP)		-	62,044
ROAP Work First Transitional - Employment Transportation		-	22,260
ROAP Rural General Public Program		-	62,067
<b>Total NC Department of Transportation</b>			<b>146,371</b>
<b>NC Department of Public Instruction</b>			
Public School Building Capital Fund - Lottery Proceeds		-	450,000
<b>Total NC Department of Public Instruction</b>			<b>450,000</b>

**Beaufort County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2015**

Grantor/Pass-through	Federal CFDA Number	(Direct and Pass-through) Expenditures	State Expenditures
<b>NC Department of Commerce</b>			
One NC Fund - Industrial Recruitment		-	162,000
<b>Total NC Department of Commerce</b>		-	162,000
<b>NC Department of Agriculture</b>			
Soil and Water Grant		-	28,987
<b>Total NC Department of Agriculture</b>		-	28,987
Total State Awards		-	2,517,505
Total Federal and State Awards		64,214,027	32,060,303

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

1 Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Beaufort County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

The following are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes:

Program Title	CFDA Number	Federal Expenditures	State Expenditures
Subsidized Child Care and Foster Care and Adoption	XXXX	1,970,769	606,483

2 Subrecipients

Of the federal and State expenditures presented in the schedule, Beaufort County provided federal and State awards to subrecipients as follows:

Program Title	CFDA Number	Federal Expenditures	State Expenditures
Public School Capital Building Fund - Lottery Proceeds	XXXX	-	450,000

3 Loans Outstanding

Beaufort County had the following loan balances outstanding at June 30, 2015. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	CFDA Number	Amount Outstanding
Drinking Water State Revolving Fund	66.468	230,077



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February 1, 2016

To the Commissioners and Management of  
Beaufort County, North Carolina

Dear Commissioners and Management:

We are pleased to present the results of our audit of the 2015 financial statements of Beaufort County.

This report to the Commissioners and Management summarizes our audit, the report issued and various analyses and observations related to the County's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed to express an opinion on the County's 2015 financial statements. We considered the County's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Commissioners and Management, expect. We received the full support and assistance of County's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Commissioners, Management and others within the organization and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 252-943-2723 or [jb主@cricpa.com](mailto:jb主@cricpa.com).

Very truly yours,

*Jeff Best, CPA*

Jeff Best, CPA

## Required Communications

As discussed with the Commissioners and Management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the County. Specifically, we planned and performed our audit to:

- Perform an annual audit, as required by North Carolina General Statutes, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the County's financial statements for the year ended June 30, 2015.
- Conduct an audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act and issue a report on the County's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal and state programs for the year ended June 30, 2015;
- Communicate directly with the Commissioners and Management regarding the results of our procedures;
- Address with the Commissioners and Management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Commissioners and Management; and
- Other audit-related projects as they arise and upon request.

## Required Communications

We have audited the financial statements of Beaufort County, North Carolina (the “County”) for the year ended June 30, 2015, and have issued our report thereon dated February 1, 2016. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR’S RESPONSE
<p><b>Auditor’s responsibility under Generally Accepted Auditing Standards</b></p>	<p>As stated in our engagement letter dated June 22, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements, of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information presented prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>Our audit also consisted of issuing reports regarding the Board’s internal control, in accordance with <i>Government Auditing Standards</i>, and compliance with certain compliance requirements as it relates to the Board’s major federal and/or state programs, in accordance OMB A-133 and the State Single Audit Implementation Act.</p>
<p><b>Client’s responsibility</b></p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was altered because of issues that arose during fieldwork.</p>
<p><b>Management judgments and accounting estimates</b> <i>The process used by management in forming</i></p>	<p>Please see the following section titled (“Accounting Policies, Judgments and Sensitive Estimates and CRI</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><i>particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Comments on Quality”).</p>
<p><b>Potential effect on the financial statements of any significant risks and exposures</b>  <i>Major risks and exposures facing the County and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li>• <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li>• <i>The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the County's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the County in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i></li> </ul> <p><i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us,</i></p>	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 1 to the financial statements. During the 2105 fiscal year, the County implemented Statement 68 of the governmental Accounting Standards Board, Accounting and Financial Reporting for Pensions. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><i>discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></p>	
<p><b>Significant difficulties encountered in the audit</b>  <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p><b>Disagreements with management</b>  <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p><b>Other findings or issues</b>  <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None.
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p><b>Corrected and uncorrected misstatements</b>  <i>All significant audit adjustments arising from the audit, whether or not recorded by the County, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the County about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments."

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Major issues discussed with management prior to retention</b>  <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p><b>Consultations with other accountants</b>  <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p><b>Written representations</b>  <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p><b>Internal control deficiencies</b>  <i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	See "Internal Control Findings" section.
<p><b>Fraud and illegal acts</b>  <i>Fraud involving management, or the County, those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p><b>Parties in interest and prohibited transactions</b>  <i>Any parties in interest in the County, prohibited transactions as defined by ERISA, and other reportable transactions.</i></p>	No prohibited transactions were noted. Transactions with parties in interest and other reportable transactions were properly disclosed in the notes to the financial statements, in accordance with GAAP.
<p><b>Other information in documents containing audited financial statements</b>  <i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the County's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The County may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Capital Assets	<p>Based upon our audit procedures, with respect to the County's capital assets, we noted that it estimates the annual provision for depreciation expense on estimated useful life of the capital asset in accordance with all applicable standards and guidelines.</p> <p>The County calculates depreciation expense using the straight-line method.</p>	X	<p>The County's estimate of the useful life of its capital assets.</p> <p>The estimated useful lives of County's capital assets are based on a detailed management review.</p>	The County's policy is in accordance with all applicable accounting guidelines.
Allowance for Doubtful Accounts	<p>The County estimates the allowance accounts for the water districts in accordance with applicable standards and guidelines.</p> <p>The County calculates the allowance for doubtful accounts in each district based on an analysis of the collectability of individual accounts.</p>	X	The County's estimate of its allowance for doubtful accounts is based on historical water revenues and an analysis of the collectability of individual accounts.	The County's policy is in accordance with all applicable accounting guidelines.

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Compensated Absences	<p>The County estimates the accrued liability at year-end for amounts owed to its employees for compensated absences (“Vacation Policy”) in accordance with all applicable standards and guidelines.</p> <p>The County calculates the annual liability at the prevailing rates of compensation.</p>	X	The County’s estimate of its accrued liability for compensated absences is based upon the established compensation levels at year-end which may differ from the actual amounts.	The County’s policy is in accordance with all applicable accounting guidelines.
Local Governmental Employee’s Retirement	The County estimates retirement benefits in accordance with all applicable standards and guidelines.	X	The County’s estimate of its retirement benefits is based on an actuary performed periodically.	The County’s policy is in accordance with all applicable accounting guidelines.
Other Postemployment Benefits	<p>The County estimates postemployment benefits in accordance with all applicable standards and guidelines.</p> <p>The County discloses postemployment benefits based on actuarial assumptions. These assumptions may change in the future depending on future operating conditions.</p>	X	The County’s estimate of its postemployment benefits is based on an actuary that is performed every three years.	The County’s policy is in accordance with all applicable accounting guidelines.

## Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the County and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the County or passed (uncorrected).

See attached schedules.

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the County's operating environment that has been identified as playing a significant role in the County's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.
- Whether the difference involves concealment of a prohibited transaction, or transaction with a party in interest, as defined by GAAP or any applicable federal, state, or local laws.

## Summary of Audit Adjustments

**Proposed Journal Entries**

**Proposed Journal Entries JE # 84**

Adjust cash to actual

104190-535112 MAINT/REPAIR-MAINT. BUILDING	10,270.00	
100000-301001 CASH-BANK OF AMERICA-270100183		10,270.00
<b>Total</b>	<u><u>10,270.00</u></u>	<u><u>10,270.00</u></u>
<b>Total Proposed Journal Entries</b>	<u><u>10,270.00</u></u>	<u><u>10,270.00</u></u>
<b>Total All Journal Entries</b>	<u><u>10,270.00</u></u>	<u><u>10,270.00</u></u>

## Summary of Audit Adjustments

### Governmental Activities

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Work- paper Reference	Financial Statements Effect - Amount of Over (Under) Statement of:						
				Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expn.	Change in Fund Balance/Net Position
Cash Balances	Factual (F)	Non-accrual of expense	5202.02	(10,270)	-	(10,270)	10,270	-	(10,270)	10,270
Total				(10,270)	-	(10,270)	10,270	-	(10,270)	10,270
Less audit adjustments subsequently booked										
Net unadjusted AD-current year (iron curtain method)				(10,270)	-	(10,270)	10,270	-	(10,270)	10,270
Effect of unadjusted AD-prior years										
Combined current year and prior year AD (rollover method)				(10,270)	-	(10,270)	10,270	-	(10,270)	10,270
Financial statement caption totals										
Current year AD as % of F/S captions (iron curtain method)				58,622,672	32,628,469	39,421,550	25,994,203	60,732,094	55,976,235	4,650,604
Current and prior year AD as a % of F/S captions (rollover method)				0.00%	0.00%	-0.03%	0.04%	0.00%	-0.02%	0.22%

### General Fund

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Work- paper Reference	Financial Statements Effect - Amount of Over (Under) Statement of:						
				Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expn.	Change in Fund Balance/Net Position
Cash Balances	Factual (F)	Non-accrual of expense	4102	(10,270)	-	(10,270)	10,270	-	(10,270)	10,270
Total				(10,270)	-	(10,270)	10,270	-	(10,270)	10,270
Less audit adjustments subsequently booked										
Net unadjusted AD-current year (iron curtain method)				(10,270)	-	(10,270)	10,270	-	(10,270)	10,270
Effect of unadjusted AD-prior years										
Combined current year and prior year AD (rollover method)				(10,270)	-	(10,270)	10,270	-	(10,270)	10,270
Financial statement caption totals										
Current year AD as % of F/S captions (iron curtain method)				41,409,107	12,748,439	40,287,190	28,660,668	56,663,442	54,029,949	2,764,057
Current and prior year AD as a % of F/S captions (rollover method)				0.00%	0.00%	-0.03%	0.04%	0.00%	-0.02%	0.37%

## Management Representation Letter

### BOARD OF COMMISSIONERS

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



### COUNTY OFFICIALS

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

### BEAUFORT COUNTY NORTH CAROLINA

February 1, 2016

Carr, Riggs & Ingram, LLC  
P.O. Box 399  
Belhaven, NC 27810

This representation letter is provided in connection with your audit of the financial statements of Beaufort County, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 1, 2016 the following representations made to you during your audit.

#### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 22, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with US GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

## Management Representation Letter

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of US GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with US GAAP.
10. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.
11. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the County's accounts.

### Information Provided

12. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

## Management Representation Letter

- d. Minutes of the meetings of Beaufort County or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and State awards.
  14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  15. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
    - a. Management,
    - b. Employees who have significant roles in internal control, or
    - c. Others where the fraud could have a material effect on the financial statements.
  16. We have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements communicated by employees, former employees, regulators, or others.
  17. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
  18. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
  19. We have disclosed to you the identity of the County's related parties and all the related party relationships and transactions of which we are aware.

### **Government - specific**

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

## Management Representation Letter

25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
27. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
28. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provision of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
30. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal and State awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within our senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal and State awards.
31. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the footnotes.
32. The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
33. The financial statements include all component units and properly disclose all other joint ventures and other related organizations.
34. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.

## Management Representation Letter

35. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
36. Components of net position (net investment in capital assets; restricted; and unrestricted) and classification of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
37. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
38. Provisions for uncollectible receivables have been properly identified and recorded.
39. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
40. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
41. Revenues are appropriately classified in the statement of activities within program revenues, or general revenues.
42. Interfund, internal, and intra-entity activity have been appropriately classified and reported.
43. Deposits and investment securities are properly classified as to risk and are properly disclosed.
44. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
45. We have appropriately disclosed the County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
46. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
47. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
48. With respect to the individual fund statements and schedules, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards

## Management Representation Letter

a. We acknowledge our responsibility for presenting the individual fund statements schedules, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual fund statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual fund statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

b. If the individual fund statements and schedules, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

### 49. With respect to federal and State award programs:

- a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, including requirements relating to preparation of the schedule of expenditures of federal and State awards.
- b. We acknowledge our responsibility for presenting the schedule of expenditures of federal and State awards (SEFSA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFSA, including its form and content, is fairly presented in accordance with the OMB Circular A-133 §310.b. The methods of measurement and presentation of the SEFSA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFSA.
- c. If the SEFSA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFSA no later than the date we issue the supplementary information and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and the State Single Audit Implementation Act and have included in the SEFSA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

## Management Representation Letter

- e. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and State programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and State programs that provides reasonable assurance that we are managing our federal and State awards in compliance with laws, regulations, and the provisions of the contracts and grant agreements that could have a material effect on our federal and State programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal and State agencies or pass-through entities relevant to federal and State programs and related activities.
- h. We have received no request from a federal or State agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal and State awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal or State awards.
- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in *OMB Circular A-87, Cost Principals for State, Local, and Tribal Governments*, and *OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

## Management Representation Letter

- n. We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal and State program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- r. Federal and State program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal and State program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and State agency or pass-through entity, as applicable.
- t. We have charged costs to federal and State awards in accordance with applicable cost principles.
- u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal and State awarding agencies and pass-through entities, including all management decisions.
- v. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- w. We are responsible for preparing and implementing a corrective action plan for each audit finding.

Signed: Brian Allgood  
Brian Allgood, County Manager

Signed: Anita C. Radcliffe  
Anita Radcliffe, Finance Director

Date: 2/1/16

Date: 2/1/16



## Internal Control Findings

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February 1, 2016

The Commissioners and Management of  
Beaufort County, North Carolina

In planning and performing our audit of the financial statements of Beaufort County as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beaufort County's internal control. Accordingly, we do not express an opinion on the effectiveness of Beaufort County's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The chart that follows this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 1, 2016, on the financial statements of Beaufort County.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Commissioners and Management, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Carr, Riggs &amp; Ingram, L.L.C." in a cursive style.

Belhaven, North Carolina  
February 1, 2016

## Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

<b>IP = Improvement Point</b>	<b>D = Control Deficiency</b>	<b>SD = Significant Deficiency</b>	<b>MW = Material Weakness</b>
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CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
15-1	IP	Travel Reimbursement	During our testing, we noted a discrepancy in the reimbursement of employee travel. The official written travel policy, which mirrors the federal rates, would reimburse at a rate of \$0.56-\$0.57 per mile. The Board approved travel policy reimburses at a rate of \$0.555 per mile as approved by the Board in 2011.	We recommend that the County either require all rate changes be approved by the Board or reimburse the employees for the discrepancy in travel since 2013, when the IRS rate surpassed \$0.555 per mile.	We have reviewed the results of the finding noted and concur with the assessment of the issues identified.
15-2	IP	Late Filing INV-91	During the audit, we found the form INV-91 was not timely filed. This form reports the County’s bank accounts and is due to the State by July 25 <sup>th</sup> of each year.	We recommend the County be more mindful of filing deadlines in the future.	We have reviewed the results of the finding noted and concur with the assessment of the issue identified.  We will designate personnel to monitor filing deadlines.

## Internal Control Findings

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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15-3	IP	Credit Card Policy	During the audit, we found that while the County employs the use of several credit cards, there is no formal written policy on its use.	We recommend the County adopt an official credit card policy.	We have reviewed the results of the finding noted and concur with the assessment of the issue identified.  We will adopt a written credit card policy.
15-4	IP	Conflict of Interest Policy	During the audit, we found that the County has no formal conflict of interest policy for the Board.	We recommend the County adopt a written conflict of interest policy for the Board.	We have reviewed the results of the finding noted and concur with the assessment of the issue identified.  A statement will be read prior to each Board meeting and all commissioners will be asked if they are aware of any conflict of interest.
15-5	IP	Water Adjustment Approval	During our audit, we found supporting documentation for a water adjustment, but there was no signature approving the adjustment.	We recommend the County ensure that all water adjustments are approved at the proper level of management.	We have reviewed the results of the finding noted and concur with the assessment of the issue identified.  All water adjustments will be approved by the proper authority.

## Internal Control Findings

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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15-6	IP	Bank Account Reconciliations	During our audit, we found the STIF account was not reconciled until November 17, 2015. Per the Public School Building Capital Fund it is required to be reconciled on a monthly basis.	We recommend the County ensure that the STIF account is reconciled monthly.	We have reviewed the results of the finding noted and concur with the assessment of the issue identified.  We will designate the appropriate personnel to ensure the account is reconciled on a monthly basis.
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