

Washington County, North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017



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COUNTY OF WASHINGTON

BOARD OF COMMISSIONERS

COMMISSIONERS:

TRACEY A. JOHNSON, CHAIR
WILLIAM "BILL" R. SEXTON, JR., VICE-
CHAIR
D. COLE PHELPS
JENNIFER C. RIDDICK
JULIUS WALKER, JR.



ADMINISTRATION STAFF:

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April 23, 2018

The Board of County Commissioners and
The Citizens of Washington County, North Carolina

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements that are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, this comprehensive annual financial report of Washington County for the fiscal year ended June 30, 2017 is being issued.

This report consists of management's representations concerning the finances of Washington County. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Washington County has established a comprehensive internal control framework that is designed to not only protect the government's assets from loss, theft, or misuse but also to compile sufficient reliable information for the preparation of Washington County's financial statements. Because the cost of internal controls should not outweigh its benefits, Washington County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Therefore, management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Washington County's financial statements were examined by the accounting firm of Carr, Riggs & Ingram, LLC. The goal of the independent audit is to provide reasonable assurances that the financial statements of Washington County for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved testing and examining evidence that supported the amounts and disclosures in the financial statements. The review also assessed the accounting principles that were used, the estimates made by management and the evaluation of the financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Washington County's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Washington County was part of a broader, federally mandated single audit designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Washington County's MD&A can be found immediately following the report of the independent auditors.

Profile of the County

Washington County was formed from Tyrrell County in 1799 and named for George Washington. It is located in the eastern coastal plain area of North Carolina on the southwestern banks of the Albemarle Sound - the largest fresh water sound in America. There are more miles of shoreline within ten miles of Plymouth, the county seat, than anywhere else in North Carolina. It is one of North Carolina's most picturesque, historical settings with a land area of 336 square miles. Three municipalities are located in the county - the towns of Creswell, Plymouth, and Roper. The Town of Plymouth is the largest municipality in the county with a population of 3,724 persons.

The following information provides a snapshot of Washington County:

- The county's population is 12,503 persons (NC Dept. of Revenue Est.).
- The median age of persons that live in the county is 45 years (NC Dept. of Commerce Est.).
- There are 220 private industry establishments and 12 manufacturing establishments that operate within the county (NC Dept. of Commerce Est.).
- A total of 79% of the county's population has attained a high school diploma (NC Dept. of Commerce Est.).
- There are 6,420 housing units within the county (NC Dept. of Commerce Est.).
- The median annual household income is \$35,367 (NC Dept. of Commerce Est.).
- An estimated total of 26% of the county's population lives below the federal poverty level (NC Dept. of Commerce Est.).

The county has a commissioner/manager form of government. The five members of the Board of Commissioners are elected by a countywide vote and serve staggered four-year terms. Four Commissioners are elected by districts while the fifth Commissioner is elected at-large. Commissioners hold policy-making and legislative authority. They are also responsible for adopting an annual budget and appointing the County Manager who is responsible for implementing policies, managing daily operations and appointing department heads.

The county provides its citizens with a wide range of services that includes education, human services, public safety, cultural and recreational, economic development, environmental services, general administration and others.

Public health services are provided by the Martin-Tyrrell-Washington District Health Department. Public mental health, substance abuse, and developmental disabilities services are provided by Trillium Health Resources which is a twenty-five county local management entity headquartered in Greenville, NC.

This report includes all the county's activities required to maintain these services with the exception of the public schools which are administered by the Washington County Board of Education. The county also provides financial support to certain boards, agencies, and commissions in order to assist their efforts with serving the county's citizens. Among these entities are the Albemarle Commission (council of government) and the Pettigrew Regional Library.

Economic Conditions and Outlook

The county possesses a stable core of local businesses that range from light manufacturing to service and durable goods sales.

Agriculture continues to be the major component of the local economy. In 2016, crop consisted of the following acreage: soybeans 42,500, corn (grain) 29,200, wheat 6,200, cotton 5,740, peanuts 1,170, and flue cured tobacco 300. Washington County is ranked 25th in the state for crop cash receipts. Crop cash receipts totaled \$48,439,807. The county experienced above average rainfall and below average yields in a number of crops due to unusual seasonal weather conditions. Forestry and livestock also comprise essential components of the county's agriculture base. Wood products comprise an important segment of the county's manufacturing economy and include the production of logging and road mats, lumber and storage pallets.

The county continues to see steady solar farm development and investment. SUNENERGY, a major solar, LED lighting and cool roofing manufacturing corporation, which recently completed a 20 Megawatt solar energy farm near Plymouth, and a 14 Megawatt solar energy farm in Creswell applied for and received a special use permit to construct an 80 Megawatt solar energy farm near the Albemarle Sound known as the Albemarle Beach Solar LLC Solar Project.

Washington County was selected by the NC General Assembly and the NC Department of Public Education as the location for the Northeast Regional School of Biotechnology and Agriscience (NERSBA). During FY 2016-2017 the school admitted its fifth year of students. Washington County students as well as those from Beaufort, Pitt and Tyrrell Counties attend this STEM public high school. NERSBA focuses on educating high school students' in science, technology, engineering and math in order to better position them to become leaders in providing food for the world's growing population. The high school will serve as an important workforce development amenity in the recruitment of biotechnology companies to the area. The high school temporarily re-located to the vacant Jamesville Middle School in Martin County until such time that a permanent high school can be constructed adjacent to the Vernon James Research Center in Washington County.

Washington County continues to experience robust travel and tourism activities. The county enjoys a rich history of hunting, fishing and outdoor recreational activities. There are several significant Civil War period attractions located in the county such as the Town of Plymouth's Civil War Museum and annual Civil War re-enactment and the Somerset Plantation located near the Town of Creswell.

New and expanding travel and tourism opportunities are beginning to be realized in the county. The NC Birding Trail has several designated sites in Washington County. Additionally, Washington County has a significant bald eagle population as well as Canadian geese, snow geese, tundra swan and other large migratory bird populations that winter in the county. Large numbers of birding enthusiasts visit the county annually to view and observe them. Boating, canoeing, and kayaking opportunities have increased significantly and are drawing additional tourists to the county. A paddling and river campground trail sponsored by the Roanoke River Partners along the northern boundary of the county comprised of the Roanoke River and Albemarle Sound continues to attract visitors. The Washington County Travel & Tourism Authority sponsors a Black Bear Festival annually during the first weekend of June which has grown considerably in size and scope and received numerous regional and national awards. Statistical data indicates that over 150,000 visitors pass through Washington County annually.

Initiatives

Washington County adopted a Twenty-Year Economic Development Enhancement Plan in 2005. The plan addressed enhancing infrastructure additions and improvements with the goal of making the county more marketable and attractive to industrial, commercial and residential development. A number of accomplishments including the first phase of development of the Washington County Commerce Center, an economic development marketing plan and the completion of a county study which identified areas for sewer service to be implemented have been achieved since the plan was adopted. Washington County is currently evaluating this plan as part of its strategic planning initiative.

Washington County completed initial construction of a state of the art business/industrial commerce building located in close proximity to the Plymouth Municipal Airport. The Rural Economic Development Division of the NC Department of Commerce awarded the county an Industrial Development Fund grant totaling \$1.259 million that will be used to install water and wastewater lines to the building.

Also, Washington County has completed several major airport enhancement projects since 2011 in an effort to modernize the airport and attract additional aviation and private industrial companies to the airport and commerce center. These enhancement projects included a new fuel farm with self-service fueling capabilities and a recently completed runway turnaround. Terminal building renovations were completed and include new flooring, upgrades to the pilot's training lounge, meeting space improvements and new waiting area furniture.

Additional future development plans for the airport include the construction of a parallel taxiway, new T hangers and corporate hangers, a GPS flight navigation system, a new lighting system, installation of state-of-the-art utilities, technology and communications capabilities. The expansion and renovation of the airport now allows 80 percent of all general aviation and corporate aircraft to utilize its runway safely. The airport will be positioned to serve as a driver for the development of new business at the nearby commerce center.

Washington County completed the first phase of construction of a government services complex in the eastern section of the county. The complex is adjacent to US Highway 64 and in close proximity to the Town of Creswell and the Pea Ridge/Albemarle Sound region of the county. It was planned as a three-phase project that includes (1) a full service medical clinic, (2) a combination fire and law enforcement facility and (3) a public library. Construction of the Washington County Medical Center was completed during June, 2011. After its construction, the clinic was leased to the private owner of the Washington County Hospital for a five year term. The private owner filed for Chapter 11 bankruptcy protection and re-emerged from bankruptcy in 2013. During this process, the clinic operated sporadically on a skeletonized basis, and was unable to fully develop in order to meet initial expectations.

In April of 2015 Washington County began an intensive search for a viable partner to provide medical services at the Clinic after the previous tenant requested that their lease be terminated early due to financial hardships. After considerable due diligence including consultations with the Golden LEAF Foundation, the North Carolina Office of Rural Health, and multiple meetings with various private and non-profit entities potentially interested in using the Clinic, the Board of County Commissioners has determined that Roanoke Chowan Community Health Center (“RCCHC”) is by far the most qualified, viable, and preferred partner to achieve its original goals related to the use of the Clinic. RCCHC is a Federally Qualified Health Center based in Ahoskie, North Carolina with a satellite clinic located in Colerain, North Carolina.

RCCHC’s size, available resources, scope of operations, proximity to Washington County, experience serving similar patient populations utilizing a similar clinic based model, strong financial footing, quality leadership, and commitment to including and incorporating the values of each community in its service area within its overall mission and organizational culture, are among the many reasons for this determination.

The main purpose of this partnership will be to utilize the clinic as a point of access for providing primary healthcare, pharmacy, and other critical healthcare services to benefit and improve the health and well-being of the citizens of central and eastern Washington County and surrounding areas which historically suffer from a lack of available basic healthcare services.

The secondary purpose of this partnership will be to utilize the successful operation of the Clinic as an anchor for encouraging community development and fostering economic development opportunities in its vicinity.

Following extensive due diligence, RCCHC applied to the federal government for a change in its scope of service to serve central and eastern Washington County and received approval for doing so. RCCHC began providing clinical healthcare services at the Washington County Rural Health Clinic in 2016 under a three (3) year lease with Washington County.

Washington County and Beaufort County Community College (“BCCC”) entered into an annually recurring Memorandum of Understanding effective July 1st, 2015 enabling BCCC to utilize a recently constructed state-of-the-art county-owned facility located in the Town of Roper (formerly known as the Windows on the World Building) to provide the citizens of Washington County with a physical point of access for seeking and receiving community college classes and other services offered by BCCC. Such classes include, without limitation, basic skills and CCR/GED classes which are already underway, computer training, vocational training, and an almost limitless variety of potential continuing education and distance-learning/online classes which may be

received through the facility depending on community need and interests. In addition to the educational opportunities this arrangement brings for citizens of Washington County and the surrounding areas, the potential economic development benefits of being able to offer custom designed training for prospective employers in the region with interests in certain workforce skills and training which can be offered through BCCC is notably significant. One such need that has already generated a planned curriculum to be offered starting immediately is for Nurse Aide Certification classes.

Washington County and the Northeastern Workforce Development Board (“NWDB”), a division of the Albemarle Commission organized under the direction of the U.S. Economic Development Administration also entered into an annually recurring Memorandum of Understanding effective July 1st, 2015 to utilize space within the same facility for the purpose of providing community services consistent with the mission of the NWDB including workforce development, senior programs, and regional planning.

In addition to the foregoing uses of this facility, Washington County continues to retain the right for itself and the larger community, to continue utilizing the facility for community meetings, elections, and other public purposes. In doing so, the facility is intentionally expected to become a local hub of mutually beneficial community development activity whereby citizens utilizing the facility for any one particular service will be exposed to, and more likely to engage with other potentially beneficial services offered at the same location.

Waterside Acquisition Properties, Inc. acquired the Waterside at the Point properties which is located in the Pea Ridge/Albemarle Sound area of the county. Renovations on an existing condo were completed. A total of 276 timeshares have been sold and registered with the Washington County Register of Deeds Office. Waterside Acquisitions Properties, Inc. intends to construct 74 two-bedroom units, 20 three-bedroom units, 12 lodge units and 12 Sportsman Units. It also intends to develop 78 recreational vehicle sites with 45 pull-through and 28 back-in sites. Additional property amenities will include a club house, pool facility, boat access and dockage, and other recreational facilities.

Budget and Economic Forecast

Washington County’s approved FY 2016-2017 budget totaled \$20,139,407 for all county operations, capital improvements and debt service requirements.

The FY 2016-2017 budget included fund balance appropriation of \$518,106 in the General Fund to balance the budget. The primary method utilized to eliminate reliance on the fund balance was to increase revenues and reduce expenditures. The FY 2016-2017 budget also includes an increase of two cents in the county’s ad-valorem tax rate from \$0.79 to \$0.81 per \$100 of assessed property value.

The county continues to monitor numerous government and private industry economic forecasts. The county’s future economic plans are conservative with no anticipated large new expenditures. Revenue development forecasts remain conservative. The county’s reserve funds in the General Fund are adequate to assist in overcoming continued financial erosion if the need presents itself.

Summary

This Comprehensive Annual Financial Report provides a source of information to citizens, the Board of Commissioners, other government agencies, and investors and creditors, all of whom rely upon it for decision-making and the opportunity to learn more about Washington County's financial condition.

Preparation of this report would not have been possible without the efficient and dedicated combined efforts of Carr, Riggs & Ingram, LLC and the staff of the Washington County Finance Office. We also thank all department heads, employees and the members of the Board of Commissioners for their continued support throughout the past year.

Respectfully submitted,

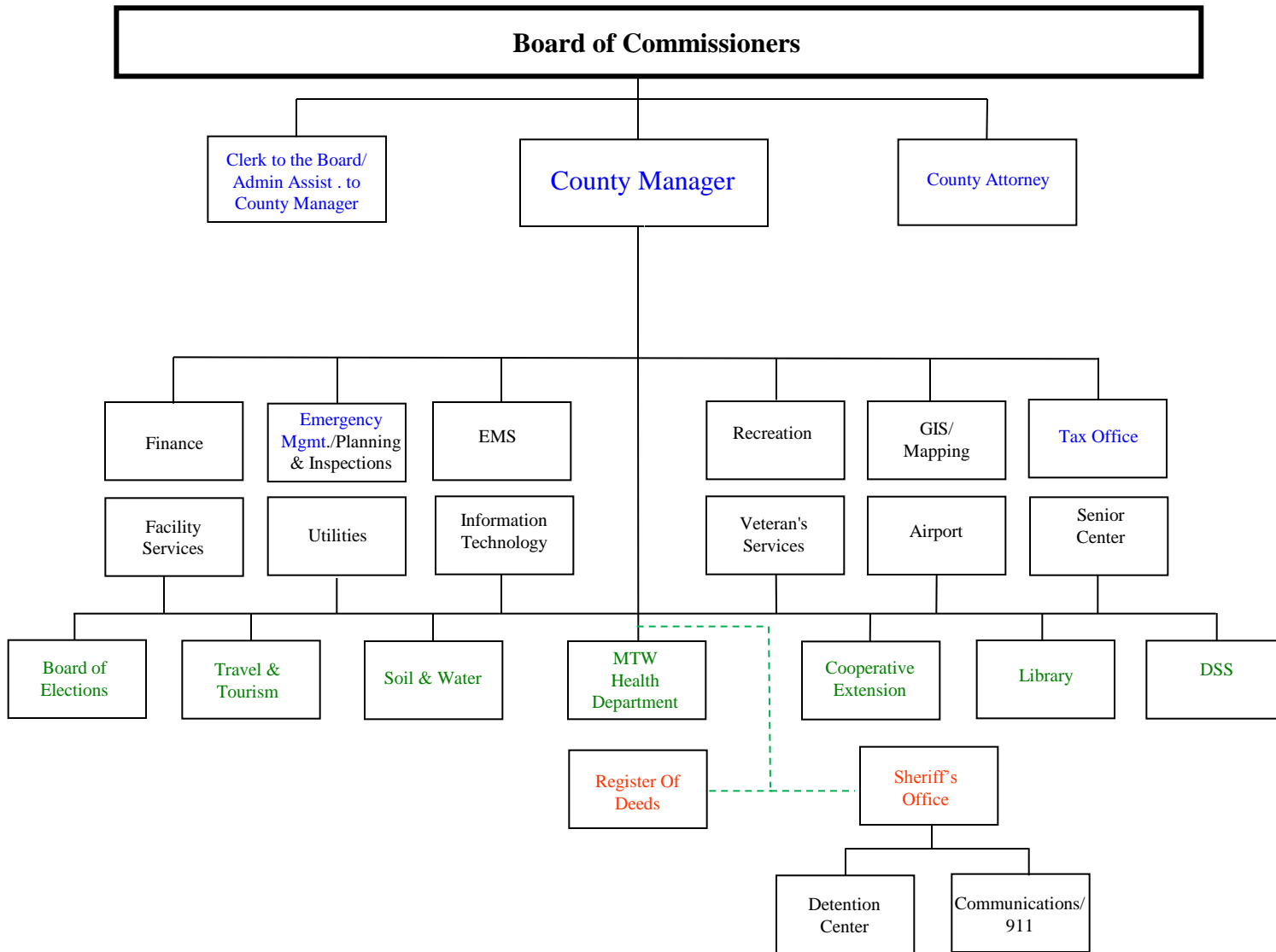
Curtis S. Potter

Curtis S. Potter
County Manager

Missy Dixon

Missy Dixon
Finance Officer

Washington County Government Organizational Chart



■ Appointed by the Board of Commissioners
 ■ Elected Officials
 ■ Budgetary Support Only
 ■ Direct Report

Washington County Board of Commissioners 2016-2017



William "Bill" R. Sexton



D. Cole Phelps



Jennifer Riddick



**Vice-Chair
Tracey A. Johnson**



**Chair
Julius Walker Jr.**

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Washington 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 units, each major fund, and the aggregate remaining fund information of Washington County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Washington 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 the Washington County ABC Board. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Washington 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 of material misstatement. The financial statements of Washington County ABC Board and the Washington County Travel and Tourism Authority 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, North Carolina as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Emergency Medical Services 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 Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, the Hospital Pension Trust Fund Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Liability and Schedule of County Contributions on pages 2-4 through 2-13 and 2-78 through 2-85 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 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 an opinion on the financial statements that collectively comprise the basic financial statements of Washington County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and component unit schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, component unit schedules, statistical section 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. In our opinion, based on our audit and the procedures performed as described above, 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 taken as a whole.

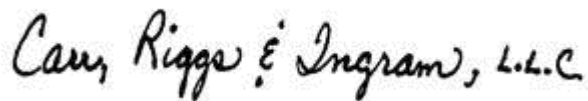
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2018 on our consideration of Washington 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 of 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 the 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 Washington County's internal control over financial reporting and compliance.

Emphasis of Matters

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year-ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. As discussed in Note 8 of the financial statements, the County implemented Governmental Accounting Standards Board (GASB) 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and 68* in the fiscal year.



Raleigh, North Carolina
April 23, 2018

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Washington County

Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of Washington County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,457,694 (*net position*).
- The government's total net position increased by \$1,406,118 primarily due to increased net position in the County's governmental activities and management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, Washington County's governmental funds reported combined ending fund balances of \$7,998,178 an increase of \$1,744,495 in comparison with the prior year. Approximately 34.50% of this total amount, or \$2,759,017, is available for spending at the government's discretion (*unassigned fund balance*). This is an increase of \$730,773 in comparison with prior year. The major reason contributing to the increase is a change in the distribution of sales tax revenues from the State of North Carolina. Approximately 62.08% or \$4,965,055 of total fund balance is restricted, committed or assigned for a particular purpose.
- At the end of current fiscal year, unassigned fund balance for the General Fund was \$2,780,456 or 21.46% of total general fund expenditures for the fiscal year, an increase of \$695,619 or 33.34% from the prior year.
- Washington County's total debt decreased by \$219,883 during the current fiscal year. The key factor in this decrease was principal payments on long-term debt made during the current year. The County incurred additional debt during the current fiscal year of \$138,626.
- Property tax rate increased from the previous year to \$0.81 per \$100 valuation.

Overview of the Financial Statements

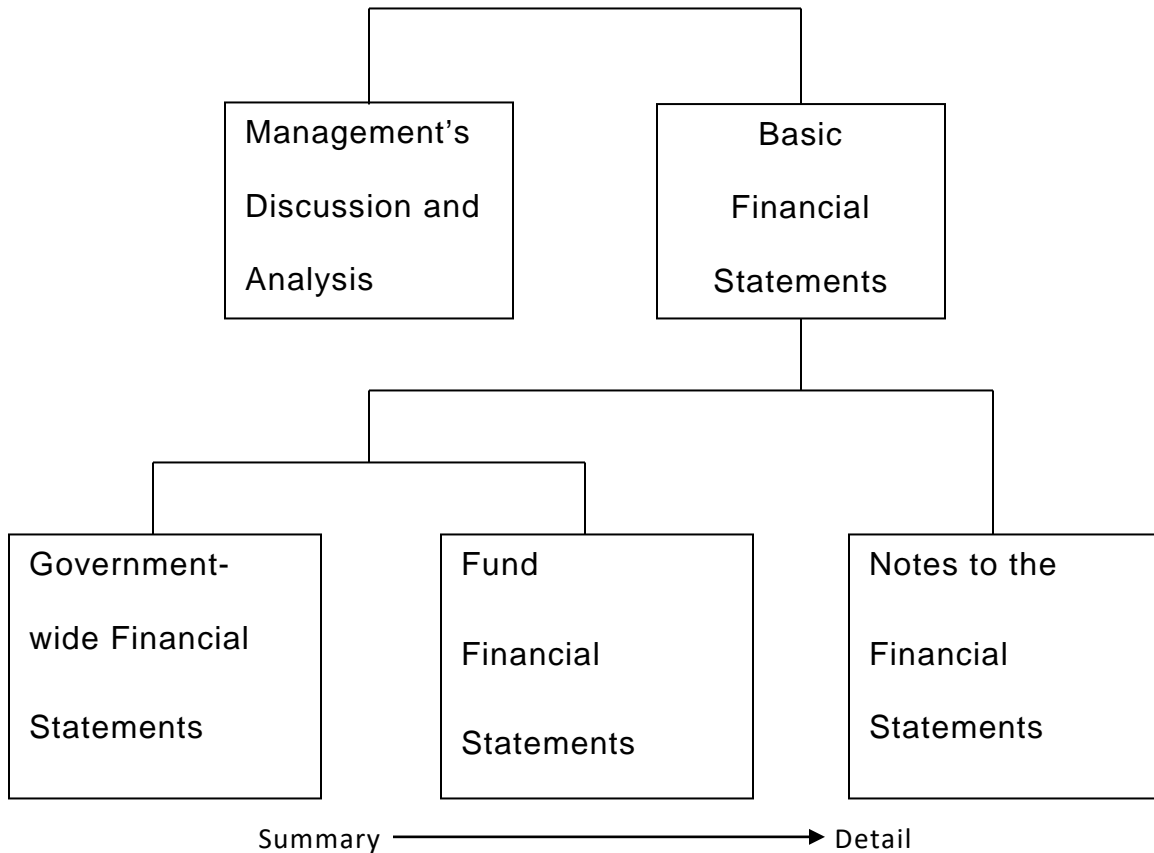
This discussion and analysis are intended to serve as an introduction to Washington County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two

different views of the County through the use of government-wide statements and fund financial statements.

In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Washington County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the 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 services. These include water and sanitation services offered by Washington County. The final category is the component units. Although legally separate from the County, the ABC Board is important to the County because the County is financially accountable for the Board by appointing its members. Also, the ABC Board is required to distribute its profits to the County. Washington County Travel and Tourism Authority is financially dependent upon occupancy taxes levied by the County, which also appoints its Board members. Washington County Industrial Facility and Pollution Control Financing Authority is also a component unit of Washington County; however, this authority has no financial transactions or account balances and is therefore not reported in the financial statements.

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

Fund Financial Statements

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

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

Washington County adopts an annual budget for its General Fund and Emergency Medical Service Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and Emergency Medical Services 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 Emergency Medical Services Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Washington County maintains two enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Washington County uses enterprise funds to account for its water activity and for its sanitation operations.

These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Washington County has four fiduciary funds, one of which is a pension trust fund for reporting purposes and three of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 2-31 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Washington County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 2-85 of this report.

Washington County’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 9,262,973	\$ 7,349,339	\$ 1,391,383	\$ 1,368,010	\$ 10,654,356	\$ 8,717,349
Capital assets	11,438,741	11,358,964	7,401,809	7,637,313	18,840,550	18,996,277
Total assets	<u>20,701,714</u>	<u>18,708,303</u>	<u>8,793,192</u>	<u>9,005,323</u>	<u>29,494,906</u>	<u>27,713,626</u>
Total deferred outflows of resources	2,887,975	433,657	101,470	20,974	2,989,445	454,631
Long-term liabilities	6,838,862	4,006,560	6,360,864	6,376,107	13,199,726	10,382,667
Other liabilities	385,704	169,456	278,100	277,205	663,804	446,661
Total liabilities	<u>7,224,566</u>	<u>4,176,016</u>	<u>6,638,964</u>	<u>6,653,312</u>	<u>13,863,530</u>	<u>10,829,328</u>
Total deferred inflows of resources	162,050	249,729	1,077	9,791	163,127	259,520
Net position:						
Net investment in capital assets	10,983,866	10,897,979	2,750,528	2,772,258	13,734,394	13,670,237
Restricted	4,998,635	3,528,676	-	-	4,998,635	3,528,676
Unrestricted	220,572	289,560	(495,907)	(409,064)	(275,335)	(119,504)
Total net position	<u>\$ 16,203,073</u>	<u>\$ 14,716,215</u>	<u>\$ 2,254,621</u>	<u>\$ 2,363,194</u>	<u>\$ 18,457,694</u>	<u>\$ 17,079,409</u>

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. Washington County’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$18,457,694 (*net position*) as of June 30, 2017. The County’s net position increased by \$1,406,118 or 8.25 percent for the fiscal year ended June 30, 2017. One of the largest portions \$13,734,394 (74.41%) reflects the County’s net investment in capital assets (e.g. land, buildings, machinery, and equipment less any related debt still outstanding that was used to acquire those items).

Washington County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Washington 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 Washington County's net position \$4,998,635 (27.08%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$275,335) (-1.49%) is unrestricted.

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

- Prior period adjustment for the net pension liability of the LEOSA Pension Plan in the amount of \$27,833.
- Increase in estimated landfill closure and post-closure care cost of \$93,213.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget

Governmental activities: Governmental activities increased the County's net position by \$1,514,691 thereby accounting for 100% of the total growth in the net position of Washington County. Key elements of this increase are as follows:

- The tax collection percentage for fiscal year 2017 was 95.61%
- Local option sales tax revenues increased \$381,729.

Business-type activities: Business-type activities decreased Washington County's net assets by \$108,573 accounting for 100% of the total decrease in the government's net position. Key elements of this decrease are as follows:

- Increase in operating expenses in the water fund and
- Increase in landfill closure and post-closure care costs.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Washington County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Washington County's financing requirements. Specifically, fund balance available for appropriation 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 Washington County. At the end of the current fiscal year, Washington County's unassigned fund balance in the General Fund was \$2,780,456, an increase of \$695,519 while total fund balance climbed to \$5,927,952, an increase of \$965,281. The major reason for the increase in General Fund balance is the increase in revenues from ad valorem taxes and local option sales taxes.

Washington County Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charges for services	\$ 2,083,925	\$ 2,078,554	\$ 2,409,316	\$ 2,471,083	\$ 4,493,241	\$ 4,549,637
Operating grants and contributions	3,819,306	4,053,780	47,965	98,971	3,867,271	4,152,751
Capital grants and contributions	1,172,857	668,636	-	-	1,172,857	668,636
General revenues						
Property taxes	7,656,084	7,350,946	-	-	7,656,084	7,350,946
Local option sales tax	2,316,829	1,935,100	-	-	2,316,829	1,935,100
Other taxes	179,150	206,265	-	-	179,150	206,265
Grants and contributions not restricted to specific programs	71,190	89,775	-	-	71,190	89,775
Investment earnings	18,610	7,831	291	137	18,901	7,968
Loss on sale of assets	(83,766)	-	-	-	(83,766)	-
Miscellaneous	134,508	98,611	10,986	-	145,494	98,611
Total revenues	17,368,693	16,489,498	2,468,558	2,570,191	19,837,251	19,059,689
Expenses						
General government	2,282,885	2,662,745	-	-	2,282,885	2,662,745
Public Safety	3,981,102	3,438,145	-	-	3,981,102	3,438,145
Economic and physical development	680,839	667,906	-	-	680,839	667,906
Human services	6,169,862	6,666,276	-	-	6,169,862	6,666,276
Cultural and recreation	541,675	334,939	-	-	541,675	334,939
Education	2,317,563	2,160,827	-	-	2,317,563	2,160,827
Interest on long-term debt	16,153	22,115	-	-	16,153	22,115
Sanitation	-	-	1,247,083	2,083,877	1,247,083	2,083,877
Water	-	-	1,193,971	998,771	1,193,971	998,771
Total expenses	15,990,079	15,952,953	2,441,054	3,082,648	18,431,133	19,035,601
Increase (decrease) in net position before transfers	1,378,614	536,545	27,504	(512,457)	1,406,118	24,088
Transfers	136,077	260,000	(136,077)	(260,000)	-	-
Increase (decrease) in net position	1,514,691	796,545	(108,573)	(772,457)	1,406,118	24,088
Net position, beginning	14,716,215	16,103,858	2,363,194	3,135,651	17,079,409	19,239,509
Prior period adjustments	(27,833)	(2,184,188)	-	-	(27,833)	(2,184,188)
Net position, beginning restated	14,688,382	13,919,670	2,363,194	3,135,651	17,051,576	17,055,321
Net position, ending	\$ 16,203,073	\$ 14,716,215	\$ 2,254,621	\$ 2,363,194	\$ 18,457,694	\$ 17,079,409

The Governing Body of Washington County has determined that the County should maintain an available fund balance of 8% 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 30.40% of general fund expenditure and interfund transfers, while total fund balance represents 45.75% of that same amount. At June 30, 2017, the governmental funds of Washington County reported a combined fund balance of \$7,998,178, an increase of \$1,744,495 (27.90%) over last year. The primary reason for this increase is an increase in revenues of approximately \$736,000 and a reduction in transfers to other funds.

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. Budget amendments to the General Fund increased expenditures by \$1,351,725 or 10.63% of the original adopted budget.

Proprietary Funds: Washington County’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. At the end of the fiscal year, unrestricted net position of the Sanitation Fund amounted to (\$1,256,616), and for the Water Fund \$760,709. The decrease in net position for sanitation fund was (\$165,855), due primarily to an increase in the estimated cost of landfill closure and post-closure care costs. Net position in the Water Fund increased by \$57,282 primarily due to management of operating expenses. Other factors concerning the finances of these funds have already been addressed in the discussion of Washington County’s business-type activities.

Capital Assets and Debt Administration

Capital assets: Washington County’s capital assets for its governmental and business – type activities as of June 30, 2017, totals \$18,840,550 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- | | |
|-----------------------------|-----------|
| • Purchases of new vehicles | \$260,527 |
| • Building improvements | \$190,259 |
| • Purchase of equipment | \$215,337 |

**Washington County's Capital Assets
 (net of depreciation)**

Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 2,371,800	\$ 2,371,800	\$ 330,158	\$ 330,158	\$ 2,701,958	\$ 2,701,958
Buildings and system	7,552,435	7,562,837	6,884,116	7,117,936	14,436,551	14,680,773
Furniture and equipment	776,761	711,059	139,228	152,130	915,989	863,189
Vehicles and motorized equipment	644,781	620,304	48,307	37,089	693,088	657,393
Construction in progress	92,964	92,964	-	-	92,964	92,964
Total	\$ 11,438,741	\$ 11,358,964	\$ 7,401,809	\$ 7,637,313	\$ 18,840,550	\$ 18,996,277

Additional information on the County's capital assets can be found in Note 3 A.5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2017, Washington County had no general obligation bonded debt. The County had outstanding revenue bonds of \$4,175,409, all of which will be repaid from future water revenues.

Washington County's Outstanding Debt

Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Installment purchases	\$ 454,876	\$ 460,985	\$ -	\$ -	\$ 454,876	\$ 460,985
Revenue bonds	-	-	4,175,409	4,361,191	4,175,409	4,361,191
Notes payable - NC DENR	-	-	475,872	503,864	475,872	503,864
Accrued landfill closure and post-closure care costs	-	-	1,557,480	1,464,267	1,557,480	1,464,267
Compensated absences	496,534	588,445	35,389	27,948	531,923	616,393
Net pension liability (LGRS)	1,875,524	387,187	116,714	18,837	1,992,238	406,024
Net pension liability (Hospital)	3,830,396	2,434,862	-	-	3,830,396	2,434,862
Net pension obligation (LEOSSA)	181,532	162,914	-	-	181,532	162,914
Total	\$ 6,838,862	\$ 4,034,393	\$ 6,360,864	\$ 6,376,107	\$ 13,199,726	\$ 10,410,500

Washington County's total debt decreased by \$219,883 during the past fiscal year primarily due to principal payments on outstanding debt. The County borrowed \$138,626 during the current fiscal year to purchase 2 new ambulances for the Emergency Medical Services Department.

Washington County maintained its Baa bond rating from Moody's Investor Service and A-rating from Standard and Poor's Corporation and Fitch Ratings. These bond ratings are given primarily due to unavoidable economic conditions.

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 Washington County is \$74,263,354.

Additional information regarding Washington County's long-term debt can be found in Note 3, B 6 of this audited financial report.

Economic Factors and Next Year's Budget and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- The County continues its Tier I designation clearly suggesting that Washington County is one of the most distressed communities in the state.
- The County's unemployment rate of 6.0% is higher than the state average of 4.2%. The unemployment rate has decreased from 7.2% in fiscal year 2016.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities:

- The total General Fund budget for FY 2018 is \$14,184,308, which represents an increase of \$661,632 from FY 2017.
- Ad valorem tax rate increased by \$0.035 from \$0.81 to \$0.845 per \$100 of assessed value.
- The FY 2018 budget includes appropriated fund balance of \$54,943 in the General Fund.
- School system current expense funding remains the same as the previous year at \$1,603,000.
- The School Capital Outlay Fund appropriation is \$400,000 for future school capital outlay expenditures from the restricted portion of sales tax revenues.
- The budget also includes \$305,500 of appropriated fund balance from prior year's restricted sales tax to be used for future school capital projects.

Business – Type Activities:

- There was no increase in the water rates fiscal year 2018. Rates remain the same as fiscal year 2017.
- The FY 2018 Water Fund budget totals \$1,375,650 which represents an increase of 44,641 from FY 2017.
- The FY 2018 Sanitation Fund budget totals \$1,254,693 which represents an increase of \$15,153 from FY 2017. The solid waste user fee will increase to \$250 per year for each household, an increase of \$35 over the 2017 fees of \$215.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the monies it receives for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Washington County, 120 Adams Street, Courthouse, Post Office Box 1007, Plymouth, NC 27962. You can also call (252) 793-5823, visit our website at <http://www.washconc.org> or send an email to mdixon@washconc.org for more information.

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Washington County, North Carolina
Statement of Net Position
June 30, 2017
EXHIBIT 1

	Governmental Activities	Business-type Activities	Total	Component Unit	
				Washington County ABC Board	Washington Travel & Tourism Authority
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,347,468	\$ 380,393	\$ 1,727,861	\$ 234,648	\$ 32,044
Investments	3,800,655	659,785	4,460,440	-	-
Receivables (net)	2,702,012	500,261	3,202,273	-	12,755
Due from component unit	5,551	-	5,551	-	(5,551)
Due from/(to) other funds	296,753	(296,753)	-	-	-
Inventories	-	9,147	9,147	111,125	-
Prepaid expenses	-	-	-	3,113	-
Restricted cash and cash equivalents	1,088,083	138,550	1,226,633	-	-
Total current assets	9,240,522	1,391,383	10,631,905	348,886	39,248
Net pension asset	22,451	-	22,451	-	-
Capital assets:					
Land and construction in progress	2,464,764	330,158	2,794,922	4,692	-
Capital assets, net of depreciation	8,973,977	7,071,651	16,045,628	12,303	-
Total capital assets	11,438,741	7,401,809	18,840,550	16,995	-
Total assets	20,701,714	8,793,192	29,494,906	365,881	39,248
DEFERRED OUTFLOWS OF RESOURCES	2,887,975	101,470	2,989,445	19,407	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	385,704	139,550	525,254	50,447	13,005
Due to other funds	-	-	-	-	-
Customer deposits	-	138,550	138,550	-	-
Long-term liabilities					
Net pension liability - LGERS	1,875,524	116,714	1,992,238	20,374	-
Net pension liability - Hospital	3,830,396	-	3,830,396	-	-
Net pension liability - LEOSSA	181,532	-	181,532	-	-
Due within one year	143,527	221,001	364,528	-	-
Due in more than one year	807,883	6,023,149	6,831,032	93,112	-
Total long-term liabilities	6,838,862	6,360,864	13,199,726	113,486	-
Total liabilities	7,224,566	6,638,964	13,863,530	163,933	13,005
DEFERRED INFLOWS OF RESOURCES	162,050	1,077	163,127	714	-
NET POSITION					
Net investment in capital assets	10,983,866	2,750,528	13,734,394	16,995	-
Restricted for:					
Stabilization by State Statute	3,227,818	-	3,227,818	-	12,755
Register of Deeds	28,059	-	28,059	-	-
Public Safety	633,201	-	633,201	-	-
Economic and physical development	82,909	-	82,909	-	-
Education	874,441	-	874,441	-	-
Working capital	-	-	-	27,040	-
Construction purposes	152,207	-	152,207	-	-
Unrestricted	220,572	(495,907)	(275,335)	176,606	13,488
Total net position	\$ 16,203,073	\$ 2,254,621	\$ 18,457,694	\$ 220,641	\$ 26,243

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Functions/ Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,282,885	\$ 129,822	\$ -	\$ -
Public safety	3,981,102	483,623	141,317	-
Economic & physical development	680,839	97,647	302,710	12,143
Human services	6,169,862	1,349,734	3,375,279	-
Cultural and recreation	541,675	23,099	-	334,256
Education	2,317,563	-	-	826,458
Interest on long-term debt	16,153	-	-	-
Total governmental activities	15,990,079	2,083,925	3,819,306	1,172,857
Business-type activities:				
Sanitation	1,247,083	1,066,446	47,965	-
Water	1,193,971	1,342,870	-	-
Total business-type activities	2,441,054	2,409,316	47,965	-
Total primary government	\$ 18,431,133	\$ 4,493,241	\$ 3,867,271	\$ 1,172,857
Component unit:				
ABC Board	\$ 673,143	\$ 703,743	\$ -	\$ -
Travel & Tourism Authority	156,800	-	50,729	-
Total component units	\$ 829,943	\$ 703,743	\$ 50,729	\$ -

General revenues:

Taxes:

Property taxes, levied for general purposes

Local option sales tax

Other taxes and license

Grants and contributions not restricted to specific programs

Investment earnings

Loss on sale of assets

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, previously reported

Prior period adjustments

Net position - beginning, restated

Net position - ending

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
Statement of Activities
For the Year Ended June 30, 2017
EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Unit		
Governmental Activities	Business-type Activities	Total	Washington County ABC Board	Washington County Travel & Tourism Authority	
\$ (2,153,063)	\$ -	\$ (2,153,063)			
(3,356,162)	-	(3,356,162)			
(268,339)	-	(268,339)			
(1,444,849)	-	(1,444,849)			
(184,320)	-	(184,320)			
(1,491,105)	-	(1,491,105)			
(16,153)	-	(16,153)			
(8,913,991)	-	(8,913,991)			
-	(132,672)	(132,672)			
-	148,899	148,899			
-	16,227	16,227			
(8,913,991)	16,227	(8,897,764)			
			\$ 30,600	\$ -	
			-	(106,071)	
			30,600	(106,071)	
7,656,084	-	7,656,084	-	-	
2,316,829	-	2,316,829	-	-	
179,150	-	179,150	-	114,300	
71,190	-	71,190	-	-	
18,610	291	18,901	315	35	
(83,766)	-	(83,766)	-	-	
134,508	10,986	145,494	-	2,259	
10,292,605	11,277	10,303,882	315	116,594	
136,077	(136,077)	-	-	-	
10,428,682	(124,800)	10,303,882	315	116,594	
1,514,691	(108,573)	1,406,118	30,915	10,523	
14,716,215	2,363,194	17,079,409	189,726	15,720	
(27,833)	-	(27,833)	-	-	
14,688,382	2,363,194	17,051,576	189,726	15,720	
\$ 16,203,073	\$ 2,254,621	\$ 18,457,694	\$ 220,641	\$ 26,243	

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
BALANCE SHEET
Governmental Funds
June 30, 2017
EXHIBIT 3

	General	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 557,541	\$ 518,442	\$ 271,485	\$ 1,347,468
Restricted cash	1,088,083	-	-	1,088,083
Investments	3,321,872	-	478,783	3,800,655
Receivables, net	2,180,704	251,889	269,419	2,702,012
Due from component unit	5,551	-	-	5,551
Due from other funds	676,111	-	721,802	1,397,913
Total assets	\$ 7,829,862	\$ 770,331	\$ 1,741,489	\$ 10,341,682
LIABILITIES				
Due to other funds	\$ 744,058	\$ 229,399	\$ 127,703	\$ 1,101,160
Accounts payable and accrued liabilities	193,112	69,880	14,612	277,604
Total liabilities	937,170	299,279	142,315	1,378,764
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	964,740	-	-	964,740
FUND BALANCES				
Restricted				
Stabilization of State Statute	1,984,708	251,889	991,221	3,227,818
Register of Deeds	28,059	-	-	28,059
Public Safety	-	219,163	414,038	633,201
Economic and physical development	19,762	-	63,147	82,909
Education - school capital outlay	874,441	-	-	874,441
Construction purposes	-	-	152,207	152,207
Committed				
Tax Revaluation	185,583	-	-	185,583
Assigned				
Economic and physical development	-	-	-	-
Subsequent year's expenditures	54,943	-	-	54,943
Unassigned	2,780,456	-	(21,439)	2,759,017
Total fund balances	5,927,952	471,052	1,599,174	7,998,178
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,829,862	\$ 770,331	\$ 1,741,489	\$ 10,341,682

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
BALANCE SHEET
Governmental Funds
 June 30, 2017
 EXHIBIT 3 (continued)

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

Total fund balances - governmental funds	\$ 7,998,178
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,438,741
Net pension asset	22,451
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	395,564
Lawsuit settlement	(108,100)
Net pension liability - Hospital	(3,830,396)
Net pension liability - LGERS	(1,875,524)
Net pension liability - LEOSSA	(181,532)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	
Deferred inflows of resources for taxes receivable	877,658
Pension related deferrals	2,417,443
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(951,410)
Net position of governmental funds	\$ 16,203,073

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2017
EXHIBIT 4

	General	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 7,633,899	\$ -	\$ -	\$ 7,633,899
Local option sales taxes	2,316,829	-	-	2,316,829
Other taxes and licenses	1,345	-	177,805	179,150
Unrestricted intergovernmental	71,190	-	-	71,190
Restricted intergovernmental	3,908,776	141,746	941,641	4,992,163
Permits and fees	208,429	-	-	208,429
Sales and services	428,115	1,349,734	97,647	1,875,496
Investment earnings	18,597	-	13	18,610
Miscellaneous	134,508	-	-	134,508
Total revenues	14,721,688	1,491,480	1,217,106	17,430,274
EXPENDITURES				
Current:				
General government	2,172,473	-	-	2,172,473
Public safety	3,453,097	-	97,555	3,550,652
Economic and physical development	157,431	-	466,740	624,171
Human services	4,568,363	1,843,654	-	6,412,017
Cultural and recreation	688,282	-	-	688,282
Capital outlay	-	-	539,397	539,397
Intergovernmental:				
Education	1,812,563	-	-	1,812,563
Debt service:				
Principal	93,008	51,767	-	144,775
Interest	13,083	3,070	-	16,153
Total expenditures	12,958,300	1,898,491	1,103,692	15,960,483
Excess (deficiency) of revenues over expenditures	1,763,388	(407,011)	113,414	1,469,791
OTHER FINANCING SOURCES (USES)				
Installment purchase obligation issued	-	138,627	-	138,627
Transfers from other funds	169,077	429,789	504,395	1,103,261
Transfers to other funds	(967,184)	-	-	(967,184)
Total other financing sources (uses)	(798,107)	568,416	504,395	274,704
Net change in fund balance	965,281	161,405	617,809	1,744,495
Fund balances - beginning	4,962,671	309,647	981,365	6,253,683
Fund balances - ending	\$ 5,927,952	\$ 471,052	\$ 1,599,174	\$ 7,998,178

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Governmental Funds
For the Year Ended June 30, 2017
EXHIBIT 4 (continued)

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances to the Statement of Activities:

Net change in fund balances - governmental funds	\$	1,744,495
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay expenditures which were capitalized		666,123
Depreciation expense for governmental assets		(502,579)
Basis of assets disposed		(83,766)
		79,778
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		395,564
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue for tax revenue		22,185
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		144,735
Installment purchase obligation issued		(138,627)
		6,108
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Lawsuit settlement		(108,100)
Net pension asset - ROD		(6,111)
Net pension obligation - Law Enforcement Officers Separation Allowance		(18,618)
Pension expense - Washington County Hospital		(1,395,534)
Pension expense - LGERS		(1,488,337)
Pension expense - Deferred Outflows Increase		2,058,754
Pension expense - Deferred Inflows Decrease		132,596
Compensated absences		91,911
		91,911
Total changes in net position of governmental activities	\$	1,514,691

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Fund
For the Year Ended June 30, 2017
EXHIBIT 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 7,530,639	\$ 7,572,639	\$ 7,633,899	\$ 61,260
Local option sales tax	1,449,500	1,449,500	2,316,829	867,329
Other taxes and licenses	-	-	1,345	1,345
Unrestricted intergovernmental	239,440	55,000	71,190	16,190
Restricted intergovernmental	2,943,436	4,364,593	3,908,776	(455,817)
Permits and fees	334,000	238,359	208,429	(29,930)
Sales and services	502,665	420,299	428,115	7,816
Investment earnings	6,250	6,250	17,935	11,685
Miscellaneous	100,000	139,423	134,508	(4,915)
Total revenues	13,105,930	14,246,063	14,721,026	474,963
EXPENDITURES				
Current:				
General government	2,372,346	2,517,854	2,172,473	345,381
Public safety	3,336,186	3,893,962	3,453,097	440,865
Economic and physical development	181,458	182,538	157,431	25,107
Human services	4,841,029	4,963,334	4,568,363	394,971
Cultural and recreational	378,242	715,609	688,282	27,327
Intergovernmental:				
Education	1,603,000	1,790,689	1,812,563	(21,874)
Debt service				
Principal	132,004	93,009	93,008	1
Interest	13,083	13,083	13,083	-
Total expenditures	12,857,348	14,170,078	12,958,300	1,211,778
Revenues over (under) expenditures	248,582	75,985	1,762,726	1,686,741
OTHER FINANCING SOURCES (USES)				
Installment purchase obligation issued	(200,000)	-	-	-
Transfers from other funds	-	152,894	136,077	(16,817)
Transfers to other funds	(566,688)	(1,167,184)	(967,184)	200,000
Total other financing sources (uses)	(766,688)	(1,014,290)	(831,107)	183,183
Fund balance appropriated	518,106	938,305	-	(938,305)
Net change in fund balance	\$ -	\$ -	931,619	\$ 931,619
Fund balances - beginning			<u>4,818,471</u>	
Fund balance - ending			<u>\$ 5,750,090</u>	

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Fund
For the Year Ended June 30, 2017
EXHIBIT 5 (continued)

Emergency Medical Services			
Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
150,000	150,000	141,746	(8,254)
-	-	-	-
1,672,663	1,472,663	1,349,734	(122,929)
-	-	-	-
-	-	-	-
<u>1,822,663</u>	<u>1,622,663</u>	<u>1,491,480</u>	<u>(131,183)</u>
-	-	-	-
-	-	-	-
-	-	-	-
2,302,452	2,236,240	1,843,654	392,586
-	-	-	-
-	-	-	-
-	51,768	51,767	1
-	3,070	3,070	-
<u>2,302,452</u>	<u>2,291,078</u>	<u>1,898,491</u>	<u>392,587</u>
<u>(479,789)</u>	<u>(668,415)</u>	<u>(407,011)</u>	<u>261,404</u>
-	138,626	138,627	1
429,789	479,789	429,789	(50,000)
-	-	-	-
<u>429,789</u>	<u>618,415</u>	<u>568,416</u>	<u>(49,999)</u>
<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>161,405</u>	<u>\$ 161,405</u>
		<u>309,647</u>	
		<u>\$ 471,052</u>	

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual
For the Year Ended June 30, 2017
EXHIBIT 5-A

Amounts reported to General Fund balance are different because legally budgeted Tax Mapping and Revaluation Fund is consolidated into the General Fund for reporting purposes:

Ending fund balance		\$	5,750,090
Tax Mapping and Revaluation Fund			
Investment earnings			662
Transfer from General Fund			33,000
Fund balance, beginning			144,200
			177,862
Ending fund balance		\$	5,927,952

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2017
EXHIBIT 6

	Sanitation Fund	Water Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 352	\$ 1,594,546	\$ 1,594,898
Investments	705,115	(45,330)	659,785
Receivables, net	322,778	177,483	500,261
Due from other funds	760,793	-	760,793
Inventories	-	9,147	9,147
Restricted cash and cash equivalents	-	138,550	138,550
Total current assets	1,789,038	1,874,396	3,663,434
Capital assets:			
Land and construction in process	294,294	35,864	330,158
Capital assets, net of depreciation	103,082	6,968,569	7,071,651
Total capital assets	397,376	7,004,433	7,401,809
Total noncurrent assets	397,376	7,004,433	7,401,809
Total assets	2,186,414	8,878,829	11,065,243
DEFERRED OUTFLOWS OF RESOURCES	18,224	83,246	101,470
LIABILITIES			
Current liabilities:			
Cash overdraft	1,214,505	-	1,214,505
Accounts payable and accrued liabilities	124,823	14,727	139,550
Customer deposits	-	138,550	138,550
Due to other funds	137,802	919,744	1,057,546
Current portion of long-term liabilities	-	221,001	221,001
Total current liabilities	1,477,130	1,294,022	2,771,152
Noncurrent liabilities			
Compensated absences	8,113	27,276	35,389
Net pension liability	20,962	95,752	116,714
Accrued landfill closure and postclosure care	1,557,480	-	1,557,480
Long-term debt	-	4,430,280	4,430,280
Total noncurrent liabilities	1,586,555	4,553,308	6,139,863
Total liabilities	3,063,685	5,847,330	8,911,015
DEFERRED INFLOWS OF RESOURCES	193	884	1,077
NET POSITION			
Net investment in capital assets	397,376	2,353,152	2,750,528
Unrestricted	(1,256,616)	760,709	(495,907)
Total net position	\$ (859,240)	\$ 3,113,861	\$ 2,254,621

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Proprietary Funds
For the Year Ended June 30, 2017
EXHIBIT 7

	Sanitation Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,066,446	\$ 1,338,910	\$ 2,405,356
Tap and connection fees	-	3,960	3,960
Total operating revenues	1,066,446	1,342,870	2,409,316
OPERATING EXPENSES			
Landfill and collections	1,128,908	-	1,128,908
Operations and maintenance	-	543,288	543,288
Treatment plant	-	216,329	216,329
Landfill closure and postclosure care	93,213	-	93,213
Depreciation	24,962	264,704	289,666
Total operating expenses	1,247,083	1,024,321	2,271,404
Operating income (loss)	(180,637)	318,549	137,912
NONOPERATING REVENUES (EXPENSES)			
North Carolina Division of Waste Management	18,320	-	18,320
White goods disposal fee and grants	4,950	-	4,950
Scrap tire tax and grants	17,997	-	17,997
Solid waste disposal tax	6,698	-	6,698
Investment earnings	-	291	291
Gain (loss) on disposal of fixed assets	-	10,986	10,986
Interest on long-term debt	-	(169,650)	(169,650)
Total nonoperating revenues (expenses)	47,965	(158,373)	(110,408)
Income (loss) before transfers	(132,672)	160,176	27,504
Transfers to other funds	(33,183)	(102,894)	(136,077)
Change in net position	(165,855)	57,282	(108,573)
Total net position, beginning	(693,385)	3,056,579	2,363,194
Total net position, ending	\$ (859,240)	\$ 3,113,861	\$ 2,254,621

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2017
EXHIBIT 8

	Sanitation Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,140,795	\$ 1,360,284	\$ 2,501,079
Cash paid for goods and services	(1,043,616)	(331,782)	(1,375,398)
Cash paid to employees for services	(95,362)	(412,359)	(507,721)
Customer deposits received	-	14,752	14,752
Customer deposits returned	-	(1,292)	(1,292)
Net cash provided by operating activities	1,817	629,603	631,420
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in due to other funds	137,802	401,417	539,219
(Increase) in due from other funds	(242,466)	-	(242,466)
Transfers to other funds	(33,183)	(102,894)	(136,077)
Net cash provided by noncapital financing activities	(137,847)	298,523	160,676
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(54,162)	(54,162)
Principal paid on bonds and notes	-	(213,774)	(213,774)
Interest paid on bonds and notes	-	(169,650)	(169,650)
Net cash (used) by capital and financing activities	-	(437,586)	(437,586)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	-	291	291
(Increase) decrease in investments	(705,115)	45,330	(659,785)
Net cash provided (used) by investing activities	(705,115)	45,621	(659,494)
Net increase in cash and cash equivalents	(841,145)	536,161	(304,984)
Cash and cash equivalents, beginning of year	(373,008)	1,196,935	823,927
Cash and cash equivalents, end of year	\$ (1,214,153)	\$ 1,733,096	\$ 518,943
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (180,637)	\$ 318,549	\$ 137,912
Adjustments to reconcile operating income to cash provided by operating activities:			
Non-operating revenues	47,965	-	47,965
Depreciation	24,962	264,704	289,666
Gain on disposal of assets	-	10,986	10,986
Landfill closure and postclosure care costs	93,213	-	93,213
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
(Increase) decrease in accounts receivable	26,384	6,428	32,812
(Increase) decrease in inventory	-	1,863	1,863
(Increase) decrease in deferred outflows of resources	(13,358)	(67,138)	(80,496)
Increase (decrease) in net pension liability	16,592	81,285	97,877
Increase (decrease) in deferred inflows of resources	(2,078)	(6,636)	(8,714)
Increase (decrease) in accounts payable	(11,151)	(1,414)	(12,565)
Increase (decrease) in customer deposits	-	13,460	13,460
Increase (decrease) in accrued vacation	(75)	7,516	7,441
Total adjustments	182,454	311,054	493,508
Net cash provided by operating activities	\$ 1,817	\$ 629,603	\$ 631,420
Cash and cash equivalents	\$ 352	\$ 1,594,546	\$ 1,594,898
Cash overdraft	(1,214,505)	-	(1,214,505)
Restricted cash and cash equivalents	-	138,550	138,550
Total cash and cash equivalents	\$ (1,214,153)	\$ 1,733,096	\$ 518,943

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
STATEMENT OF FIDUCIARY NET POSITION
Fiduciary Funds – Agency Funds
June 30, 2017
EXHIBIT 9

ASSETS

Cash and cash equivalents	\$	60,467
Due from other funds		22,256
Total assets	\$	82,723

LIABILITIES

Due to other funds		14,352
Miscellaneous liabilities		68,371
Total liabilities	\$	82,723

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
STATEMENT OF FIDUCIARY NET POSITION
Fiduciary Funds – Pension Trust Fund
January 1, 2017
EXHIBIT 10

	Hospital Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 695,200
Total assets	\$ 695,200
LIABILITIES	
Accounts payable and accrued liabilities	\$ -
Total liabilities	-
NET POSITION	
Assets held in trust for pension benefits	\$ 695,200

The notes to the financial statements are an integral part of this statement.

Washington County, North Carolina
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiduciary Funds – Pension Trust Fund
 January 1, 2017
 EXHIBIT 11

		Hospital Pension Trust Fund
<hr/>		
Additions:		
Employer contributions	\$	-
<hr/>		
Investment income:		
Interest income		9,769
Dividend income		8,892
Other income		30
Net appreciation (depreciation) in fair value of investments		34,826
Total investment income		53,517
<hr/>		
Total additions		53,517
<hr/>		
Deductions:		
Benefits		235,999
Administrative and investment expenses		15,912
<hr/>		
Total deductions		251,911
<hr/>		
Change in net position		(198,394)
<hr/>		
Net position, beginning		893,594
<hr/>		
Net position, ending	\$	695,200
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The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Washington County and its discretely presented 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 five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Washington County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Washington County ABC Board (the *Board*), which has a June 30 year-end, is presented as if it is a separate proprietary fund of the County (discrete presentation). The Washington County Travel & Tourism Authority has elected not to issue separate financial statements, but to include all relevant information required by generally accepted accounting principles as supplementary information in the County’s Comprehensive Annual Financial Report.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Washington County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Washington 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.	Washington County ABC Board 696 U.S. Hwy. 64 East Plymouth, NC 27962
Washington County Travel & Tourism Authority	Discrete	The Authority exists to promote tourism within the County. The members of the Authority’s board are appointed by the county commissioners. The Authority was created by Washington County and the County finance officer is the ex officio finance officer of the Authority.	None issued.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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 of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Mapping and 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.

Emergency Medical Services Fund. This fund accounts for ambulance and transportation services provided by Washington County for the residents of Washington and Tyrell Counties.

The County reports the following major enterprise funds:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

Sanitation Fund. This fund accounts for the operation, maintenance, and development of various landfills and disposal sites.

Water Fund. This fund is used to account for the water operations within the County.

The County reports the following fund types:

Trust Funds. Trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Hospital Pension Trust Fund accounts for the County's contributions to the pension plan of Washington County Hospital, Inc.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Municipal Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County, but are not revenues to the County; the Detention Center Fund, which accounts for moneys deposited with the Jail for the benefit of certain individuals..

Non-major Funds. The County maintains seven legally budgeted funds. The Emergency Telephone System Fund, Drainage Fund, Airport Fund, and NC Housing Finance Agency Single Family Rehabilitation and Urgent Repair Program Grants are reported as non-major special revenue funds. The Commerce Center Project, Airport Grant Capital Projects, Library Project Grant and School Capital Outlay Funds are reported as non-major capital project funds.

Measurement Focus, Basis of Accounting

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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

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

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

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

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

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 this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when the 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Emergency Medical Services Fund, the Emergency Telephone, Drainage, Airport Fund and Tax Mapping and Revaluation Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Project Special Revenue Funds and the Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$1,000. 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, Washington County ABC Board, and Washington County Travel & Tourism Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, ABC Board, and Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, ABC Board, and Authority 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, ABC Board, and Authority 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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity (continued)

The majority of the County, ABC Board and Authority’s investments are carried at fair value. Non-participating interest earnings contracts are accounted for at cost. The NC Capital Management Trust Government Portfolio, a SEC-registered external investment pool meets all of the specified criteria in Section 150: Investments of the GASB Codification to qualify to elect to measure their investments at amortized cost, which is the NCCMT’s share price. The NCCMT Term Portfolio’s securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

The County pools moneys from several funds, except the Hospital Pension Trust Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Washington County ABC Board and Washington County Travel & Tourism Authority consider demand deposits and investments purchased with an original maturity of three months or less at the time of purchase and, 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. The money in the Tax Mapping and Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

Governmental Activities			
General Fund	Tax revaluation	\$	185,583
	Register of Deeds		28,059
	School Capital Outlay		874,441
Total Governmental Activities		\$	1,088,083
Business-Type Activities			
Water Fund	Customer deposits	\$	138,550
Total Business-type Activities		\$	138,550
Total Restricted Cash		\$	1,226,633

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity (continued)

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 and Prepaid Items

The inventories of the County and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory of the County's enterprise funds as well as those of the ABC Board consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds and that of the ABC Board is recorded as an expense as it is consumed or sold. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are \$5,000 for all capital assets. 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.

From time to time, the County holds title to certain Washington County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County 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 after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Washington County Board of Education.

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

	Years
Buildings	50
Improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment and software	3

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity (continued)

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	Years
Buildings	10-20
Furniture and equipment	10
Vehicles	3-5

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows 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 - pension related deferrals and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial 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 three items that meet the criterion for this category – prepaid taxes, property taxes 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 on the statements of net position.

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

10. Compensated Absences

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

The sick leave policies of the County and Authority provide for an unlimited accumulation of earned sick leave. The ABC Board policy provides for the accumulation of up to 30 days of 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 none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity (continued)

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is 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, or laws or regulations of other governments or b) imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of four 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:

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

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

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source to pay for emergency communications system equipment and expenditures.

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

Restricted for School Capital – portion of fund balance that can only be used for School Capital per G.S 159-18-22.

Restricted for Construction Purposes – portion of fund balance that is restricted for capital project construction purposes.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote of Washington County's governing body (highest level of decision making authority). Any changes or removal of specific purposes requires majority action by the governing body.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity (continued)

11. Net Position/Fund Balances (continued)

The governing body 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 that can only be used for Tax Revaluation.

Assigned Fund Balance - portion of fund balance that the Washington County governing board has budgeted.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$1,000.

Assigned for economic development – portion of fund balance that has been budgeted by the board for airport operating expenditures or other economic development activities.

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

Washington County has a fund balance policy, whereby the County's goal is to maintain at least 10% of annual budgeted expenditures for each operating fund. Should fund balance fall below the annual determined levels, the Finance Officer and County Manager must develop a plan to restore fund balance above the designated minimum within 36 months.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity (continued)

12. Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees’ Retirement System (LERS) and the Registers of Deeds’ Supplemental Pension Fund (RODSPF) (collectively, the “state-administered defined benefit pension plans”). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County’s employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$8,204,895 consists of the following:

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)	\$ 18,133,792
Less accumulated depreciation	(6,695,051)
Net capital assets	11,438,741
Net pension asset	22,451
Contributions to the pension plan in the current fiscal year	395,564
Deferred inflows of resources reported in the government-wide statements but not the fund statements	
Deferred inflows of resources for taxes receivable	877,658
Pension related deferrals	2,417,443
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Lawsuit settlement	(108,100)
Bonds, leases, and installment financing	(454,876)
Compensated absences	(496,534)
Net pension liability - NCLGERS	(1,875,524)
Net pension liability - LEOSA	(181,532)
Net pension liability – Hospital	(3,830,396)
Total adjustment	<u>\$ 8,204,895</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Reconciliation of Government-wide and Fund Financial Statements (continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of (\$229,804) is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 666,123
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.	(502,579)
Basis of capital assets disposed	(83,766)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	395,564
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	144,735
Proceeds of new debt issued during the year	(138,627)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Lawsuit settlement	(108,100)
Pension expense	678,284
Pension expense – Washington County Hospital	(1,395,534)
Compensated absences	91,911
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Increase in deferred inflows of resources – taxes receivable - at end of year	22,185
Total adjustment	(\$ 229,804)

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance or Net Position of Individual Funds

For the fiscal year ended June 30, 2017, the following funds had a deficit fund balance or net position:

Sanitation Fund	\$859,240
Library Project Grant	\$3,305
Airport Fund	\$5,064

The deficit in net position of the Sanitation Fund is due to an increase of \$942,846 in the accrued landfill closure and post closure care costs during the current and prior fiscal years. Construction expenditures in the Library Project Grant exceeded grant revenues by \$3,305. The County will transfer funds from the General Fund to the Library Project Grant fund in fiscal year 2018 to close out this grant project fund. Expenditures will be monitored closely in future years to reinstate fund balance to a positive amount.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2017, the following department’s expenditures exceeded amount approved in the budget ordinance and subsequent amendments.

General Fund	
Education	\$21,874

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the County's, ABC Board's, and Authority’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, ABC Board's, or Authority’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, ABC Board, and Authority 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, ABC Board, or Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

1. Deposits (continued)

pledged for the County, ABC Board, or Authority under the Pooling Method, the potential exists for under-collateralization, 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 and Authority have no formal policy regarding custodial risk for deposits.

At June 30, 2017, the County's deposits had a carrying amount of 2,799,893 and a bank balance of \$3,023,496. Of the bank balance, \$388,699 was covered by federal depository insurance, \$1,467 was covered by collateral held under the Dedicated Method, and \$2,478,656 in non-interest bearing deposits and \$154,674 in interest bearing deposits were covered by collateral held under the Pooling Method. At June 30, 2017, Washington County had \$1,150 cash on hand.

At January 1, 2017, the date of the actuarial valuation, the Washington County Hospital, Inc. Employees' Pension Plan had deposits of \$695,200 and a bank balance of \$695,200 all of which was held in a separate pension trust account held by the County's agent, Matrix Trust Company.

At June 30, 2017, the Washington County Travel and Tourism Authority's deposits had a carrying amount of \$32,044 and a bank balance of \$32,044 all of which was covered by federal depository insurance.

At June 30, 2017, the carrying amount of deposits for Washington County ABC Board was \$233,448 and the bank balance was \$235,309. All of the bank balance was covered by federal depository insurance. At June 30, 2017, the Board's petty cash totaled \$1,200.

2. Investments

At June 30, 2017, the County had the following investments and maturities.

Investment Type	Valuation Measurement Method	Amortized Cost	Less Than 6 Months	6-12 Months
NC Capital Management Trust – Government Portfolio	Amortized Cost	\$4,674,358	N/A	N/A
Total		\$4,674,358		

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

2. Investments (continued)

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The County does not have a formal investment policy.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County’s investment policy limits the County’s investment portfolio to maturities of less than 12 months.

Credit Risk. The County’s investments in the North Carolina Capital Management Trust’s Government Portfolio, carried a rating of AAAM by Standard and Poor’s as of June 30, 2017. The County has no formal policy regarding credit risk.

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

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

Year Levied	Tax	Interest	Total
2013	\$ 1,056,875	\$ 345,928	\$ 1,402,803
2014	1,091,819	259,309	1,351,128
2015	1,103,403	162,757	1,266,160
2016	1,133,685	65,193	1,198,878
Total	<u>\$ 4,385,782</u>	<u>\$ 833,187</u>	<u>\$ 5,218,969</u>

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

4. Receivables

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

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities				
General	\$ -	\$ 1,022,143	1,315,707	\$ 2,337,850
Other governmental	376,770	-	276,408	653,178
Total receivable	376,770	1,022,143	1,592,115	2,991,028
Allowance for doubtful accounts	(131,869)	(144,485)	(12,662)	(289,016)
Total governmental activities	\$ 244,901	\$ 877,658	\$ 1,579,453	\$ 2,702,012
Business-type activities				
Sanitation	\$ 378,146	\$ -	\$ 6,532	\$ 384,678
Water	265,068	-	8,315	273,383
Total receivable	643,214	-	14,847	658,061
Allowance for doubtful accounts	(157,800)	-	-	(157,800)
Total business-type activities	\$ 485,414	\$ -	\$ 14,847	\$ 500,261

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

Local option sales tax	\$ 1,187,606
Sales tax refund	86,746
NC Division of Motor Vehicles – Vehicle tax	81,683
Grant reimbursements receivable	216,665
911 surcharge	14,303
White goods disposal tax	1,213
Scrap tire tax	4,481
Solid waste disposal tax	1,603
Total	\$ 1,594,300

The Travel and Tourism Authority’s receivables consist of occupancy taxes collected from local hotels for the month of June in the amount of \$11,829 and sales tax refunds of \$926 due from the North Carolina Department of Revenue. Management expects all accounts receivable to be collected; therefore, no allowance for doubtful accounts has been recorded.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

5. Capital Assets
Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Construction in Progress	\$ 92,964	\$ -	\$ -	\$ 92,964
Land	2,371,800	-	-	2,371,800
Total capital assets not being depreciated	2,464,764	-	-	2,464,764
Capital assets being depreciated:				
Buildings	10,105,130	190,259	-	10,295,389
Furniture and equipment	2,839,945	215,337	-	3,055,282
Vehicles	2,260,133	260,527	202,303	2,318,357
Total capital assets being depreciated	15,205,208	666,123	202,303	15,669,028
Less accumulated depreciation for:				
Buildings	2,542,293	200,661	-	2,742,954
Furniture and equipment	2,128,886	149,635	-	2,278,521
Vehicles	1,639,829	152,284	118,537	1,673,576
Total accumulated depreciation	6,311,008	502,580	118,537	6,695,051
Total capital assets being depreciated, net	<u>8,894,200</u>			<u>8,973,977</u>
Governmental activities capital assets net	<u>\$ 11,358,964</u>			<u>\$ 11,438,741</u>

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

General government	\$ 127,877
Public safety	170,668
Economic development	38,789
Human services	133,208
Recreation	<u>32,038</u>
Total depreciation expense	<u>\$ 502,580</u>

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

5. Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Sanitation				
Capital assets not being depreciated:				
Land	\$ 294,294	\$ -	\$ -	\$ 294,294
Total capital assets not being depreciated	294,294	-	-	294,294
Capital assets being depreciated:				
Furniture and equipment	329,802	-	-	329,802
Vehicles	58,879	-	-	58,879
Total capital assets being depreciated	388,681	-	-	388,681
Less accumulated depreciation for:				
Furniture and equipment	205,138	24,962	-	230,100
Vehicles	55,499	-	-	55,499
Total accumulated depreciation	260,637	24,962	-	285,599
Total capital assets being depreciated, net	128,044			103,082
Sanitation capital assets net	<u>\$ 422,338</u>			<u>\$ 397,376</u>
Water				
Capital assets not being depreciated:				
Land	\$ 35,864	\$ -	\$ -	\$ 35,864
Total capital assets not being depreciated	35,864	-	-	35,864
Capital assets being depreciated:				
Plant and distribution systems	11,096,530	6,309	-	11,102,839
Furniture and equipment	213,391	21,269	-	234,660
Vehicles	105,440	26,584	-	132,024
Total capital assets being depreciated	11,415,361	54,162	-	11,469,523
Less accumulated depreciation for:				
Plant and distribution systems	3,978,594	240,129	-	4,218,723
Furniture and equipment	185,925	9,209	-	195,134
Vehicles	71,731	15,366	-	87,097
Total accumulated depreciation	4,236,250	264,704	-	4,500,954
Total capital assets being depreciated, net	7,179,111			6,968,569
Water capital assets net	<u>\$ 7,214,975</u>			<u>\$ 7,004,433</u>
Business-type activities capital assets net	<u>\$ 7,637,313</u>			<u>\$ 7,401,809</u>

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

5. Capital Assets (continued)

Construction Commitments

The government has one active construction project as of June 30, 2017 for the installation of water and sewer lines to the County Commerce Center. At June 30, 2017, the government’s commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Commerce Center Project	\$ <u>86,887</u>	\$ <u>86,622</u>

Discretely presented component units

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 4,692	\$ -	\$ -	\$ 4,692
Capital assets being depreciated:				
Buildings	68,273	-	-	68,273
Leasehold improvements	2,200	-	-	2,200
Furniture and equipment	81,490	-	-	81,490
Total capital assets being depreciated	151,963	-	-	151,963
Less accumulated depreciation for:				
Buildings	63,164	360	-	63,524
Leasehold improvements	400	110	-	510
Furniture and equipment	75,086	540	-	75,626
Total accumulated depreciation	138,650	1,010	-	139,660
Total capital assets being depreciated, net	13,313			12,303
Governmental activities capital assets net	\$ 18,005			\$ 16,995

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities

1. Payables

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

	Vendors	Others	Total
Governmental activities			
General	\$ 287,197	\$ -	\$ 301,212
Other governmental	84,492	-	84,492
Total governmental activities	\$ 371,689	\$ -	\$ 385,704
Business-type activities			
Sanitation	\$ 124,823	\$ -	\$ 124,823
Water	13,902	825	14,727
Total business-type activities	\$ 138,725	\$ 825	\$ 139,550

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

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. Washington County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.38% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$420,354 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported a liability of \$1,992,236 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

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

The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County’s proportion was 0.09387%, which was an increase of 0.00340 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$560,808. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 37,431	\$ 69,810
Changes of assumptions	136,450	-
Net difference between projected and actual earnings on pension plan investments	1,101,456	-
Changes in proportion and difference between County contributions and proportionate share of contributions	60,934	-
County contributions subsequent to the measurement date	420,354	-
	\$ 1,756,625	\$ 69,810
Total		

\$420,354 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 209,709
2019	209,642
2020	527,521
2021	319,589
2022	-
Thereafter	-
	\$ 1,266,461

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Post Employment Obligations (continued)

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

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

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

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 one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 4,728,505	\$ 1,992,236	\$ (293,300)

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.

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

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

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	22
Total	22

A separate report was not issued for the plan.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

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

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 in GASB Statement 73:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

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

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at end of each month. Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

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

3. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The County paid \$0 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$181,532. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$22,275.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	3,468
Benefit payments and administrative expenses subsequent to the measurement date	-	-
	-	-
Total	\$ -	\$ 3,468

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

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

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2018	\$	(615)
2019		(615)
2020		(615)
2021		(615)
2022		(615)
Thereafter		(393)
	\$	(3,468)

\$0 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

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

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
County's proportionate share of the net pension liability (asset)	\$ 196,055	\$ 181,532	\$ 168,229

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study as of December 31, 2015.

Total pension liability - beginning of year	\$	162,914
Service cost		16,885
Interest on the total pension liability		5,816
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		-
Changes of assumptions or other inputs		(4,083)
Benefit payments		-
Other changes		-
Net changes		<u>18,618</u>
Ending balance of the total pension liability	\$	<u>181,532</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all employees of 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.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

3. Pension Plan and Other Postemployment Obligations (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers (continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. For non-law enforcement employees, the County will match up to 3% of their salaries when employees withhold a minimum of \$20 each month. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$297,111, which consisted of \$37,022 from the County for law enforcement officers and \$129,820 from the County for non-law enforcement employees. The employee's contribution was \$130,269.

d. Registers of Deeds' Supplemental Pension Fund

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

d. Registers of Deeds' Supplemental Pension Fund (continued)

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$1,146 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$22,452 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was .12009%, which was a decrease of .00316% from its proportion measured as of June 30, 2015.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

d. Registers of Deeds' Supplemental Pension Fund (continued)

For the year ended June 30, 2017, the County recognized pension expense of \$(1,484). At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 24	\$ 291
Changes in assumptions	5,982	-
Net difference between projected and actual earnings on pension plan investments	39	-
Changes in proportion and difference between County contributions and proportionate share of contributions	535	2,476
County contributions subsequent to the measurement date	1,146	-
Total	\$ 7,726	\$ 2,767

\$1,146 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 513
2019	2,415
2020	1,132
2021	(247)
2022	-
Thereafter	-
	\$ 3,813

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

d. Registers of Deeds' Supplemental Pension Fund (continued)

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study as of December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2017 is 1.4%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

d. Registers of Deeds' Supplemental Pension Fund

Discount rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (18,104)	\$ (22,452)	\$ (26,105)

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

e. Other Post-Employment Benefits

1. Post-Employment Healthcare Benefits

Plan Description. The post-employment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan and Other Postemployment Obligations (continued)

e. Other Post-Employment Benefits (continued)

1. Post-Employment Healthcare Benefits (continued)

These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Major Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section as 919-981-5454.

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establishes premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal year ended June 30, 2017 and 2016, the County paid all annual required contributions to the Plan for post-employment healthcare benefits in the amount of \$330,929 and \$317,859, respectively. The contributions represented 6.02% of covered payroll.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. **Liabilities** (continued)

f. **Other Employment Benefits**

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

For the fiscal year ended June 30, 2017, the County made contributions to the State for death benefits of \$7,362. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.13% and 0.14% of covered payroll, respectively.

g. **Washington County ABC Board Pension Plan**

Please see the separately issued financial report of the Washington County ABC Board for a complete description of the ABC Board pension plan.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. **Liabilities** (continued)

g. **Washington County Hospital, Inc. Employees' Pension Plan**

1. **Plan Description.**

Washington County administers a public employee retirement system (the Washington County Hospital, Inc. Employees' Pension Plan), a single-employer defined benefit pension plan that provides retirement benefits to the former employees of Washington County Hospital Inc. Prior to January 1, 2001, the Pension Plan benefit is equal to 0.75% of Final Average Compensation times years of Benefit Service, plus excess percent (as defined below) of Final Average Compensation in excess of one-fifth of Social Security Wages times years of Benefit Service (maximum 35 years):

Year of Birth	Excess Percent
Before 1938	0.75%
1938-1954	0.70%
1955 & After	0.65%

After December 31, 2000, the pension plan benefit is the greater of 1) benefit formula prior to January 1, 2001 as described above, or 2) 0.80% of final average compensation times years of Benefit Service, plus 0.65% of Final average compensation in excess of Covered Compensation times years of Benefit Service (maximum 35 years). The minimum benefit is \$30 per month. Normal retirement age is 65. Final average compensation is the average of the 5 consecutive calendar years of highest compensation of the last 10 calendar years with maximum annual compensation of \$225,000. The maximum annual benefit is \$180,000. Employees may receive early retirement benefits at age 55 with 10 years of vesting service. Early retirement benefits are reduced by 1/180th (0.5555%) for the first 60 months and 1/360th (0.2777%) for the next 60 months. Upon termination, participants in the pension plan are vested according to the following schedule:

Years of Vesting Service	Vesting Percentage
< 6 years	0%
6 years	10%
7 years	20%
8 years	30%
9 years	40%
10 years or more	100%

The Hospital, a former component unit of Washington County, was sold on April 2, 2007. Under the terms of the sale, Washington County retained the liability for all employee pension benefits. The Pension Plan is frozen effective March 6, 2007, and therefore, all participants are now 100% vested.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. **Liabilities** (continued)

g. **Washington County Hospital, Inc. Employees’ Pension Plan (continued)**

At January 1, 2017, the Pension Plan’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	107
Active plan members	70
Total	177

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 Pension Plan Pension through appropriations in the General Fund operating budget. The County did not appropriate any employer contributions to plan assets in the current fiscal year. Since, the plan was frozen effective March 6, 2007 and there are no active employees, there were no contributions made by employees in the current year. Pension expenditures are made from the Washington County Hospital Pension Trust Fund, which is maintained on the accrual basis of accounting. Benefits and refunds are recognized as deductions from pension assets when due and payable in accordance with the terms of the plan. The Hospital Pension Plan fiscal year begins on January 1 and ends on December 31.

The Hospital Employee’s Pension Plan assets are accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

Inflation	0.00 percent
Mortality	RP 2000 Combined Mortality Table
Salary increases	0% - Plan was frozen on March 2, 2007
Discount rate	4.00 percent

Method Used to Value Investments. As of December 31, 2016, all investments were held in cash or cash equivalents, and therefore are valued at cost.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. **Liabilities** (continued)

g. **Washington County Hospital, Inc. Employees’ Pension Plan (continued)**

3. Contributions.

The County has assumed the Hospital’s liability to provide these retirement benefits to the former employees of Washington County Hospital, Inc. and has chosen to fund the amounts necessary to cover the benefits earned through contributions to the Hospital Pension Trust Fund through appropriations made in the General Fund operating budget. The County did not contribute to the Pension Plan during the current fiscal year. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2016 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 0.00% per year. Since the pension plan is frozen, no inflation component was included. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments.

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2016 was 20 years.

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

At June 30, 2017, the County reported a total pension liability of \$3,830,396. The total pension liability was measured as of December 31, 2016 based on a December 31, 2016 actuarial valuation. For the year ended June 30, 2017, the County recognized pension expense of \$170,440.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,685	\$ -
Changes in assumptions	1,206,409	-
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 1,225,094	\$ -

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. **Liabilities** (continued)

g. **Washington County Hospital, Inc. Employees’ Pension Plan (continued)**

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 245,019
2019	245,019
2020	245,019
2021	245,019
2022	245,018
Thereafter	-
	<u>\$ 1,225,094</u>

\$0 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the County’s total pension liability to changes in the discount rate. The following presents the County’s total pension liability calculated using the discount rate of 4.00 percent, as well as what the County’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Net pension liability	\$ 4,232,532	\$ 3,830,396	\$ 3,428,260

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2016.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. **Liabilities** (continued)

g. **Washington County Hospital, Inc. Employees' Pension Plan** (continued)

Annual Pension Cost and Net Pension Liability. The County's annual pension cost and net pension liability to the Hospital Pension Plan for the current year were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at January 1, 2016	\$ 3,130,062	\$ 893,594	\$ 2,236,468
Changes for a year:			
Interest	170,440	-	170,440
Differences between expected and actual experience	18,685	-	18,685
Changes of assumptions	1,206,409	-	1,206,409
Net investment income	-	53,517	(53,517)
Benefit payments	-	(235,999)	235,999
Administrative expense	-	(15,912)	15,912
Net changes	1,395,534	(198,394)	1,593,928
Balances at January 1, 2017	\$ 4,525,596	\$ 695,200	\$ 3,830,396

4. Funded Status and Funding Progress.

As of January 1, 2017, the most recent actuarial valuation date, the total pension liability for benefits was \$4,525,596 and the net pension was \$3,830,396. The covered payroll (annual payroll of active employees covered by the plan) was \$0, and the ratio of the net pension liability to the covered payroll was 100.00%.

Total Pension Liability	\$ 4,525,596
Plan Fiduciary net position	\$ 695,200
Net Pension Liability	\$ 3,830,396

Plan fiduciary net position as a
% of total pension liability 15%

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. **Liabilities** (continued)

3. Closure and Post-closure Care Costs – Washington County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its landfill facilities when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty 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 care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,557,480 reported as landfill closure and post-closure care liability at June 30, 2017 represents a cumulative amount reported to date based on the use of 84.32% percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$289,632 as the remaining estimated capacity is filled. All of the above amounts are based on what it would cost to perform all closure and post-closure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements. The County is not currently required to fund the estimated closure costs of this facility based upon its present financial stability. However, if additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience	\$ 56,140	\$ 70,101
Changes in assumptions	1,348,841	3,468
Pensions - difference between projected and actual investment earnings	1,101,495	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	61,469	2,476
Contributions to pension plan subsequent to the measurement date	421,500	
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Prepaid taxes not yet earned (General)	-	87,082
Total	\$ 2,989,445	\$ 163,127

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. **Liabilities** (continued)

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 pool administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$1 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 \$500,000 per occurrence, workers' compensation coverage up to the statutory limits. These pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,000.

The County carries flood insurance on one building through Fidelity National Property and Casualty Insurance Company. Of the County's assets this building is the only property that is located in an area of the State 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 and has purchased flood insurance coverage for the building and contents in the amount of \$67,200.

In accordance with G.S. 159-29, the County's and Travel and Tourism Authority's employees who 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 and tax collector are individually bonded for \$100,000 each. The Register of Deeds is individually bonded for \$50,000. The Finance Director for the Travel and Tourism Authority is bonded for \$50,000. The remaining employees who have access to funds are bonded under a blanket bond for \$500,000.

The County and Travel and Tourism Authority carry 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.

The County also participates in the State's Comprehensive Major Medical Plan (also referred to as the State Health Plan), a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Participants in the Plan include all full-time agency employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). The County pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan. As of June 30, 2017, the County had 179 active participants in the Plan. The Plan provides medical coverage with no lifetime maximum. The Insurance Plan Administrator for the fiscal year ended June 30, 2017 was North Carolina State Health Plan for medical.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. **Liabilities** (continued)

5. **Risk Management** (continued)

Washington County ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability coverage. In accordance with G.S 18B-700(i), each Board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety. 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, 2017, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters are not expected to have a material adverse effect on the County's financial position.

A former employee filed a claims against the County for wrongful dismissal. Per the terms of a settlement agreement dated February 6, 2018, the County is obligated to pay the employee back wages, attorney fees, and longevity pay totaling \$90,138. In addition, the County will contribute of 3% and 13.65% of wages, respectively, to employee's Prudential 401K and NC State Retirement System accounts. The County shall also reinstate the employee's health insurance benefits and pay premiums for health coverage. The estimated total amount due to former employee including benefits is \$108,100.

On January 19, 2018, the County identified discrepancies in cash receipts of water district payments. Upon investigation, the County identified questionable costs and the investigation was turned over to the County Sheriff's department. The employee in question was suspended and later terminated during the internal investigation, and the known questionable costs are immaterial to the County's financial statements. The County has begun taking corrective action to prevent future incidents of a similar nature.

Retiree Health Care and LGERS

On July 1, 2005, the County joined the North Carolina State Employees Health Plan (SHP) as a participating member. The County chose to cover both its current and retired employees that met their internal requirements for receiving this benefit. The County's internal requirements for retired employees at that time required County employees to have twenty years of service to receive retiree health insurance benefits while State employees under the SHP only needed five years of service to receive retiree health insurance benefits. It was the County's understanding upon joining SHP that the County had the option to keep its internal requirements for retired employees and that the County would pay a set monthly premium for each participating retired employee as opposed to paying a percentage of active payroll as other state agencies did at the time. The County began receiving and paid monthly invoices from the State Health Plan effective July 1, 2005 for the premiums on these

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

retired employees. The Notice of Employer Contribution Rates which the County received from the North Carolina Department of State Treasurer Retirement Services' Division for FY 2005-2006 and FY 2006-2007 did not include any percentage of payroll requirements for retiree health insurance coverage.

During fiscal year 2007-2008, the County became aware that G.S. 135-40, the statute that allowed certain local governments to participate in the SHP, was interpreted to mean that all member units were to pay a percentage of payroll to the LGERS for retiree health coverage. The County paid the premiums for its retiree coverage directly to SHP, based upon a per participant rate, beginning July 1, 2005 until June 30, 2008, in lieu of paying the stated percentage of payroll to LGERS. The net difference of the amount paid to SHP and the accumulated amount due under the percentage of payroll calculation is \$350,336. It is not known at this time if the County will be required to pay this amount to LGERS or when any repayment may occur. Beginning July 1, 2008, the County began paying the required percentage of payroll to LGERS and ceased paying premiums directly to SHP for its retiree coverage.

6. Long-Term Obligations

a. Installment Purchase

The County has entered into four installment purchase contracts as of June 30, 2017.

The first contract was entered into in February 2011 for the construction of a building at the Commerce Center. The contract calls for ten annual installments of \$50,000 plus interest at 4.41%. The second contract was entered into in June 2012 for the purchase of vehicles. The contract calls for five annual installments of \$19,516 including interest of 2.19%. The third contract was entered into in February 2014 for the purchase of vehicles and equipment. The contract calls for five annual installments of \$50,144 including interest at 2.25%. The fourth contract was entered into on December 15, 2016, for the purchase of ambulances. The contract calls for five annual installments of \$29,642 including interest at 2.27%. The future minimum payments of the installment purchases as of June 30, 2017, including interest, are as follows:

Year Ending June 30	Governmental activities	
	Principal	Interest
2018	\$ 143,527	\$ 14,596
2019	126,314	10,280
2020	77,711	6,340
2021	78,340	3,506
2022	28,984	658
Total	\$ 454,876	\$ 35,380

At June 30, 2017, Washington County had a legal debt margin of \$74,263,354.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

Debt Related to Capital Activities – Of the total Governmental Activities debt listed all \$454,876 relates to assets the County holds title. Unspent restricted cash related to this debt amounts to zero.

b. Revenue Bonds

In October 1995, the County issued a \$1,010,000 water revenue bond with a term of 39 years to finance its water works extension project. On August 26, 2013, the County issued \$776,180 in water revenue advance refunding bonds. The interest rate on the bonds is 3.89% and is payable annually on June 1. The balance due at June 30, 2017 was \$659,225. The revenue bonds, which mature June 2033, are reported in the water fund because the principal and interest are payable from the net revenues of the proprietary fund type. The taxing power of the County is not pledged for the payment of the principal or interest on the revenue bonds, and no owner has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the bond order.

In December 2000, the County issued a \$4,849,000 water revenue bond with a term of 40 years to finance its water works extension project. On August 26, 2013, the County issued \$4,140,000 in water revenue advance refunding bonds. The interest rate on the bonds is 3.89% and is payable annually on June 1. The balance due at June 30, 2017 was \$3,516,184. The revenue bonds, which mature June 2033, are reported in the water fund because the principal and interest are payable from the net revenues of the proprietary fund type. The taxing power of the County is not pledged for the payment of the principal or interest on the revenue bonds, and no owner has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the bond order.

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Business-type activities	
	Principal	Interest
2018	\$ 193,009	\$ 162,424
2019	200,517	154,915
2020	208,317	147,115
2021	216,420	139,012
2022	224,839	130,593
2023-2027	1,262,394	514,765
2028-2032	1,527,790	249,369
2033	342,123	13,310
Total	\$ 4,175,409	\$ 1,511,503

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

b. Revenue Bonds (continued)

The County has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 5.01 of the Bond Order, authorizing the issuance of the Water Revenue Bonds. Section 5.01 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2017, is as follows:

Operating revenues	\$ 1,342,870
Operating expenses *	<u>759,617</u>
Operating income	583,253
Non operating revenues **	<u>11,277</u>
Income available for debt service	<u>\$ 594,530</u>
Debt service, principal and interest paid	\$ 383,424
 Debt service coverage ratio	 <u>155.06%</u>

* Per rate covenants, this does not include the depreciation expense of \$264,704.

** Per rate covenants, this does not include revenue bond interest paid of \$169,650.

c. Note Payable – North Carolina Department of Environment and Natural Resources

On June 2, 2014, the County signed a promissory note payable to the North Carolina Department of Environment and Natural Resources in the amount of \$573,811. During fiscal year 2015, the County received loan proceeds totaling \$559,849 from the NCDENR Public Drinking Water Revolving Loan fund for the replacement of approximately 2,100 water meters for customers throughout the County. The loan is payable in 20 annual installments of \$27,992 without interest beginning May 1, 2015. The outstanding balance at June 30, 2017 was \$475,872.

Annual debt service requirements to maturity for the County’s note payable are as follows:

Year Ending June 30	Business-type activities	
	Principal	Interest
2018	\$ 27,992	\$ -
2019	27,993	-
2020	27,992	-
2021	27,993	-
2022	27,992	-
2023-2027	139,963	-
2028-2032	139,962	-
2033	55,985	-
Total	\$ 475,872	\$ -

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

d. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 460,985	\$ 138,626	\$ 144,735	\$ 454,876	\$ 143,527
Compensated absences	588,445	-	91,911	496,534	-
Net pension liability LGERS	387,187	1,488,337	-	1,875,524	-
Net pension liability Hospital	2,434,862	1,395,534	-	3,830,396	-
Net pension obligation LEOSSA	162,914	18,618	-	181,532	-
Governmental activity long-term liabilities	\$ 4,034,393	\$ 3,041,115	\$ 236,646	\$ 6,838,862	\$ 143,527
Business-type activities:					
Water Fund					
Revenue bonds	\$ 4,361,191	\$ -	\$ 185,782	\$ 4,175,409	\$ 193,009
Note payable	503,864	-	27,992	475,872	27,992
Net pension liability LGERS	14,467	81,285	-	95,752	-
Compensated absences	19,760	7,516	-	27,276	-
Total Water Fund	4,899,282	88,801	213,774	4,774,309	221,001
Sanitation Fund					
Accrued landfill closure and post-closure care costs	1,464,267	93,213	-	1,557,480	-
Net pension liability LGERS	4,370	16,592	-	20,962	-
Compensated absences	8,188	-	75	8,113	-
Total Sanitation Fund	1,476,825	109,805	75	1,586,555	-
Business-type long-term liabilities	\$ 6,376,107	\$ 198,606	\$ 213,849	\$ 6,360,864	\$ 221,001

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

The following is a summary of changes in the ABC Board's long-term obligations for the fiscal year ended June 30, 2017:

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

d. Long-Term Obligation Activity

	Beginning Balance	Increases	Decreases	Ending Balance
Net pension liability	\$ 4,443	\$ 15,931	\$ -	\$ 20,374
OPEB obligation	86,267	6,845	-	93,112
Total ABC Board	\$ 90,710	\$ 22,776	\$ -	\$ 113,486

C. Interfund Balances and Activity

Balances due to/from other funds as of June 30, 2017, consist of the following:

Due To / Receivable Fund	Due From / Payable Fund	Balance
General Fund	Drainage Fund	\$ 50,304
General Fund	Sanitation fund	137,802
General Fund	Water Fund	158,951
General Fund	Emergency Medical Services Fund	229,399
General Fund	Airport Fund	39,451
General Fund	Library Project Fund	3,305
General Fund	Commerce Center Project Fund	34,643
General Fund	Tax Mapping and Revaluation Fund	7,904
General Fund	Motor Vehicle Tax Fund	14,352
School Capital Outlay Fund	General Fund	236,860
Airport Capital Project Fund	General Fund	344,300
Social Service Trust Fund	General Fund	22,256
NCHFA Urgent Repair Program	General Fund	36,077
NCHFA SFRLP Fund	General Fund	25,294
Emergency Telephone System Fund	General Fund	79,271
Sanitation Fund	Water Fund	760,793
Total Due To / From Other Funds		<u>\$ 2,180,962</u>

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

C. Interfund Balances and Activity (continued)

Balances due to/from component units as of June 30, 2017, consist of the following:

Due To Primary Government	Due From Component Unit	Balance
General Fund	Travel and Tourism Authority	\$ 5,551

Transfers to/from other funds

Transfer Out	Transfer In	Amount
General Fund	School Capital Outlay Fund	\$ 350,000
General Fund	Tax Mapping and Revaluation Fund	33,000
General Fund	Drainage Fund	81,391
General Fund	Airport Fund	23,003
General Fund	Airport Capital Project Fund	50,001
General Fund	Emergency Medical Services Fund	429,789
Water Fund	General Fund	102,894
Sanitation Fund	General Fund	33,183
Total interfund transfers		<u>\$ 1,103,261</u>

D. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities	ABC Board
Capital assets, net of depreciation	\$ 11,438,741	\$ 7,401,809	\$ 16,995
Less: Installment debt	(454,876)	-	-
Revenue bonds	-	(4,175,409)	-
Note payable	-	(475,872)	-
Net investment in capital assets	<u>\$ 10,983,865</u>	<u>\$ 2,750,528</u>	<u>\$ 16,995</u>

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

E. Fund Balance

Washington County has a revenue spending policy that provides a policy for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, 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 officer has the authority to deviate from this policy if it is 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 appropriation:

Total fund balance - General Fund	\$	5,927,952
Less:		
Stabilization by state statute		1,984,708
Restricted for Register of Deeds		28,059
Restricted for economic and physical development		19,762
Restricted for education - school capital outlay		874,441
Restricted for revaluation		185,583
Appropriated Fund Balance in 2018 budget		54,943
Remaining Fund Balance	\$	2,780,456

NOTE 4 – JOINT VENTURES

The County participates in a joint venture to operate Pettigrew Regional Library with four other local governments. Each participating local government appoints one board member to the five 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 have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$175,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 201 E. 3rd Street, Plymouth, NC 27962.

The County also participates in a joint venture to operate Martin, Tyrell, Washington Health Department with two other local governments. The County government appoints five board members to the fifteen member board of the Health Department. The County has an ongoing financial responsibility for the joint venture because the Health Department's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Health Department, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$197,905 to the Health Department to supplement its activities. Complete financial statements for the Health Department can be obtained from their offices at Highway 45 N, Plymouth, NC 27962.

NOTE 4 – JOINT VENTURES (continued)

The County also participates in a joint venture to operate East Carolina Behavioral Health Center with eighteen other local governments. Each participating local government appoints four board members to the twenty member board of East Carolina Behavioral Health Center. The County has an ongoing financial responsibility for the joint venture because East Carolina Behavioral Health Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in East Carolina Behavioral Health Center, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$30,000 to East Carolina Behavioral Health Center to supplement its activities. Complete financial statements for East Carolina Behavioral Health Center can be obtained from their office at Middle Street, New Bern, NC 28563.

NOTE 5 – JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with nine other counties and fourteen municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid membership fees of \$10,501 to the Commission during the fiscal year ended June 30, 2017.

The County, in conjunction with seven other counties, established the Albemarle Regional Solid Waste Management Authority. The participating governments established the Authority to provide environmentally sound, cost effective management of solid waste, including storage, collection, transporting, separation, processing, recycling, and disposal of solid waste in order to protect the public health, safety and welfare. Each participating county appoints one member to the Authority's Governing Board. The Authority also serves the municipalities within its member counties. The County paid membership fees of \$3,690 to the Authority during the fiscal year ended June 30, 2017.

NOTE 6 – 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 moneys.

Unemployment Taxes

The County has elected to pay direct costs of employment security benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following discharge of employees.

NOTE 7 – 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
Temporary assistance to needy families	\$ 93,337	\$ -
Medicaid	17,376,320	9,529,720
NC Health Choice – Children’s Insurance Program	180,541	478
Energy assistance	81,000	-
Adoption assistance	147,771	36,857
Adult assistance	-	141,976
Title IV-E, foster care	46,158	10,478
CWS adoption benefits	-	5,706
Food Stamps	4,957,288	-
SFHF Maximization	-	(12,979)
State Foster Care	-	13,062
Total	\$ 22,882,415	\$ 9,725,298

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLES / RESTATEMENT/ PRIOR PERIOD ADJUSTMENTS

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers’ Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$27,833.

NOTE 9 – NEW GOVERNMENTAL ACCOUNTING STANDARDS

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

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

Washington County is currently evaluating the effects that these statements will have on its 2018 financial statements.

NOTE 10 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 23, 2018, the date on which the financial statements were available to be issued.



Required Supplemental Financial Data

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

- Schedule of the Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of the total Pension Liability as a percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Contributions Progress for the Washington County Hospital, Inc. Employees' Pension Plan
- Schedule of the Changes in Total Pension Liability for the Washington County Hospital, Inc. Employees' Pension Plan
- Schedule of the total Pension Liability as a percentage of Covered Payroll for the Washington County Hospital, Inc. Employees' Pension Plan
- Schedule of County's Proportionate Share of Net Pension Liability (Asset) (LGERS)
- Schedule of County Contributions (LGERS)
- Schedule of County's Proportionate Share of Net Pension Liability (Asset) (ROD)
- Schedule of County Contributions (ROD)

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

Total pension liability	
Service cost at end of year	\$ 16,885
Interest	5,816
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions and other inputs	(4,083)
Benefit payments	-
Other	-
Net change in total pension liability	18,618
Total pension liability - beginning	162,914
Total pension liability - ending	\$ 181,532

* The amounts presented were determined as of the prior December 31.

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
 Law Enforcement Officers' Special Separation Allowance**

Total pension liability	\$ 181,532
Covered-employee payroll	780,374
Total pension liability as a percentage of covered-employee payroll	23.26%

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

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Schedule of Contributions

	2017	2016	2015	2014
Actuarial determined contribution	\$ 279,097	\$ 225,979	\$ 202,714	\$ 177,348
Contributions made in relation to the actuarially determined contributions	-	-	100,000	-
Contribution deficiency	\$ (279,097)	\$ (225,979)	\$ (102,714)	\$ (177,348)
Covered payroll	-	-	-	-
Contributions as a percentage of covered employee payroll	100%	100%	100%	100%

Notes to the Schedule:

Valuation date	January 1, 2017
Inflation	0%
Mortality	RP 2000 Combined mortality table
Salary Increases	0%- plan was frozen on March 2 2007
Discount rate	4%

Schedule of Changes in Net Pension Liability and Related Ratios
Washington County Hospital Inc. Employees' Pension Plan
Last Four Fiscal Years

	2017	2016	2015	2014
Total pension liability				
Interest	\$ 170,440	\$ (5,142)	\$ 361,544	\$ 93,162
Differences between expected and actual experience	18,685	-	-	-
Changes of assumptions	1,206,409	-	-	-
Net change in total pension liability	1,395,534	(5,142)	361,544	93,162
Total pension liability - beginning	3,328,456	3,333,598	2,972,054	2,878,892
Total pension liability - ending (a)	4,525,596	3,328,456	3,333,598	2,972,054
Plan fiduciary net position				
Employer contributions	\$ -	\$ -	\$ 100,000	\$ 61,142
Net investment income	53,517	(12,484)	89,132	139,082
Benefit payments	(235,999)	(223,043)	(212,932)	(178,194)
Administrative expense	(15,912)	(20,289)	(23,795)	(21,934)
Net change in plan fiduciary net position	(198,394)	(255,816)	(47,595)	96
Plan fiduciary net position - beginning	893,594	1,149,410	1,197,005	1,196,909
Plan fiduciary net position - ending (b)	\$ 695,200	\$ 893,594	\$ 1,149,410	\$ 1,197,005
Net pension liability - ending (a) - (b)	\$ 3,830,396	\$ 2,434,862	\$ 2,184,188	\$ 1,775,049
Plan fiduciary net position as a percentage of the total pension liability	15.36%	26.85%	34.48%	40.28%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	100.00%	100.00%	100.00%	100.00%

Washington County, North Carolina
Local Government Employees' Retirement System
 Required Supplementary Information

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)
 Last Four Fiscal Years *

	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.09387%	0.09047%	0.09456%	0.87800%
County's proportion of the net pension liability (asset) \$	\$ 1,992,236	\$ 406,024	\$ (557,664)	\$1,058,327
County's covered-employee payroll	\$ 5,676,046	\$5,785,207	\$5,669,505	\$5,669,505
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.10%	7.02%	-9.84%	18.67%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available

Washington County, North Carolina
Local Government Employees' Retirement System
 Required Supplementary Information
Schedule of the County Contributions
 Last Four Fiscal Years

	2017	2016	2015	2014
Contractually required contribution	\$ 420,354	\$ 382,194	\$ 411,341	\$ 400,834
Contributions in relation to the contractually required contribution	420,354	382,194	411,341	400,834
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 5,663,037	\$ 5,676,046	\$ 5,785,207	\$ 5,669,505
Contributions as a percentage of covered-employee payroll	7.42%	6.73%	7.11%	7.07%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Washington County, North Carolina
Register of Deeds' Supplemental Pension Fund
 Required Supplementary Information

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)
 Last Four Fiscal Years *

	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.12009%	0.12325%	0.09786%	0.74410%
County's proportion of the net pension liability (asset) \$	\$ (22,452)	\$ (28,562)	\$ (22,192)	\$ (15,894)
County's covered-employee payroll	\$ 50,142	\$ 48,916	\$ 50,009	\$ 50,009
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-44.78%	-58.39%	-44.38%	-31.78%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

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

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Washington County, North Carolina
Register of Deeds' Supplemental Pension Fund
 Required Supplementary Information
Schedule of the County Contributions
 Last Four Fiscal Years

	2017	2016	2015	2014
Contractually required contribution	\$ 1,146	\$ 981	\$ 986	\$ 799
Contributions in relation to the contractually required contribution	1,146	981	986	799
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 49,401	\$ 50,142	\$ 48,916	\$ 50,009
Contributions as a percentage of covered-employee payroll	2.32%	1.96%	2.02%	1.60%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Taxes		\$ 7,492,722		\$ 7,397,537
Penalties and interest		141,177		154,022
Total	\$ 7,572,639	7,633,899	\$ 61,260	7,551,559
Local option sales tax				
Article 39 and 44		1,259,705		751,678
Article 40 one-half of one percent		549,307		768,951
Article 42 one-half of one percent		268,902		414,471
Redistribution		238,915		-
Total	1,449,500	2,316,829	867,329	1,935,100
Other taxes and license				
Privilage and beer licenses		565		-
Gross receipts tax		780		648
Total	-	1,345	1,345	648
Unrestricted intergovernmental				
Beer and wine tax		36,447		35,636
ABC profit distribution		-		24,839
Cable franchise fees		17,879		14,428
Payments in lieu of tax		16,864		14,872
Total	55,000	71,190	16,190	89,775
Restricted intergovernmental				
State grants		870,806		745,374
Federal grants		3,013,126		3,121,566
Court facility fees		21,806		18,433
ABC bottle taxes		3,038		3,012
Total	4,364,593	3,908,776	(455,817)	3,888,385
Permits and fees				
Building permits		48,995		45,325
Officer and sheriff fees		41,157		63,506
Gun permits		10,205		-
Register of deeds		108,072		75,833
Total	238,359	208,429	(29,930)	184,664
Sales and services				
Rental income		-		14,910
Concessions		17,477		15,333
Animal adoption fees		495		907
School resource officer fees		194,880		216,006
Jail fees		187,891		165,827
Election fees		-		1,055
Tax collection fees		4,273		4,057
Senior citizens funds		13,215		23,174
Recreation fees		9,884		7,845
Total	420,299	428,115	7,816	449,114

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016
(continued)

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Investment earnings	6,250	17,935	11,685	7,512
Miscellaneous				
Administrative reimbursement		3,500		3,000
Contributions		18,874		-
Insurance proceeds		94,809		-
Miscellaneous		17,325		94,911
Total	139,423	134,508	(4,915)	97,911
Total revenues	14,246,063	14,721,026	474,963	14,204,668
EXPENDITURES				
General government				
Governing board				
Governing board fees		54,950		39,309
Operating expenditures		29,765		50,101
Total	90,922	84,715	6,207	89,410
Administration				
Salaries and benefits		286,172		272,697
Operating expenditures		148,650		17,877
Total	604,804	434,822	169,982	290,574
Elections				
Salaries and benefits		68,205		72,891
Operating expenditures		28,130		33,769
Total	105,122	96,335	8,787	106,660
Finance				
Salaries and benefits		214,758		369,445
Operating expenditures		96,064		129,732
Total	326,859	310,822	16,037	499,177
Tax administration				
Salaries and benefits		234,004		230,660
Operating expenditures		39,613		31,396
Total	278,248	273,617	4,631	262,056
Legal and professional services				
Contracted services		21,520		15,250
Total	25,000	21,520	3,480	15,250

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016
(continued)

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Register of deeds				
Salaries and benefits		123,270		116,277
Operating expenditures		16,762		19,067
Total	146,150	140,032	6,118	135,344
Facility services				
Salaries and benefits		277,914		250,964
Operating expenditures		332,650		489,098
Capital outlay		22,260		-
Total	755,802	632,824	122,978	740,062
Information technology				
Salaries and benefits		73,541		59,494
Operating expenditures		21,336		34,983
Capital outlay		20,642		9,362
Total	119,646	115,519	4,127	103,839
Geographic information				
Salaries and benefits		51,430		50,785
Operating expenditures		10,837		15,461
Total	65,301	62,267	3,034	66,246
Total general government	2,517,854	2,172,473	345,381	2,308,618
Public safety				
Sheriff				
Salaries and benefits		1,016,181		1,006,508
Operating expenditures		143,260		153,392
Public offender housing		-		4,452
Capital outlay		105,967		56,852
Total	1,401,867	1,265,408	136,459	1,221,204
Communications E911				
Salaries and benefits		397,546		329,908
Operating expenditures		15,470		10,637
Total	419,990	413,016	6,974	340,545
Detention center				
Salaries and benefits		476,481		557,573
Operating expenditures		328,703		236,067
Capital outlay		27,350		11,797
Total	926,285	832,534	93,751	805,437

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016
(continued)

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
School resource officer - Union				
Salaries and benefits		39,392		48,552
Operating expenditures		1,075		1,832
Total	46,425	40,467	5,958	50,384
School resource officer - Creswell				
Salaries and benefits		53,681		48,087
Operating expenditures		387		1,694
Total	56,810	54,068	2,742	49,781
School resource officer - Pines				
Salaries and benefits		48,637		47,982
Operating expenditures		2,370		2,485
Total	51,115	51,007	108	50,467
School resource officer - Plymouth				
Salaries and benefits		45,785		49,337
Operating expenditures		1,885		2,251
Total	52,548	47,670	4,878	51,588
Fire protection				
Assistance to local departments	238,567	238,567	-	329,758
Planning and inspections				
Salaries and benefits		205,661		185,179
Operating expenditures		199,206		81,135
Capital outlay		10,443		-
Total	592,958	415,310	177,648	266,314
Medical examiner				
Contracted services	13,100	13,100	-	7,050
Forestry				
County contribution	94,297	81,950	12,347	73,028
Total public safety	3,893,962	3,453,097	440,865	3,245,556
Economic and physical development				
Cooperative extension service				
Salaries and benefits		116,320		99,749
Operating expenditures		11,724		11,995
Total	128,999	128,044	955	111,744

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016
(continued)

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Washington County Travel and Tourism Authority				
Contribution to Travel and Tourism Authority	-	-	-	86,769
Soil and water conservation				
Salaries and benefits		23,147		47,400
Operating expenditures		6,240		4,416
Total	53,539	29,387	24,152	51,816
Total economic and physical development	182,538	157,431	25,107	250,329
Human services				
Contribution to District Health Department	197,905	197,905	-	197,905
Mental health				
Mental Health Operations	30,000	30,000	-	30,000
Senior citizens center				
Salaries and benefits		113,299		97,425
Operating expenditures		89,679		86,174
Total	207,435	202,978	4,457	183,599
Juvenile justice				
Operating expenditures	82,739	81,823	916	92,540
Social services administration				
Salaries and benefits		2,587,216		2,288,592
Operating expenditures		254,289		174,464
Capital outlay		-		12,733
Total	2,939,434	2,841,505	97,929	2,475,789
Social services daycare				
Assistance payments	709,791	574,894	134,897	711,658
Social services economic support				
Assistance payments	624,285	512,549	111,736	530,166
Social services transportation				
Salaries and benefits		-		183,667
Operating expenditures		75,452		81,835
Capital outlay		-		1,705
Total	102,502	75,452	27,050	267,207

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016
(continued)

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Community alternatives program				
Salaries and benefits		-		94,830
Operating expenditures		38,229		40,215
Total	55,500	38,229	17,271	135,045
Veterans service officer				
Salaries and benefits		10,593		10,580
Operating expenditures		2,435		1,384
Total	13,743	13,028	715	11,964
Total human services	4,963,334	4,568,363	394,971	4,635,873
Cultural and recreation				
Recreation				
Salaries and benefits		90,893		76,980
Operating expenditures		61,696		63,628
Capital outlay		360,693		6,188
Total	540,609	513,282	27,327	146,796
Library				
Contribution to regional library	175,000	175,000	-	172,684
Total culture and recreation	715,609	688,282	27,327	319,480
Education				
Public schools - current		1,603,000		1,603,000
Public schools - capital outlay		209,563		557,827
Total education	1,790,689	1,812,563	(21,874)	2,160,827
Debt service				
Principal	93,009	93,008	1	152,878
Interest	13,083	13,083	-	21,375
Total debt service	106,092	106,091	1	174,253
Total expenditures	14,170,078	12,958,300	1,211,778	13,094,936
Revenues over (under) expenditures	75,985	1,762,726	1,686,741	1,109,732

Washington County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016
(continued)

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
OTHER FINANCING SOURCES (USES)				
Transfer from Sanitation Fund	50,000	33,183	(16,817)	60,000
Transfer from Water Fund	102,894	102,894	-	200,000
Transfer to Tax Mapping and Revaluation	(33,000)	(33,000)	-	(33,000)
Transfer to Airport Fund	(73,004)	(73,004)	-	(376,531)
Transfer to Airport Capital Project Fund	-	-	-	(9,340)
Transfer to Drainage Fund	(63,895)	(63,895)	-	(20,594)
Transfer to Commerce Center Capital Project Fund	-	-	-	(186,850)
Transfer to Emergency Telephone Fund	-	-	-	(446,384)
Transfer to Economic Development	(150,000)	-	150,000	-
Transfer to Emergency Medical Services Fund	(429,789)	(429,789)	-	(2,473,125)
Transfer to Education	(400,000)	(350,000)	50,000	-
Transfer to Other Non-Major Funds	(17,496)	(17,496)	-	-
Total other financing sources (uses)	(1,014,290)	(831,107)	183,183	(3,285,824)
Revenues and other financing sources				
over (under) expenditures and other financing uses	(938,305)	931,619	1,869,924	(2,176,092)
Fund balance appropriated	938,305	-	(938,305)	-
Net change in fund balance	\$ -	931,619	\$ 931,619	(2,176,092)
Fund balance, beginning		4,818,471		6,994,563
Fund balance, ending		\$ 5,750,090		\$ 4,818,471

Washington County, North Carolina
Tax Mapping and Revaluation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Investment earnings	\$ -	\$ 662	\$ 662	\$ 307
EXPENDITURES				
General government				
Other operating expenditures	33,000	-	33,000	-
Revenues over (under) expenditures	(33,000)	662	33,662	307
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	33,000	33,000	-	33,000
Revenues and other sources over (under) expenditures	\$ -	33,662	\$ 33,662	33,307
Fund balance, beginning		144,200		110,893
Fund balance, ending		\$ 177,862		\$ 144,200

Washington County, North Carolina
Emergency Medical Services Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Restricted intergovernmental				
Federal grants	\$ 150,000	\$ 141,746	\$ (8,254)	\$ 332,995
Tyrrell County ambulance	-	-	-	38,000
Total	150,000	141,746	(8,254)	370,995
Sales and services				
EMS fees - Washington County		511,365		329,255
Transport fees - Washington County		148,514		152,346
EMS fees - Tyrrell County		216,313		139,727
Transport fees - Tyrrell County		29,973		4,576
Transport contract - Tyrrell County		306,069		250
Tyrrell County EMS contract		137,500		695,976
Total	1,472,663	1,349,734	(122,929)	1,322,130
Total revenues	1,622,663	1,491,480	(131,183)	1,693,125
EXPENDITURES				
Human services				
EMS - Washington County				
Salaries and benefits		906,596		878,964
Operating expenditures		105,044		89,938
Contracted services - Medical Director		15,576		19,500
Contracted services - billing		26,886		26,693
Capital outlay		142,797		-
Total	1,290,320	1,196,899	93,421	1,015,095
Transport - Washington County				
Salaries and benefits		69,581		210,352
Operating expenditures		24,949		27,541
Contracted services - Medical Director		6,791		13,868
Total	223,257	101,321	121,936	251,761
Total - Washington County	1,513,577	1,298,220	215,357	1,266,856
EMS - Tyrrell County				
Salaries and benefits		429,553		394,890
Operating expenditures		39,545		31,534
Contracted services - Medical Director		7,672		2,640
Contracted services - billing		11,565		-
Capital outlay		-		38,000
Total	534,959	488,335	46,624	467,064

Washington County, North Carolina
Emergency Medical Services Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Transport - Tyrrell County				
Salaries and benefits		32,917		82,089
Operating expenditures		20,860		20,999
Contracted services - billing		3,322		12,756
Total	187,704	57,099	130,605	115,844
Total - Tyrrell County	722,663	545,434	177,229	582,908
Total human services	2,236,240	1,843,654	392,586	1,849,764
Debt service				
Principal - Washington County	51,768	51,767	1	12,478
Interest	3,070	3,070	-	740
Total debt service	54,838	54,837	1	13,218
Total expenditures	2,291,078	1,898,491	392,587	1,862,982
Revenues over (under) expenditures	(668,415)	(407,011)	261,404	(169,857)
OTHER FINANCING SOURCES (USES)				
Transfers in	479,789	429,789	(50,000)	2,473,125
Proceeds from long-term debt	138,626	138,627	1	-
Total other financing sources (uses)	618,415	568,416	(49,999)	2,473,125
Revenues and other financing sources over (under) expenditures and other financing uses	(50,000)	161,405	211,405	2,303,268
Fund balance appropriated	50,000	-	(50,000)	-
Net change in fund balance	\$ -	161,405	\$ 161,405	2,303,268
Fund Balance, beginning		309,647		(1,993,621)
Fund balance, ending		\$ 471,052		\$ 309,647



COMBINING STATEMENTS FOR NON-MAJOR FUNDS

Special Revenue Funds

- Emergency Telephone System Fund – This fund accounts for the 911 revenues collected by the telephone industry to fund the 911 emergency system.
- Drainage Fund – This fund is used to account for special revenues received to improve drainage operations within the County.
- Airport Fund – This fund accounts for operating revenues and expenditures at the County airport facilities.
- North Carolina Housing Finance Agency Single Family Rehabilitation Loan Pool – This fund is used to account for grant expenditures for the rehabilitation of single family homes within the County.
- North Carolina Housing Finance Agency Urgent Repair Program - This fund is used to account for grant expenditures for the repair low income homes within the County.

Capital Project Funds

- Commerce Center Project – This fund accounts for the construction of water and sewer lines to the Commerce Center building.
- Airport Grant Capital Project – This fund accounts for capital improvements at the County airport facilities.
- Library Project Grant – This fund accounts for capital improvement projects at the library.
- School Capital Outlay Fund – this fund accounts for capital improvements for Washington County Schools.

Washington County, North Carolina
Combining Balance Sheet
 Non-major Governmental Funds
 June 30, 2017

	Special Revenue Funds					
	Emergency Telephone System Fund	Drainage Fund	Airport Fund	NCHFA Family Rehabilitaton Loan Pool	Single Finance Agency Urgent Repair Program	
ASSETS						
Cash and cash equivalents	\$ 34,318	\$ 15,378	\$ 34,939	\$ -	\$ -	
Investments	380,710	98,073	-	-	-	
Accounts receivable, net	15,802	-	301	-	-	
Due from other funds	79,271	-	-	25,294	36,077	
Total assets	\$ 510,101	\$ 113,451	\$ 35,240	\$ 25,294	\$ 36,077	
LIABILITIES						
Due to other funds	\$ -	\$ 50,304	\$ 39,451	\$ -	\$ -	
Accounts payable	990	-	853	12,769	-	
Total liabilities	990	50,304	40,304	12,769	-	
FUND BALANCES						
Restricted						
Stabilization by State Statute	95,073	-	301	25,294	36,077	
Public safety	414,038	-	-	-	-	
Economic and physical development	-	63,147	-	-	-	
Construction projects	-	-	-	-	-	
Assigned						
Economic and physical development	-	-	-	-	-	
Unassigned	-	-	(5,365)	(12,769)	-	
Total fund balances	509,111	63,147	(5,064)	12,525	36,077	
Total liabilities and fund balances	\$ 510,101	\$ 113,451	\$ 35,240	\$ 25,294	\$ 36,077	

Washington County, North Carolina
Combining Balance Sheet
 Non-major Governmental Funds
 June 30, 2017

Total Non-major Special Revenue Funds	Capital Project Funds					Total Non-major Capital Projects	Total Non-major Governmental Funds
	Airport Grant Capital Project	Library Project Grant	Commerce Center Project	School Capital Outlay			
\$ 84,635	\$ -	\$ -	\$ 186,850	\$ -	\$ 186,850	\$ 271,485	
478,783	-	-	-	-	-	478,783	
16,103	6,406	-	-	246,910	253,316	269,419	
140,642	344,300	-	-	236,860	581,160	721,802	
<u>\$ 720,163</u>	<u>\$ 350,706</u>	<u>\$ -</u>	<u>\$ 186,850</u>	<u>\$ 483,770</u>	<u>\$ 1,021,326</u>	<u>\$ 1,741,489</u>	
\$ 89,755	\$ -	\$ 3,305	\$ 34,643	\$ -	\$ 37,948	\$ 127,703	
14,612	-	-	-	-	-	14,612	
104,367	-	3,305	34,643	-	37,948	142,315	
156,745	350,706	-	-	483,770	834,476	991,221	
414,038	-	-	-	-	-	414,038	
63,147	-	-	-	-	-	63,147	
-	-	-	152,207	-	152,207	152,207	
-	-	-	-	-	-	-	
(18,134)	-	(3,305)	-	-	(3,305)	(21,439)	
<u>615,796</u>	<u>350,706</u>	<u>(3,305)</u>	<u>152,207</u>	<u>483,770</u>	<u>983,378</u>	<u>1,599,174</u>	
<u>\$ 720,163</u>	<u>\$ 350,706</u>	<u>\$ -</u>	<u>\$ 186,850</u>	<u>\$ 483,770</u>	<u>\$ 1,021,326</u>	<u>\$ 1,741,489</u>	

Washington County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				
	Emergency Telephone System Fund	Drainage Fund	Airport Fund	NCHFA Family Rehabilitation Loan Pool	Single NC Housing Finance Agency Urgent Repair Program
REVENUES					
Other taxes and license	\$ 171,650	\$ 6,155	\$ -	\$ -	\$ -
Restricted intergovernmental	-	-	-	240,728	50,000
Sales and services	-	-	97,647	-	-
Investment earnings	-	13	-	-	-
Total revenues	171,650	6,168	97,647	240,728	50,000
EXPENDITURES					
Current					
Public safety	97,555	-	-	-	-
Economic and physical development	-	52,879	160,844	239,094	13,923
Capital outlay	(2,460)	-	-	-	-
Total expenditures	95,095	52,879	160,844	239,094	13,923
Excess (deficiency) of revenues over expenditures	76,555	(46,711)	(63,197)	1,634	36,077
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds	-	81,391	23,003	-	-
Net change in fund balances	76,555	34,680	(40,194)	1,634	36,077
Fund balances, beginning	432,556	28,467	35,130	10,891	-
Fund balances, ending	\$ 509,111	\$ 63,147	\$ (5,064)	\$ 12,525	\$ 36,077

Washington County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended June 30, 2017

Total Non-major Special Revenue Funds	Capital Project Funds					Total Non-major Capital Projects	Total Non-major Governmental Funds
	Airport Grant Capital Project	Library Project Grant	Commerce Center Project	School Capital Outlay			
\$ 177,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,805
290,728	3,203	-	8,940	638,770	650,913	941,641	
97,647	-	-	-	-	-	97,647	
13	-	-	-	-	-	13	
<u>566,193</u>	<u>3,203</u>	<u>-</u>	<u>8,940</u>	<u>638,770</u>	<u>650,913</u>	<u>1,217,106</u>	
97,555	-	-	-	-	-	97,555	
466,740	-	-	-	-	-	466,740	
(2,460)	-	-	36,857	505,000	541,857	539,397	
<u>561,835</u>	<u>-</u>	<u>-</u>	<u>36,857</u>	<u>505,000</u>	<u>541,857</u>	<u>1,103,692</u>	
4,358	3,203	-	(27,917)	133,770	109,056	113,414	
104,394	50,001	-	-	350,000	400,001	504,395	
108,752	53,204	-	(27,917)	483,770	509,057	617,809	
507,044	297,502	(3,305)	180,124	-	474,321	981,365	
<u>\$ 615,796</u>	<u>\$ 350,706</u>	<u>\$ (3,305)</u>	<u>\$ 152,207</u>	<u>\$ 483,770</u>	<u>\$ 983,378</u>	<u>\$ 1,599,174</u>	

Washington County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	<u>2017</u>			<u>2016</u>
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Sales and services	\$ 206,722	\$ 171,650	\$ (35,072)	\$ 199,237
EXPENDITURES				
Current				
Public safety				
Operating expenditures		97,555		88,942
Capital outlay		(2,460)		50,838
Total expenditures	206,722	95,095	111,627	139,780
Revenues over (under) expenditures	-	76,555	76,555	59,457
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund *	-	-	-	446,384
Total other financing sources (uses)	-	-	-	446,384
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	76,555	\$ 76,555	505,841
Fund balance, beginning		<u>432,556</u>		<u>(73,285)</u>
Fund balance, ending		<u>\$ 509,111</u>		<u>\$ 432,556</u>

Washington County, North Carolina
Drainage Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Other taxes and license				
Drainage assessments	\$ 2,081	\$ 6,155	\$ 4,074	\$ 6,380
Investment earnings	-	13	13	12
Total revenues	2,081	6,168	4,087	6,392
EXPENDITURES				
Current				
Economic and physical development				
Operating expenditures	111,939	52,879	59,060	55,129
Revenues over (under) expenditures	(109,858)	(46,711)	63,147	(48,737)
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	81,391	81,391	-	20,594
Total other financing sources (uses)	81,391	81,391	-	20,594
Revenues and other financing sources over (under) expenditures and other financing uses	(28,467)	34,680	63,147	(28,143)
Fund balance appropriated	28,467	-	(28,467)	-
Net change in fund balance	\$ -	34,680	\$ 34,680	(28,143)
Fund balance, beginning		28,467		56,610
Fund balance, ending		\$ 63,147		\$ 28,467

Washington County, North Carolina
Airport Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Sales and services				
Hanger Rental		\$ 9,540		\$ 6,760
Airport fuel sales		88,107		115,886
Total	\$ 146,420	97,647	\$ (48,773)	122,646
Contributions	-	-	-	700
Total revenues	146,420	97,647	(48,773)	123,346
EXPENDITURES				
Economic and physical development				
Airport operations				
Salaries and benefits		58,581		54,056
Operating expenditures		102,263		121,923
Total expenditures	169,423	160,844	8,579	175,979
Revenues over (under) expenditures	(23,003)	(63,197)	(40,194)	(52,633)
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	23,003	23,003	-	376,531
Total other financing sources (uses)	23,003	23,003	-	376,531
Net change in fund balance	\$ -	(40,194)	\$ (40,194)	323,898
Fund balance, beginning		35,130		(288,768)
Fund balance, ending		\$ (5,064)		\$ 35,130

Washington County, North Carolina
North Carolina Housing Finance Agency Single Family Rehabilitation Loan Pool
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Year Ended June 30, 2017

	Project Authorization			Actual			Variance Positive (Negative)
	June 30, 2016	Amendments	June 30, 2017	Prior Year	Current Year	Total to Date	
REVENUES							
Restricted intergovernmental NC Housing Finance Agency	\$ 155,929	\$ 250,667	\$ 406,596	\$ 155,368	\$ 240,728	\$ 396,096	\$ (10,500)
Total revenues	155,929	250,667	406,596	155,368	240,728	396,096	(10,500)
EXPENDITURES							
Economic and physical development							
Administration	165	-	165	-	-	-	165
Rehabilitation	155,764	250,667	406,431	144,477	239,094	383,571	22,860
Total expenditures	155,929	250,667	406,596	144,477	239,094	383,571	23,025
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ 10,891	1,634	\$ 12,525	\$ 12,525
Fund balance, beginning					10,891		
Fund balance, ending					\$ 12,525		

Washington County, North Carolina
North Carolina Housing Finance Agency Urgent Repair Program
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Year Ended June 30, 2017

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental NC Housing Finance Agency	\$ 100,000	\$ -	\$ 50,000	\$ 50,000	\$ (50,000)
EXPENDITURES					
Economic and physical development Rehabilitation	100,000	-	13,923	13,923	86,077
Revenues over (under) expenditures	\$ -	\$ -	36,077	\$ 36,077	\$ 36,077
Fund balance, beginning			-		
Fund balance, ending			\$ 36,077		

Washington County, North Carolina
Airport Grant Capital Projects
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and for the Year Ended June 30, 2017

	Project Authorization			Actual			Variance Positive (Negative)
	June 30, 2016	Amendments	June 30, 2017	Prior Year	Current Year	Total to Date	
REVENUES							
Restricted intergovernmental							
Aviation grants	\$ 1,648,798	\$ 450,000	\$ 2,098,798	\$ 1,843,114	\$ 3,203	\$ 1,846,317	\$ (252,481)
EXPENDITURES							
Construction and improvements	1,733,080	500,001	2,233,081	1,629,894	-	1,629,894	603,187
Revenues over (under) expenditures	(84,282)	(50,001)	(134,283)	213,220	3,203	216,423	350,706
OTHER FINANCING SOURCES							
Transfer from General Fund	84,282	50,001	134,283	84,282	50,001	134,283	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ -	\$ 297,502	53,204	\$ 350,706	\$ 350,706
Fund balance, beginning					297,502		
Fund balance, ending					\$ 350,706		

Washington County, North Carolina
Library Project Grant
Schedule of Revenues and Expenditures – Budget and Actual
From Inception and for the Year Ended June 30, 2017

	Project Authorization			Actual			Variance Positive (Negative)
	June 30, 2016	Amendments	June 30, 2017	Prior Year	Current Year	Total to Date	
REVENUES							
Restricted intergovernmental							
Library Grant	\$ 556,334	\$ -	\$ 556,334	\$ 500,000	\$ -	\$ 500,000	\$ (56,334)
EXPENDITURES							
Administration	39,535	-	39,535	61,435	-	61,435	(21,900)
Construction	516,799	-	516,799	441,870	-	441,870	74,929
Total expenditures	556,334	-	556,334	503,305	-	503,305	53,029
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ (3,305)	-	\$ (3,305)	\$ (3,305)
Fund balance, beginning					(3,305)		
Fund balance, ending					\$ (3,305)		

Washington County, North Carolina
Commerce Center Project
Schedule of Revenues, and Expenditures – Budget and Actual
From Inception and for the Year Ended June 30, 2017

	Project Authorization			Actual			Variance Positive (Negative)
	June 30, 2016	Amendments	June 30, 2017	Prior Year	Current Year	Total to Date	
REVENUES							
Restricted intergovernmental Commerce Center IDF Grant	\$ 1,259,550	\$ -	\$ 1,259,550	\$ 43,304	\$ 8,940	\$ 52,244	\$ (1,207,306)
Total revenues	1,259,550	-	1,259,550	43,304	8,940	52,244	(1,207,306)
EXPENDITURES							
Administration	165,000	-	165,000	50,030	36,456	86,486	78,514
Construction	1,281,400	-	1,281,400	-	401	401	1,280,999
Total expenditures	1,446,400	-	1,446,400	50,030	36,857	86,887	1,359,513
Revenues over (under) expenditures	(186,850)	-	(186,850)	(6,726)	(27,917)	(34,643)	152,207
OTHER FINANCING SOURCES AND USES							
Transfer from General Fund	186,850	-	186,850	186,850	-	186,850	(186,850)
Total other financing sources and uses	186,850	-	186,850	186,850	-	186,850	(186,850)
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ -	\$ 180,124	(27,917)	\$ 152,207	\$ (34,643)
Fund balance, beginning					180,124		
Fund balance, ending					\$ 152,207		

Washington County, North Carolina
School Capital Outlay Fund
Schedule of Revenues, and Expenditures – Budget and Actual
From Inception and for the Year Ended June 30, 2017

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Restricted intergovernmental				
Article 40 one-half of one percent		\$ 235,416		\$ -
Article 42 one-half of one percent		403,354		-
Total revenues	\$ 460,500	638,770	\$ 178,270	-
EXPENDITURES				
Economic and physical development				
Capital outlay		505,000		-
Total expenditures	810,500	505,000	305,500	-
Revenues over (under) expenditures	(350,000)	133,770	483,770	-
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	350,000	350,000	-	-
Total other financing sources (uses)	350,000	350,000	-	-
Revenues and other financing sources over (under) other financing sources (uses)	\$ -	483,770	\$ 483,770	-
Fund balance, beginning		-		-
Fund balance, ending		\$ 483,770		\$ -



Enterprise Funds

- Sanitation Fund – This fund accounts for the County’s solid waste activities, including the Landfill Closure and Post-closure costs which may be needed when the Landfill operation is closed and subsequent monitoring.
- Water Fund – This fund accounts for the activities of the County’s water activities..

Agency Funds

- Social Services Trust Fund
- Detention Center – Inmates Trust Fund
- Motor Vehicle Tax Fund

Washington County, North Carolina
Enterprise Fund - Sanitation Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Operating revenues				
Solid waste fees		\$ 1,066,446		\$ 1,055,351
Penalties		-		250
Total	\$ 1,177,135	1,066,446	\$ (110,689)	1,055,601
Nonoperating revenues				
Albemarle Regional Solid Waste Management Authority		-		12,676
North Carolina Division of Waste Management		18,320		57,109
White goods disposal fee and grants		4,950		4,313
Scrap tire tax and grants		17,997		18,402
Solid waste disposal tax		6,698		6,471
Total	62,405	47,965	(14,440)	98,971
Total revenues	1,239,540	1,114,411	(125,129)	1,154,572
EXPENDITURES				
Landfill and collections				
Salaries and benefits		95,362		94,448
Garbage collection fees		708,529		721,496
Landfill fees		214,988		262,954
Scrap tire services		38,540		32,230
Albemarle Regional Solid Waste Management Authority		3,690		45,694
Operating expenditures		66,718		54,075
Capital outlay		-		42,358
Total expenditures	1,233,174	1,127,827	105,347	1,253,255
Revenues over (under) expenditures	6,366	(13,416)	(19,782)	(98,683)
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	-	(33,183)	(33,183)	(60,000)
Revenues and other sources over (under) expenditures and other uses	6,366	(46,599)	(52,965)	(158,683)
Fund balance appropriated	(6,366)	-	6,366	-
Revenues and other sources over (under) expenditures and other uses	\$ -	(46,599)	\$ (46,599)	(158,683)

Washington County, North Carolina
Enterprise Fund - Sanitation Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016
(continued)

	<u>2017</u>		<u>2016</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues and other sources over (under) expenditures and other uses		\$ (46,599)	\$ (158,683)
Reconciling items:			
Depreciation		(24,962)	(24,053)
Capital outlay		-	42,358
(Increase) in net pension liability		(16,592)	(10,143)
Increase (decrease) in deferred outflows of resources - pensions		13,358	(292)
Decrease in deferred inflows of resources - pensions		2,078	11,797
Increase in accrued landfill closure and postclosure care costs		(93,213)	(849,633)
(Increase) decrease in compensated absences		75	(656)
Total reconciling items		<u>(119,256)</u>	<u>(830,622)</u>
Change in net position		<u>\$ (165,855)</u>	<u>\$ (989,305)</u>

Washington County, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Operating revenues				
Water charges		\$ 1,338,910		\$ 1,411,892
Tap and connection fees		3,960		3,590
Total	\$ 1,331,009	1,342,870	\$ 11,861	1,415,482
Nonoperating revenues				
Investment earnings	-	291	291	137
Total	-	291	291	137
Total revenues	1,331,009	1,343,161	12,152	1,415,619
EXPENDITURES				
Operation and maintenance				
Salaries and benefits		297,036		183,761
Professional services		34,170		20,317
Bad debts		7,900		18,000
Operating expenditures		182,236		138,597
Total	530,982	521,342	9,640	360,675
Treatment plant				
Salaries and benefits		115,323		115,675
Utilities		26,643		24,799
Chemicals		19,872		17,327
Operating expenditures		54,491		38,618
Total	223,942	216,329	7,613	196,418
Capital outlay	72,743	61,081	11,662	13,425
Debt service				
Principal		213,774		206,119
Interest		169,650		176,607
Total	411,433	383,424	28,009	382,726
Total expenditures	1,239,100	1,182,176	45,262	953,244
Revenues over (under) expenditures	91,909	160,985	69,076	462,375

Washington County, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016
(continued)

	<u>2017</u>			<u>2016</u>
	Final Budget	Actual	Variance Positive (Negative)	Actual
OTHER FINANCING SOURCES (USES)				
Proceeds from sales of capital assets	10,985	10,986	1	-
Transfer to General Fund	(102,894)	(102,894)	-	(200,000)
Total other financing sources (uses)	(91,909)	(91,908)	1	(200,000)
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	69,077	\$ 69,077	262,375
Reconciliation from budgetary basis to full accrual:				
Reconciling items:				
Depreciation		(264,704)		(260,011)
Debt principal		213,774		206,119
Capital outlay		54,162		13,425
(Increase) in net pension liability		(81,285)		(36,078)
Increase (decrease) in deferred outflows of resources - pensions		67,138		(3,203)
Decrease in deferred inflows of resources - pensions		6,636		45,149
Decrease in compensated absences		(7,516)		(10,928)
Total reconciling items		(11,795)		(45,527)
Change in net position		\$ 57,282		\$ 216,848

Washington County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Social Services</u>				
Assets				
Due from other funds	\$ 24,100	\$ 4,311	\$ 14,226	\$ 22,256
Liabilities				
Miscellaneous liabilities	\$ 24,100	\$ 4,311	\$ 14,226	\$ 22,256
<u>Detention Center</u>				
Assets				
Cash and cash equivalents	\$ 26,725	\$ 36,755	\$ 34,056	\$ 32,131
Liabilities				
Miscellaneous liabilities	\$ 26,725	\$ 36,755	\$ 34,056	\$ 32,131
<u>Motor Vehicle Tax</u>				
Assets				
Cash and cash equivalents	\$ 27,237	\$ 357,734	\$ 356,635	\$ 28,336
Liabilities				
Due to other funds	18,270	-	3,918	14,352
Miscellaneous liabilities	8,967	357,734	352,717	13,984
Total liabilities	\$ 27,237	\$ 357,734	\$ 356,635	\$ 28,336
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 53,962	\$ 394,489	\$ 390,691	\$ 60,467
Due from other funds	24,100	4,311	14,226	22,256
Total Assets	\$ 78,062	\$ 398,800	\$ 404,917	\$ 82,723
Liabilities				
Due to other funds	18,270	-	3,918	14,352
Miscellaneous liabilities	59,792	398,800	400,999	68,371
Total liabilities	\$ 78,062	\$ 398,800	\$ 404,917	\$ 82,723



Washington County Travel and Tourism Authority

Discretely Presented Component Unit

- Supplemental Statement of Net Position
- Supplemental Statement of Activities
- Supplemental Balance Sheet
- Supplemental Statement of Revenues, Expenditures, and Changes in Fund Balance
- Supplemental Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

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Washington County, North Carolina
Washington County Travel and Tourism Authority
Discretely Presented Component Unit
Supplemental Statement of Net Position
June 30, 2017

ASSETS

Cash and cash equivalents	\$	32,044
Receivables, net		12,755

Total assets		44,799
--------------	--	--------

LIABILITIES

Accounts payable and accrued liabilities		13,005
Due to primary government		5,551

Total liabilities		18,556
-------------------	--	--------

NET POSITION

Restricted		
Stabilization of State Statute		12,755
Unrestricted		13,488

Total net position	\$	26,243
--------------------	----	--------

Note: This is a discretely presented component unit that does not issue separate financial statements.

Washington County, North Carolina
Washington County Travel and Tourism Authority
Discretely Presented Component Unit
Supplemental Statement of Activities
For the Year Ended June 30, 2017

Functions/ Programs	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Economic & physical development	\$ 156,800	\$ 50,729	\$ (106,071)
General revenues:			
Occupancy taxes			114,300
Investment earnings			35
Miscellaneous			2,259
Total general revenues			116,594
Change in net position			10,523
Net position, beginning of year			15,720
Net position, end of year			\$ 26,243

Note: This is a discretely presented component unit that does not issue separate financial statements.

Washington County, North Carolina
Washington County Travel and Tourism Authority
Discretely Presented Component Unit
Supplemental Balance Sheet
June 30, 2017

ASSETS		
Cash and cash equivalents	\$	32,044
Receivables, net		12,755
<hr/>		
Total assets	\$	44,799
<hr/>		
LIABILITIES		
Accounts payable and accrued liabilities	\$	13,005
Due to primary government		5,551
<hr/>		
Total liabilities		18,556
<hr/>		
FUND BALANCES		
Restricted		
Stabilization of State Statute		12,755
Unassigned		13,488
<hr/>		
Total fund balances		26,243
<hr/>		
Total liabilities and fund balances	\$	44,799
<hr/>		

Note: This is a discretely presented component unit that does not issue separate financial statements.

Washington County, North Carolina
Washington County Travel and Tourism Authority
Discretely Presented Component Unit
Supplemental Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2017

REVENUES

Occupancy taxes	\$	114,300
Bear Festival sponsorships		50,729
Investment earnings		35
Miscellaneous		2,259
<hr/>		
Total revenues		167,323
<hr/>		

EXPENDITURES

Current:		
Salaries and benefits		25,958
Advertising		21,186
Grants		29,364
Bear Festival expenditures		71,308
Operating expenditures		8,984
<hr/>		
Total expenditures		156,800
<hr/>		
Revenues over (under) expenditures		10,523
Fund balances - beginning		15,720
<hr/>		
Fund balances - ending	\$	26,243
<hr/>		

Note: This is a discretely presented component unit that does not issue separate financial statements.

Washington County, North Carolina
Washington County Travel and Tourism Authority
Discretely Presented Component Unit
Supplemental Statement of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance with Final Budget - Positive (Negative)	2016
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Occupancy taxes	\$ 116,803	\$ 114,300	\$ (2,503)	\$ 133,246
Restricted intergovernmental revenues				
Contribution from Washington County	-	-	-	86,769
Bear Festival sponsorships	49,850	50,729	(879)	37,958
Investment earnings	25	35	(10)	18
Miscellaneous	13,864	2,259	11,605	1,772
Total revenues	180,542	167,323	8,213	259,763
EXPENDITURES				
Current:				
Salaries and benefits	35,586	25,958	9,628	29,398
Advertising	30,071	21,186	8,885	29,088
Contracted services	-	-	-	3,750
Grants	29,364	29,364	-	24,664
Bear Festival expenditures	76,050	71,308	4,742	64,203
Operating expenditures	9,471	8,984	487	6,262
Total expenditures	180,542	156,800	23,742	157,365
Revenues over (under) expenditures	\$ -	10,523	\$ 10,523	102,398
Fund balances - beginning		15,720		(86,678)
Fund balance - ending		\$ 26,243		\$ 15,720

Note: This is a discretely presented component unit that does not issue separate financial statements.

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OTHER SCHEDULES

This section includes additional information on property taxes

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Analysis of Current Tax Levy-Secondary Market Disclosures

Washington County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 7,597,191	\$ 7,263,962	\$ 333,229
2015-2016	289,306	26,716	144,386	171,636
2014-2015	238,085	47,288	108,544	176,829
2013-2014	123,962	6	44,928	79,040
2012-2013	94,434	5	26,442	67,997
2011-2012	67,676	2	13,959	53,719
2010-2011	50,733	-	8,482	42,251
2009-2010	42,551	8	5,282	37,277
2008-2009	33,336	-	3,255	30,081
2007-2008	32,950	-	2,866	30,084
2006-2007	30,699	-	30,699	-
	<u>\$ 1,003,732</u>	<u>\$ 7,671,216</u>	<u>\$ 7,652,805</u>	<u>1,022,143</u>
				Less: allowance for uncollectible amounts (144,485)
				<u>\$ 877,658</u>
	<u>Reconcilement with revenues:</u>			
				Ad valorem taxes - General Fund \$ 7,633,899
				Penalties and interest (141,177)
				Interest NC Tax and Tags (5,503)
				Fees NC Tax and Tags 31,451
				Discounts 25,882
				Refunds 401
				Taxes written off 107,852
				<u>\$ 7,652,805</u>

Washington County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Year Ended June 30, 2017

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property taxed at current	\$ 853,444,044	0.0081	\$ 6,909,046	\$ 6,133,685	\$ 775,361
Penalties	-		74,792	74,792	-
Discoveries	86,821,234	0.0081	703,252	703,252	-
Releases	(6,287,407)	0.0081	(89,899)	(89,899)	-
Total property valuation	<u>\$ 933,977,871</u>				
Net levy			\$ 7,597,191	\$ 6,821,830	\$ 775,361
Uncollected taxes at June 30, 2017			333,229	333,229	-
Current year's tax collected			<u>\$ 7,263,962</u>	<u>\$ 6,488,601</u>	<u>\$ 775,361</u>
Current levy collection percentage			<u>95.61%</u>	<u>95.12%</u>	<u>100.00%</u>

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio 1		100%
Real Property	\$	685,498,707
Motor Vehicles		96,271,097
Personal Property		91,670,291
Public Service Companies 2		60,537,776
Total Assessed Valuation		933,977,871
Tax Rate per \$100		0.81
Net Levy (includes discoveries, releases and abatements) 3	\$	7,597,191

- 1 Percentage of appraised value has been established by statute.
- 2 Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.
- 3 The levy includes interest and penalties.



STATISTICAL SECTION

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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Schedule 1
Washington County, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$ 3,354,790	\$ 3,102,394	\$ 6,877,735	\$ 9,296,007	\$ 9,973,378	\$ 10,042,947	\$ 10,500,129	\$ 10,768,921	\$ 10,897,979	\$ 10,983,866
Restricted	-	-	-	2,579,956	2,140,280	2,115,541	1,490,118	1,509,739	3,528,676	4,998,635
Unrestricted	6,899,656	7,386,521	6,365,461	2,159,553	2,055,831	3,230,151	3,630,529	3,825,198	289,560	220,572
Total governmental activities net position	\$ 10,254,446	\$ 10,488,915	\$ 13,243,196	\$ 14,035,516	\$ 14,169,489	\$ 15,388,639	\$ 15,620,776	\$ 16,103,858	\$ 14,716,215	\$ 16,203,073
Business-type activities										
Invested in capital assets, net of related debt	\$ 2,955,531	\$ 3,388,284	\$ 3,245,967	\$ 3,094,715	\$ 2,949,023	\$ 2,809,578	\$ 3,405,677	\$ 2,794,419	\$ 2,772,258	\$ 2,750,528
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,745,558	1,392,900	1,209,370	1,199,799	1,323,981	1,283,056	623,919	341,232	(409,064)	(495,907)
Total business-type activities net position	\$ 4,701,089	\$ 4,781,184	\$ 4,455,337	\$ 4,294,514	\$ 4,273,004	\$ 4,092,634	\$ 4,029,596	\$ 3,135,651	\$ 2,363,194	\$ 2,254,621
Primary government										
Invested in capital assets, net of related debt	\$ 6,310,321	\$ 6,490,678	\$ 10,123,702	\$ 12,390,722	\$ 12,922,401	\$ 12,852,525	\$ 13,905,806	\$ 13,563,340	\$ 13,670,237	\$ 13,734,394
Restricted	-	-	-	2,579,956	2,140,280	2,115,541	1,490,118	1,509,739	3,528,676	4,998,635
Unrestricted	8,645,214	8,779,421	7,574,831	3,359,352	3,379,812	4,513,207	4,254,448	4,166,430	(119,504)	(275,335)
Total primary government net position	\$ 14,955,535	\$ 15,270,099	\$ 17,698,533	\$ 18,330,030	\$ 18,442,493	\$ 19,481,273	\$ 19,650,372	\$ 19,239,509	\$ 17,079,409	\$ 18,457,694

Schedule 2
Washington County, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 1,806,270	\$ 1,950,393	\$ 1,988,696	\$ 2,026,071	\$ 2,106,105	\$ 2,243,707	\$ 2,435,103	\$ 2,401,998	\$ 2,662,745	\$ 2,282,885
Public Safety	3,144,896	3,351,861	3,455,636	3,697,483	3,481,938	3,378,752	3,593,039	3,305,752	3,438,145	3,981,102
Economic & physical development	823,481	860,774	762,024	506,253	547,287	913,876	637,821	761,649	667,906	680,839
Human Services	6,575,808	6,167,851	6,002,067	6,221,993	6,386,495	6,469,544	7,043,400	6,616,692	6,666,276	6,169,862
Culture & recreation	337,650	304,343	285,577	296,577	287,368	301,244	303,999	295,016	334,939	541,675
Education	2,478,733	2,287,629	2,379,286	1,927,016	1,933,526	2,025,011	1,841,359	2,077,253	2,160,827	2,317,563
Interest on long-term debt	70,119	55,019	45,307	28,383	34,657	33,899	30,342	27,926	22,115	16,153
Total governmental activities expenses	15,236,957	14,977,870	14,918,593	14,703,776	14,777,376	15,366,033	15,885,063	15,486,286	15,952,953	15,990,079
Business-type activities:										
Sanitation	1,188,237	1,214,825	1,175,543	1,180,991	1,238,513	1,154,094	1,077,500	1,259,725	2,083,877	1,247,083
Water	1,283,986	1,419,946	1,315,705	1,251,027	1,170,259	1,162,085	1,099,089	1,041,204	998,771	1,193,971
Total business-type activities expenses	2,472,223	2,634,771	2,491,248	2,432,018	2,408,772	2,316,179	2,176,589	2,300,929	3,082,648	2,441,054
Total primary government expenses	17,709,180	17,612,641	17,409,841	17,135,794	17,186,148	17,682,212	18,061,652	17,787,215	19,035,601	18,431,133
Program Revenues										
Governmental activities:										
Charges for services:										
General government	199,988	161,584	95,656	147,564	173,429	136,711	176,593	141,943	111,188	129,822
Public Safety	979,799	522,715	553,977	313,233	356,735	366,389	293,001	536,146	491,571	483,623
Human Services	517,770	684,147	760,438	676,619	1,181,603	2,142,720	1,534,753	1,586,566	1,322,130	1,349,734
Other activities	14,514	13,969	70,525	50,443	92,986	123,829	193,710	104,050	153,665	120,746
Operating grants and contributions	3,385,365	3,910,831	4,083,386	3,669,497	3,646,498	3,730,739	3,624,158	3,706,445	4,053,780	3,819,306
Capital grants and contributions	691,051	782,019	1,822,980	2,221,283	607,530	1,121,610	538,658	625,759	668,636	1,172,857
Total governmental activities program revenues	5,788,487	6,075,265	7,386,962	7,078,639	6,058,781	7,621,998	6,360,873	6,700,909	6,800,970	7,076,088
Business-type activities:										
Charges for services:										
Sanitation	1,327,938	1,247,312	1,153,178	1,165,285	1,353,316	1,175,330	1,118,044	1,066,140	1,055,601	1,066,446
Water	1,152,085	1,216,220	1,195,455	1,308,358	1,257,013	1,205,318	1,225,465	1,227,978	1,415,482	1,342,870
Operating grants and contributions	-	-	-	-	-	-	-	28,785	98,971	47,965
Capital grants and contributions	239,387	438,364	-	-	-	-	-	-	-	-
Total business-type activities program revenues	2,719,410	2,901,896	2,348,633	2,473,643	2,610,329	2,380,648	2,343,509	2,322,903	2,570,054	2,457,281
Total primary government program revenues	\$ 8,507,897	\$ 8,977,161	\$ 9,735,595	\$ 9,552,282	\$ 8,669,110	\$ 10,002,646	\$ 8,704,382	\$ 9,023,812	\$ 9,371,024	\$ 9,533,369

Schedule 2
Page 2
Washington County, North Carolina
Changes in Net Position
Last Ten Fiscal Years
accrual basis of accounting)

	2009	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense) revenue										
Governmental activities	\$ (9,448,470)	\$ (8,902,605)	\$ (7,531,631)	\$ (7,625,137)	\$ (8,718,595)	\$ (7,744,035)	\$ (9,524,190)	\$ (8,785,377)	\$ (9,151,983)	\$ (8,913,991)
Business -type activities	247,187	267,125	(142,615)	41,625	201,557	64,469	166,920	21,974	(512,594)	16,227
Total primary government net expense	(9,201,283)	(8,635,480)	(7,674,246)	(7,583,512)	(8,517,038)	(7,679,566)	(9,357,270)	(8,763,403)	(9,664,577)	(8,897,764)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	6,152,716	6,075,661	6,274,048	6,324,595	6,421,241	6,511,255	7,268,699	7,223,836	7,350,946	7,656,084
Sales Taxes	3,005,697	2,371,413	1,644,393	1,677,773	1,708,979	1,715,656	1,782,190	1,988,910	1,935,100	2,316,829
Other taxes and licenses	568,433	37,832	132,456	147,279	323,984	293,785	309,692	188,057	206,265	179,150
Unassigned grants and contributions	-	-	-	-	-	-	-	83,564	89,775	71,190
Investment earnings	248,147	99,105	45,667	18,871	20,458	7,095	3,893	1,289	7,831	18,610
Miscellaneous	88,436	103,042	68,258	45,527	154,665	190,394	220,256	98,319	98,611	134,508
Extraordinary item-sale of component unit	-	227,706	-	-	-	-	-	-	-	-
Special item - land and building donation	-	-	1,934,640	-	-	-	-	-	-	-
Sale of Capital Assets	89,159	-	-	-	-	-	-	-	-	(83,766)
Transfers	184,815	222,315	186,450	203,412	223,241	245,000	230,000	260,000	260,000	136,077
Total government activities	10,337,403	9,137,074	10,285,912	8,417,457	8,852,568	8,963,185	9,814,730	9,843,975	9,948,528	10,428,682
Business-type activities:										
Investment earnings	52,426	21,185	1,538	964	174	161	42	20	137	291
Miscellaneous	-	-	1,680	-	-	-	-	(54,623)	-	10,986
Sale of Capital Assets	-	14,100	-	-	-	-	-	-	-	-
Transfers	(184,815)	(222,315)	(186,450)	(203,412)	(223,241)	(245,000)	(230,000)	(260,000)	(260,000)	(136,077)
Total business-type activities	(132,389)	(187,030)	(183,232)	(202,448)	(223,067)	(244,839)	(229,958)	(314,603)	(259,863)	(124,800)
Total Primary government	10,205,014	8,950,044	10,102,680	8,215,009	8,629,501	8,718,346	9,584,772	9,529,372	9,688,665	10,303,882
Change in Net Position										
Governmental activities	888,933	234,469	2,754,281	792,320	133,973	1,219,150	290,540	1,058,598	796,545	1,514,691
Business-type activities	114,798	80,095	(325,847)	(160,823)	(21,510)	(180,370)	(63,038)	(292,629)	(772,457)	(108,573)
Total primary government	\$ 1,003,731	\$ 314,564	\$ 2,428,434	\$ 631,497	\$ 112,463	\$ 1,038,780	\$ 227,502	\$ 765,969	\$ 24,088	\$ 1,406,118

Schedule 3
Washington County, North Carolina
Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Restricted	\$ 1,714,937	\$ 1,539,772	\$ 1,539,427	\$ 1,869,229	\$ 2,074,130	1,650,929	1,179,203	3,899,014	2,215,528	2,906,970
Committed	-	-	-	52,598	39,221	44,722	11,820	110,893	144,200	185,583
Assigned	-	-	-	72,498	50,820	-	-	-	518,106	54,943
Unassigned	4,458,651	4,457,703	2,980,935	1,450,659	814,303	3,435,617	4,751,766	3,095,549	2,084,837	2,780,456
Total General Fund	\$ 6,173,588	\$ 5,997,475	\$ 4,520,362	\$ 3,444,984	\$ 2,978,474	\$ 5,131,268	\$ 5,942,789	\$ 7,105,456	\$ 4,962,671	\$ 5,927,952
All other governmental Funds										
Restricted	\$ 106,789	\$ 48,974	\$ 28,578	\$ 710,727	\$ 66,150	\$ 130,718	\$ 310,915	\$ 694,738	\$ 1,313,148	\$ 2,091,665
Committed	-	-	-	-	-	333,894	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	34,457	-
Unassigned reported in										
Capital projects funds	-	-	769,198	(198,513)	-	-	(2,449)	(26,818)	(3,792)	(3,305)
Special revenue funds	429,109	697,638	678,703	145,084	492,384	(1,026,393)	(1,851,050)	(2,700,299)	(52,801)	(18,134)
Total all other Governmental Funds	\$ 535,898	\$ 746,612	\$ 1,476,479	\$ 657,298	\$ 558,534	\$ (561,781)	\$ (1,542,584)	\$ (2,032,379)	\$ 1,291,012	\$ 2,070,226
Total - All Governmental Funds	\$ 6,709,486	\$ 6,744,087	\$ 5,996,841	\$ 4,102,282	\$ 3,537,008	\$ 4,569,487	\$ 4,400,205	\$ 5,073,077	\$ 6,253,683	\$ 7,998,178

Schedule 4
Washington County, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Ad valorem taxes	\$ 6,023,843	\$ 6,317,071	\$ 6,251,892	\$ 6,301,406	\$ 6,326,879	\$ 6,423,969	\$ 7,192,395	\$ 7,427,254	\$ 7,551,559	\$ 7,633,899
Local Option sales taxes	3,005,697	2,257,641	1,644,393	1,677,773	1,708,979	1,715,656	1,782,190	1,988,910	1,935,100	2,316,829
Other taxes & licenses	253,335	176,815	102,536	453,775	323,984	293,785	309,692	188,057	206,265	179,150
Unrestricted Intergovernmental	39,242	37,832	11,979	36,577	36,655	33,733	49,057	83,564	89,775	71,190
Restricted Governmental	4,232,446	4,228,029	5,398,965	5,463,517	4,169,731	4,758,863	4,057,893	4,332,204	4,722,416	4,992,163
Permits & fees	326,784	183,699	189,840	214,090	213,070	218,720	231,129	245,672	184,664	208,429
Sales & services	1,505,113	1,623,137	1,733,324	1,111,576	1,711,052	2,688,426	2,173,157	2,123,033	1,893,890	1,875,496
Investment earnings	248,147	98,106	46,173	18,871	20,458	7,095	3,893	1,289	7,831	18,610
Miscellaneous	88,436	81,398	81,860	20,602	78,349	111,900	62,593	92,656	98,611	134,508
Total revenues	15,723,043	15,003,728	15,460,962	15,298,187	14,589,157	16,252,147	15,861,999	16,482,639	16,690,111	17,430,274
Expenditures										
General Government	1,771,539	1,979,876	1,974,221	1,965,452	2,194,943	2,105,687	2,438,043	2,339,969	2,308,618	2,172,473
Public Safety	3,331,253	3,309,659	3,453,358	3,957,894	3,343,358	3,272,656	3,493,180	3,265,332	3,334,498	3,550,652
Economic & Physical Development	1,086,650	857,794	1,318,196	2,274,405	1,142,873	1,066,723	1,022,394	569,969	624,495	624,171
Human Services	6,599,163	6,158,918	6,187,877	7,456,681	6,290,905	6,592,373	7,129,500	6,918,037	6,485,637	6,412,017
Culture & Recreation	349,889	302,313	280,650	291,670	280,998	293,197	335,110	306,792	319,480	688,282
Education	2,478,733	2,287,629	2,379,286	1,927,016	1,933,526	2,025,011	1,841,359	2,077,253	2,160,827	1,812,563
Debt Service- Principal	501,479	479,587	825,451	249,154	177,398	108,961	213,293	161,750	165,356	144,775
Debt Service- Interest	58,793	43,693	33,981	17,058	34,657	33,899	30,342	27,926	22,115	16,153
Capital Outlay	-	-	-	-	-	-	-	413,703	348,479	539,397
Total expenditures	16,177,499	15,419,469	16,453,020	18,139,330	15,398,658	15,498,507	16,503,221	16,080,731	15,769,505	15,960,483
Excess of revenues over (under) expenditures	(454,456)	(415,741)	(992,058)	(2,841,143)	(809,501)	753,640	(641,222)	401,908	920,606	1,469,791
Other financing sources (uses)										
Transfers in	788,984	340,275	326,975	506,218	295,355	317,114	344,356	332,114	2,733,125	1,103,261
Transfer out	(604,169)	(117,960)	(140,525)	(302,806)	(72,114)	(72,114)	(114,355)	(72,114)	(2,473,125)	(967,184)
Debt proceeds (Installment purchase)	-	-	-	693,243	-	91,492	234,640	-	-	138,627
Insurance proceeds	261,788	-	43,096	21,350	-	-	-	-	-	-
Sale of capital assets	99,159	321	15,267	28,605	20,986	750	7,299	10,965	-	-
Sale of component unit (hospital proceeds)	-	227,706	-	-	-	-	-	-	-	-
Total other financing sources (uses)	545,762	450,342	244,813	946,610	244,227	337,242	471,940	270,965	260,000	274,704
Net change in fund balances	\$ 91,306	\$ 34,601	\$ (747,245)	\$ (1,894,533)	\$ (565,274)	\$ 1,090,882	\$ (169,282)	\$ 672,873	\$ 1,180,606	\$ 1,744,495
Debt service as a percentage of total expenditures	3.46%	3.39%	5.22%	1.47%	1.38%	0.92%	1.48%	1.18%	1.19%	1.01%

Washington County, North Carolina
Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

Fiscal Year Ended June-30	Property Tax	Sales Tax	Gross Receipts Rental Vehicles	Room Occupancy Tax	Cable TV Franchise	Totals
2008	\$ 6,152,716	\$ 3,005,697 *	\$ 744	\$ 121,115	\$ 17,241	\$ 9,297,513
2009	6,075,661	2,257,641	961	91,658	18,272	8,444,193
2010	6,274,048	1,644,393	790	91,458	17,941	8,028,630
2011	6,324,595	1,677,773	935	122,386	16,907	8,142,596
2012	6,421,241	1,708,979	957	126,868	16,821	8,274,866
2013	6,511,255	1,715,656	827	101,614	15,663	8,345,015
2014	7,268,699	1,782,190	307	131,708	15,424	9,198,328
2015	7,223,836	1,988,910	799	104,718	15,256	9,333,519
2016	7,350,946	1,935,100	648	133,246	14,428	9,434,368
2017	7,656,084	2,316,829	780	114,300	14,304	10,102,297

* Includes NC hold harmless monies

Washington County, North Carolina
Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	REAL PROPERTY	PERSONAL PROPERTY	PUBLIC SERVICE COMPANIES PROPERTY ¹	DEDUCT EXEMPT PROPERTY and DEFERRED BECAUSE OF USE PROPERTY	TOTAL ASSESSED VALUE	Total Direct Tax Rate
Fiscal Year Ended June 30	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value	
2008	\$ 642,673	\$ 137,684	\$ 26,232	\$ (44,076)	\$ 762,513	\$ 1
2009	654,991	141,143	28,694	(43,622)	781,206	0.790
2010	654,937	138,417	26,892	(45,171)	775,075	0.790
2011	666,230	135,957	29,437	(46,439)	785,185	0.790
2012	679,749	132,129	29,437	(47,213)	794,102	0.790
2013	682,215	137,492	36,309	(48,733)	807,283	0.790
2014	832,945	173,586	48,088	(148,444)	906,175	0.790
2015	834,360	155,895	44,516	(148,557)	886,214	0.790
2016	836,456	164,816	59,356	(152,395)	908,233	0.790
2017	898,818	187,941	60,538	(213,319)	933,978	0.810

¹Public Service Companies Property includes real and personal property of utilities, railroads, and airlines, etc.
 The assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.

Schedule 7
Washington County, North Carolina
Principal Property Taxpayers
June 30, 2017

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2016 Assessed Value</u>	<u>Tax Levy</u>	<u>Percentage of Assessed Valuation</u>
Dominion NC Power	Utility	\$ 40,016,207	\$ 324,131	4.28%
Weyerhaeuser Company	Lumber, plywood, and wood	15,863,900	128,498	1.70%
JCT, LLC	Swine, agriculture	6,302,665	51,052	0.67%
Barnes, Edsel Grayson, Jr., ET UX	Logging	5,408,180	43,806	0.58%
Creswell Alligood Solar, Inc.	Energy	5,269,235	42,680	0.56%
Mackeys Ferry Sawmill, Inc.	Lumber products	5,257,777	42,588	0.56%
Porter, James F. Jr. & Melina Q.	Real Estate, commercial	4,483,821	36,319	0.48%
Alexander III, Alvah	Agriculture	4,461,798	36,141	0.48%
CAH Acquisition Company #1	Hospital	4,453,161	36,071	0.48%
Howell, F.T. Et Al Howell Farms		4,021,670	37,687	0.43%
Plymouth Solar, LLC	Energy	3,891,447	31,521	0.42%
Waterside Acquisition Partners	Real Estate, commercial	3,842,265	31,124	0.41%
Perdue Agri Business, LLC	Grain & Oilseed	3,721,080	30,141	0.40%
Newland Family Farms, LLC	Agriculture	3,680,079	29,809	0.39%
Kanban Industries, Inc.	Commercial storage/shipping	3,411,100	27,630	0.37%
Albemarle Beach Farms, Inc.	Agriculture	3,354,754	27,173	0.36%
Plymouth Hospitality, LLC	Motel	3,301,772	26,744	0.35%
Norfolk Southern	Railroad	3,109,706	25,189	0.33%
DOMTAR Paper Company, LLC	Pulp and paper	3,070,359	24,870	0.33%
Carolina Telephone	Utility	3,003,766	24,330	0.32%
Totals		<u>\$ 129,924,742</u>	<u>\$ 1,057,504</u>	<u>13.91%</u>
Total Assessed Valuation		<u>\$ 933,977,871</u>		

Source: Washington County Tax Department

Schedule 8
Washington County, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Levy	Total Tax Levy for Fiscal Year	Collections Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date		Taxes Receivable	Percentage Uncollected
			Amount	Percentage of Levy		Amount	Percentage of Levy		
2008	2007	\$ 6,030,783	\$ 5,526,578	91.64%	\$ 474,121	\$ 6,000,699	99.50%	\$ 30,084	0.50%
2009	2008	6,180,783	5,753,272	93.08%	397,430	6,150,702	99.51%	30,081	0.49%
2010	2009	6,130,086	5,638,587	91.98%	454,222	6,092,809	99.39%	37,277	0.61%
2011	2010	6,206,829	5,700,097	91.84%	464,481	6,164,578	99.32%	42,251	0.68%
2012	2011	6,274,268	5,721,808	91.19%	498,741	6,220,549	99.14%	53,719	0.86%
2013	2012	6,384,291	5,797,054	90.80%	519,240	6,316,294	98.93%	67,997	1.07%
2014	2013	7,165,939	6,624,047	92.44%	462,852	7,086,899	98.90%	79,040	1.10%
2015	2014	7,018,235	6,598,938	94.03%	242,468	6,841,406	97.48%	176,829	2.52%
2016	2015	7,182,538	6,893,232	95.97%	117,670	7,010,902	97.61%	171,636	2.39%
2017	2016	7,597,191	7,263,962	95.61%	-	7,263,962	95.61%	333,229	4.39%

Washington County, North Carolina
Ratio of Net General Obligation Bonded Debt to Assessed
Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population ¹	Assessed Value ²	Gross Debt ³	Debt Payable from Enterprise Revenues	Less Capital Leases and Installment Purchase Obligations	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008	13,214	\$ 762,513	\$ 7,226,861	\$ 5,375,026	\$ 1,126,835	\$ 725,000	0.13%	\$ 54.87
2009	13,172	781,206	6,591,544	5,291,667	869,877	430,000	0.06%	32.65
2010	13,004	775,075	5,721,971	5,204,450	372,521	145,000	0.02%	11.15
2011	13,004	794,102	6,074,938	5,113,328	961,610	-	0.00%	-
2012	13,004	807,283	5,801,468	5,017,256	784,212	-	0.00%	-
2013	12,736	807,283	5,682,923	4,916,180	766,743	-	0.00%	-
2014	12,920	906,175	5,500,235	4,712,145	788,090	-	0.00%	-
2015	12,826	886,214	5,697,515	5,071,174	626,341	-	0.00%	-
2016	12,679	908,233	5,326,040	4,865,055	460,985	-	0.00%	-
2017	12,589	933,978	5,106,157	4,651,281	454,876	-	0.00%	-

¹U.S. Census Bureau, Office of State Budget and Management

²From Schedule 6

³Amount does include revenue bonds

*Amounts expressed in thousands

Schedule 10
Washington County, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Towns	\$ -	100.00%	<u>\$ -</u>
Subtotal, overlapping debt			<u>\$ -</u>
Washington County Direct Debt			<u>\$ 454,876</u>
Total direct and overlapping debt			<u><u>\$ 454,876</u></u>

Schedule 11
Washington County, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 61,001,044	\$ 62,496,471	\$ 62,005,991	\$ 62,814,822	\$ 63,528,182	\$ 64,582,638	\$ 72,494,056	\$ 70,897,091	\$ 72,658,671	\$ 74,718,230
Total net debt applicable to limit	1,851,835	1,299,877	517,521	961,610	784,212	766,743	788,090	626,341	460,985	454,876
Legal debt margin	\$ 59,149,209	\$ 61,196,594	\$ 61,488,470	\$ 61,853,212	\$ 62,743,970	\$ 63,815,895	\$ 71,705,966	\$ 70,270,750	\$ 72,197,686	\$ 74,263,354
Total net debt applicable to the limit as a percentage of debt limit	3.04%	2.08%	0.83%	1.53%	1.23%	1.19%	1.09%	0.88%	0.63%	0.61%
Assessed value of taxable property										\$ 933,977,871
Debt limit - 8 percent of assessed value										74,718,230
Gross Debt:										
Outstanding bonded debt:										
General governmental bonds										-
Water Revenue Bonds										4,175,409
NC Department Environment and Natural Resources										475,872
Other:										
Capital leases, installment purchase obligations										454,876
Total Gross Debt										<u>5,106,157</u>
Statutory Deductions:										
Debt included in gross debt incurred or authorized for water										<u>(4,651,281)</u>
Net Debt-Total amount of debt applicable To debt limit										<u>454,876</u>
Legal debt margin										<u><u>\$ 74,263,354</u></u>

Schedule 12
Washington County, North Carolina
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Installment Purchase	Capital Leases	Revenue Bonds	Note Payable			
2008	\$ 725,000	\$ 1,126,835	-	\$ 5,375,026	\$ -	\$ 7,226,861	2.14%	\$ 547
2009	430,000	869,877	-	5,291,667	-	6,591,544	1.95%	500
2010	145,000	372,521	-	5,204,450	-	5,721,971	1.48%	440
2011	-	961,610	-	5,113,328	-	6,074,938	1.27%	467
2012	-	784,212	-	5,017,255	-	5,801,467	1.21%	446
2013	-	766,743	-	4,916,180	-	5,682,923	1.12%	446
2014	-	788,090	-	4,712,145	-	5,500,235	1.35%	426
2015	-	626,341	-	4,540,016	531,158	5,697,515	1.37%	444
2016	-	460,985	-	4,361,191	503,864	5,326,040	1.31%	420
2017	-	454,876	-	4,175,409	475,872	5,106,157	1.26%	406

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Washington County, North Carolina
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Gross Revenues	Operating Expenses *	Net Revenue Available for Debt Services	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2008	\$ 1,152,085	\$ 802,240	\$ 349,845	\$ 155,843	\$ 275,361	\$ 431,204	81%
2009	1,216,220	937,921	278,299	83,359	265,284	348,643	80%
2010	1,195,455	832,892	362,563	87,218	261,159	348,377	104%
2011	1,308,358	773,460	534,898	91,122	256,842	347,964	154%
2012	1,257,013	697,305	559,708	96,073	252,332	348,405	161%
2013	1,205,318	695,129	510,189	101,075	247,577	348,652	146%
2014	1,225,465	644,942	580,523	204,035	203,901	407,936	142%
2015	1,227,978	604,566	623,412	200,820	183,303	384,123	162%
2016	1,415,482	562,153	853,329	206,119	176,607	382,726	223%
2017	1,342,870	759,617	583,253	213,774	169,650	383,424	152%

* Operating expenses do not include depreciation

Schedule 14
Washington County, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population¹	Personal Income⁴	Per Capita Income⁴	Final School Enrollment³	Unemployment Rate²	Residential/Commercial Number of Units	Construction Value
2008	13,214	385,331,000	29,735	2,180	7.1%	144	\$ 8,714,795
2009	13,172	N/A	N/A	2,042	12.2%	120	4,900,218
2010	13,004	384,383,000	29,133	1,910	11.2%	131	4,027,239
2011	13,004	N/A	N/A	1,819	11.8%	137	19,521,878
2012	13,004	N/A	N/A	1,807	11.1%	184	24,285,112
2013	12,736	386,985,000	29,830	1,803	12.0%	141	16,448,521
2014	12,920	405,324,000	31,825	1,733	7.2%	124	5,353,538
2015	12,826	417,050,000	32,782	1,680	8.8%	120	33,736,273
2016	12,679	405,667,000	32,755	1,622	7.2%	332	5,519,216
2017	12,589	N/A	N/A	1,493	6.0%	302	5,268,351

Data Sources:

¹U.S. Census Bureau, Office of State Budget and Management

²NC Employment Security Commission

³Washington County Board of Education

⁴Bureau of Economic Analysis, US Department of Commerce, Figures are for prior calendar year

N/A - Not Available

Schedule 15
Washington County, North Carolina
Principal Employers
June 30, 2017

<u>Employer</u>	<u>Full-time Equivalent Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Domtar Company	474	1	10.05%
Washington County Schools	248	2	5.26%
Washington County Government	200	3	4.24%
Weyerhaeuser Company	187	4	3.97%
Principle Long Term Care	150	5	3.18%
Home Life Care, Inc.	92	6	1.95%
Washington County Hospital	80	7	1.70%
MTW Health Department	65	8	1.38%
Mackey's Ferry Sawmill	63	9	1.34%
Town of Plymouth	42	10	0.89%
 Total	 <u>1,601</u>		 <u>33.96%</u>

Source: Contacted each employer
*Estimate only

Information from nine years ago not available

Per NC Department of Commerce Division of Employment Security
for the month ended June 30, 2017.

Total County employment	4,715
Total unemployed	301
Total labor force	5,016
Unemployment rate	6.0%

Schedule 16
Washington County, North Carolina
Full-Time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function /Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	27	27	26	34	34	29	32	32	32	30
Public safety	46	46	45	56	56	80	82	86	86	80
Human Services	78	83	85	61	61	59	59	72	72	65
Economic and physical development	2	2	2	-	-	-	-	-	-	-
Cultural and recreation	2	2	2	2	2	2	2	2	2	2
Water/Sanitation (Business activity)	11	11	11	10	10	10	8	8	8	10
Total	166	171	171	163	163	180	183	200	200	187

Source: County Finance Department

Note: This schedule represents number of persons employed as of June 30 of each year. Vacant positions are not included in the above numbers.

Schedule 17
Washington County, North Carolina
Water System
Major Water Users
June 30, 2017

Major Retail Users

Rank	Name	Annual Water Sales (MG)	Revenues	Percentage
1	Pines Elementary	1,467	\$ 20,751	1.55%
2	Wendy's Restaurant	646	\$ 8,782	0.66%
3	NC Dept. of Transportation	576	\$ 9,216	0.69%
4	Speedway LLC	483	\$ 6,519	0.49%
5	Ready Mix Concrete	382	\$ 5,842	0.44%
6	Wash. Co. Resources Ctr.	346	\$ 5,374	0.40%
7	Albemarle Beach Farms	313	\$ 4,456	0.33%
8	Colony Tire, Inc,	301	\$ 3,889	0.29%
9	Mitchell Edwards (Farmer)	213	\$ 2,745	0.21%
10	Life Incorporated	184	\$ 2,368	0.18%
	Total	4,911	\$ 69,942	5.22%
	Total Water Sales		\$ 1,338,910	100.00%

Schedule 18
Washington County, North Carolina
Water System Statistics
Last Ten Fiscal Years

Fiscal Year	Number of Customers	Average Daily Demand (MGD)	Peak Daily Demand (MGD)	Maximum Capacity (MGD)
2017	2,580	397,559	643,000	1,000,000
2016	2,561	412,000	586,000	750,000
2015	2,598	431,000	599,000	750,000
2014	2,595	378,000	519,000	750,000
2013	2,593	370,000	540,000	750,000
2012	2,581	374,000	517,000	750,000
2011	2,593	405,000	579,000	750,000
2010	2,573	419,000	597,000	750,000
2009	2,579	430,000	560,000	750,000
2008	2,585	364,000	500,000	750,000

Schedule 19
Washington County, North Carolina
Capital Asset Statistics by Function
Last Nine Fiscal Years

Function / Program	Fiscal Year								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety									
# of Stations	2	2	2	2	2	2	3	3	2
# of Patrol Units	34	36	37	25	25	25	23	30	32
Transportation									
Standard Vans	1	1	1	1	1	1	2	2	2
Conversion Vans	5	5	3	3	4	4	-	-	-
Lift Vans Buses	2	2	2	2	3	3	5	5	5
Minivans	1	1	1	2	2	2	1	1	1
# of Standard Vehicles	5	5	7	5	1	1	6	4	4
EMS - Ambulances	5	5	7	7	7	8	8	7	7
Water (Business Activity)									
Miles of Distribution Line	130	130	130	130	130	140	140	140	136
Tank Storage Capacity	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	1,000,000
# of Utility Vehicles	7	7	7	8	6	6	8	8	8
Facility Services									
# of Maintenance Units	5	5	6	6	5	5	6	6	7
Emergency Management									
# of Vehicles	2	2	2	2	1	1	2	2	2
Cultural / Recreation									
# of Vehicles	1	1	1	1	1	1	1	2	4
# of Buses	1	1	1	2	2	2	2	2	3
Landfill									
# of Vehicles	1	1	1	1	2	2	2	2	2
County Manager									
# of Vehicles	1	1	1	1	1	1	1	1	1

N/A - Data Not Available

Schedule 20
Washington County, North Carolina
Operating Indicators by Function / Program
Last Nine Fiscal Years

Function / Program	Fiscal Year								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Inspections Department									
Building permits issued	255	307	390	207	157	391	368	332	302
Sheriff									
Arrests	356	320	276	541	460	219	418	537	537
Property Crime (Breaking/Entering)	214	303	290	255	186	1,745	89	452	452
Emergency Medical Services									
Calls	1,976	2,014	3,820	2,530	2,497	2,068	3,286	2,367	3,608
Solid Waste Disposal - County Landfill									
Construction & Demolition (tons)	1,055	417	751	1,675	593	778	793	1,012	1,305
Land Clearing - Inert Debris (tons)	-	1,223	1,402	4,279	1,317	1,578	1,501	1,410	1,650
Recycle White Goods (tons)	59	51	169	157	21	45	40	60	44
C&D & LCID - contractors portion (tons)	695	427	652	4,172	444	702	408	469	722
Department of Social Services									
Adult Assisted Living Facility cases	61	61	60	59	51	54	50	60	50
Family and Children's Medicaid (active cases)	2,061	2,079	1,574	2,086	2,239	1,360	1,460	1,679	1,452
Food and Nutrition Services Program	2,874	3,116	1,580	1,829	1,800	1,827	1,799	1,691	1,592
Children in Foster Care	15	7	6	10	10	8	13	8	8
Community Alternatives Program	77	53	55	55	53	55	57	56	57
Child Support caseload	1,449	1,442	1,436	1,394	1,394	1,347	1,319	1,295	1,311
Disability Medicaid cases	N/A	684	670	676	689	666	678	751	970
Adult Medicaid cases	N/A	387	385	373	364	356	425	1,806	1,782
Library									
Library Items Circulated	43,512	40,358	48,542	47,080	46,122	42,625	47,488	22,282	14,245
Number of Library Visits	52,075	59,589	60,097	61,484	64,635	59,069	71,729	62,161	42,068

N/A - Data Not Available

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**Independent Auditors' 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***

To the Board of County Commissioners
Washington 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 aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of Washington County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises Washington County's basic financial statements, and have issued our report thereon dated April 23, 2018. The financial statements of Washington County ABC Board and Washington County Travel and Tourism Authority 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 Washington 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 Washington County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to a material weakness. [2017-001 – 2017-004].

A significant deficiency is a deficiency or 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 to be significant deficiencies [2017-005 and 2017-006]

Compliance and Other Matters

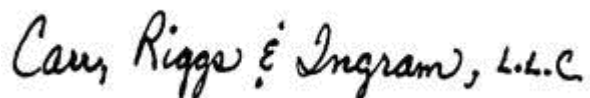
As part of obtaining reasonable assurance about whether Washington County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Findings

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

Purpose of this Report

This 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.

Handwritten signature in black ink that reads "Cary Riggs & Ingram, L.L.C."

Raleigh, North Carolina
April 23, 2018



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**Independent Auditors' Report on Compliance with Requirements Applicable to Each
Major Federal Program and Internal Control Over Compliance in Accordance
With Uniform Guidance and the State Single Audit Implementation Act**

To the Board of County Commissioners
Washington County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Washington County, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Washington County's major federal programs for the year ended June 30, 2017. Washington 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 Washington County, North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington 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 on Washington County's compliance.

Opinion on Each Major Federal Program

In our opinion, Washington County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Washington 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 Washington County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Cary Riggs & Ingram, L.L.C.

Raleigh, North Carolina
April 23, 2018



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**Independent Auditors' Report on Compliance with Requirements Applicable to Each
Major State Program and Internal Control Over Compliance in Accordance
With Uniform Guidance and the State Single Audit Implementation Act**

To the Board of Commissioners
Washington County, North Carolina

Report on Compliance for Each Major State Program

We have audited Washington County, North Carolina's 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 Washington County's major state programs for the year ended June 30, 2017. Washington County's major state programs are identified in the summary of auditors' results section in 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Washington 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 Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Washington 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 Washington County's compliance.

Opinion on Each Major State Program

In our opinion, Washington 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, 2017.

Report on Internal Control Over Compliance

Management of Washington 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 Washington 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington 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 a 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 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

Carly Riggs & Ingram, L.L.C.

Raleigh, North Carolina
April 23, 2018

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> X </u>	yes	<u> </u>	no
Significant deficiencies identified that are not considered to be material weaknesses	<u> X </u>	yes	<u> </u>	none reported
Non-compliance material to financial statements noted	<u> </u>	yes	<u> X </u>	no

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	<u> </u>	yes	<u> X </u>	no
Significant deficiencies identified that are not considered to be material weaknesses	<u> </u>	yes	<u> X </u>	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 2 CFR 200.516(a)?

	<u> </u>	yes	<u> X </u>	no
--	---------------	-----	--------------	----

Identification of major federal programs:

CFDA Numbers	Program Name
93.778	Title XIX – Medicaid

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

Auditee qualified as low-risk auditee? yes X no

Section I. Summary of Auditor's Results – (continued)

State Awards

Internal control over major state programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses _____ yes X 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 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

Program Name _____

Title XIX – Medicaid State Match

Section II. Financial Statement Findings

Material Weaknesses

2017-001 Hospital Pension Plan Actuarial Study was not in Accordance with GASB

Criteria: Governmental Accounting Standards Board requires that certain governmental pension plans be reported in accordance with GASB Statement 73. Pension plans are required to have an actuarial study completed each year.

Perspective/Condition: The actuarial study for the Washington County Hospital, Inc. Employees' Pension Plan was performed in accordance with the requirements of Financial Accounting Standards Board (FASB) accounting standards, rather than meeting the reporting requirements of Governmental Accounting Standards (GASB).

Cause: The Hospital was a non-profit organization. The Hospital Board was appointed by the County Commissioners. The Hospital was sold and the Hospital Pension Plan was frozen in March 2007. Washington County assumed the liability for the hospital's pension plan. The County continued to use FASB standards applicable to non-profit organizations when preparing the annual actuarial study for the Hospital Employee's Pension Plan.

Effect: The actuarial study and related pension disclosures were reported under FASB guidelines. Therefore, some disclosures were not consistent with the requirements of GASB.

Recommendation: The County should prepare all future actuarial studies for the hospital Pension Plan in accordance with Government Accounting Standards Boards Statements and guidelines.

Views of responsible officials: The County agrees with this finding. The County will instruct the actuary to prepare the annual actuarial study for the year ended December 31, 2017 in accordance with GASB standards.

2017-002 Deficit Fund Balance / Net Position of Certain Funds

Criteria: North Carolina General Statute 159 requires all funds to have a balanced budget and also requires local governments to appropriate funds to remove any deficit fund balances of individual funds.

Perspective/Condition: Washington County has three funds with deficit fund balances or net position as of June 30, 2017; the Sanitation Fund, Library Capital Project Fund and Airport Fund.

Cause: Expenditures exceeded revenues for the Airport Fund during the current year. The Library Capital Project Fund expenditures exceeded grant revenues in a prior year. The deficit in the Sanitation funds was due to a substantial increase non-cash estimated landfill closure costs and excess expenditures over revenues.

Effect: These funds have interfund payables due to other funds to cover expenditures.

Recommendation: The County should appropriate and transfer funds from the General Fund to offset these deficit funds balances for the Library Capital Project Fund and Airport Fund. For the Sanitation Fund, the County should consider methods for improving the financial performance of the fund to address excess expenditures over revenues and begin building reserves to address future landfill closure costs.

Views of responsible officials: The County agrees with this finding. The County will appropriate funds from the General Fund in next year's budget to eliminate the deficit in the Library Capital Project Fund. The County has increased the annual solid waste fee for each household by \$35 from \$215 to \$250 in the annual budget ordinance for fiscal year ending June 30, 2018, and is will review rate structures and other methods of improving the financial performance of the Sanitation fund to improve its net position. The County will review fees charged for hanger rental and fuel at the County Airport to ensure that revenues are adequate to cover Airport expenses.

2017-003 Accounts Receivable Were not Reconciled to the General Ledger

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Perspective/Condition: Governmental and proprietary fund revenues and receivables, including property taxes, water and sewer charges and solid waste fees, were not reconciled to the general ledger, resulting in material adjustments to the trial balance. Also the allowances for doubtful accounts was not adjusted.

Cause: The County did not reconcile subsidiary billing and collection reports from the tax department, water sewer and solid waste fees to the general ledger each month. The allowance for doubtful accounts was not reconciled to past due accounts receivable.

Effect: The revenues and receivable per the general ledger did not agree with billing and collections reports for the tax department and water sewer and solid waste. The estimates for allowance for doubtful accounts were not adjusted at year end based on prior year experience of uncollectible accounts.

Recommendation: The County should reconcile accounts receivable per the tax department and water billing departments to the general ledger on a regular basis to ensure that revenues and receivable are accurate. The allowance for doubtful accounts should also be reconciled to past due account receivable on a regular basis.

Views of responsible officials: The County agrees with this finding. Management will review all accounts receivable for property taxes, water sewer and solid waste on a monthly basis. All receivables will be reconciled to the general ledger amounts. Management will also review past due accounts monthly and adjust the allowance for doubtful accounts accordingly.

Significant Deficiencies

2017-004 Expenditures Exceeded Budgeted Appropriations

Criteria: North Carolina General Statute 159 requires all funds to have a balanced budget. Expenditures may not exceed amounts approved by elected officials in the annual budget ordinance or amendments thereto.

Perspective/Condition: Washington County expended funds in excess of amounts approved in the annual budget ordinance and amendments for debt service and capital outlay expenditures in the General Fund.

Cause: Expenditures exceeded revenues for the Airport Fund during the current year.

Effect: Expenditures exceeded amounts approved in the budget ordinance adopted by the Board of Commissioners.

Recommendation: Management should review budget to actual expenditures each month to determine if any amendments to the budget may be necessary due to increases in costs or unexpected expenses. All disbursements should be pre-audited in a manner required by the Budget and Fiscal Control Act to ensure that funds are available in the budget prior to the issuance of a purchase order or cash disbursement.

Views of responsible officials: The County agrees with this finding. Management will review budget to actual revenues and expenditures more closely in future years to ensure that expenditures are in compliance with the budget ordinance, that funds are available in the budget prior to issuance of any purchase order or cash disbursement, and that any necessary amendments to the budget ordinance are approved by the Board of Commissioners and adopted in a timely manner.

2017-005 Bank Account Was Not Reconciled During the Year

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Perspective/Condition: The bank account for the Detention Center inmate's trust fund was not reconciled during the year.

Cause: This bank account is maintained by the sheriff's department. All other bank accounts are maintained in the Finance Department. Therefore, this account was not reconciled to the general ledger during the year. All other bank accounts were reconciled each month.

Effect: The bank account bank for inmate's trust fund did not agree with the amount recorded in the County's general ledger.

Recommendation: The County should reconcile all bank accounts on a monthly basis to the general ledger to ensure that cash balances, cash receipts and cash disbursements are properly recorded in a timely manner.

Views of responsible officials: The County agrees with this finding. The County will reconcile the Detention Center inmate's trust fund bank account each month to the County's general ledger.

2017-006 Capital Outlay Expenditures were Posted Incorrectly to Repairs and Maintenance

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Perspective/Condition: The cost to purchase two new Trane HVAC units costing \$22,260 was recorded as repairs and maintenance expense rather than capital outlay.

Cause: The purchase of these assets were recorded as repairs and maintenance on the purchase order. The cost of the HVAC units exceeded the County's capitalization policy of \$5,000.

Effect: The County's capital assets, depreciation expense and investment in capital assets were understated, while repairs and maintenance expense was overstated.

Recommendation: The County should follow its capitalization policy to record assets with a useful life of more than 2 years and a cost in excess of \$5,000 as capital outlay expenditures. Items that cost less than \$5,000 or do not extend the useful life of an asset may be recorded as repairs, maintenance or supplies.

Views of responsible officials: The County agrees with this finding. The County will review all purchase orders to ensure that expenditures are recorded to the proper account.

Section III. Federal Awards Findings and Questioned Costs

None reported.

Section II. State Award Findings and Questioned Costs

None reported.

Section II. Financial Statement Findings

Material Weaknesses

2017–001 Hospital Pension Plan Actuarial Study was not in Accordance with GASB

Name of contact person: Missy Dixon – Finance Officer

Corrective Action: The County will instruct the actuary to prepare the annual actuarial study for the year ended December 31, 2017 in accordance with GASB standards.

Proposed Completion Date: June 30, 2018

2017–002 Deficit Fund Balance / Net Position of Certain Funds

Name of contact person: Missy Dixon – Finance Officer

Corrective Action: The County will appropriate funds from the General Fund in next year’s budget to eliminate the deficit in the Library Capital Project Fund. The County has increased the annual solid waste fee for each household by \$35 from \$215 to \$250 in the annual budget ordinance for fiscal year ending June 30, 2018. The Sanitation Fund has several interfund account balances that, when resolved, will reduce the deficit net position of the Sanitation Fund. Additionally, the County is reviewing the rate structure and other options for improve the financial performance of the County that, in combination, will address this finding. The County will review fees charged for hanger rental and fuel at the County Airport to ensure that revenues are adequate to cover Airport expenses.

Proposed Completion Date: June 30, 2018

2017–003 Accounts Receivable Were not Reconciled to the General Ledger

Name of contact person: Missy Dixon – Finance Officer

Corrective Action: Management will review all accounts receivable for property taxes, water sewer and solid waste on a monthly basis. All receivables will be reconciled to the general ledger amounts. Management will also review past due accounts monthly and adjust the allowance for doubtful accounts accordingly.

Proposed Completion Date: June 30, 2018

Significant Deficiencies

2017-004 Expenditures Exceeded Budgeted Appropriations

Name of contact person: Missy Dixon – Finance Officer

Corrective Action: Management will review budget to actual revenues and expenditures more closely in future years to ensure that expenditures are in compliance with the budget ordinance, that funds are available in the budget prior to issuance of any purchase order or cash disbursement, and that any necessary amendments to the budget ordinance are approved by the Board of Commissioners and adopted in a timely manner.

Proposed Completion Date: June 30, 2018

2017-005 Bank Account Was Not Reconciled During the Year

Name of contact person: Missy Dixon – Finance Officer

Corrective Action: The County will reconcile the Detention Center inmate’s trust fund bank account each month to the County’s general ledger.

Proposed Completion Date: June 30, 2018

2017-006 Capital Outlay Expenditures were Posted Incorrectly to Repairs and Maintenance

Name of contact person: Missy Dixon – Finance Officer

Corrective Action: The County will review all purchase orders to ensure that expenditures are recorded to the proper account.

Proposed Completion Date: June 30, 2018

Section II. Federal Award Findings and Questioned Costs

None reported.

Section II. State Award Findings and Questioned Costs

None reported.

Section II. Financial Statement Findings

2016-001 Unauthorized Bank Account

Status: This item has been corrected.

2016-002 Cash Receipts – Recreation Department

Status: This item has been corrected.

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Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State / Pass- Through Grantor's Number	Federal (Direct and Pass- through) Expenditures	State Expenditures	Passed Through to Subrecipients	Local Expenditures	Total Expenditures
Federal Awards:							
U.S. Department of Agriculture							
<u>Food and Nutrition Program:</u>							
Passed-through N.C. Department of Health and Human Services:							
Division of Social Services:							
Administration:							
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561		\$ 272,466	\$ -	\$ -	\$ 272,466	\$ 544,932
Division of Public Health:							
Special Supplemental Nutrition Program for Women, Infants and Children - Direct Benefit Payments	10.557		289,858	-	-	-	289,858
Total U.S. Department of Agriculture			562,324	-	-	272,466	834,790
U.S. Department of Housing and Urban Development							
2014 Single Family Rehabilitation Loan Pool	14.239		240,728	-	-	-	240,728
Total U.S. Department of Housing and Urban Development			240,728	-	-	-	240,728
U.S. Department of Transportation							
Passed-through N.C. Department of Transportation:							
Formula Grants for Rural Areas - Community Transportation Service	20.509	36233.107	\$ 59,589	\$ 4,336	\$ -	\$ -	\$ 63,925
Total U.S. Department of Transportation			59,589	4,336	-	-	63,925

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State / Pass- Through Grantor's Number	Federal (Direct and Pass- through) Expenditures	State Expenditures	Passed Through to Subrecipients	Local Expenditures	Total Expenditures
U.S. Environmental Protection Agency							
Passed-through N.C. Department of Environmental Quality							
Social Services Block Grant (SSBG) In Home Services	93.667		292	-	-	42	334
Social Services Block Grant (SSBG) In Home Services over 60	93.667		4,413	-	-	630	5,043
Total Social Service Block Grant (SSBG) - In Home Services			4,705	-	-	672	5,377
Division of Social Services:							
<u>Temporary Assistance for Needy Families Cluster</u>							
Temporary Assistance for Needy Families (TANF) / Wok First Admin	93.558		94,497	-	-	17,231	111,728
Temporary Assistance for Needy Families (TANF) / Wok First Service	93.558		289,247	-	-	60,391	349,639
TANF / Work First - Direct Benefits Payments	93.558		93,337	-	-	70	93,407
Total TANF Cluster			477,081	-	-	77,692	554,774
<u>Foster Care and Adoption Cluster (Note 3)</u>							
Title IV-E Foster Care - Administration	93.658		34,257	-	-	34,257	68,514
Title IV-E Child Protection Services	93.658		8,698	12,607	-	282	21,587
Foster Care Title IV-E - Direct Benefit Payment	93.658		38,809	9,847	-	9,898	58,554
Title IV-E Admin County Paid To	93.658		9,425	4,713	-	4,713	18,851
Adoption Assistance - Administration	93.659		1,200	-	-	1,200	2,400
Adoption Assistance - Direct Benefit Payments	93.659		147,771	36,857	-	36,857	221,485
Total Foster Care and Adoption Cluster (Note 3)			240,161	64,023	-	87,206	391,391

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State / Pass- Through Grantor's Number	Federal (Direct and Pass- through) Expenditures	State Expenditures	Passed Through to Subrecipients	Local Expenditures	Total Expenditures
Child Support Enforcement IV-D Administration	93.563		\$ 330,244	\$ -	\$ -	\$ 170,125	\$ 500,369
Family Preservation	93.556		1,316	-	-	-	1,316
Refugee and Entrant Assistance - State Administered Program	93.566		(75)	-	-	-	(75)
Low-Income Home Energy Assistance							
Administration	93.568		12,333	-	-	-	12,333
Energy Assistance Payments - Direct Benefit Payments	93.568		81,000	-	-	-	81,000
Crisis Intervention Payments	93.568		82,567	-	-	-	82,567
Total Low-Income Home Energy Assistance			175,900	-	-	-	175,900
Stephanie Tubbs Jones Child Welfare Services Program							
Permanency Planning - Families for Kids	93.645		1,862	-	-	621	2,483
SSBG - Other Services and Training	93.667		89,844	9,539	-	33,127	132,510
Chafee Foster Care Independence Program	93.674		2,312	578	-	-	2,890
<u>Administration for Children and Families</u>							
Subsidized Child Care (Note 3)							
<u>Child Care Development Fund Cluster:</u>							
Division of Social Services:							
Child Care Development Fund - Administration	93.596		90,729	-	-	-	90,729
Division of Child Development:							
Child Care and Development Block Grant - Discretionary	93.575		153,771	-	-	-	153,771
Child Care and Development Fund - Mandatory	93.596		50,181	-	-	-	50,181
Child Care and Development Fund - Match	93.596		96,892	51,012	-	-	147,904
Total Child Care Development Fund Cluster			391,573	51,012	-	-	442,585

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State / Pass- Through Grantor's Number	Federal (Direct and Pass- through) Expenditures	State Expenditures	Passed Through to Subrecipients	Local Expenditures	Total Expenditures
Temporary Assistance for Needy Families	93.558		\$ 42,439	\$ -	\$ -	\$ -	\$ 42,439
ARRA- Emergency Contingency Fund for Foster Care Title IV-E	93.658		7,349	631	-	(461)	7,520
State Appropriations			-	15,451	-	-	15,451
TANF - MOE			-	81,675	-	-	81,675
Total Subsidized Child Care Cluster (Note 3)			441,361	148,769	-	(461)	589,670
Passed-through N.C. Department of Health and Human Services:							
Division of Medical Assistance:							
Direct Benefit Payments - Medical Assistance Program	93.778		17,376,320	9,529,720	-	-	26,906,040
Division of Social Services:							
Administration - Medical Assistance Program	93.778		449,271	-	-	165,477	614,748
Medical Assistance Program	93.778		4,667	-	-	4,666	9,333
Medical Assistance Program - Vehicle Expense	93.778		12,527	6,256	-	-	18,783
Medical Assistance Program - Transportation Administration	93.778		20,792	-	-	20,792	41,584
Medical Assistance Program - Transportation Service	93.778		41,885	20,860	-	-	62,745
Total Medical Assistance Program			17,905,461	9,556,836	-	190,936	27,653,233
Division of Medical Assistance:							
Direct Benefit Payments - State Children's Insurance Program	93.767		180,541	478	-	-	181,019
Division of Social Services:							
Administration - State Children's Insurance Program - NC Health Choice	93.767		16,684	13	-	27	16,724
Total State Children's Insurance Program - NC Health Choice			197,225	491	-	27	197,743
Total U.S. Department of Health and Human Services			19,867,397	9,780,236	-	559,947	30,207,580

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State / Pass- Through Grantor's Number	Federal (Direct and Pass- through) Expenditures	State Expenditures	Passed Through to Subrecipients	Local Expenditures	Total Expenditures
U.S. Department of Homeland Security							
Passed-through N.C. Department of Public Safety							
Division of Emergency Management							
RAP LEPC Tier II Grant	97.039		\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
LEPC Regional Hazard Mitigation Plan	97.039		31,675	-	-	-	31,675
Hazardous Material Emergency Preparedness Grant	97.042		20,000	-	-	-	20,000
Emergency Management	97.042		38,584	-	-	-	38,584
Total U.S. Department of Homeland Security			95,259	-	-	-	95,259
Total federal awards			20,825,297	9,784,572	-	832,413	31,442,282
State Awards:							
<u>N.C. Department of Health and Human Services</u>							
Division of Social Services:							
State/County Special Assistance:							
Domiciliary Care - Direct Benefit Payments			-	141,976	-	141,976	283,952
State Foster Care Benefits			-	13,062	-	13,061	26,123
State Child Welfare / Child Protection Services			-	2,461	-	-	2,461
County Funded Programs			-	-	-	495,619	495,619
Non-Allocating County Cost			-	-	-	191,442	191,442
Work First Non-Reimbursable			-	-	-	13,265	13,265
AFDC Incentive / Program Integrity			-	757	-	-	757
SFHF Maximization			-	(12,979)	-	(12,979)	(25,958)
SAA/SAD HB 1030			-	8,993	-	7,361	16,354
CWS Adoption Benefits			-	5,706	-	1,902	7,608
CCDF State Match			-	70,386	-	-	70,386
Total N.C. Department of Health and Human Services			-	230,362	-	851,646	1,082,008

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State / Pass- Through Grantor's Number	Federal (Direct and Pass- through) Expenditures	State Expenditures	Passed Through to Subrecipients	Local Expenditures	Total Expenditures
<u>N.C. Department Environmental Quality</u>							
Division of Waste Management:							
Electronics Management			\$ -	\$ 934	\$ -	\$ -	\$ 934
Scrap Tire Program			-	17,386	-	-	17,386
White Goods Management Program			-	7,420	-	-	7,420
Total N.C. Department of Environment and Natural Resources			-	25,740	-	-	25,740
<u>N.C. Department of Transportation</u>							
Rural Operating Assistance Program (ROAP) Cluster							
ROAP - Elderly and Disabled Transportation Assistance Program			-	52,543	-	-	52,543
ROAP - Rural General Public Program			-	24,525	-	-	24,525
ROAP - Work First Transitional Employment			-	5,662	-	-	5,662
Total ROAP Cluster			-	82,730	-	-	82,730
<u>N.C. Department of Public Administration</u>							
Veterans Service			-	2,130	-	-	2,130
<u>N.C. Department of Public Instruction</u>							
Public School Buidling Capital Fund - Lottery Proceeds			-	187,688	187,688	-	375,376
<u>N.C. Department of Commerce</u>							
Commerce Center Project Grant - Industrial Development Fund		U-445	-	8,940	-	-	8,940
<u>N.C. Department of Public Safety</u>							
Total State awards			-	612,929	187,688	851,646	1,652,263
Total Federal and State awards			\$ 20,825,297	\$ 10,397,501	\$ 187,688	\$ 1,684,058	\$ 33,094,545

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2017

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 (SEFSA) includes the federal and State grant activity of Washington County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because this Schedule presents only a selected portion of the operations of Washington County, it is not intended to and does not present the financial positions, changes in net position or cash flows of Washington County.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Washington County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Cluster of Programs

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

Subsidized Child Care
 Foster Care and Adoption.

4. Subrecipients

Of the federal and state expenditures presented in the schedule, Washington County, North Carolina provided state awards to subrecipients as follows:

<u>State Program Title</u>	<u>Subrecipient</u>	<u>State Expenditures</u>
Public School Building	Washington County	
Capital Fund	Board of Education	\$187,688

5. Loans Outstanding

Washington County had the following loan balances outstanding at June 30, 2017 for loans that the grantor / pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2017 consist of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Drinking Water State Revolving Loan	66.468	H-LRX-F-10-1675	\$475,872

Washington County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

6. Contingencies

Grant monies received and disbursed by the County are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the County does not believe that such disallowance, if any, would have a material effect on the financial position of the County. As of April 23, 2018, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

7. Noncash Assistance

The County did not receive any federal noncash assistance for the fiscal year ending June 30, 2017