

WASHINGTON COUNTY, NORTH CAROLINA

COMPRESHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Prepared by:
Finance Office**

**Submitted by:
Curtis Potter
County Manager**

WASHINGTON COUNTY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

COUNTY OF WASHINGTON

BOARD OF COMMISSIONERS

COMMISSIONERS:

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



ADMINISTRATION STAFF:

CURTIS S. POTTER
COUNTY MANAGER/ COUNTY ATTORNEY
cpotter@washconc.org

JULIE J. BENNETT, CMC, NCCCC
CLERK TO THE BOARD
jbennett@washconc.org

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April 4, 2019

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, 2018 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 Mauldin & Jenkins, 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, 2018 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 unmodified opinion that Washington County's financial statements for the fiscal year ended June 30, 2018 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.

General 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 which is considered the largest fresh water sound in the United States. There are more miles of shoreline within ten miles of the Town of Plymouth, the county seat, than anywhere else in North Carolina, and the county is one of North Carolina's most picturesque, historical settings with a land area of 348 square miles¹. There are three municipalities in the county consisting of the towns of Plymouth, Roper, and Creswell. The Town of Plymouth is the largest municipality in the county with a population estimate of 3,594 persons.

The following information provides a snapshot of Washington County:

- The county's population is 12,012 persons¹.
- The median age of persons that live in the county is 45 years².
- There are 217 private industry establishments and 11 manufacturing establishments that operate within the county².
- A total of 79% of the county's population has attained a high school diploma².
- There are 6,420 housing units within the county².
- The median annual household income is \$36,171².
- An estimated total of 24.8% of the county's population lives below the federal poverty level².

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 serves as the Budget Officer in accordance with applicable state law. The County Manager is also responsible for implementing county policies, managing daily operations, and appointing and managing county department heads and personnel, except for those whose appointment and management is otherwise provided for by law.

The county directly provides or indirectly provides through funding a wide range of services for its citizens, including without limitation: Law Enforcement, Detention, Emergency Communications, Elections, Airport, Register of Deeds, Recreation, Social Services, Senior Center, Planning & Safety/Emergency Management, Cooperative Extension, Public Utilities (including water treatment and distribution as well as solid waste pickup and a C&D landfill), Emergency Medical Services, Soil & Water, Veteran's Services, GIS, and Economic Development. These are supported by various administrative departments including without limitation: County Manager's Office, Finance, Tax, and Facilities Services.

The county also provides additional funding to certain boards, agencies, and commissions in order to pay for or assist their efforts with serving the county's citizens including without limitation the following:

- Public educational services provided by the Washington County Board of Education.
- Public health services which are provided by the Martin-Tyrrell-Washington District Health Dept.
- Public mental health, substance abuse, and developmental disabilities services provided by Trillium Health Resources which is a twenty-six county local management entity/managed care organization (LME/MCO) headquartered in Greenville, NC.
- Various services and programs provided by the Albemarle Commission (a ten county regional council of government formed and administered in accordance with applicable state law).
- Public library services provided by Pettigrew Regional Library headquartered in Plymouth, NC.
- Juvenile crime prevention services provided by the local Juvenile Crime Prevention Council.
- Smart start and other early childhood development services provided by the Tyrrell-Washington Partnership for Children.

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 2017, crops consisted of the following acreage: soybeans 39,600, corn (grain) 31,300, wheat 5,900, cotton 8,650, peanuts 1,260, and flue cured tobacco 280. Washington County is ranked 24th in the state for crop cash receipts. Crop cash receipts totaled \$58,538,892.³ However, the county also 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 originally completed a 20 Megawatt solar energy farm near Plymouth in 2012, and a 14 Megawatt solar energy farm in Creswell in 2016 has 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 expected to be completed by late 2019. Additionally, Macadamia Solar, LLC is in the process of completing its due diligence investigations related to its potential application to develop an additional much larger solar energy farm estimated to be in the 484 Megawatt range.

Washington County continues to experience robust travel and tourism activities. Statistical data indicates a tremendous volume of visitors pass through Washington County annually, and this will continue to be a resource for, and a focus of, continuing economic development efforts in county and surrounding region.

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, Inc. along the northern boundary of the county comprised of the Roanoke River and Albemarle Sound continues to attract visitors.

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 including a floating operable scaled down replica of the CSS Albemarle, an annual Civil War re-enactment, and the Somerset Plantation located within the Pettigrew State Park on the banks of Lake Phelps near the Town of Creswell.

The Washington County Travel & Tourism Authority proactively markets the county and surrounding region to visitors. As a major cornerstone of that marketing strategy, the Authority sponsors an annual NC Black Bear Festival during the first weekend of June which has grown considerably in size and scope with an estimated 30,000 attendees.⁴ The NC Black Bear Festival continues to expand and receive numerous regional and national awards.

Major Initiatives:

Economic Development:

- In 2005, Washington County adopted a Twenty-Year Economic Development Enhancement Plan which 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 that original plan was adopted despite the major economic recession which began in 2008 and has substantially delayed full implementation of the plan.
- In 2015 Washington County began re-evaluating its economic development plans as part of its more comprehensive strategic planning initiative. A revised and simplified business recruitment plan was developed in 2016 to replace the previous Twenty-Year plan, and Washington County continues to take action towards accomplishing the goals and objectives set forth in this new plan.

Beaufort County Community College Washington County Center:

- 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) as a dedicated auxiliary campus 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.

- 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.

Commerce Building:

- Washington County previously completed the initial shell building construction of a 25,000 square foot state of the art business/industrial commerce shell building located in close proximity to the Plymouth Municipal Airport. However this facility lacked adequate water and sewer utilities to accommodate prospective tenants or investors.
- The Rural Economic Development Division of the NC Department of Commerce awarded the county an Industrial Development Fund grant totaling \$1.259 million to install water and wastewater lines to the building in order to make it a viable site location for economic development purposes as originally planned. After considerable delay, Washington County was recently able to finally begin construction on this project during the FY2017-2018 budget year, which is substantially complete as of the date of this letter. Final completion is anticipated in the latter part of fiscal year 2019. The completion of this project will enable the county to more effectively market this facility to prospective tenants or investors for economic development purposes.

Airport:

- 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 nearby 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 also completed and include new flooring, upgrades to the pilot’s training lounge, meeting space improvements and new waiting area furniture.
- Additional development plans for the airport include major construction of an \$8,165,778 parallel taxiway to be completed by December 2019 utilizing a combination of state funds and a \$7,000,000 supplemental federal grant. Additional development plans include new T hangers and corporate hangers, a GPS flight navigation system, a new lighting system, installation of state-of-the-art utilities, and advanced 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 as well as further development of surrounding property for economic development purposes.

Rural Medical Clinic:

- In June of 2011 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 initially planned as a three-phase project to include (1) a full service medical clinic, (2) a combination fire and law enforcement facility and (3) a public library. After its construction, the clinic was leased to the private owner/operator 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 vacated the premises and requested 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 determined that the Roanoke Chowan Community Health Center (“RCCHC”) was 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 Creswell Primary Care Clinic in 2016 under a three (3) year lease with Washington County.

Albemarle Sound Condominium/Resort Development:

- 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 three story condo building were previously completed, and numerous timeshares have been and continue to be sold and registered with the Washington County Register of Deeds Office. Waterside Acquisitions Properties, Inc. intends to eventually 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.
- The County anticipates undertaking a significant expansion of its water line capacity in the near future from the Washington County Utilities Treatment Facility located in Roper, NC to the Pea Ridge Community area to accommodate anticipated future demand associated with this project and development in the surrounding area.

Other Infrastructure:

- Washington County has been actively engaged with the NC Department of Transportation to facilitate the relocation of numerous utility lines associated with the repair and reconstruction of several major bridges throughout the county including the Cherry Bridge, Mackey's Ferry Bridge, and Cross Road Bridge. These much needed repairs and replacement projects address long standing infrastructure concerns, and will enable the county to continue to utilize the impacted bridges for the foreseeable future without unanticipated interruptions and will continue to contribute to the efficient and reliable connectivity of persons, places, and goods throughout the county.

FY2017-2018 Budget and Future Economic Forecast

Washington County approved an original FY 2017-2018 budget totaling \$23,031,848 for all county operations and funds, capital improvements and debt service requirements.

Of this total, \$14,184,308 was approved for General Fund purposes, \$2,114,503 for EMS Fund purposes, \$1,375,650 for Water Fund purposes, \$1,254,693 for Sanitation Fund purposes, \$1,188,813 for School Capital Fund purposes, \$765,892 for Airport Fund purposes, \$544,000 for Emergency 911 Fund purposes, \$119,297 for Travel & Tourism Fund purposes, \$86,718 for Drainage Fund purposes, \$33,000 for Tax Revaluation Fund purposes, and \$1,364,974 for the county's Commerce Center Water & Sewer Project Fund purposes.

To balance the respective budgets, fund balance appropriations were made of \$54,943 from the General Fund, \$148,728 from the Commerce Center Water & Sewer Project Fund, \$400,000 from the Emergency 911 Fund, \$305,500 from the School Capital Outlay Fund, \$30,403 from the EMS Fund, \$29,132 from the Airport Operations Fund, and \$2,474 from the Travel & Tourism Fund.

The primary method utilized to eliminate reliance on fund balances was to increase revenues and reduce expenditures. The FY 2017-2018 budget included an increase of three and one-half cents in the county's ad-

valorem tax rate from \$0.81 to \$0.845 per \$100 of assessed property value. An additional Special Watershed Improvement Tax of one cent \$0.01 per \$100 of assessed property value was levied pursuant to authority granted by a referendum election held May 6, 1972. Prior to this budget year, this special tax was last levied in FY 2008-2009.

A one-time transfer of \$390,671 from the General Fund to the School Capital Outlay Fund was budgeted to complete and finalize the transfer and segregation of funds restricted by statute for school capital outlay purposes into their own Fund for tracking purposes. Internal policies have also been implemented to continue this separation of similar restricted funds received in the future from otherwise unrestricted general fund revenues.

The county continues to monitor numerous government and private industry economic forecasts. Revenue development forecasts remain conservative. During FY 2016-2017, and again during FY 2017-2018 the county received higher than originally anticipated sales tax revenues, which together with the increased revenues generated from the increase in ad-valorem tax rate, and the additional Special Watershed Improvement Tax, combined to produce an overall surplus of approximately \$604,373 for the General Fund at the end of the FY 2017-2018. This pushes the county's overall unrestricted General Fund balance at the end of FY 2017-2018 closer to, and within the general range of Management's recommended fund balance targets, and improves the overall fiscal integrity and stability of Washington County for the immediately foreseeable future.

The county's major future economic plans are fiscally conservative and moderately progressive with anticipated substantial future expenditures related to: 1) completing the construction of its Commerce Center Water & Sewer Project, 2) finalizing the buildout and development of its 25,000 square foot Commerce Center shell building, 3) constructing a parallel taxiway at the Plymouth Municipal Airport owned and operated by Washington County; 4) undertaking the expansion of current water capacity through additional utility infrastructure between Roper and Pea Ridge to accommodate recent and anticipate development; and 5) substantially increasing its funding toward the underfunded Washington County Hospital Pension Plan retained as a liability of the county following the sale of that facility in 2007.

Except for the water capacity infrastructure expansion which is anticipated to be paid for over an extended period of time through USDA loan financing to be recouped by fees charged to water customers, and the increased hospital pension plan funding which is anticipated to be paid for with General Fund reserves in annual installments based on actuarially determined contribution amounts recommended by that plans consultants; the county has already secured, or anticipates securing additional grant funding to pay for the majority of the costs associated with the major projects identified above, without having to allocate an additional substantial portion of its General Fund balance reserves.

Therefore, the County's unassigned funds in the General Fund should remain adequate to assist in overcoming continued financial erosion if the need presents itself, but are not above average for Management's recommended target of 18%-22% of annual operating expenses based on Washington County's size and characteristics.

Therefore, management would continue to recommend exercising extreme caution on relying too heavily upon the General Fund balance as a means to balance future budgets or address short term costs associated with projects, particularly in light of the looming underfunded Washington County Pension Plan liability which will continue to face the county for the foreseeable future.

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 Mauldin & Jenkins, PLLC 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
County Manager/County Attorney



Catherine “Missy” Dixon
Finance Officer

¹<https://www.census.gov/quickfacts/fact/table/washingtoncountynorthcarolina/PST045217#PST045217>

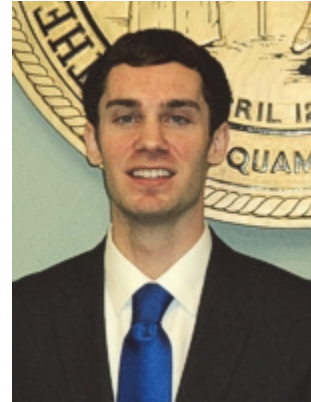
²<https://accessnc.ncommerce.com/DemoGraphicsReports/pdfs/countyProfile/NC/37187.pdf>

³https://www.nass.usda.gov/Statistics_by_State/North_Carolina/Publications/Annual_Statistical_Bulletin/AgStat/Section06.pdf

⁴<https://www.witn.com/content/news/Annual-Black-Bear-Festival-helps-boost-local-economy-484434241.html>



Tracey A. Johnson
Chair



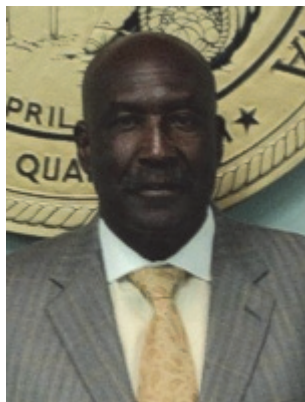
D. Cole Phelps
Commissioner



William "Bill" R. Sexton, Jr.
Vice-Chair

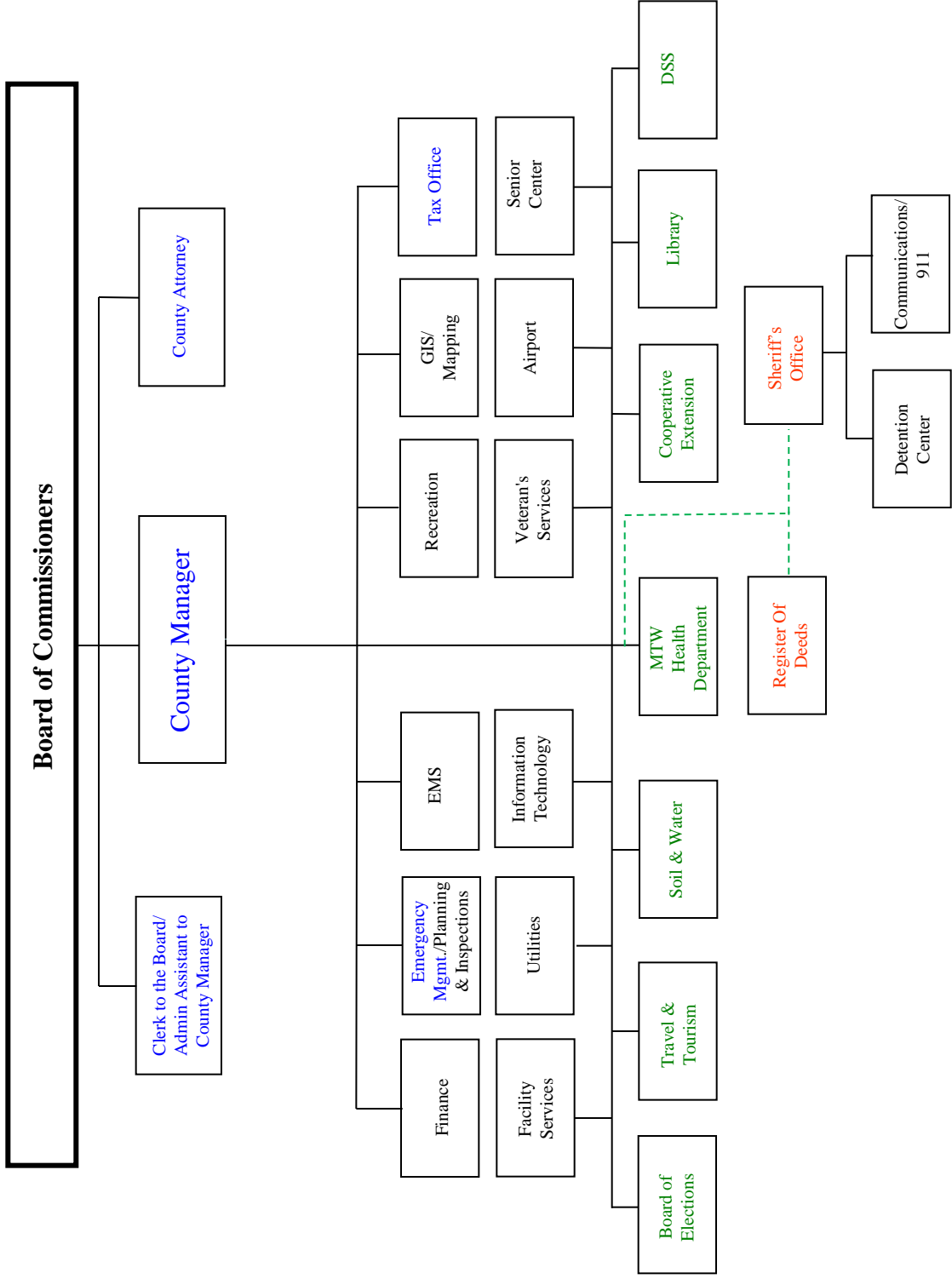


Jennifer C. Riddick
Commissioner



Julius Walker, Jr.
Commissioner

Washington County Government Organizational Chart



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Members of the Board of 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 (the "County")**, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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, which represents 83%, 79%, and 87% of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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 from material misstatement. The financial statements of the Washington County ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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 June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and the Emergency Medical Services Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 10 and 14, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. This standard significantly changed the accounting for the County's net other postemployment benefits (OPEB) liability and related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the County's Proportionate Share of Net Pension Liability (Asset) – LGERS, the Schedule of the County's Contributions – LGERS, the Schedule of Changes in Total Pension Liability – LEOSSA, the Schedule of Total Pension Liability as a Percentage of Covered Payroll – LEOSSA, the County's Proportionate Share of Net Pension Liability (Asset) – Register of Deeds Supplemental Pension Fund, the Schedule of the County's Contributions – Register of Deeds Supplemental Pension Fund, the Schedule of Changes in the County's Net Pension Liability – Hospital Pension, the Schedule of County Contributions – Hospital Pension, the Schedule of Pension Investment Returns – Hospital Pension, the Schedule of the County's Proportionate Share of Net OPEB Liability, and the Schedule of County Contributions – OPEB Plan, on pages 4-12, 82, 83, 85, 86, 87, 88, 90, 91, 92, and 93, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, the combining and individual fund statements and schedules, the statistical section, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the schedule of expenditures of federal and state awards (the "supplementary information") 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. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements 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 4, 2019 on our consideration of the 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 that report is solely 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 effectiveness of the County's 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 the County's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 4, 2019



Washington County

Management's Discussion and Analysis (MD&A)

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, 2018. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the County's financial statements following this narrative.

Financial Highlights: At the close of the fiscal year ending June 30, 2018:

- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$5,048,767 (*total net position*)
- The County's total net position increased by \$1,127,608 (including restatement) from the prior fiscal year ended June 30, 2017.
- The County's governmental funds reported combined ending fund balances of \$9,197,766 (including restatement) after a net increase of \$1,245,721 over the prior fiscal year ended June 30, 2017. Approximately 56.4% or \$5,190,493 of this total amount is restricted, committed, or assigned for a particular purpose.
- Unassigned fund balance for the County's General Fund was \$4,007,273 or approximately 30.2% of the combined \$12,219,272 in total general fund expenditures and \$1,048,167 in transfers out of the general fund.
- The County's total long term debt and liabilities decreased by \$2,731,260 (including restatement) from the prior fiscal year ended June 30, 2017 and is described in more detail within Note 7 to the financial statements.
- Certain portions of the audited financial statements from the previous fiscal year ended June 30, 2017 have been restated as part of the financial statements for the current fiscal year ended June 30, 2018. The justifications and impacts of these restatements are described in detail within Note 14 to the financial statements. Except for the substantial impact related to implementing GASB Statement No. 75 (*Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*) sometimes referred to as ("OPEB") liabilities, management considers the amounts and impacts of the other non-OPEB related items restated to be relatively minor in scope.

I. Overview of the Financial Statements:

This Management’s Discussion and Analysis (MD&A) is intended to serve as an introduction to Washington County’s basic financial statements. The County’s basic financial statements consists of three components; a) Government-Wide Financial Statements, b) Fund Financial Statements, and c) 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.

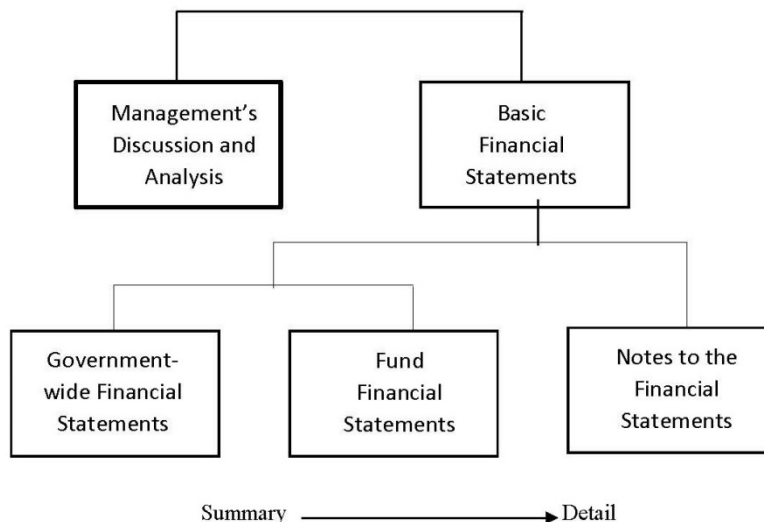
- The Government-wide Financial Statements are comprised of the first two statements (*Statement of Net Position & Statement of Activities*). They provide both short and long-term information about the County’s financial status.
- The Fund Financial Statements are comprised of the remaining statements and focus on the activities of the individual parts of the County’s government. They provide more detail than the government-wide statements.
- The Notes to Financial Statements explain in more detail some of the data contained in the statements.

Following the notes, certain required 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 and reported in one “Nonmajor Governmental Funds” column on the basic financial statements.

Budgetary information required by the General Statutes and other information about the County’s pension plans and OPEB liabilities can also be found in this section.

Required Components of Annual Financial Report

Figure 1



A. 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 further 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. The County ABC Board and the Tourism Authority are legally separate from the County, however the County is financially accountable for these Boards 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.

B. 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: i) governmental funds, ii) proprietary funds or iii) fiduciary funds.

- i. 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 & Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

Washington County adopts an annual budget 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 comparison statements provided for the General Fund, Emergency Medical Services Fund, and Other Governmental Funds 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 statements use the budgetary basis of accounting and are presented using substantially 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 within the applicable fund; and 4) the difference or variance between the final budget and the actual resources and charges.

- ii. 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 Position and the Statement of Activities.
- iii. Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of 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.

C. Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 26 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Washington County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 82 of this report.

II. Government-wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$5,048,767 (total *net position*) as of June 30, 2018. The County's total net position increased by \$1,127,608 (including restatement) during the fiscal year ended June 30, 2018. One of the largest portions \$13,708,279 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). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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 \$3,967,389 portion of the County's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of (-\$12,626,901) is unrestricted.

Management Discussion and Analysis
Washington County June 30, 2018

Washington County's Statement of Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 10,880,612	\$ 9,259,770	\$ 1,881,439	\$ 1,391,383	\$ 12,762,051	\$ 10,651,153
Capital assets	11,538,197	11,438,741	7,118,286	7,401,809	18,656,483	18,840,550
Total assets	22,418,809	20,698,511	8,999,725	8,793,192	31,418,534	29,491,703
Total deferred outflows of resources	2,415,328	1,970,399	162,158	101,470	2,577,486	2,071,869
Long-term liabilities	17,247,391	19,621,479	6,862,570	7,205,784	24,109,961	26,827,263
Other liabilities	631,842	428,631	257,947	223,391	889,789	652,022
Total liabilities	17,879,233	20,050,110	7,120,517	7,429,175	24,999,750	27,479,285
Total deferred inflows of resources	3,698,234	162,050	249,269	1,077	3,947,503	163,127
Net position:						
Net investment in capital asstes	11,020,273	10,983,866	2,688,006	2,750,528	13,708,279	13,734,394
Restricted	3,967,389	4,998,635	-	-	3,967,389	4,998,635
Unrestricted	(11,730,992)	(13,525,751)	(895,909)	(1,286,118)	(12,626,901)	(14,811,869)
Total net position	\$ 3,256,670	\$ 2,456,750	\$ 1,792,097	\$ 1,464,410	\$ 5,048,767	\$ 3,921,160

Washington County's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 2,227,708	\$ 2,083,925	\$ 2,560,220	\$ 2,409,316	\$ 4,787,928	\$ 4,493,241
Operating grants and contributions	3,456,426	3,819,306	80,884	47,965	3,537,310	3,867,271
Capital grants and contributions	1,044,435	1,172,857	-	-	1,044,435	1,172,857
General revenues						
Property taxes	7,908,062	7,656,084	-	-	7,908,062	7,656,084
Local option sales tax	1,918,615	2,316,829	-	-	1,918,615	2,316,829
Other taxes	243,702	179,150	-	-	243,702	179,150
Other items	-	121,932	-	10,986	-	132,918
Interest earnings	67,172	18,610	815	291	67,987	18,901
Total revenues	16,866,120	17,368,693	2,641,919	2,468,558	19,508,039	19,837,251
Expenses						
General government	2,710,616	2,282,885	-	-	2,710,616	2,282,885
Public safety	3,793,810	3,981,102	-	-	3,793,810	3,981,102
Economic and physical development	202,238	680,839	-	-	202,238	680,839
Human services	6,701,891	6,169,862	-	-	6,701,891	6,169,862
Culture and recreation	544,593	541,675	-	-	544,593	541,675
Education	1,816,761	2,317,563	-	-	1,816,761	2,317,563
Interest on long-term debt	20,663	16,153	-	-	20,663	16,153
Sanitation	-	-	1,227,825	1,247,083	1,227,825	1,247,083
Water	-	-	1,362,034	1,193,971	1,362,034	1,193,971
Total expenses	15,790,572	15,990,079	2,589,859	2,441,054	18,380,431	18,431,133
Increase (decrease) before transfers	1,075,548	1,378,614	52,060	27,504	1,127,608	1,406,118
Transfers	(275,627)	136,077	275,627	(136,077)	-	-
Change in net position	799,921	1,514,691	327,687	(108,573)	1,127,608	1,406,118
Net position, beginning	16,203,073	14,716,215	2,254,621	2,363,194	18,457,694	17,079,409
Restatements	(13,746,324)	(27,833)	(790,211)	-	(14,536,535)	(27,833)
Net position, ending	\$ 3,256,670	\$ 16,203,073	\$ 1,792,097	\$ 2,254,621	\$ 5,048,767	\$ 18,457,694

Governmental activities: Governmental activities increased the County's net position by \$799,921 (including restatement) accounting for approximately 71% of the total net position increase. Key elements of this increase are as follows:

- Continued diligence in the collection of property taxes by maintaining an overall collection percentage of approximately 95.58%
- Increased charges for services and higher interest earnings as well as the collection of substantial tax revenues from temporarily stored utility line pipe inventory associated with an out of county gas main pipeline construction project largely offset decreases in overall sales tax revenues.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget held overall expenditures within manageable limitations.

Business-type activities: Business-type activities increased the County's net position by \$327,687 (including restatement) accounting for approximately 29% of the total net position increase. Key elements of this increase are as follows:

- Increased charges for services
- Increased transfers into the Sanitation Fund from other funds.

III. County's Funds Financial Analysis

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 financial requirements. Specifically, fund balance available for appropriation can be a useful measure of the government's net resources available for spending at the end of a fiscal year.

The General Fund is the chief operating fund of Washington County. At the end of the fiscal year ended June 30, 2018, the County's total General Fund fund balance reached \$6,476,619 (including restatement) which is a \$604,373 or (10.3%) increase over the \$5,872,246 restated total General Fund fund balance at the beginning of that fiscal year.

The Governing Body of Washington County has officially adopted a policy that the County should maintain an available fund balance of 10% 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 unassigned available fund balance of \$4,007,273 or approximately 30.2% of the combined \$12,219,272 in total general fund expenditures and \$1,048,167 in transfers out of the general fund for the fiscal year ended June 30, 2018. Total fund balance represents approximately 48.8% of that same amount.

The Emergency Medical Services Fund is the County's other major governmental fund. The Emergency Medical Services Fund reported a net increase in the fund balance of \$103,832, which primarily attributed to transfers in from other funds of the County, which totaled \$306,215 for the fiscal year ended June 30, 2018. The fund balance of this fund is reported as restricted for public safety services.

General Fund Budegetary 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. Total amendments to the General Fund increased total budgeted revenues by \$1,095,129 associated primarily with restricted intergovernmental revenues received for state and/or federal grants.

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 Water and Sanitation Funds amounted to (\$851,228). The total increase in net position for these funds was \$327,687 (including restatement) due primarily to an increase in charges for services and transfers into the Sanitation Fund from other funds. Net position in the Water Fund decreased by (\$184,175) (including restatement) primarily due to transfers out, while net position in the Sanitation Fund increased by \$511,862 (including restatement) primarily due to transfers in.

- For the fiscal year ended June 30, 2018 the monthly water rates remained unchanged at \$24 per account for an average ¾ inch connection base rate including an initial 2,000 gallons of water, and a consumption rate of \$13.00 per 1,000 gallons of water used afterwards.

IV. Capital Assets and Debt Administration

Capital assets: Washington County’s capital assets for its governmental and business – type activities as of June 30, 2018, totals \$18,656,483 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the fiscal year ended June 30, 2018 include:

- 2 New Sheriff’s Vehicles
- 2 New EMS Ambulances
- Detention Center Upgrades
- Telecommunications Equipment Purchases
- Commerce Center Water/Sewer Extension Project Initiated

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,371,800	\$ 2,371,800	\$ 330,158	\$ 330,158	\$ 2,701,958	\$ 2,701,958
Buildings and improvements	7,343,847	7,552,435	6,643,041	6,884,116	13,986,888	14,436,551
Machinery and equipment	884,107	776,761	116,620	139,228	1,000,727	915,989
Vehicles	493,312	644,781	28,467	48,307	521,779	693,088
Construction in progress	445,131	92,964	-	-	445,131	92,964
Total capital assets	\$ 11,538,197	\$ 11,438,741	\$ 7,118,286	\$ 7,401,809	\$ 18,656,483	\$ 18,840,550

Additional information on the County’s capital assets can be found in Note 6 to the financial statements.

Long-term Debt. As of June 30, 2018, Washington County had no general obligation bonded debt. The County had outstanding revenue bonds of \$3,982,400, all of which will be repaid from future water revenues.

Washington County's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment purchases	\$ 517,924	\$ 454,876	\$ -	\$ -	\$ 517,924	\$ 454,876
Revenue bonds	-	-	3,982,400	4,175,409	3,982,400	4,175,409
Notes payable	-	-	447,880	475,872	447,880	475,872
Closure & post-closure costs	-	-	1,609,079	1,557,480	1,609,079	1,557,480
Compensated absences	512,210	496,534	25,488	35,389	537,698	531,923
Net pension liability (LGERS)	1,320,450	1,875,524	91,013	116,714	1,411,463	1,992,238
Net pension liability (LEOSSA)	241,776	181,532	-	-	241,776	181,532
Net pension liability (Hospital)	4,395,509	4,243,431	-	-	4,395,509	4,243,431
Net OPEB liability	10,253,225	12,369,582	706,710	852,581	10,959,935	13,222,163
Total capital assets	\$ 17,241,094	\$ 19,621,479	\$ 6,862,570	\$ 7,213,445	\$ 24,103,664	\$ 26,834,924

Washington County's total debt and liabilities decreased by \$2,731,260 (including restatement) during the past fiscal year primarily due to principal payments on outstanding debt and reductions in net pension and OPEB liabilities.

Additional information regarding Washington County's long-term debt can be found in Note 7 to the financial statements.

V. Economic Factors and Next Year's Budget and Rates

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

- Increased crop production from \$48,439,807 in 2016 to \$58,538,892 in 2017.
- Increase in median annual household income from \$35,367 in 2016 to \$36,171 in 2017.
- Reduction in estimated poverty level from 26% in 2016 to 24.8% in 2017.
- Reduction in estimated annual unemployment rate from 7.4% in 2016 to 6.8% in 2017.
- Increasing expansion of solar farm projects.
- Expansion of water/sewer infrastructure to the County's Commerce Building and potential additional industrial sites along Airport Road and Morratock Road.
- Initiated or planned replacement of several major bridges within the County.
- The County continues its Tier I designation clearly suggesting that Washington County is one of the most distressed communities in the state.

VI. Budget Highlights for the Fiscal Year Ending June 30, 2019 (FY19)

Governmental Activities:

- The total original General Fund budget for FY19 is \$14,510,953 or \$547,266 less than the final total amended General Fund budget for FY18 of \$15,058,219.
- The FY19 Ad valorem and Special Watershed Improvement Tax Rates remained unchanged at \$0.845 per \$100 of assessed value and \$0.01 per \$100 of assessed value respectively.

- The FY19 budget includes:
 - Appropriated fund balance of \$73,059 in the General Fund.
 - School system current expense funding increase of \$120,000 from \$1,603,000 in FY18 to \$1,723,000 in FY19 for one year only, to cover unreimbursed travel expenses associated with the first year of consolidating high schools in the County.
 - School Capital Outlay Fund appropriation increase of \$487,000 from \$400,000 in FY18 to \$887,000 in FY19 to pay for capital expenses associated with consolidating high schools in Washington County.
 - Increased funding of \$288,661 was allocated to start funding the Washington County Hospital Employee's Retirement Pension Plan at a more adequate level based on an actuarially determined contribution recommendation and dwindling plan assets.
 - Purchase of 3 new Sheriff's vehicles and 2 new ambulances.
 - 2% Cost of Living Adjustment for Employees

Business – Type Activities:

- There was no increase in the water base rate or consumption rate charges for FY19 over FY18.
- The original FY19 Water Fund budget totals \$1,717,669 which is a \$342,019 increase over the original FY18 budget of \$1,375,650.
- The original FY19 Sanitation Fund budget totals \$1,353,525 which is a \$98,832 increase over the original FY18 budget of \$1,254,693 .
- The solid waste user fee will increased by \$25 for FY19 to \$275 per year for each household.

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) 793-3523, visit our website at <http://www.washconc.org> or send an email to mdixon@washconc.org for more information.

WASHINGTON COUNTY, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	Primary Government			Component Units	
	Governmental	Business-type	Total	Washington	Washington
	Activities	Activities		Travel and Tourism	County
				Authority	ABC Board
ASSETS					
Cash and cash equivalents	\$ 8,216,436	\$ 1,313,600	\$ 9,530,036	\$ 32,186	\$ 225,968
Receivables, net of allowance for uncollectibles	1,422,209	524,878	1,947,087	-	-
Taxes receivable, net of allowance for uncollectibles	987,789	-	987,789	-	-
Due from other governments	40,483	-	40,483	-	-
Due from primary government	-	-	-	38,487	-
Internal balances	(29,792)	29,792	-	-	-
Prepaid assets	-	-	-	-	3,113
Inventories	-	13,169	13,169	-	105,629
Net pension asset	22,512	-	22,512	-	-
Restricted cash and cash equivalents	220,975	-	220,975	-	-
Capital assets:					
Non-depreciable	2,816,931	330,158	3,147,089	-	-
Depreciable, net of accumulated depreciation	8,721,266	6,788,128	15,509,394	-	15,985
Total assets	<u>22,418,809</u>	<u>8,999,725</u>	<u>31,418,534</u>	<u>70,673</u>	<u>350,695</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	1,068,287	69,312	1,137,599	-	13,453
OPEB related items	1,347,041	92,846	1,439,887	-	-
Total deferred outflows of resources	<u>2,415,328</u>	<u>162,158</u>	<u>2,577,486</u>	<u>-</u>	<u>13,453</u>
LIABILITIES					
Accounts payable	311,936	83,634	395,570	2,324	34,011
Accrued liabilities	281,419	174,313	455,732	1,091	18,337
Due to component unit	38,487	-	38,487	-	-
Interest payable	6,297	-	6,297	-	-
Landfill post-closure liability, due in more than one year	-	1,609,079	1,609,079	-	-
Installment purchases, due within one year	165,670	-	165,670	-	-
Installment purchases, due in more than one year	352,254	-	352,254	-	-
Bonds payable, due within one year	-	200,517	200,517	-	-
Bonds payable, due in more than one year	-	3,781,883	3,781,883	-	-
Notes payable, due within one year	-	27,992	27,992	-	-
Notes payable, due in more than one year	-	419,888	419,888	-	-
Compensated absences, due in one year	244,895	16,588	261,483	-	-
Compensated absences, due in more than one year	267,315	8,900	276,215	-	-
Total pension liability, due in more than one year - LEO	241,776	-	241,776	-	-
Net pension liability, due in more than one year - Hospital	4,395,509	-	4,395,509	-	-
Net pension liability, due in more than one year - LGERS	1,320,450	91,013	1,411,463	-	14,361
Net OPEB liability, due in more than one year	10,253,225	706,710	10,959,935	-	41,098
Total liabilities	<u>17,879,233</u>	<u>7,120,517</u>	<u>24,999,750</u>	<u>3,415</u>	<u>107,807</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred tax revenue	76,591	-	76,591	-	-
Pension related items	58,967	3,709	62,676	-	407
OPEB related items	3,562,676	245,560	3,808,236	-	1,429
Total deferred inflows of resources	<u>3,698,234</u>	<u>249,269</u>	<u>3,947,503</u>	<u>-</u>	<u>1,836</u>
NET POSITION					
Net investment in capital assets	11,020,273	2,688,006	13,708,279	-	15,985
Restricted for:					
Stabilization by State Statute	1,234,320	-	1,234,320	-	-
Public safety	1,088,596	-	1,088,596	-	-
Education	1,149,773	-	1,149,773	-	-
Economic and physical development	144,059	-	144,059	-	-
Capital projects	129,666	-	129,666	-	-
Tax Revaluation	220,975	-	220,975	-	-
Working capital	-	-	-	-	27,678
Unrestricted	(11,730,992)	(895,909)	(12,626,901)	67,258	210,842
Total net position	<u>\$ 3,256,670</u>	<u>\$ 1,792,097</u>	<u>\$ 5,048,767</u>	<u>\$ 67,258</u>	<u>\$ 254,505</u>

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

WASHINGTON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 2,710,616	\$ 387,043	\$ 116,353	\$ -
Public safety	3,793,810	426,412	220,877	-
Physical and economic development	583,833	-	-	324,113
Human services	6,320,296	1,406,239	2,889,965	-
Education	1,816,761	-	153,892	720,322
Culture and recreation	544,593	8,014	75,339	-
Interest on long-term debt	20,663	-	-	-
Total governmental activities	15,790,572	2,227,708	3,456,426	1,044,435
Business-type activities:				
Sanitation	1,227,825	1,188,063	18,939	-
Water	1,362,034	1,372,157	61,945	-
Total business-type activities	2,589,859	2,560,220	80,884	-
Total primary government	\$ 18,380,431	\$ 4,787,928	\$ 3,537,310	\$ 1,044,435
Component Unit:				
Travel and Tourism Authority	\$ 110,647	\$ -	\$ 140,832	\$ -
Washington County ABC Board	948,675	929,438	-	-
Total component unit	\$ 1,059,322	\$ 929,438	\$ 140,832	\$ -

General revenues:

- Ad valorem taxes
- Sales and use taxes
- Occupancy taxes
- Other taxes
- Investment earnings

Transfers

- Total general revenues
- Change in net position

Net position, beginning of year, as restated

Net position, end of year

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

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Washington County Travel and Tourism Authority	Washington County ABC Board
\$ (2,207,220)	\$ -	\$ (2,207,220)	\$ -	\$ -
(3,146,521)	-	(3,146,521)	-	-
(259,720)	-	(259,720)	-	-
(2,024,092)	-	(2,024,092)	-	-
(942,547)	-	(942,547)	-	-
(461,240)	-	(461,240)	-	-
(20,663)	-	(20,663)	-	-
(9,062,003)	-	(9,062,003)	-	-
-	(20,823)	(20,823)	-	-
-	72,068	72,068	-	-
-	51,245	51,245	-	-
\$ (9,062,003)	\$ 51,245	\$ (9,010,758)	-	\$ -
\$ -	\$ -	\$ -	\$ 30,185	\$ -
-	-	-	-	(19,237)
\$ -	\$ -	\$ -	\$ 30,185	\$ (19,237)
\$ 7,908,062	\$ -	\$ 7,908,062	-	\$ -
1,918,615	-	1,918,615	-	-
139,582	-	139,582	-	-
104,120	-	104,120	-	-
67,172	815	67,987	142	386
(275,627)	275,627	-	-	-
9,861,924	276,442	10,138,366	142	386
799,921	327,687	1,127,608	30,327	(18,851)
2,456,749	1,464,410	3,921,159	36,931	273,356
\$ 3,256,670	\$ 1,792,097	\$ 5,048,767	\$ 67,258	\$ 254,505

WASHINGTON COUNTY, NORTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Emergency Medical Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 7,026,070	\$ 439,891	\$ 750,475	\$ 8,216,436
Taxes receivable, net	951,901	22,736	13,152	987,789
Accounts receivable	711,814	224,663	485,732	1,422,209
Due from other governments	40,483	-	-	40,483
Due from other funds	261,048	-	1,355,161	1,616,209
Restricted cash and cash equivalents	220,975	-	-	220,975
Total assets	\$ 9,212,291	\$ 687,290	\$ 2,604,520	\$ 12,504,101
LIABILITIES				
Accounts payable	\$ 66,995	\$ 39,641	\$ 205,300	\$ 311,936
Due to other funds	1,384,953	7,791	253,257	1,646,001
Accrued liabilities	216,745	62,371	2,303	281,419
Due to component unit	38,487	-	-	38,487
Total liabilities	1,707,180	109,803	460,860	2,277,843
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - ad valorem taxes	951,901	-	-	951,901
Deferred revenue - prepaid taxes	76,591	-	-	76,591
Total deferred inflows of resources	1,028,492	-	-	1,028,492
FUND BALANCES				
Restricted:				
Stabilization by State Statute	1,234,320	-	-	1,234,320
Public safety	-	577,487	511,109	1,088,596
Education	874,441	-	275,332	1,149,773
Economic and physical development	-	-	144,059	144,059
Capital projects	-	-	129,666	129,666
Tax Revaluation	220,975	-	-	220,975
Assigned:				
Capital projects	-	-	1,083,494	1,083,494
Hospital pension plan	139,610	-	-	139,610
Unassigned	4,007,273	-	-	4,007,273
Total fund balances	6,476,619	577,487	2,143,660	9,197,766
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,212,291	\$ 687,290	\$ 2,604,520	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds	11,538,197
Some receivables are not available to pay for current-period expenditure and, therefore, are reported as unavailable revenue in the governmental funds	951,901
The net pension liability (assets), total pension liability, and related deferred inflows and outflows of resources related to the County's defined benefit pension plans which are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds	(4,925,903)
The net OPEB liability and related deferred inflows and outflows of resources related to the County's OPEB benefit plan which is not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds	(12,468,860)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds	(1,036,431)

Net position of governmental activities: \$ 3,256,670

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

WASHINGTON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Emergency Medical Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 7,833,819	\$ -	\$ -	\$ 7,833,819
Other taxes	1,314	-	224,372	225,686
Sales tax	1,918,615	-	-	1,918,615
Unrestricted intergovernmental	116,352	-	-	116,352
Restricted intergovernmental	3,219,822	166,600	998,087	4,384,509
Sales and services	491,111	1,406,239	124,000	2,021,350
Investment earnings	67,105	-	67	67,172
License and permits	194,805	-	-	194,805
Miscellaneous	29,569	-	-	29,569
Total revenues	13,872,512	1,572,839	1,346,526	16,791,877
Expenditures				
Current:				
General government	2,073,052	-	-	2,073,052
Public safety	3,459,612	-	112,008	3,571,620
Economic and physical development	157,281	-	381,595	538,876
Human services	4,120,759	1,910,715	-	6,031,474
Education	1,816,761	-	-	1,816,761
Culture and recreation	505,696	-	-	505,696
Capital outlay	-	-	781,732	781,732
Debt service:				
Principal retirements	77,252	66,453	-	143,705
Interest and fiscal charges	9,559	4,807	-	14,366
Total expenditures	12,219,972	1,981,975	1,275,335	15,477,282
Excess (deficiency) of revenues over expenditures	1,652,540	(409,136)	71,191	1,314,595
Other financing sources (uses)				
Transfers in	-	306,215	466,325	772,540
Transfers out	(1,048,167)	-	-	(1,048,167)
Installment notes issued	-	206,753	-	206,753
Total other financing sources (uses)	(1,048,167)	512,968	466,325	(68,874)
Net change in fund balances	604,373	103,832	537,516	1,245,721
Fund balances, beginning of year, as restated	5,872,246	473,655	1,606,144	7,952,045
Fund balances, end of year	\$ 6,476,619	\$ 577,487	\$ 2,143,660	\$ 9,197,766

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

WASHINGTON COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

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

Net change in fund balances - total governmental funds	\$ 1,245,721
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	99,456
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	74,243
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, however, 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.	(63,048)
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.	<u>(556,451)</u>
Change in net position - governmental activities	<u>\$ 799,921</u>

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

WASHINGTON COUNTY, NORTH CAROLINA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 7,896,177	\$ 7,896,177	\$ 7,833,819	\$ (62,358)
Other taxes and licenses	500	500	1,314	814
Sales tax	1,521,725	1,556,726	1,918,615	361,889
Unrestricted intergovernmental	65,500	65,500	116,352	50,852
Restricted intergovernmental	3,817,658	4,812,995	3,219,822	(1,593,173)
Permits and fees	209,560	219,820	194,805	(25,015)
Sales and services	430,470	471,442	491,111	19,669
Investment earnings	13,000	13,000	67,105	54,105
Miscellaneous	8,500	22,059	29,569	7,510
Total revenues	<u>13,963,090</u>	<u>15,058,219</u>	<u>13,872,512</u>	<u>(1,185,707)</u>
Expenditures				
Current:				
General government	2,409,284	2,324,994	2,073,052	251,942
Public safety	3,795,249	4,637,321	3,459,612	1,177,709
Economic and physical development	179,600	178,193	157,281	20,912
Human services	4,708,659	4,737,204	4,120,759	616,445
Culture and recreation	505,910	518,675	505,696	12,979
Intergovernmental:				
Education	1,603,000	1,816,761	1,816,761	-
Debt service:				
Principal retirements	77,253	77,253	77,252	1
Interest	9,192	9,611	9,559	52
Total expenditures	<u>13,288,147</u>	<u>14,300,012</u>	<u>12,219,972</u>	<u>2,080,040</u>
Excess of revenues over expenditures	<u>674,943</u>	<u>758,207</u>	<u>1,652,540</u>	<u>894,333</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	5,000	5,000	-	(5,000)
Transfers out	(696,886)	(802,540)	(1,048,167)	(245,627)
Contingency	(5,000)	-	-	-
Appropriated fund balance	21,943	39,333	-	(39,333)
Total other financing sources	<u>(674,943)</u>	<u>(758,207)</u>	<u>(1,048,167)</u>	<u>(289,960)</u>
Net change in fund balances	-	-	604,373	604,373
Fund balances, beginning of year, restated	<u>5,872,246</u>	<u>5,872,246</u>	<u>5,872,246</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,872,246</u>	<u>\$ 5,872,246</u>	<u>\$ 6,476,619</u>	<u>\$ 604,373</u>

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

WASHINGTON COUNTY, NORTH CAROLINA

EMERGENCY MEDICAL SERVICES FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Restricted intergovernmental	\$ 170,000	\$ 170,000	\$ 166,600	\$ (3,400)
Sales and services	1,376,340	1,401,490	1,406,239	4,749
Total revenues	<u>1,546,340</u>	<u>1,571,490</u>	<u>1,572,839</u>	<u>1,349</u>
Expenditures				
Human Services				
EMS - Washington County	1,815,523	1,825,673	1,699,555	126,118
Transport - Washington County	227,719	242,719	211,160	31,559
Total human services	<u>2,043,242</u>	<u>2,068,392</u>	<u>1,910,715</u>	<u>157,677</u>
Debt service:				
Principal retirements	71,261	71,261	66,453	4,808
Interest	-	-	4,807	(4,807)
Total debt service	<u>71,261</u>	<u>71,261</u>	<u>71,260</u>	<u>1</u>
Total expenditures	<u>2,114,503</u>	<u>2,139,653</u>	<u>1,981,975</u>	<u>157,678</u>
Excess (deficiency) of revenues over expenditures	<u>(568,163)</u>	<u>(568,163)</u>	<u>(409,136)</u>	<u>159,027</u>
Other financing sources:				
Transfers in	306,215	306,215	306,215	-
Installment notes issued	231,545	231,545	206,753	(24,792)
Appropriated fund balance	30,403	30,403	-	(30,403)
Total other financing sources	<u>568,163</u>	<u>568,163</u>	<u>512,968</u>	<u>(55,195)</u>
Net change in fund balances	-	-	103,832	103,832
Fund balances, beginning of year, restated	<u>473,655</u>	<u>473,655</u>	<u>473,655</u>	<u>-</u>
Fund balances, end of year	<u>\$ 473,655</u>	<u>\$ 473,655</u>	<u>\$ 577,487</u>	<u>\$ 103,832</u>

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

WASHINGTON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2018

ASSETS	Sanitation Fund	Water Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	\$ 712,701	\$ 600,899	\$ 1,313,600
Accounts receivable, net of allowances	332,121	192,757	524,878
Inventories	-	13,169	13,169
Due from other funds	-	29,792	29,792
Total current assets	1,044,822	836,617	1,881,439
CAPITAL ASSETS			
Nondepreciable	294,294	35,864	330,158
Depreciable, net of accumulated depreciation	74,740	6,713,388	6,788,128
Total noncurrent assets	369,034	6,749,252	7,118,286
Total assets	1,413,856	7,585,869	8,999,725
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	13,381	55,931	69,312
OPEB related items	17,925	74,921	92,846
Total deferred outflows of resources	31,306	130,852	162,158
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	72,646	10,988	83,634
Accrued liabilities	5,407	168,906	174,313
Compensated absences payable	3,579	13,009	16,588
Bonds payable	-	200,517	200,517
Note payable	-	27,992	27,992
Total current liabilities	81,632	421,412	503,044
NONCURRENT LIABILITIES			
Bonds payable	-	3,781,883	3,781,883
Note payable	-	419,888	419,888
Landfill postclosure	1,609,079	-	1,609,079
Compensated absences payable	1,222	7,678	8,900
Net pension liability	17,571	73,442	91,013
Net OPEB liability	136,436	570,274	706,710
Total noncurrent liabilities	1,764,308	4,853,165	6,617,473
Total liabilities	1,845,940	5,274,577	7,120,517
DEFERRED INFLOWS OF RESOURCES			
Pension related items	715	2,994	3,709
OPEB related items	47,408	198,152	245,560
Total deferred inflows of resources	48,123	201,146	249,269
NET POSITION			
Net investment in capital assets	369,034	2,318,972	2,688,006
Unrestricted	(817,935)	(77,974)	(895,909)
Total net position	\$ (448,901)	\$ 2,240,998	\$ 1,792,097

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

WASHINGTON COUNTY, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Sanitation Fund	Water Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 1,188,063	\$ 1,366,993	\$ 2,555,056
Tap and connection fees	-	5,164	5,164
Total operating revenues	1,188,063	1,372,157	2,560,220
OPERATING EXPENSES			
Landfill and collections	1,199,483	-	1,199,483
Treatment plant	-	260,346	260,346
Operations and maintenance	-	672,409	672,409
Depreciation	28,342	267,481	295,823
Total operating expenses	1,227,825	1,200,236	2,428,061
Operating income (loss)	(39,762)	171,921	132,159
NON-OPERATING REVENUES (EXPENSES)			
Restricted intergovernmental	18,939	61,945	80,884
Investment earnings	-	815	815
Interest expense	-	(161,798)	(161,798)
Total non-operating revenue (expenses)	18,939	(99,038)	(80,099)
Income before transfers	(20,823)	72,883	52,060
Transfers in	532,685	-	532,685
Transfers out	-	(257,058)	(257,058)
Change in net position	511,862	(184,175)	327,687
Net position, beginning of year, as restated	(960,763)	2,425,173	1,464,410
Net position, end of year	\$ (448,901)	\$ 2,240,998	\$ 1,792,097

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

WASHINGTON COUNTY, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Sanitation Fund	Water Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,178,720	\$ 1,356,883	\$ 2,535,603
Payments to suppliers	(1,175,881)	(1,452,674)	(2,628,555)
Payments to employees	(93,517)	(401,679)	(495,196)
Net cash used in operating activities	(90,678)	(497,470)	(588,148)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Restricted intergovernmental receipts	18,939	61,945	80,884
Transfers in	532,685	-	532,685
Transfers out	-	(257,058)	(257,058)
Net cash provided by (used in) noncapital financing activities	551,624	(195,113)	356,511
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases and acquisition of capital assets	-	(12,300)	(12,300)
Principal payments on long-term debt	-	(221,001)	(221,001)
Interest paid	-	(161,798)	(161,798)
Net cash used in capital and related financing activities	-	(395,099)	(395,099)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	815	815
Net cash provided by investing activities	-	815	815
Net increase (decrease) in cash and cash equivalents	460,946	(1,086,867)	(625,921)
Cash and cash equivalents, beginning of year	251,755	1,687,766	1,939,521
Cash and cash equivalents, end of year	\$ 712,701	\$ 600,899	\$ 1,313,600
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES			
Operating income (loss)	\$ (39,762)	\$ 171,921	\$ 132,159
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation expense	28,342	267,481	295,823
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Increase in accounts receivable	(9,343)	(15,274)	(24,617)
Increase in inventory	-	(4,022)	(4,022)
(Increase) decrease in due from other funds	-	(29,792)	(29,792)
Increase in accounts payable	10,577	8,927	19,504
Decrease in due to other funds	(137,802)	(919,744)	(1,057,546)
Increase (decrease) in accrued liabilities	1,636	(119)	1,517
Increase in post-closure liability	51,599	-	51,599
Decrease in compensated absences payable	(3,312)	(6,589)	(9,901)
Increase in pension related items	1,974	24,219	26,193
Increase in OPEB related items	5,413	5,522	10,935
Net cash used in operating activities	\$ (90,678)	\$ (497,470)	\$ (588,148)

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

WASHINGTON COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

ASSETS	Agency Funds	Pension Trust Fund
	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 78,754	\$ 334,783
Total assets	<u>\$ 78,754</u>	<u>334,783</u>
 LIABILITIES		
Due to others	<u>\$ 78,754</u>	<u>-</u>
Total liabilities	<u>\$ 78,754</u>	<u>-</u>
 NET POSITION		
Net position restricted for pension benefits		<u>\$ 334,783</u>

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

WASHINGTON COUNTY, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Pension Trust Fund
ADDITIONS	
Investment income:	
Interest earnings	\$ -
Net investment income	-
Total additions	-
DEDUCTIONS	
Benefit payments	240,197
Total deductions	240,197
Net decrease in fiduciary net position	(240,197)
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of year	574,980
End of year	\$ 334,783

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

WASHINGTON COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Washington County, North Carolina (the "County") and its discretely presented component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

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 exists to promote tourism within the County. The members of the Authority's Board 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 Annual Financial Report.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationship with the County. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Discretely Presented Component Units

The Washington County Alcoholic Beverage Control Board (the "ABC Board") operates retail liquor stores within the County and investigates violations of laws pertaining to retail liquor sales. The four members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute surpluses to the General Fund of the County. Complete separate financial statements for the ABC Board may be obtained at its administrative office:

Washington County ABC Board
696 U.S. Highway 64 East
Plymouth, North Carolina 27962

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Washington County Travel and Tourism Authority (the "Authority") exists to promote the growth of tourism and travel-related industry 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 County. The majority of the Authority's revenue is provided through the County. Separate financial statements for the Authority are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable. *The* statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the County's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds do not measure the results of operations and do not have a measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

The **General Fund** 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The **Emergency Medical Services 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:

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

The **Water Fund** accounts for the water operations within the County.

Additionally, the County reports the following fund types:

The **Special Revenue Funds** are used to account for restricted revenues received by the County for purposes such as emergency telephone system operations and several various federal and state grants for specific operations.

The **Capital Project Funds** are used to account for the capital outlays for various capital construction projects.

The **fiduciary funds** consist of two types, the first is agency funds, which are custodial in nature and do not involve measurement of results of operations. 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 Motor Vehicle 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 of the County; and the Detention Center Fund, which accounts for moneys deposited with the jail for the benefit of certain individuals. The second type of fiduciary fund is a Pension Trust Fund. The Hospital Pension Trust Fund accounts for the accumulation of resources in an irrevocable trust to be used for pension benefits for the retirees of the former Washington County Hospital Authority, Inc.

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (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. 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 enterprise funds include the cost of these goods 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.

D. Budgets

Annual appropriated budgets are adopted for all funds. In accordance with State law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. Budgets are adopted to show use of fund balance as other financing sources for both governmental and proprietary funds, as well as the proprietary funds are budgeted on the modified accrual basis of accounting. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund, special revenue funds, and the enterprise funds. During the fiscal year ended June 30, 2018, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All budget appropriations lapse at the end of each year.

E. Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County. The County pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of State or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits and Investments (Continued)

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

F. Restricted cash and cash equivalents

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.

G. Receivables

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017. 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.

H. Allowances

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing any currently doubtful accounts as well as the percentage of receivables that are based on amounts written off in prior years.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Intefund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as “internal balances.”

J. Inventories

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories of the enterprise funds are recorded as expenses when consumed rather than when purchased.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items in both government-wide and fund financial statements.

L. 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 estimated 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets (Continued)

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

	<u>Years</u>
Buildings	50
Improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment and software	3

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial statements will sometimes 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Other than deferred amounts related to pension or OPEB plans, the County has one item that qualifies for reporting in this category which occurs in the governmental activities and governmental funds. The County reports a deferred inflow of resources for the property taxes paid in advance of the period they were intended to finance. Additionally, the County reports one item which is reported as a deferred inflow of resources which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the accrual of ad valorem taxes and intergovernmental revenues which are earned by the County but are not considered available for the liquidation of current expenditures. Additionally, deferred inflows of resources are reported for outstanding lien receivables which are not collected within 90 days of the County's fiscal year-end.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources (Continued)

The County also has deferred inflows and outflows related to the recording of changes in its net pension liability – LGERS, net pension asset – ROD, total pension liability – LEOSA, net pension liability – Hospital Employees' Pension Fund, and net other postemployment benefit (OPEB) liability. Certain changes in the net pension asset/liabilities and net OPEB liability are recognized as expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the net pension asset/liability and net OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension asset/liability and net OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of plan members. Changes in proportion and differences between employer contributions and proportionate share of contributions which adjust the net pension asset/liability and net OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of plan members. The difference between projected investment return on plan investments and actual return on those investments is also deferred and amortized against expense over a five year period.

N. Compensated Absences

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

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Long-Term Obligations

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. One component of the restricted fund balance of the General Fund relates to the Stabilization by State Statute (*G.S. 159-8(a)*) which requires total fund balance less the fund balance available for appropriation equals the total amount that must be restricted.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by the County’s Board of Commissioners. Approval of a resolution after a formal vote of the County’s Board is required to establish a commitment of fund balance. Similarly, the County’s Board may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

Assigned – Fund balances are reported as assigned when amounts are constrained by the County’s intent to be used for specific purposes, but are neither restricted nor committed. The County’s Board of Commissioners, through County Ordinance, has expressly delegated to the County Manager the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County’s policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and the Register of Deeds’ Supplemental Pension Fund (RODSPF) and additions to/deductions from LGERS’ and RODSPF’s fiduciary net position have been determined on the same basis as they are reported by LGERS and RODSPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Other Postemployment Benefit (OPEB) Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Benefit Fund (RHBF), and additions to/deductions from RHBF's fiduciary net position have been determined on the same basis as they are reported by RHBF. 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 RHBF. Investments are reported at fair value.

S. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$1,036,431 difference are as follows:

Installment notes	\$	(517,924)
Accrued interest payable		(6,297)
Compensated absences (i.e., vacation)		<u>(512,210)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u><u>(1,036,431)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Another element of that reconciliation explains that “the net pension liability (asset), total pension liability and related deferred inflows and outflows of resources related to the County’s defined benefit pension plans are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.” The details of this \$4,925,903 difference are as follows:

Total pension liability - Law Enforcement Officers' Special Separation Allowance (LEOSSA)	\$	(241,776)
Deferred outflows of resources - LEOSSA		31,631
Deferred inflows of resources - LEOSSA		(2,853)
Net pension liability - Hospital		(4,395,509)
Deferred outflows of resources - Hospital		23,914
Net pension liability - LGERS		(1,320,450)
Deferred outflows of resources - LGERS		1,005,603
Deferred inflows of resources - LGERS		(53,833)
Net pension asset - Register of Deeds Retirement Plan		22,512
Deferred outflows of resources - Register of Deeds		7,139
Deferred inflows of resources - Register of Deeds		(2,281)
		(2,281)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	(4,925,903)

Another element of that reconciliation explains that “the net OPEB liability and related deferred inflows and outflows of resources are resources related to the County’s net other postemployment benefit plan which is not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.” The details of this \$12,468,860 difference are as follows:

Net OPEB liability	\$	(10,253,225)
Deferred outflows of resources - OPEB		1,347,041
Deferred inflows of resources - OPEB		(3,562,676)
		(3,562,676)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	(12,468,860)

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$99,456 difference are as follows:

Capital outlay	\$ 681,947
Depreciation expense	<u>(582,491)</u>
 Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	 \$ <u><u>99,456</u></u>

Another element of the reconciliation states that “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, however, 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.” The details of this \$63,048 difference are as follows:

Payments on installment purchases	\$ 143,705
Issuance of installment notes payable	<u>(206,753)</u>
 Net adjustment to reduce <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	 \$ <u><u>(63,048)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “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.” The details of this \$556,451 difference are as follows:

Compensated absences (i.e., vacation)	\$	(15,676)
Change in accrued interest		(6,297)
Lawsuit settlement		108,100
Net pension liability and related deferred outflows and inflows - LGERS		(79,580)
Net pension liability and related deferred outflows and inflows - Hospital		(128,164)
Total pension liability and related deferred outflows and inflows - LEOSSA		(27,998)
Net pension asset and related deferred outflows and inflows- ROD		(40)
Net OPEB liability and related deferred outflow and inflows		<u>(406,796)</u>
Net adjustment to reduce <i>net change in fund balances - total governmental funds</i>		
to arrive at <i>change in net position - governmental activities</i>		<u>\$ (556,451)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Appropriations. The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the County will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund. Transfers of appropriations within a department budget or within a non-departmental expenditure category require only the approval of the County Manager. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget resolution.

The General Fund’s transfers out reported expenditures in excess of approved budgets by \$245,627. These over expended funds were funded through other departments budget savings.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Deficit Net Position. The Sanitation Fund is reporting a deficit net position of \$448,901. The deficit is primarily attributed to the estimated closure and post-closure costs associated with the County's landfills. The deficit will be funded through future charges to the end users of the sanitation system.

NOTE 4. RECEIVABLES

Receivables at June 30, 2018, for the County's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>EMS Fund</u>	<u>Sanitation Fund</u>	<u>Water Fund</u>	<u>Other Governmental</u>
Receivables:					
Taxes	\$ 1,040,808	\$ 22,736	\$ -	\$ -	\$ 13,152
Accounts	711,814	920,768	382,118	296,512	485,732
Due from other governments	40,483	-	-	-	-
Less allowance for uncollectible	(88,907)	(696,105)	(49,997)	(103,755)	-
Net total receivables	<u>\$ 1,704,198</u>	<u>\$ 247,399</u>	<u>\$ 332,121</u>	<u>\$ 192,757</u>	<u>\$ 498,884</u>

NOTE 5. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2018 are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 9,530,036
Restricted cash and cash equivalents	220,975
Fiduciary - agency funds	78,754
Fiduciary - pension trust fund	334,783
	<u>\$ 10,164,548</u>
Cash deposited with financial institutions	\$ 3,366,817
Cash deposited with NCCMT	6,797,731
	<u>\$ 10,164,548</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk. State statutes and the County's policies authorize the County to invest in obligations of the State of North Carolina or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the North Carolina Capital Management Trust (NCCMT); and obligations of other political subdivisions of the state of North Carolina. The County does not have a credit rating policy which provides restrictions or limitations on credit ratings for the County's investments.

As of June 30, 2018, the County had \$6,797,731 invested in the NCCMT's cash portfolio which carried a credit rating of AAAM by Standard and Poor's. The NCCMT's cash portfolio is valued using amortized costs. The County has no policy regarding credit risk.

Interest Rate Risk: The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The County's investments with the NCCMT reported a weighted-average duration of 0.09 years at June 30, 2018

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2018, the County's deposits are insured or collateralized as required by GASB and state statutes.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the County for the year ended June 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 2,371,800	\$ -	\$ -	\$ 2,371,800
Construction in progress	92,964	352,167	-	445,131
Total	2,464,764	352,167	-	2,816,931
Capital assets, being depreciated:				
Buildings and improvements	10,295,389	-	-	10,295,389
Machinery and equipment	3,055,282	271,286	-	3,326,568
Vehicles	2,318,357	58,494	-	2,376,851
Total being depreciated	15,669,028	329,780	-	15,998,808
Less accumulated depreciation for:				
Buildings and improvements	(2,742,954)	(208,588)	-	(2,951,542)
Machinery and equipment	(2,278,521)	(163,940)	-	(2,442,461)
Vehicles	(1,673,576)	(209,963)	-	(1,883,539)
Total	(6,695,051)	(582,491)	-	(7,277,542)
Total capital assets, being depreciated, net	8,973,977	(252,711)	-	8,721,266
Governmental activities capital assets, net	\$ 11,438,741	\$ 99,456	\$ -	\$ 11,538,197

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Sanitation Fund:				
Nondepreciable capital assets:				
Land	\$ 294,294	\$ -	\$ -	\$ 294,294
Total	<u>294,294</u>	<u>-</u>	<u>-</u>	<u>294,294</u>
Capital assets, being depreciated:				
Furniture and Equipment	329,802	-	-	329,802
Vehicles	58,879	-	-	58,879
Total	<u>388,681</u>	<u>-</u>	<u>-</u>	<u>388,681</u>
Less accumulated depreciation for:				
Furniture and Equipment	(230,100)	(24,962)	-	(255,062)
Vehicles	(55,499)	(3,380)	-	(58,879)
Total	<u>(285,599)</u>	<u>(28,342)</u>	<u>-</u>	<u>(313,941)</u>
Total capital assets being depreciated, net	<u>103,082</u>	<u>(28,342)</u>	<u>-</u>	<u>74,740</u>
Sanitation capital assets, net	<u>\$ 397,376</u>	<u>\$ (28,342)</u>	<u>\$ -</u>	<u>\$ 369,034</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Fund:				
Nondepreciable capital assets				
Land	\$ 35,864	\$ -	\$ -	\$ 35,864
Total	<u>35,864</u>	<u>-</u>	<u>-</u>	<u>35,864</u>
Capital assets, being depreciated				
Plant and distribution systems	11,102,839	-	-	11,102,839
Furniture and equipment	234,660	12,300	-	246,960
Vehicles	132,024	-	-	132,024
Total	<u>11,469,523</u>	<u>12,300</u>	<u>-</u>	<u>11,481,823</u>
Less accumulated depreciation for:				
Plant and distribution systems	(4,218,723)	(241,075)	-	(4,459,798)
Furniture and equipment	(195,134)	(9,946)	-	(205,080)
Vehicles	(87,097)	(16,460)	-	(103,557)
Total	<u>(4,500,954)</u>	<u>(267,481)</u>	<u>-</u>	<u>(4,768,435)</u>
Total capital assets being depreciated, net	<u>6,968,569</u>	<u>(255,181)</u>	<u>-</u>	<u>6,713,388</u>
Water Fund capital assets, net	<u>\$ 7,004,433</u>	<u>\$ (255,181)</u>	<u>\$ -</u>	<u>\$ 6,749,252</u>
Business-type activities capital assets, net	<u>\$ 7,401,809</u>	<u>\$ (283,523)</u>	<u>\$ -</u>	<u>\$ 7,118,286</u>

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

Governmental activities:	
General government	\$ 148,210
Public safety	197,804
Economic development	44,957
Human services	154,388
Recreation	37,132
Total depreciation expense - governmental activities	<u>\$ 582,491</u>
Business-type activities	
Sanitation	\$ 28,342
Water	267,481
Total depreciation expense - business-type activities	<u>\$ 295,823</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2018 is as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Installment purchases	\$ 454,876	\$ 206,753	\$ (143,705)	\$ 517,924	\$ 165,670
Net pension liability - LGERS	1,875,524	555,864	(1,110,938)	1,320,450	-
Net pension liability - Hospital	4,243,431	169,953	(17,875)	4,395,509	-
Total pension liability - LEOSSA	181,532	60,244	-	241,776	-
Compensated absences	496,534	271,192	(255,516)	512,210	244,895
Net OPEB liability	12,369,582	2,491,355	(4,607,712)	10,253,225	-
Governmental activity Long-term liabilities	<u>\$ 19,621,479</u>	<u>\$ 3,755,361</u>	<u>\$ (6,135,746)</u>	<u>\$ 17,241,094</u>	<u>\$ 410,565</u>
Business-type activities:					
Revenue bonds	\$ 4,175,409	\$ -	\$ (193,009)	\$ 3,982,400	\$ 200,517
Note payable	475,872	-	(27,992)	447,880	27,992
Closure & post-closure liability	1,557,480	51,599	-	1,609,079	-
Net pension liability - LGERS	116,714	38,028	(63,729)	91,013	-
Net OPEB liability	852,581	171,718	(317,589)	706,710	-
Compensated absences	35,389	13,305	(23,206)	25,488	16,588
Business-type activity Long-term liabilities	<u>\$ 7,213,445</u>	<u>\$ 274,650</u>	<u>\$ (625,525)</u>	<u>\$ 6,862,570</u>	<u>\$ 245,097</u>

Beginning balance for the governmental activities net pension liability – Hospital was restated to increase beginning balances by \$413,035. Additionally, as discussed in notes 10 and 14, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 75 effective July 1, 2017.

For governmental funds, compensated absences are liquidated by the General Fund. The net pension liability – LGERS, total pension liability - LEOSSA, net pension liability – Hospital, and the net OPEB liability are liquidated primarily by the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Installment Purchases

Installment purchases serviced by the County are as follows:

The County entered into an installment purchase in February 2011 to finance the construction of a building at the Commerce Center. Payments are due annually on February 22 at an interest rate of 4.41% and mature in 2021. The outstanding balance at June 30, 2018 is \$150,000.

The County entered into an installment purchase in February 2014 to finance the vehicles and equipment. Payments are due annually on February 21 at an interest rate of 2.25% and mature in 2019. The outstanding balance at June 30, 2018 is \$49,040.

The County entered into an installment purchase in December 2016 to finance the purchase of ambulances. Payments are due annually on December 15 at an interest rate of 2.27% and mature in 2022. The outstanding balance at June 30, 2018 is \$112,131.

The County entered into an installment purchase in December 2017 to finance the purchase of equipment. Payments are due annually on November 30 at an interest rate of 2.25% and mature in 2023. The outstanding balance at June 30, 2018 is \$206,753.

The debt service to maturity on the installment notes payable is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2019	\$ 165,670	\$ 14,916	\$ 180,586
2020	118,133	10,103	128,236
2021	119,664	6,367	126,031
2022	71,245	2,581	73,826
2023	43,212	972	44,184
Total	<u>\$ 517,924</u>	<u>\$ 34,939</u>	<u>\$ 552,863</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

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, 2018 was \$628,752. 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, 2018 was \$3,353,648. 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.

The debt service to maturity on the general obligation bonds is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 200,517	\$ 154,915	\$ 355,432
2020	208,317	147,115	355,432
2021	216,420	139,012	355,432
2022	224,839	130,593	355,432
2023	233,585	121,847	355,432
2024-2028	1,311,501	465,658	1,777,159
2029-2033	1,587,221	189,938	1,777,159
Total	<u>\$ 3,982,400</u>	<u>\$ 1,349,078</u>	<u>\$ 5,331,478</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Note Payable

In June 2014, the County signed a promissory note payable to the North Carolina Department of Environmental and Natural Resources in the amount of \$573,811. During fiscal year 2015, the County received loan proceeds totaling \$559,849 from the North Carolina Department of Environmental and Natural Resources Drinking Water Revolving Loan fund for the replacement of water meters for customers throughout the County. The loan is payable annually on May 1 without interest until maturity in 2034. The outstanding balance on the note payable at June 30, 2018 is \$447,880.

Debt service payments on the note payable are as follows:

Year Ending June 30,	<u>Principal</u>
2019	\$ 27,992
2020	27,992
2021	27,992
2022	27,992
2023	27,992
2024-2028	139,964
2029-2033	139,964
2034	27,992
Total	<u>\$ 447,880</u>

Landfill Liabilities

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 \$1,609,079 reported as landfill closure and post-closure care liability at June 30, 2018 represents a cumulative amount reported to date based on the use of 86.40% percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$253,281 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 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Emergency Medical Services Fund	\$ 7,791
General Fund	Nonmajor governmental funds	253,257
		<u>\$ 261,048</u>
Nonmajor governmental funds	General Fund	<u>\$ 1,355,161</u>
Water Fund	General Fund	<u>\$ 29,792</u>

Due to/from component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Travel and Tourism Authority	General Fund	<u>\$ 38,487</u>

The above balances resulted from the time lag between the dates that funds are reimbursed for expenditures/expenses paid for on another fund's behalf. The balances are expected to be repaid within one year.

Interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Emergency Medical Services Fund	General Fund	<u>\$ 306,215</u>
Nonmajor governmental funds	General Fund	<u>\$ 466,325</u>
Sanitation Fund	General Fund	\$ 275,627
Sanitation Fund	Water Fund	257,058
		<u>\$ 532,685</u>

Transfers are used to move unrestricted revenues from the General Fund and Water Fund to support shortfalls in operations in other funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS

Washington County participates in four defined benefit pension plans: the Local Governmental Employees' Retirement System (LGERS), Law Enforcement Officers Special Separation Allowance (LEOSSA), Registers of Deeds' Supplemental Pension Fund (RODSPF), and the Washington County Hospital, Inc. Employee's Pension Plan (Hospital). The LGERS, RODSPF, and Hospital Plans are funded with qualifying trusts and accounted for by the County under GASB Statement No. 68. The LEOSSA is reported in accordance with GASB Statement No. 73. The net pension liability (asset), total pension liability, and related deferred outflows of resources and deferred inflows of resources for the LGERS, LEOSSA, RODSPF, and Hospital are summarized as follows:

	LGERS	LEOSSA	RODSPF	HOSPITAL	Total
Net pension asset	\$ -	\$ -	\$ 22,512	\$ -	\$ 22,512
Net pension liability	1,411,463	-	-	4,395,509	\$ 5,806,972
Total pension liability	-	241,776	-	-	\$ 241,776
Deferred outflows of resources related to pensions	1,074,915	31,631	7,139	23,914	\$ 1,137,599
Deferred inflows of resources related to pensions	57,543	2,853	2,280	-	\$ 62,676

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement 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. The 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 Washington County's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 Washington County were \$415,080 for the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

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

At June 30, 2018, the County reported a liability of \$1,411,463 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was 0.09239%, which was a decrease of 0.00148% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$503,750. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,313	\$ 39,954
Net difference between projected and actual earnings on pension plan investments	342,705	-
Changes in proportion and differences between County contributions and proportionate share of contributions	34,240	17,589
Changes in plan assumptions	201,577	-
County contributions subsequent to the measurement date	415,080	-
Total	\$ 1,074,915	\$ 57,543

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

County contributions made subsequent to the measurement date of \$415,080 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ 97,168
2020	409,687
2021	205,020
2022	(109,583)
Total	<u><u>\$ 602,292</u></u>

Actuarial Assumptions. The total pension liability as of June 30, 2017 was determined by the December 31, 2016 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (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, 2017 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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 7.20%. This represents a reduction from the discount rate used in the prior measurement period of 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance

Sensitivity of the County’s proportionate share of the net pension liability to changes in the discount rate.

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
County's proportionate share of the net pension liability (asset)	\$ 4,237,245	\$ 1,411,463	\$ (947,172)

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.

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 administered by the State of North Carolina. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the Plan.

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

Retirees receiving benefits	-
Active plan members	22
Total	22

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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 criteria, which are outlined in GASB Statement 73 paragraph 4.

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the TPL is the Bond Buyer General Obligation 20-year Municipal Bond Index. Since the prior measurement date, the discount rate has changed from 3.86% to 3.16% due to a change in the Municipal Bond Rate.

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, 2010 through December 31, 2014.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$0 as benefits came due for the reporting period.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

At June 30, 2018, the County reported a total pension liability of \$241,776. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$28,575. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Intflows of Resources
Change in assumptions	\$ 12,407	\$ 2,853
Differences between expected and actual experience	19,224	-
Total	\$ 31,631	\$ 2,853

An amount of \$0, reported as deferred outflows of resources related to pensions, resulting from benefit payments made incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30		
2019	\$	5,331
2020		5,331
2021		5,331
2022		5,331
2023		5,553
Thereafter		1,901
Total	\$	28,778

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Changes in the Total Pension Liability. The changes in the total pension liability of the County for the fiscal year ended June 30, 2018 were as follows:

	Total Pension Liability	
Balance at June 30, 2017	\$	181,532
Service cost		15,660
Interest		7,007
Experience differences		22,838
Assumption changes		14,739
Balance at June 30, 2018	\$	241,776

The required schedule of changes in the County's total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 259,392	\$ 241,776	\$ 225,547

C. Register of Deeds' Supplemental Pension Fund

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register 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 \$732 for the year ended June 30, 2018.

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

At June 30, 2018, the County reported an asset of \$22,512 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was 0.13189%, which was an increase of 0.01180% from its proportion measured as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

For the year ended June 30, 2018, the County recognized pension expense of \$773. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 386	\$ 73
Net difference between projected and actual earnings on pension plan investments	1,914	-
Changes in proportion and differences between County contributions and proportionate share of contributions	309	2,207
Changes in assumptions	3,798	-
County contributions subsequent to the measurement date	732	-
Total	\$ 7,139	\$ 2,280

County contributions made subsequent to the measurement date of \$732 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 2,429
2020	992
2021	219
2022	487
Total	\$ 4,127

Actuarial Assumptions. The total pension liability in the December 31, 2016 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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. 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 3.75%, including inflation.

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 3.0%. All rates of return and inflation are annualized.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (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 3.75 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 (2.75 percent) or one 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)	\$ (17,694)	\$ (22,512)	\$ (26,564)

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.

D. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Additionally, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$288,102 which consisted of \$34,956 from the County for law enforcement officers and \$121,496 from the County for non-law enforcement employees. The employee's contribution was \$131,650.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

E. Washington County Hospital, Inc. Employees' Pension Plan

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. The Plan is administered by the County Board of Commissioners who have the authority to manage the funds held in the trust. The County may amend the benefits of the Plan. As of 2007 the Plan was closed to new entrants and the benefits were frozen. Prior to January 1, 2001, the Pension Plan benefit was 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):

<u>Year of Birth</u>	<u>Excess Percent</u>
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 were vested according to the following schedule:

<u>Years of Service</u>	<u>Excess Percent</u>
< 6 years	0%
6 years	10%
7 years	20%
8 years	30%
9 years	40%
10 years or more	100%

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

E. Washington County Hospital, Inc. Employees' Pension Plan (Continued)

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 former employee pension benefits. The Pension Plan is frozen effective March 6, 2007, and therefore, all participants are now 100% vested.

A separate financial statement was not issued for the plan. The plan's accounting policies include:

Basis of Accounting: The County accounts for the pension trust fund on an accrual basis. Contributions from the County are recognized when due, pursuant to formal commitments. Investment income is recognized by the plan when earned.

Investments: The pension trust fund only holds cash at year-end.

Benefit Payments: Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Contributions: Contributions are recognized when paid or legally due to the pension plan.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

E. Washington County Hospital, Inc. Employees' Pension Plan (Continued)

At January 1, 2018, the Pension Plan's membership consisted of:

Retirees receiving benefits	70
Terminated plan members entitled to but not yet receiving benefits	<u>107</u>
Total	<u><u>177</u></u>

The plan was frozen effective March 6, 2007 and there are no active employees.

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.

Employer Disclosures

The County's total pension liability, used to measure the net pension liability, for the Hospital plan was determined by an actuarial valuation as of January 1, 2017 with update procedures performed by the actuary to roll forward the total pension liability as of June 30, 2017. In the employer financial statements, the County used a measurement date for the net pension liability of June 30, 2017.

Actuarial Assumptions. The following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.44%
Mortality	RP 2000 Combined Mortality Table
Salary Increases	0% - Plan was frozen on March 2, 2007
Long-term expected rate of return	
on investments	4.00%, net of investment expenses, including inflation
Discount Rate	3.15%

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

E. Washington County Hospital, Inc. Employees' Pension Plan (Continued)

Employer Disclosures (continued)

As the plan is closed and has a small number of members, no actuarial experience study has been conducted.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
US Treasuries (Cash equivalents)	3.25%

Discount Rate. The discount rate used to measure the total pension liability was 3.15%. The projection of cash flows used to determine the discount rate assumed that Plan contributions are determined in accordance with the current funding method. Furthermore, it is assumed that the plan sponsor will deposit 20% of the required contribution for years 1 through 3. The 20% is based on an average of actual contributions compared to the actuarially determined contribution made over the last five years. After year 3, the plan runs out of assets and it becomes pay-as-you-go. At that point, it is assumed that the plan sponsor will fund the annual benefit payments.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through the fiscal year ending June 30, 2020. At that point in time the plan's expected fiduciary net position will be insufficient to satisfy benefit payments. Therefore, the long-term expected rate of return on pension plan investments (4.00%) was applied to years 1 through 3 (FYE 2018 – FYE 2020) of projected benefit payments and a bond rate of 3.13% was applied to projected benefit payments after the FYE June 30, 2020 to determine the total pension liability. The bond rate of 3.13% is from the S&P 20-year Municipal Bond 20 Year High Grade Index on June 30, 2017. It reflects 20-year, tax exempt general obligation municipal bonds with an average rating of AA. The discount rate of 3.15% was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

E. Washington County Hospital, Inc. Employees' Pension Plan (Continued)

Employer Disclosures (continued)

Changes in the Net Pension Liability of the County. The changes in the components of the net pension liability of the County for the fiscal year ended June 30, 2018, measured as of June 30, 2017, were as follows:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance as of June 30, 2017	\$ 5,046,935	\$ 803,504	\$ 4,243,431
Interest	155,151	-	155,151
Differences between expected and actual experience	13,300	-	13,300
Net investment income	-	17,875	(17,875)
Benefit payments	(244,897)	(244,897)	-
Administrative expense	-	(1,502)	1,502
Balance as of June 30, 2018	<u>\$ 4,970,489</u>	<u>\$ 574,980</u>	<u>\$ 4,395,509</u>

The Plan's fiduciary net position as a percentage of the total pension liability 11.57%

The required schedule of changes in the County's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the net pension liability of the County, calculated using the discount rate of 3.15%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (2.15%) or 1-percentage-point higher (4.15%) than the current rate:

	<u>1% Decrease (2.15%)</u>	<u>Discount Rate (3.15%)</u>	<u>1% Increase (4.15%)</u>
County's net pension liability	\$ 5,077,447	\$ 4,395,509	\$ 3,841,936

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

E. Washington County Hospital, Inc. Employees' Pension Plan (Continued)

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

For the fiscal year ended June 30, 2018, the County recognized pension expense of \$128,164. At June 30, 2018, 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
Net difference between projected and actual earnings on pension plan investments	\$ 23,914	\$ -
Total	\$ 23,914	\$ -

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2019	\$	5,978
2020		5,978
2021		5,978
2022		5,980
Total	\$	23,914

Plan Disclosures

The County's total pension liability as of June 30, 2018, for the Hospital plan, was determined by an actuarial valuation as of January 1, 2018 with update procedures performed by the actuary to roll forward the total pension liability as of June 30, 2018.

Actuarial Assumptions. The following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.24%
Mortality	RP 2000 Combined Mortality Table
Salary Increases	0% - Plan was frozen on March 2, 2007
Long-term expected rate of return	
on investments	4.00%, net of investment expenses, including inflation
Discount Rate	3.87%

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

E. Washington County Hospital, Inc. Employees' Pension Plan (Continued)

Plan Disclosures (continued)

As the plan is closed and has a small number of members, no actuarial experience study has been conducted.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
US Treasuries (Cash equivalents)	2.55%

Rate of return. For the year ended June 30, 2018, the annual money weighted rate of return on investments of the Hospital Pension trust fund, net of investment expense, was 0.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate. The discount rate used to measure the total pension liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that Plan contributions are determined in accordance with the current funding method. Furthermore, it is assumed that the plan sponsor will deposit 15% of the required contribution for years 1 and 2. The 15% is based on an average of actual contributions compared to the actuarially determined contribution made over the last five years. After year 2, the plan runs out of assets and it becomes pay-as-you-go. At that point, it is assumed that the plan sponsor will fund the annual benefit payments.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

E. Washington County Hospital, Inc. Employees' Pension Plan (Continued)

Plan Disclosures (continued)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through the fiscal year ending June 30, 2020. At that point in time the plan's expected fiduciary net position will be insufficient to satisfy benefit payments. Therefore, the long-term expected rate of return on pension plan investments (4.00%) was applied to years 1 through 2 (FYE 2019 – FYE 2020) of projected benefit payments and a bond rate of 3.87% was applied to projected benefit payments after the FYE June 30, 2020 to determine the total pension liability. The bond rate of 3.87% is from the Bond Buyer General Obligation 20-year Municipal Bond Index on June 30, 2018. It reflects 20-year, tax exempt general obligation municipal bonds with an average rating of AA. The discount rate of 3.87% was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined. The discount rate of 3.87% was an increase from the discount rate of 3.15% utilized to determine the total pension liability as of the prior year due to an increase in the underlying municipal bond rate index utilized.

Net Pension Liability of the County. The components of the net pension liability of the County at June 30, 2018 were as follows:

Total Pension Liability	\$	4,487,274
Plan Fiduciary Net Position		334,783
Net Pension Liability	\$	4,152,491
Plan fiduciary net position as a percentage of the Total Pension Liability		7.46%

The required schedule of changes in the County's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the net pension liability of the County, calculated using the discount rate of 3.87%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
County's net pension liability	\$ 4,710,555	\$ 4,152,491	\$ 3,693,724

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate. The County participates in the RHBF.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly 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 or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 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 noncontributory premium.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, 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 current fiscal year, the County contributed 6.5% of covered payroll which amounted to \$330,432.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Effective July 1, 2017, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the County's accounting for OPEB amounts. The information disclosed in this note is presented in accordance with this new standard.

At June 30, 2018, the County reported a liability of \$10,959,935 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net OPEB liability was based on a projection of the County's present value of future salary, actuarially determined. At June 30, 2017, the County's proportion was 0.03343%, which was an increase from the prior year proportion by 0.00304%.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

For the year ended June 30, 2018, County recognized OPEB expense of \$765,267. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 785,847
Changes in assumptions	-	3,018,316
Net difference between projected and actual earnings on OPEB plan investments	-	4,073
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,109,455	-
Contributions paid subsequent to measurement date	330,432	-
Total	\$ 1,439,887	\$ 3,808,236

The amount reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date, of \$330,432, will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	\$ (539,960)
2020	(539,960)
2021	(539,960)
2022	(539,960)
2023	(538,941)
Total	\$ (2,698,781)

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of December 31, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Discount Rate:	3.58%
Long-term expected rate of return on OPEB investments	7.20%, net of investment expenses, including inflation
Healthcare Cost Trend Rate:	6.50% - 5.00%, Ultimate Trend in 2023 (Pre-Medicare) 4.00% - 5.00%, Ultimate Trend in 2023 (Medicare)
Inflation Rate:	2.75%
Salary increase:	3.50% to 8.10% (Teachers), including inflation
Participation rate:	100%

Mortality rates were based on the RP-2014 Employee table without adjustment.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study which covered the period from January 1, 2010 through December 31, 2014.

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

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the County's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the County's proportionate share of the net OPEB liability, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$ 13,074,573	\$ 10,959,935	\$ 9,282,727

Sensitivity of the County's proportionate share of the net OPEB liability to changes in the healthcare trend rates.

The following presents the County's proportionate share of the net OPEB liability, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (5.50% decreasing to 4.00%) or 1-percentage point higher (7.50% decreasing to 6.00%) than the current discount rate:

	1% Decrease (5.5% to 4.0%)	Current (6.5% to 5.0%)	1% increase (7.5% to 6.0%)
Total OPEB liability	\$ 8,953,257	\$ 10,959,935	\$ 13,627,065

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

NOTE 11. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost 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 \$250,000 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 \$750,000 of each loss in excess of a \$250,000 per occurrence retention for property, and auto physical damage, with a \$750,000 annual aggregate retention. For workers' compensation, there is a per occurrence retention of \$0.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

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 that have access to funds are bonded under a blanket bond for \$500,000.

The County and Travel and Tourism Authority carry commercial insurance 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 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, 2018, the County had 151 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, 2018 was North Carolina State Health Plan for medical.

Litigation:

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Grant Contingencies:

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the County believes such disallowances, if any, will not be significant.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

Construction Commitments:

The County has active construction projects as of June 30, 2018. At year-end, the County has contractual commitments on uncompleted contracts of approximately \$5,032,922.

NOTE 12. JOINTLY GOVERNED ORGANIZATIONS

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 \$10,904 to the Commission during the fiscal year ended June 30, 2018.

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, 2018.

NOTE 13. 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, 2018. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$177,970 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, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. JOINT VENTURES (CONTINUED)

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.

The County also participates in a joint venture to operate Trillium Health Resources with eighteen other local governments. Each participating local government appoints four board members to the twenty member board of Trillium Health Resources. The County has an ongoing financial responsibility for the joint venture because Trillium Health Resources' continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in Trillium Health Resources, so no equity interest has been reflected in the financial statements at June 30, 2018. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$30,000 to Trillium Health Resources to supplement its activities. Complete financial statements for Trillium Health Resources can be obtained from their office at 2096 Central Park Drive Winterville, North Carolina, 28590.

NOTE 14. RESTATEMENTS

During the fiscal year ended June 30, 2018, the County determined restatements were necessary to the Sanitation Fund, Water Fund, and Business-type Activities to (1) adjust for improperly accrued accounts payable overstated in the prior year, (2) to adjust for payroll expenses not accrued in the prior year, (3) adjust for revenue bond accrued interest not accrued in the prior year, and (4) for the implementation of GASB Statement No. 75 for the accounting of the County's OPEB Plan. The effect of the restatements are as follows:

	Business-type Activities	Sanitation Fund	Water Fund
Beginning net position, previously reported	\$ 2,254,621	\$ (859,240)	\$ 3,113,861
Increase for improperly accrued accounts payable in the prior year	75,420	62,754	12,666
Decrease for payroll expenses not accrued in the prior year	(20,711)	(3,771)	(16,940)
Decrease for interest expense not accrued in the prior year	(13,535)	-	(13,535)
Decrease for implementation of GASB Statement No. 75 - net OPEB liability and deferred outflows	(831,385)	(160,506)	(670,879)
Beginning net position, restated	\$ 1,464,410	\$ (960,763)	\$ 2,425,173

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RESTATEMENTS

During the fiscal year ended June 30, 2018, the County determined restatements were necessary to the General Fund, Emergency Medical Services Fund, Airport Fund, the NCHFA Single Family Rehabilitation Loan Pool Fund, and the Airport Grant Capital Fund to (1) adjust for overstated accrued expenditures which were recorded in the prior year, (2) to adjust for payroll expenditures not accrued in the prior year, and (3) to remove over accrued revenues in the prior year. The effect of the restatements are as follows:

	General Fund	Emergency Medical Services Fund	Airport Fund
Beginning fund balance, previously reported	\$ 5,927,952	\$ 471,052	\$ (5,064)
Increase for overstated accrued expenditures in the prior year	200,133	61,629	-
Decrease for payroll expenditures not accrued in the prior year	(255,839)	(59,026)	(2,595)
Beginning fund balance, restated	\$ 5,872,246	\$ 473,655	\$ (7,659)

	NCHFA Single Family Rehabilitation Loan Pool Fund	Airport Grant Fund
Beginning fund balance, previously reported	\$ 12,525	\$ 350,706
Increase for overstated accrued expenditures in the prior year	12,768	-
Decrease for overstated revenues	-	(3,203)
Beginning fund balance, restated	\$ 25,293	\$ 347,503

During the fiscal year ended June 30, 2018, the County determined restatements were necessary to the Travel and Tourism Authority to (1) adjust for overstated accrued expenditures which were recorded in the prior year, and (2) to adjust for payroll expenses not accrued in the prior year. The effect of the restatements are as follows:

	Travel and Tourism Authority
Beginning net position, previously reported	\$ 26,243
Increase for improperly accrued accounts payable in the prior year	11,770
Decrease for payroll expenses not accrued in the prior year	(1,082)
Beginning net position, restated	\$ 36,931

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RESTATEMENTS (CONTINUED)

During the fiscal year ended June 30, 2018, the County determined restatements were necessary to the Governmental Activities to (1) adjust for overstated accrued expenditures which were recorded in the prior year, (2) to adjust for payroll expenditures not accrued in the prior year, (3) to remove over accrued revenues in the prior year, (4) to restate the net pension liability and deferred inflows of resources improperly stated in the prior year related to the Hospital Pension plan which was not reported in accordance with GASB Statement No. 68, and (5) for the implementation of GASB Statement No. 75 for the accounting of the County's OPEB Plan. The effect of the restatements are as follows:

	Governmental Activities
Beginning net position, previously reported	\$ 16,203,073
Increase for overstated accrued expenses in the prior year	274,530
Decrease for payroll expenditures not accrued in the prior year	(317,460)
Decrease for improperly accrued revenues in the prior year	(3,203)
Restatement of the net pension liability of the County's Hospital Authority Plan	(413,035)
Hospital deferred outflows of resources improperly stated in the prior year	(1,225,092)
Implementation of GASB Statement No. 75:	
Net OPEB liability as of June 30, 2017	(12,369,582)
Deferred outflows of resources as of June 30, 2017	307,518
Beginning net position, restated	\$ 2,456,749

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) LAST FIVE FISCAL YEARS*

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.09239%	0.09387%	0.09047%	0.09456%	0.87800%
County's proportion of the net pension liability (asset) (\$)	\$ 1,411,463	\$ 1,992,236	\$ 406,024	\$ (557,664)	\$ 1,058,327
County's covered payroll	\$ 5,663,037	\$ 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 payroll	24.92%	35.10%	7.02%	(9.84%)	18.67%
Plan fiduciary net position as a percentage of the net pension liability	94.18%	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.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WASHINGTON COUNTY, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST FIVE FISCAL YEARS**

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 415,080	\$ 420,354	\$ 382,194	\$ 411,341	\$ 400,834
Contributions in relation to the contractually required contribution	415,080	420,354	382,194	411,341	400,834
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 5,461,694	\$ 5,663,037	\$ 5,676,046	\$ 5,785,207	\$ 5,669,505
Contributions as a percentage of covered payroll	7.60%	7.42%	6.73%	7.11%	7.07%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WASHINGTON COUNTY, NORTH CAROLINA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported.

WASHINGTON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
JUNE 30, 2018

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2018</u>	<u>2017</u>
Beginning balance of the total pension liability	\$ 181,532	\$ 162,914
Service Cost	15,660	16,885
Interest on the total pension liability	7,007	5,816
Changes of assumptions or other inputs	14,739	(4,083)
Differences between expected and actual experience	<u>22,838</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 241,776</u>	<u>\$ 181,532</u>

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WASHINGTON COUNTY, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAST TWO FISCAL YEARS**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 241,776	\$ 181,532
County's covered-employee payroll	\$ 808,505	\$ 780,374
Total pension liability as a percentage of covered-employee payroll	29.90%	23.26%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WASHINGTON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) LAST FIVE FISCAL YEARS*

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2018	2017	2016	2015	2014
County's proportion of the net pension asset (%)	0.13189%	0.12009%	0.12325%	0.09786%	0.74410%
County's proportion of the net pension liability (asset) (\$)	\$ (22,512)	\$ (22,452)	\$ (28,562)	\$ (22,192)	\$ (15,894)
County's covered payroll	\$ 49,401	\$ 50,142	\$ 48,916	\$ 50,009	\$ 50,009
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-45.57%	-44.78%	-58.39%	-44.38%	-31.78%
Plan fiduciary net position as a percentage of the total pension liability	153.77%	160.17%	197.29%	193.88%	190.50%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WASHINGTON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS LAST FIVE FISCAL YEARS

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 732	\$ 1,146	\$ 981	\$ 986	\$ 799
Contributions in relation to the contractually required contribution	732	1,146	981	986	799
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 50,142	\$ 49,401	\$ 50,142	\$ 48,916	\$ 50,009
Contributions as a percentage of covered payroll	1.46%	2.32%	1.96%	2.02%	1.60%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WASHINGTON COUNTY, NORTH CAROLINA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported.

WASHINGTON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY
AND RELATED RATIOS

HOSPITAL EMPLOYEE'S PENSION FUND

	2018	2017	2016	2015	2014	2013
Total pension liability						
Interest on total pension liability	\$ 152,817	\$ 155,151	\$ 170,440	\$ (5,142)	\$ 361,544	\$ 93,162
Assumption changes	(390,245)	-	1,206,409	-	-	-
Benefit payments, including refunds of employee contributions	(240,197)	(244,897)	-	-	-	-
Differences between expected and actual experience	(5,590)	13,300	18,685	-	-	-
Net change in total pension liability	(483,215)	(76,446)	1,395,534	(5,142)	361,544	93,162
Total pension liability - beginning	<u>4,970,489</u>	<u>5,046,935</u>	<u>3,651,401</u>	<u>3,656,543</u>	<u>3,294,999</u>	<u>3,201,837</u>
Total pension liability - ending (a)	<u>\$ 4,487,274</u>	<u>\$ 4,970,489</u>	<u>\$ 5,046,935</u>	<u>\$ 3,651,401</u>	<u>\$ 3,656,543</u>	<u>\$ 3,294,999</u>
Plan fiduciary net position						
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 61,142
Net investment income	-	17,875	53,517	(12,484)	89,132	139,082
Benefit payments, including refunds of employee contributions	(240,197)	(244,897)	(235,999)	(223,043)	(212,932)	(178,194)
Administrative expenses	-	(1,502)	(15,912)	(20,289)	(23,795)	(21,934)
Net change in plan fiduciary net position	(240,197)	(228,524)	(198,394)	(255,816)	(47,595)	96
Plan fiduciary net position - beginning	<u>574,980</u>	<u>803,504</u>	<u>1,001,898</u>	<u>1,257,714</u>	<u>1,305,309</u>	<u>1,305,213</u>
Plan fiduciary net position - ending (b)	<u>\$ 334,783</u>	<u>\$ 574,980</u>	<u>\$ 803,504</u>	<u>\$ 1,001,898</u>	<u>\$ 1,257,714</u>	<u>\$ 1,305,309</u>
County's net pension liability - ending (a) - (b)	<u>\$ 4,152,491</u>	<u>\$ 4,395,509</u>	<u>\$ 4,243,431</u>	<u>\$ 2,649,503</u>	<u>\$ 2,398,829</u>	<u>\$ 1,989,690</u>
Plan fiduciary net position as a percentage of the total pension liability	7.5%	11.6%	15.92%	27.44%	34.40%	39.61%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's net pension liability as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a

n/a - as there is no covered payroll for this plan

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

WASHINGTON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS LAST FIVE FISCAL YEARS

HOSPITAL EMPLOYEE'S PENSION FUND

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 242,902	\$ 279,097	\$ 225,979	\$ 202,714	\$ 177,348
Contributions in relation to the actuarially determined contribution	-	-	-	100,000	61,142
Contribution deficiency (excess)	\$ 242,902	\$ 279,097	\$ 225,979	\$ 102,714	\$ 116,206
County's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a

n/a - as there is no covered payroll for this plan

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

The annual required contribution for the current year was determined as part of the January 1, 2017 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. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments

WASHINGTON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION INVESTMENT RETURNS

HOSPITAL EMPLOYEE'S PENSION FUND

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses for the County's Hospital Authority Pension Plan.	0.00 %	2.59 %

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

WASHINGTON COUNTY, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
AND RELATED RATIOS**

Retiree Health Benefit Fund (OPEB Plan)

	2018	2017
County's proportion of the net OPEB liability (%)	0.033430%	0.030390%
County's proportion of the net OPEB liability (asset) (\$)	10,959,935	13,222,163
County's covered payroll	5,057,138	4,890,138
County's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	216.7%	270.4%
Plan fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

WASHINGTON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS LAST TWO FISCAL YEARS

Retiree Health Benefit Fund (OPEB Plan)

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 330,432	\$ 328,714
Contributions in relation to the contractually required contribution	330,432	328,714
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 5,083,569	\$ 5,057,138
Contributions as a percentage of covered payroll	6.5%	6.5%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Emergency Telephone System Fund – accounts for the 911 revenues collected by the telephone industry and restricted to fund the 911 emergency system.

Drainage Fund - accounts for special revenues received and restricted to improve drainage operations within the County.

Airport Fund – accounts for operating revenues and expenditures at, and restricted for, the County airport facilities.

North Carolina Housing Finance Agency Single Family Rehabilitation Loan Pool Fund - accounts for grant expenditures restricted for the rehabilitation of single family homes within the County.

North Carolina Housing Finance Agency Urgent Report Program Fund – accounts for grant expenditures restricted for the repair of low income homes within the County.

Capital Project Funds

School Capital Outlay Fund – accounts for capital improvements for Washington County Schools.

Airport Grant Capital Project Fund – accounts for capital improvements at the County airport facilities.

Library Project Grant Fund – accounts for capital improvements projects at the library.

Commerce Center Project Fund – accounts for the construction of water and sewer lines to the Commerce Center building.

WASHINGTON COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance With
	Original	Final		Final Budget
Revenues				
Ad valorem taxes:				
Property taxes	\$ 7,765,177	\$ 7,765,177	\$ 7,709,596	\$ (55,581)
Tax penalties and interest	131,000	131,000	124,223	(6,777)
Total ad valorem taxes	<u>7,896,177</u>	<u>7,896,177</u>	<u>7,833,819</u>	<u>(62,358)</u>
Other taxes and license:				
Privilage and beer licenses	500	500	675	175
Gross receipts tax	-	-	639	639
Total other taxes and licenses	<u>500</u>	<u>500</u>	<u>1,314</u>	<u>814</u>
Sales tax:				
Article 44 one-half of one percent	716,000	716,000	891,163	175,163
Article 40 one-half of one percent	565,000	565,000	571,634	6,634
Article 42 one-half of one percent	167,000	167,000	197,717	30,717
Redistribution	73,725	108,726	258,101	149,375
Total sales tax	<u>1,521,725</u>	<u>1,556,726</u>	<u>1,918,615</u>	<u>361,889</u>
Unrestricted intergovernmental revenues:				
Beer and wine tax	36,500	36,500	34,321	(2,179)
ABC Board profit distribution	-	-	54,882	54,882
Cable franchise fees	14,000	14,000	13,428	(572)
Payments in lieu of taxes	15,000	15,000	13,721	(1,279)
Total unrestricted intergovernmental revenues	<u>65,500</u>	<u>65,500</u>	<u>116,352</u>	<u>50,852</u>
Restricted intergovernmental revenues:				
State grants	729,174	1,697,696	846,731	(850,965)
Federal grants	3,062,484	3,089,299	2,347,001	(742,298)
Court facility fees	23,000	23,000	23,028	28
ABC bottle taxes	3,000	3,000	3,062	62
Total restricted intergovernmental revenues	<u>3,817,658</u>	<u>4,812,995</u>	<u>3,219,822</u>	<u>(1,593,173)</u>
Permits and fees:				
Building permits	56,360	56,360	57,147	787
Officer and sheriff fees	45,700	45,700	42,558	(3,142)
Gun permits	-	10,260	13,270	3,010
Register of deeds	107,500	107,500	81,830	(25,670)
Total charges for services	<u>209,560</u>	<u>219,820</u>	<u>194,805</u>	<u>(25,015)</u>
Sales and services:				
Concessions	17,900	17,900	20,895	2,995
Animal adoption fees	750	750	365	(385)
School resource officer fees	211,670	211,670	211,671	1
Jail fees	170,500	200,500	214,741	14,241
Election fees	15,000	15,000	17,363	2,363
Tax collection fees	4,250	4,250	4,354	104
Senior citizens funds	2,000	11,759	13,297	1,538
Recreation fees	8,400	9,613	8,425	(1,188)
Total sales and services	<u>430,470</u>	<u>471,442</u>	<u>491,111</u>	<u>19,669</u>
Investment earnings	<u>13,000</u>	<u>13,000</u>	<u>64,713</u>	<u>51,713</u>

continued

WASHINGTON COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance With Final Budget
	Original	Final		
Miscellaneous revenues:				
Administrative reimbursement	3,500	3,500	3,500	-
Contributions	-	-	-	-
Insurance proceeds	-	13,559	22,889	9,330
Miscellaneous	5,000	5,000	3,180	(1,820)
Total miscellaneous revenues	8,500	22,059	29,569	7,510
Total revenues	13,963,090	15,058,219	13,870,120	(1,188,099)
Expenditures				
General Government:				
Governing Board				
Governing board fees	56,000	56,000	56,052	(52)
Operating expenditures	31,621	34,199	28,934	5,265
Capital outlay	2,800	222	-	222
Total	90,421	90,421	84,986	5,435
Administration				
Salaries and benefits	237,700	237,700	223,427	14,273
Operating expenditures	256,452	143,430	138,701	4,729
Total	494,152	381,130	362,128	19,002
Elections				
Salaries and benefits	71,789	77,294	74,895	2,399
Operating expenditures	38,095	32,590	30,474	2,116
Total	109,884	109,884	105,369	4,515
Finance				
Salaries and benefits	208,961	208,119	206,441	1,678
Operating expenditures	100,285	98,709	92,438	6,271
Total	309,246	306,828	298,879	7,949
Tax Administration				
Salaries and benefits	238,643	238,643	220,889	17,754
Operating expenditures	47,375	47,375	44,074	3,301
Total	286,018	286,018	264,963	21,055
Legal and professional services				
Contracted services	162,549	169,665	29,640	140,025
Total	162,549	169,665	29,640	140,025
Register of deeds				
Salaries and benefits	119,058	119,248	118,733	515
Operating expenditures	20,430	24,499	23,137	1,362
Total	139,488	143,747	141,870	1,877
Facility services				
Salaries and benefits	255,814	254,738	238,420	16,318
Operating expenditures	398,188	395,944	362,059	33,885
	-	23,095	23,095	-
Total	654,002	673,777	623,574	50,203

continued

WASHINGTON COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance With Final Budget
	Original	Final		
Information technology				
Salaries and benefits	74,602	74,602	73,860	742
Operating expenditures	26,854	26,854	26,733	121
Total	<u>101,456</u>	<u>101,456</u>	<u>100,593</u>	<u>863</u>
Geographic information				
Salaries and benefits	52,168	52,168	52,086	82
Operating expenditures	9,900	9,900	8,964	936
Total	<u>62,068</u>	<u>62,068</u>	<u>61,050</u>	<u>1,018</u>
Total general government	<u>2,409,284</u>	<u>2,324,994</u>	<u>2,073,052</u>	<u>251,942</u>
Public Safety:				
Sheriff				
Salaries and benefits	1,055,739	1,057,278	946,266	111,012
Operating expenditures	207,825	226,275	192,726	33,549
Capital outlay	62,525	58,462	58,461	1
Total	<u>1,326,089</u>	<u>1,342,015</u>	<u>1,197,453</u>	<u>144,562</u>
Communications E911				
Salaries and benefits	399,747	404,624	401,549	3,075
Operating expenditures	16,530	14,749	14,162	587
Capital outlay	87,718	84,622	8,272	76,350
Total	<u>503,995</u>	<u>503,995</u>	<u>423,983</u>	<u>80,012</u>
Detention Center				
Salaries and benefits	569,579	564,579	560,387	4,192
Operating expenditures	330,031	374,520	363,547	10,973
Total	<u>899,610</u>	<u>939,099</u>	<u>923,934</u>	<u>15,165</u>
School resource officer - Union				
Salaries and benefits	45,198	49,805	49,875	(70)
Operating expenditures	3,950	2,250	2,198	52
Total	<u>49,148</u>	<u>52,055</u>	<u>52,073</u>	<u>(18)</u>
School resource officer - Creswell				
Salaries and benefits	51,783	51,445	46,390	5,055
Operating expenditures	4,000	3,950	1,681	2,269
Total	<u>55,783</u>	<u>55,395</u>	<u>48,071</u>	<u>7,324</u>
School resource officer - Pines				
Salaries and benefits	48,921	49,277	48,718	559
Operating expenditures	3,950	3,594	2,638	956
Total	<u>52,871</u>	<u>52,871</u>	<u>51,356</u>	<u>1,515</u>
School resource officer - Plymouth				
Salaries and benefits	49,918	47,349	43,688	3,661
Operating expenditures	3,950	4,000	1,319	2,681
Total	<u>53,868</u>	<u>51,349</u>	<u>45,007</u>	<u>6,342</u>
Fire Protection				
Operating expenditures	350,872	350,872	350,872	-
Total	<u>350,872</u>	<u>350,872</u>	<u>350,872</u>	<u>-</u>

continued

WASHINGTON COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance With Final Budget
	Original	Final		
Planning and inspections				
Salaries and benefits	204,540	190,540	182,296	8,244
Operating expenditures	203,402	1,004,059	101,569	902,490
Total	407,942	1,194,599	283,865	910,734
Medical examiner				
Contracted services	10,000	10,000	10,000	-
Total	10,000	10,000	10,000	-
Forestry				
County contribution	85,071	85,071	72,998	12,073
Total	85,071	85,071	72,998	12,073
Total public safety	3,795,249	4,637,321	3,459,612	1,177,709
Economic and physical development:				
Cooperative extension service				
Salaries and benefits	118,688	116,572	100,551	16,021
Operating expenditures	12,789	13,498	10,240	3,258
Total	131,477	130,070	110,791	19,279
Soil and water conservation				
Salaries and benefits	41,023	41,023	40,907	116
Operating expenditures	7,100	7,100	5,583	1,517
Total	48,123	48,123	46,490	1,633
Total economic and physical development	179,600	178,193	157,281	20,912
Human Services:				
Contribution to District Health Department	197,905	197,905	197,905	-
Mental health				
Mental health operations	30,000	30,000	30,000	-
Total	30,000	30,000	30,000	-
Juvenile justice				
Operating expenditures	82,739	82,739	82,730	9
Total	82,739	82,739	82,730	9
Social services administration				
Salaries and benefits	2,775,186	2,786,324	2,817,780	(31,456)
Operating expenditures	217,312	229,129	219,961	9,168
Total	2,992,498	3,015,453	3,037,741	(22,288)
Social services				
Economic support	1,249,173	1,254,263	630,137	624,126
Total	1,249,173	1,254,263	630,137	624,126
Social services transportation				
Operating expenditures	87,520	88,020	83,975	4,045
Total	87,520	88,020	83,975	4,045
Community alternatives program				
Salaries and benefits				
Operating expenditures	55,500	55,500	46,049	9,451
Total	55,500	55,500	46,049	9,451

continued

WASHINGTON COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance With Final Budget
	Original	Final		
Veterans service officer				
Salaries and benefits	10,664	10,664	10,592	72
Operating expenditures	2,660	2,660	1,630	1,030
Total	13,324	13,324	12,222	1,102
Total human services	4,708,659	4,737,204	4,120,759	616,445
Culture and recreation				
Recreation				
Salaries and benefits	74,219	75,074	73,547	1,527
Operating expenditures	54,473	59,962	54,737	5,225
Capital outlay	5,000	-	-	-
Total	133,692	135,036	128,284	6,752
Senior citizens center				
Salaries and benefits	116,671	116,671	116,232	439
Operating expenditures	77,577	88,998	83,210	5,788
Total	194,248	205,669	199,442	6,227
Library				
Contribution to regional library	177,970	177,970	177,970	-
Total	177,970	177,970	177,970	-
Total culture and recreation	505,910	518,675	505,696	12,979
Education:				
Public schools - current	1,603,000	1,638,001	1,638,001	-
Public schools - capital outlay	-	178,760	178,760	-
Total	1,603,000	1,816,761	1,816,761	-
Debt Service:				
Principal	77,253	77,253	77,252	1
Interest	9,192	9,611	9,559	52
Total	86,445	86,864	86,811	53
Total expenditures	13,288,147	14,300,012	12,219,972	2,080,040
Excess of revenues over expenditures	674,943	758,207	1,650,148	891,941
Other financing sources (uses)				
Proceeds from sale of capital assets	5,000	5,000	-	(5,000)
Transfers out	(729,886)	(835,540)	(1,081,167)	(245,627)
Contingency	(5,000)	-	-	-
Appropriated fund balance	54,943	72,333	-	(72,333)
Total other financing uses	(674,943)	(758,207)	(1,081,167)	(317,960)
Net change in fund balances	-	-	568,981	573,981
Fund balance, beginning of year, restated	5,872,246	5,872,246	5,872,246	-
Fund balance, end of year	\$ 5,872,246	\$ 5,872,246		\$ 573,981
Reconciliation to GAAP statements:				
Change in fund balance in Tax Mapping and Revaluation Fund			35,392	
			\$ 6,476,619	

WASHINGTON COUNTY, NORTH CAROLINA

**TAX MAPPING AND REVALUATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 2,392	\$ 2,392
Total revenues	-	-	2,392	2,392
Other financing sources (uses)				
Transfers in	33,000	33,000	33,000	-
Appropriated fund balance	(33,000)	(33,000)	-	33,000
Total other financing sources (uses)	-	-	33,000	33,000
Net change in fund balances	-	-	35,392	35,392
Fund balance, beginning of year	177,862	177,862	177,862	-
Fund balance, end of year	\$ 177,862	\$ 177,862	\$ 213,254	\$ 35,392

WASHINGTON COUNTY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS	Special Revenue Funds				
	Emergency Telephone System Fund	Drainage Fund	Airport Fund	NCHFA Single Family Rehabilitation Loan Pool	NC Housing Finance Agency Urgent Repair Program
	Cash and cash equivalents	\$ 415,027	\$ 113,659	\$ 34,939	\$ -
Taxes receivable	4,880	-	201	-	-
Accounts receivable	12,034	-	1,224	10,797	-
Due from other funds	80,118	-	-	24,280	29,500
Total assets	\$ 512,059	\$ 113,659	\$ 36,364	\$ 35,077	\$ 29,500
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 950	\$ -	\$ 761	\$ 9,784	\$ -
Due to other funds	-	25,525	32,168	-	-
Accrued liabilities	-	-	2,303	-	-
Total liabilities	950	25,525	35,232	9,784	-
FUND BALANCES					
Restricted:					
Public safety	511,109	-	-	-	-
Education	-	-	-	-	-
Economic and physical development	-	88,134	1,132	25,293	29,500
Capital projects	-	-	-	-	-
Assigned:					
Capital projects	-	-	-	-	-
Total fund balances	511,109	88,134	1,132	25,293	29,500
Total liabilities, deferred inflows of resources, and fund balances	\$ 512,059	\$ 113,659	\$ 36,364	\$ 35,077	\$ 29,500

WASHINGTON COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

ASSETS	Capital Project Funds				Total Nonmajor Governmental Funds
	School Capital Outlay Fund	Airport Grant Fund	Library Project Grant Fund	Commerce Center Project Fund	
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 186,850	\$ 750,475
Taxes receivable	-	-	-	8,071	13,152
Accounts receivable	137,563	-	-	324,114	485,732
Due from other funds	878,440	342,823	-	-	1,355,161
Total assets	<u>\$ 1,016,003</u>	<u>\$ 342,823</u>	<u>\$ -</u>	<u>\$ 519,035</u>	<u>\$ 2,604,520</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 193,805	\$ 205,300
Due to other funds	-	-	-	195,564	253,257
Accrued liabilities	-	-	-	-	2,303
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,369</u>	<u>460,860</u>
FUND BALANCES					
Restricted:					
Public safety	-	-	-	-	511,109
Education	275,332	-	-	-	275,332
Economic and physical development	-	-	-	-	144,059
Capital projects	-	-	-	129,666	129,666
Assigned:					
Capital projects	740,671	342,823	-	-	1,083,494
Total fund balances	<u>1,016,003</u>	<u>342,823</u>	<u>-</u>	<u>129,666</u>	<u>2,143,660</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,016,003</u>	<u>\$ 342,823</u>	<u>\$ -</u>	<u>\$ 519,035</u>	<u>\$ 2,604,520</u>

WASHINGTON COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds				
	Emergency Telephone System Fund	Drainage Fund	Airport Fund	NCHFA Single Family Rehabilitation Loan Pool	NC Housing Finance Agency Urgent Repair Program
REVENUES					
Other taxes and licenses	\$ 144,404	\$ 79,968	\$ -	\$ -	\$ -
Restricted intergovernmental	-	-	-	32,412	100,000
Sales and services	-	-	124,000	-	-
Investment earnings	-	67	-	-	-
Total revenues	<u>144,404</u>	<u>80,035</u>	<u>124,000</u>	<u>32,412</u>	<u>100,000</u>
EXPENDITURES					
Public safety	112,008	-	-	-	-
Economic and physical development	-	55,048	187,558	32,412	106,577
Capital outlay	30,398	-	-	-	-
Total expenditures	<u>142,406</u>	<u>55,048</u>	<u>187,558</u>	<u>32,412</u>	<u>106,577</u>
Excess (deficiency) of revenues over expenditures	1,998	24,987	(63,558)	-	(6,577)
OTHER FINANCING SOURCES					
Transfers in	-	-	72,349	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>72,349</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,998	24,987	8,791	-	(6,577)
FUND BALANCES, beginning of year, as restated	<u>509,111</u>	<u>63,147</u>	<u>(7,659)</u>	<u>25,293</u>	<u>36,077</u>
FUND BALANCES, end of year	<u>\$ 511,109</u>	<u>\$ 88,134</u>	<u>\$ 1,132</u>	<u>\$ 25,293</u>	<u>\$ 29,500</u>

WASHINGTON COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Capital Project Funds				Total Nonmajor Governmental Funds
	School Capital Outlay Fund	Airport Grant Fund	Library Project Grant Fund	Commerce Center Project Fund	
REVENUES					
Other taxes and licenses	\$ -	\$ -	\$ -	\$ -	\$ 224,372
Restricted Intergovernmental	541,562	-	-	324,113	998,087
Charges for services	-	-	-	-	124,000
Investment earnings	-	-	-	-	67
Total revenues	<u>541,562</u>	<u>-</u>	<u>-</u>	<u>324,113</u>	<u>1,346,526</u>
EXPENDITURES					
Public safety	-	-	-	-	112,008
Economic and physical development	-	-	-	-	381,595
Capital outlay	400,000	4,680	-	346,654	781,732
Total expenditures	<u>400,000</u>	<u>4,680</u>	<u>-</u>	<u>346,654</u>	<u>1,275,335</u>
Excess (deficiency) of revenues over expenditures	141,562	(4,680)	-	(22,541)	71,191
OTHER FINANCING SOURCES					
Transfers in	390,671	-	3,305	-	466,325
Total other financing sources	<u>390,671</u>	<u>-</u>	<u>3,305</u>	<u>-</u>	<u>466,325</u>
Net change in fund balances	532,233	(4,680)	3,305	(22,541)	537,516
FUND BALANCES, beginning of year, as restatd	<u>483,770</u>	<u>347,503</u>	<u>(3,305)</u>	<u>152,207</u>	<u>1,606,144</u>
FUND BALANCES, end of year	<u>\$ 1,016,003</u>	<u>\$ 342,823</u>	<u>\$ -</u>	<u>\$ 129,666</u>	<u>\$ 2,143,660</u>

**WASHINGTON COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Other taxes and license	\$ 144,000	\$ 144,000	\$ 144,404	\$ 404
Total revenues	<u>144,000</u>	<u>144,000</u>	<u>144,404</u>	<u>404</u>
EXPENDITURES				
Public safety	100,139	116,558	112,008	4,550
Capital outlay	443,861	427,442	30,398	397,044
Total expenditures	<u>544,000</u>	<u>544,000</u>	<u>142,406</u>	<u>401,594</u>
Excess (deficiency) of revenues over expenditures	(400,000)	(400,000)	1,998	401,998
OTHER FINANCING SOURCES				
Appropriated fund balance	400,000	400,000	-	(400,000)
Total other financing sources	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>1,594</u>
Net change in fund balances	-	-	1,998	1,998
FUND BALANCE, beginning of year	<u>509,111</u>	<u>509,111</u>	<u>509,111</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 509,111</u>	<u>\$ 509,111</u>	<u>\$ 511,109</u>	<u>\$ 1,998</u>

**WASHINGTON COUNTY, NORTH CAROLINA
DRAINAGE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Other taxes and licenses	\$ 86,718	\$ 297,115	\$ 79,968	\$ (217,147)
Investment earnings	-	-	67	67
Total revenues	<u>86,718</u>	<u>297,115</u>	<u>80,035</u>	<u>(217,080)</u>
EXPENDITURES				
Economic and physical development	<u>80,500</u>	<u>298,597</u>	<u>55,048</u>	<u>243,549</u>
Total expenditures	<u>80,500</u>	<u>298,597</u>	<u>55,048</u>	<u>243,549</u>
Excess (deficiency) of revenues over expenditures	6,218	(1,482)	24,987	26,469
OTHER FINANCING SOURCES				
Appropriated fund balance	<u>(6,218)</u>	<u>1,482</u>	<u>-</u>	<u>(1,482)</u>
Total other financing sources	<u>(6,218)</u>	<u>1,482</u>	<u>-</u>	<u>(1,482)</u>
Net change in fund balances	-	-	24,987	24,987
FUND BALANCE, beginning of year	<u>63,147</u>	<u>63,147</u>	<u>63,147</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 63,147</u>	<u>\$ 63,147</u>	<u>\$ 88,134</u>	<u>\$ 24,987</u>

**WASHINGTON COUNTY, NORTH CAROLINA
AIRPORT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Sales and services	\$ 136,760	\$ 136,760	\$ 124,000	\$ (12,760)
Total revenues	<u>136,760</u>	<u>136,760</u>	<u>124,000</u>	<u>(12,760)</u>
EXPENDITURES				
Economic and physical development	165,892	268,241	187,558	80,683
Total expenditures	<u>165,892</u>	<u>268,241</u>	<u>187,558</u>	<u>80,683</u>
Excess (deficiency) of revenues over expenditures	(29,132)	(131,481)	(63,558)	67,923
OTHER FINANCING SOURCES				
Transfers in	-	102,349	72,349	(30,000)
Appropriated fund balance	<u>29,132</u>	<u>29,132</u>	<u>-</u>	<u>(29,132)</u>
Total other financing sources	<u>29,132</u>	<u>131,481</u>	<u>72,349</u>	<u>(59,132)</u>
Net change in fund balances	-	-	8,791	8,791
FUND BALANCE, beginning of year, restated	<u>(7,659)</u>	<u>(7,659)</u>	<u>(7,659)</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ (7,659)</u>	<u>\$ (7,659)</u>	<u>\$ 1,132</u>	<u>\$ 8,791</u>

**WASHINGTON COUNTY, NORTH CAROLINA
NCHFA SINGLE FAMILY REHABILITATION LOAN POOL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Restricted intergovernmental	\$ 175,000	\$ 175,000	\$ 32,412	\$ (142,588)
Total revenues	<u>175,000</u>	<u>175,000</u>	<u>32,412</u>	<u>(142,588)</u>
EXPENDITURES				
Economic and physical development	175,000	175,000	32,412	142,588
Total expenditures	<u>175,000</u>	<u>175,000</u>	<u>32,412</u>	<u>142,588</u>
Net change in fund balances	-	-	-	-
FUND BALANCE, beginning of year, restated	<u>25,293</u>	<u>25,293</u>	<u>25,293</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 25,293</u>	<u>\$ 25,293</u>	<u>\$ 25,293</u>	<u>\$ -</u>

**WASHINGTON COUNTY, NORTH CAROLINA
NC HOUSING FINANCE AGENCY URGENT REPAIR PROGRAM**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Restricted intergovernmental	\$ 150,000	\$ 150,000	\$ 100,000	\$ (50,000)
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>100,000</u>	<u>(50,000)</u>
EXPENDITURES				
Economic and physical development	186,077	186,077	106,577	79,500
Total expenditures	<u>186,077</u>	<u>186,077</u>	<u>106,577</u>	<u>79,500</u>
Excess (deficiency) of revenues over expenditures	(36,077)	(36,077)	(6,577)	29,500
OTHER FINANCING SOURCES				
Appropriated fund balance	36,077	36,077	-	(36,077)
Total other financing sources	<u>36,077</u>	<u>36,077</u>	<u>-</u>	<u>(36,077)</u>
Net change in fund balances	-	-	(6,577)	(6,577)
FUND BALANCE, beginning of year	<u>36,077</u>	<u>36,077</u>	<u>36,077</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ 36,077</u></u>	<u><u>\$ 36,077</u></u>	<u><u>\$ 29,500</u></u>	<u><u>\$ (6,577)</u></u>

**WASHINGTON COUNTY, NORTH CAROLINA
SCHOOL CAPITAL OUTLAY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Restricted intergovernmental	\$ 492,642	\$ 492,642	\$ 541,562	\$ 48,920
Total revenues	<u>492,642</u>	<u>492,642</u>	<u>541,562</u>	<u>48,920</u>
EXPENDITURES				
Capital outlay	400,000	400,000	400,000	-
Total expenditures	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Excess of revenues over expenditures	92,642	92,642	141,562	48,920
OTHER FINANCING SOURCES (USES)				
Transfers in	390,671	390,671	390,671	-
Appropriated fund balance	(483,313)	(483,313)	-	483,313
Total other financing sources (uses)	<u>(92,642)</u>	<u>(92,642)</u>	<u>390,671</u>	<u>483,313</u>
Net change in fund balances	-	-	532,233	532,233
FUND BALANCE, beginning of year	<u>483,770</u>	<u>483,770</u>	<u>483,770</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 483,770</u>	<u>\$ 483,770</u>	<u>\$ 1,016,003</u>	<u>\$ 532,233</u>

WASHINGTON COUNTY, NORTH CAROLINA
AIRPORT GRANT CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Restricted intergovernmental	\$ 600,000	\$ 637,430	\$ -	\$ (637,430)
Total revenues	<u>600,000</u>	<u>637,430</u>	<u>-</u>	<u>(637,430)</u>
EXPENDITURES				
Capital Outlay	600,000	637,430	4,680	632,750
Total expenditures	<u>600,000</u>	<u>637,430</u>	<u>4,680</u>	<u>632,750</u>
Net change in fund balances	-	-	(4,680)	(4,680)
FUND BALANCE, beginning of year, as restated	<u>347,503</u>	<u>347,503</u>	<u>347,503</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 347,503</u>	<u>\$ 347,503</u>	<u>\$ 342,823</u>	<u>\$ (4,680)</u>

**WASHINGTON COUNTY, NORTH CAROLINA
LIBRARY PROJECT GRANT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 3,305	\$ 3,305	\$ -
Appropriated fund balance	-	(3,305)	-	3,305
Total other financing sources (uses)	-	-	3,305	3,305
Net change in fund balances	-	-	3,305	3,305
FUND BALANCE, beginning of year	(3,305)	(3,305)	(3,305)	-
FUND BALANCE, end of year	<u>\$ (3,305)</u>	<u>\$ (3,305)</u>	<u>\$ -</u>	<u>\$ 3,305</u>

**WASHINGTON COUNTY, NORTH CAROLINA
COMMERCE CENTER PROJECT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2018**

	Project Authorization	Actual		Total	Variance With Final Budget
		Prior Year Actual	Current Year Actual		
REVENUES					
Restricted intergovernmental	\$ 1,216,246	\$ 52,244	\$ 324,113	\$ 376,357	\$ (839,889)
Total revenues	<u>1,216,246</u>	<u>52,244</u>	<u>324,113</u>	<u>376,357</u>	<u>(839,889)</u>
EXPENDITURES					
Capital Outlay	1,364,974	86,887	346,654	433,541	931,433
Total expenditures	<u>1,364,974</u>	<u>86,887</u>	<u>346,654</u>	<u>433,541</u>	<u>931,433</u>
Excess (deficiency) of revenues over expenditures	(148,728)	(34,643)	(22,541)	(57,184)	91,544
OTHER FINANCING SOURCES					
Transfers in	-	186,850	-	186,850	186,850
Appropriated fund balance	148,728	-	-	-	(148,728)
Total other financing sources	<u>148,728</u>	<u>186,850</u>	<u>-</u>	<u>186,850</u>	<u>38,122</u>
Net change in fund balances	<u>\$ -</u>	152,207	(22,541)	129,666	129,666
FUND BALANCE, beginning		-	152,207	-	-
FUND BALANCE, end		<u>\$ 152,207</u>	<u>\$ 129,666</u>	<u>\$ 129,666</u>	<u>\$ 129,666</u>

**WASHINGTON COUNTY, NORTH CAROLINA
SANITATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 1,254,693	\$ 1,254,693	\$ 1,188,063	\$ (66,630)
Restricted intergovernmental	-	-	18,939	18,939
Total revenues	<u>1,254,693</u>	<u>1,254,693</u>	<u>1,207,002</u>	<u>(47,691)</u>
EXPENDITURES				
Landfill and collections	1,249,021	1,249,021	1,143,809	105,212
Total expenditures	<u>1,249,021</u>	<u>1,249,021</u>	<u>1,143,809</u>	<u>105,212</u>
Excess of revenues over expenditures	5,672	5,672	63,193	57,521
OTHER FINANCING SOURCES				
Transfers in	-	-	532,685	532,685
Appropriated fund balance	(5,672)	(5,672)	-	5,672
Total other financing sources	<u>(5,672)</u>	<u>(5,672)</u>	<u>532,685</u>	<u>538,357</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595,878</u>	<u>\$ 595,878</u>
Adjustments to full accrual:				
Deprecation expense			(28,342)	
Decrease in compensated absences			3,312	
Increase in estimated postclosure costs			(51,599)	
Decrease in net pension liability and related deferred items			(1,974)	
Increase in net OPEB liability and related items			(5,413)	
Change in net position - GAAP Basis			<u>\$ 511,862</u>	

**WASHINGTON COUNTY, NORTH CAROLINA
WATER FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 1,359,000	\$ 1,359,000	\$ 1,366,993	\$ 7,993
Restricted intergovernmental	12,500	403,490	61,945	(341,545)
Taps and connection fees	4,000	4,000	5,164	1,164
Investment earnings	150	150	815	665
Total revenues	<u>1,375,650</u>	<u>1,766,640</u>	<u>1,434,917</u>	<u>(331,723)</u>
EXPENDITURES				
Treatment plant	247,292	291,901	260,346	31,555
Operations maintenance	673,213	1,063,086	882,558	180,528
Debt service	427,918	384,426	161,798	222,628
Total expenditures	<u>1,348,423</u>	<u>1,739,413</u>	<u>1,304,702</u>	<u>212,083</u>
Excess of revenues over expenditures	27,227	27,227	130,215	(119,640)
OTHER FINANCING USES				
Transfers out	-	-	(257,058)	(257,058)
Appropriated fund balance	(27,227)	(27,227)	-	27,227
Total other financing uses	<u>(27,227)</u>	<u>(27,227)</u>	<u>(257,058)</u>	<u>(229,831)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(126,843)	<u>\$ (349,471)</u>
Adjustments to full accrual:				
Capital outlays			12,300	
Payments of debt service - principal			221,001	
Depreciation expense			(267,481)	
Decrease in compensated absences			6,589	
Increase in net pension liability and related deferred items			(24,219)	
Decrease in net OPEB liability and related items			(5,522)	
Change in net position - GAAP Basis			<u>\$ (184,175)</u>	

WASHINGTON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	Social Services	Detention Center	Motor Vehicle	
<u>ASSETS</u>	<u>Fund</u>	<u>Fund</u>	<u>Tax Fund</u>	<u>Total</u>
Cash	\$ 30,267	\$ 34,701	\$ 13,786	\$ 78,754
Total assets	<u>\$ 30,267</u>	<u>\$ 34,701</u>	<u>\$ 13,786</u>	<u>\$ 78,754</u>
 <u>LIABILITIES</u>				
Due to others	\$ 30,267	\$ 34,701	\$ 13,786	\$ 78,754
Total liabilities	<u>\$ 30,267</u>	<u>\$ 34,701</u>	<u>\$ 13,786</u>	<u>\$ 78,754</u>

WASHINGTON COUNTY, NORTH CAROLINA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Social Services Fund</u>				
ASSETS				
Cash	\$ 22,256	\$ 11,426	\$ (3,415)	\$ 30,267
Total assets	<u>\$ 22,256</u>	<u>\$ 11,426</u>	<u>\$ (3,415)</u>	<u>\$ 30,267</u>
LIABILITIES				
Due to others	\$ 22,256	\$ 11,426	\$ (3,415)	\$ 30,267
Total liabilities	<u>\$ 22,256</u>	<u>\$ 11,426</u>	<u>\$ (3,415)</u>	<u>\$ 30,267</u>
<u>Detention Center Fund</u>				
ASSETS				
Cash	\$ 32,131	\$ 65,187	\$ (62,617)	\$ 34,701
Total assets	<u>\$ 32,131</u>	<u>\$ 65,187</u>	<u>\$ (62,617)</u>	<u>\$ 34,701</u>
LIABILITIES				
Due to others	\$ 32,131	\$ 65,187	\$ (62,617)	\$ 34,701
Total liabilities	<u>\$ 32,131</u>	<u>\$ 65,187</u>	<u>\$ (62,617)</u>	<u>\$ 34,701</u>
<u>Motor Vehicle Tax Fund</u>				
ASSETS				
Cash	\$ 28,336	\$ 362,287	\$ (376,837)	\$ 13,786
Total assets	<u>\$ 28,336</u>	<u>\$ 362,287</u>	<u>\$ (376,837)</u>	<u>\$ 13,786</u>
LIABILITIES				
Due to others	\$ 28,336	\$ 362,287	\$ (376,837)	\$ 13,786
Total liabilities	<u>\$ 28,336</u>	<u>\$ 362,287</u>	<u>\$ (376,837)</u>	<u>\$ 13,786</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 82,723	\$ 438,900	\$ (442,869)	\$ 78,754
Total assets	<u>\$ 82,723</u>	<u>\$ 438,900</u>	<u>\$ (442,869)</u>	<u>\$ 78,754</u>
LIABILITIES				
Due to others	\$ 82,723	\$ 438,900	\$ (442,869)	\$ 78,754
Total liabilities	<u>\$ 82,723</u>	<u>\$ 438,900</u>	<u>\$ (442,869)</u>	<u>\$ 78,754</u>

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2018

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 7,922,506	\$ 7,572,361	\$ 350,145
2016-2017	333,229	12,263	180,764	164,728
2015-2016	171,636	5,552	60,270	116,918
2014-2015	176,829	1,455	37,863	140,421
2013-2014	79,040	13	15,441	63,612
2012-2013	67,997	-	12,484	55,513
All- prior	193,413	-	43,942	149,471
	\$ 1,022,144	\$ 7,941,789	\$ 7,923,125	1,040,808
				Less: allowance for uncollectible accounts - General Fund (88,907)
				Ad valorem taxes receivable - net \$ 951,901
				<u>Reconciliation to revenues:</u>
				Ad valorem taxes - General Fund \$ 7,833,819
				Reconciling items:
				Prepaid taxes recognized in the current year (22,890)
				Interest and penalties (124,223)
				Discounts 74,048
				Refunds 134,638
				Taxes written off 27,733
				Total collections and credits \$ 7,923,125

WASHINGTON COUNTY, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2018**

	County - Wide			Total Levy	
	Property	Rate	Total	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Valuation		Levy		
Original levy:					
Property taxed at current rate	\$ 937,574,675	0.00845	\$ 7,922,506	\$ 7,120,052	\$ 802,454
Discoveries	2,091,006	0.00845	17,669	17,669	-
Releases	<u>(2,812,426)</u>	0.00845	<u>(23,765)</u>	<u>(23,765)</u>	<u>-</u>
Total	<u>936,853,255</u>		<u>7,916,410</u>	<u>7,113,956</u>	<u>802,454</u>
Net levy			7,916,410	7,113,956	802,454
Uncollected taxes at June 30, 2018			<u>(350,145)</u>	<u>(350,145)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 7,566,265</u>	<u>\$ 6,763,811</u>	<u>\$ 802,454</u>
Current levy collection percentage			<u>95.58%</u>	<u>95.08%</u>	<u>100.00%</u>

STATISTICAL SECTION

This part of Washington County’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County’s overall financial health.

Page

Financial Trends 120

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

Revenue Capacity..... 124

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

Debt Capacity..... 129

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

Demographic and Economic Information..... 133

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

Operating Information 135

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

	Fiscal Year									
	2018	2017 - Restated	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Invested in capital assets, net of related debt	\$ 11,020,273	\$ 10,983,866	\$ 10,897,979	\$ 10,768,921	\$ 10,500,129	\$ 10,042,947	\$ 9,973,378	\$ 9,296,007	\$ 6,877,735	\$ 3,102,394
Restricted	3,967,389	4,998,635	3,528,676	1,509,739	1,490,118	2,115,541	2,140,280	2,579,956	-	-
Unrestricted	(11,730,992)	(13,555,751)	289,560	3,825,198	3,630,529	3,230,151	2,055,831	2,159,553	6,364,461	7,386,521
Total governmental activities net assets	\$ 3,256,670	\$ 2,426,750	\$ 14,716,215	\$ 16,103,858	\$ 15,620,776	\$ 15,388,639	\$ 14,169,489	\$ 14,035,516	\$ 13,242,196	\$ 10,488,915
Business-type activities										
Invested in capital assets, net of related debt	\$ 2,688,006	\$ 2,750,528	\$ 2,772,258	\$ 2,794,419	\$ 3,405,677	\$ 2,809,578	\$ 2,949,023	\$ 3,094,715	\$ 3,245,967	\$ 3,388,284
Unrestricted	(895,909)	(1,286,118)	(409,064)	341,232	623,919	1,283,056	1,323,981	1,199,799	1,209,370	1,392,900
Total business-type activities net assets	\$ 1,792,097	\$ 1,464,410	\$ 2,363,194	\$ 3,135,651	\$ 4,029,596	\$ 4,092,634	\$ 4,273,004	\$ 4,294,514	\$ 4,455,337	\$ 4,781,184
Primary government										
Invested in capital assets, net of related debt	\$ 13,708,279	\$ 13,734,394	\$ 13,670,237	\$ 13,563,340	\$ 13,905,806	\$ 12,852,525	\$ 12,922,401	\$ 12,390,722	\$ 10,123,702	\$ 6,490,678
Restricted	3,967,389	4,998,635	3,528,676	1,509,739	1,490,118	2,115,541	2,140,280	2,579,956	-	-
Unrestricted	(12,626,901)	(14,841,869)	(119,504)	4,166,430	4,254,448	4,513,207	3,379,812	3,359,352	7,573,831	8,779,421
Total primary government net assets	\$ 5,048,767	\$ 3,891,160	\$ 17,079,409	\$ 19,239,509	\$ 19,650,372	\$ 19,481,273	\$ 18,442,493	\$ 18,330,030	\$ 17,697,533	\$ 15,270,099

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	\$ 2,710,616	\$ 2,282,885	\$ 2,662,745	\$ 2,401,998	\$ 2,435,103	\$ 2,243,707	\$ 2,106,105	\$ 2,026,071	\$ 1,988,696	\$ 1,950,393
Public safety	3,793,810	3,981,102	3,438,145	3,305,752	3,593,039	3,378,752	3,481,938	3,697,483	3,455,636	3,351,861
Economic & physical development	583,833	680,839	667,906	761,649	637,821	913,876	547,287	506,253	762,024	860,774
Human Services	6,320,296	6,169,862	666,276	6,616,692	7,043,400	6,469,544	6,386,495	622,193	6,002,067	6,167,851
Cultural & Recreational	544,593	541,675	334,939	295,016	303,999	301,244	287,368	296,577	285,577	304,343
Education	1,816,761	2,317,563	2,160,827	2,077,253	1,841,359	2,025,011	1,933,526	1,927,016	2,379,286	2,287,629
Interest on long-term debt	20,663	16,153	22,115	27,926	30,342	33,899	34,657	28,383	45,307	55,019
Total governmental activities expenses	\$ 15,790,572	\$ 15,990,079	\$ 9,952,953	\$ 15,486,286	\$ 15,885,063	\$ 15,366,033	\$ 14,777,376	\$ 9,103,976	\$ 14,918,593	\$ 14,977,870
Business-type activities:										
Sanitation	\$ 1,227,825	\$ 1,247,083	\$ 2,083,877	\$ 1,259,725	\$ 1,077,500	\$ 1,154,094	\$ 1,238,513	\$ 1,180,991	\$ 1,175,543	\$ 1,214,285
Water	1,362,034	1,193,971	998,771	1,041,204	1,099,089	1,162,085	1,170,259	1,251,027	1,315,705	1,419,946
Total business-type activities	\$ 2,589,859	\$ 2,441,054	\$ 3,082,648	\$ 2,300,929	\$ 2,176,589	\$ 2,316,179	\$ 2,408,772	\$ 2,432,018	\$ 2,491,248	\$ 2,634,231
Total primary governmental expenses	\$ 18,380,431	\$ 18,431,133	\$ 13,035,601	\$ 17,787,215	\$ 18,061,652	\$ 17,682,212	\$ 17,186,148	\$ 11,535,994	\$ 17,409,841	\$ 17,612,101
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 387,043	\$ 129,822	\$ 111,188	\$ 141,943	\$ 176,593	\$ 136,711	\$ 173,429	\$ 147,654	\$ 95,656	\$ 161,584
Public safety	426,412	483,623	491,571	536,146	293,001	366,389	356,735	313,223	553,977	522,715
Human services	1,406,239	1,349,734	1,322,130	1,586,566	1,534,753	2,142,720	1,181,603	676,619	760,438	684,147
Other activities	8,014	120,746	153,665	104,050	193,710	123,829	92,986	50,433	70,525	13,969
Operating grants and contributions	3,456,426	3,819,306	4,053,780	3,706,445	3,624,158	3,730,739	3,646,498	3,669,497	4,083,386	3,910,831
Capital grants and contributions	1,044,435	1,172,857	668,636	625,759	538,658	1,121,610	607,530	2,221,283	1,822,980	782,019
Total governmental activities program revenues	\$ 6,728,569	\$ 7,076,088	\$ 6,800,970	\$ 6,700,909	\$ 6,360,873	\$ 7,621,998	\$ 6,058,781	\$ 7,078,709	\$ 7,386,962	\$ 6,075,265
Business-type activities:										
Charges of services:										
Sanitation	\$ 1,188,063	\$ 1,066,446	\$ 1,055,601	\$ 1,066,140	\$ 1,118,044	\$ 1,175,330	\$ 1,353,316	\$ 1,165,285	\$ 1,153,178	\$ 1,247,312
Water	1,372,157	1,342,870	1,415,482	1,277,978	1,225,465	1,205,318	1,257,013	1,308,358	1,195,455	1,216,220
Operating grants and contributions	80,884	47,965	98,971	28,785	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	438,364
Total business-type activities program revenues	\$ 2,641,104	\$ 2,457,281	\$ 2,570,054	\$ 2,372,903	\$ 2,343,509	\$ 2,380,648	\$ 2,610,329	\$ 2,473,643	\$ 2,348,633	\$ 2,901,896
Total primary governmental program revenues	\$ 9,369,673	\$ 9,533,369	\$ 9,371,024	\$ 9,073,812	\$ 8,704,382	\$ 10,002,646	\$ 8,669,110	\$ 9,552,352	\$ 9,735,595	\$ 8,977,161
Net (Expense)/Revenue										
Governmental activities										
	\$ (9,062,003)	\$ (8,913,991)	\$ (9,151,983)	\$ (8,785,377)	\$ (9,524,190)	\$ (7,744,035)	\$ (8,718,595)	\$ (7,625,137)	\$ (7,531,631)	\$ (8,902,605)
Business-type activities										
	51,245	16,227	(512,594)	21,974	166,920	64,469	201,557	41,625	(142,615)	267,125
Total primary government net expense	\$ (9,010,758)	\$ (8,897,764)	\$ (9,664,577)	\$ (8,763,403)	\$ (9,357,270)	\$ (7,679,566)	\$ (8,517,038)	\$ (7,583,512)	\$ (7,674,246)	\$ (8,635,480)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property Taxes	\$ 7,908,062	\$ 7,656,084	\$ 7,350,946	\$ 7,223,836	\$ 7,268,699	\$ 6,511,255	\$ 6,421,241	\$ 6,324,595	\$ 6,274,048	\$ 6,075,661
Sales Taxes	1,918,615	2,316,829	1,935,100	1,988,910	1,782,190	1,715,656	1,708,979	1,677,773	1,644,393	2,371,413
Other taxes and licenses	243,702	179,150	206,265	188,057	309,692	293,785	323,984	147,279	132,456	37,832
Unassigned grants and contributions	-	71,190	89,775	83,564	-	-	-	-	-	-
Investment earnings	67,172	18,610	7,831	1,289	3,893	7,095	20,458	18,871	45,667	99,105
Miscellaneous	-	134,508	98,611	98,319	220,256	190,394	154,665	45,527	68,258	103,042
Extraordinary item - sale of component unit	-	-	-	-	-	-	-	-	-	227,706
Special item - land and building donation	-	-	-	-	-	-	-	-	1,934,640	-
Sale of capital assets	-	(83,766)	-	-	-	-	-	-	-	-
Transfers	(275,627)	136,077	260,000	260,000	230,000	2,450,000	223,241	203,412	186,450	222,315
Total governmental activities	\$ 9,861,924	\$ 10,428,682	\$ 9,948,528	\$ 9,843,975	\$ 9,814,730	\$ 11,168,185	\$ 8,852,568	\$ 8,417,457	\$ 10,285,912	\$ 9,137,074
Business-type activities:										
Investment earnings	\$ 815	\$ 291	\$ 137	\$ 20	\$ 42	\$ 161	\$ 174	\$ 964	\$ 1,538	\$ 21,185
Miscellaneous	-	10,986	-	(54,623)	-	-	-	-	1,680	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	14,100
Transfers	275,627	(136,077)	(260,000)	(260,000)	(230,000)	(245,000)	(223,241)	(203,412)	(186,450)	(222,315)
Total business-type activities	\$ 276,442	\$ (124,800)	\$ (259,863)	\$ (314,603)	\$ (229,958)	\$ (244,839)	\$ (223,067)	\$ (202,448)	\$ (183,232)	\$ (187,030)
Total primary government	\$ 10,138,366	\$ 10,303,882	\$ 9,688,665	\$ 9,529,372	\$ 9,584,772	\$ 10,923,346	\$ 8,629,501	\$ 8,215,009	\$ 10,102,680	\$ 8,950,044
Change in Net Position										
Governmental activities										
	\$ 799,921	\$ 1,514,691	\$ 796,545	\$ 1,058,598	\$ 290,540	\$ 1,219,150	\$ 133,973	\$ 792,320	\$ 2,754,281	\$ 234,469
Business-type activities										
	327,687	(108,573)	(772,457)	(292,629)	(63,038)	(180,370)	(21,510)	(160,823)	(325,847)	80,095
Total primary government	\$ 1,127,608	\$ 1,406,118	\$ 24,088	\$ 765,969	\$ 227,502	\$ 1,038,780	\$ 112,463	\$ 631,497	\$ 2,428,434	\$ 314,564

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

	Fiscal Year									
	<u>2018</u>	<u>2017 - Restated</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund										
Restricted	\$ 2,329,736	\$ 2,906,970	\$ 2,215,528	\$ 3,899,014	\$ 1,179,203	\$ 1,650,929	\$ 2,074,130	\$ 1,869,229	\$ 1,539,427	\$ 1,539,772
Committed	-	185,583	144,200	110,893	11,820	44,722	39,221	52,598	-	-
Assigned	139,610	54,943	518,106	-	-	-	50,820	72,498	-	-
Unassigned	4,007,273	2,724,750	2,084,837	3,095,549	4,751,766	3,435,617	814,303	1,450,659	2,980,935	4,457,703
Total General Fund	<u>\$ 6,476,619</u>	<u>\$ 5,872,246</u>	<u>\$ 4,962,671</u>	<u>\$ 7,105,456</u>	<u>\$ 5,942,789</u>	<u>\$ 5,131,268</u>	<u>\$ 2,978,474</u>	<u>\$ 3,444,984</u>	<u>\$ 4,520,362</u>	<u>\$ 5,997,475</u>
All other governmental funds										
Restricted	\$ 1,637,653	\$ 2,101,239	\$ 1,313,148	\$ 694,738	\$ 310,915	\$ 130,718	\$ 66,150	\$ 710,727	\$ 28,578	\$ 48,974
Committed	-	-	-	-	-	333,894	-	-	-	-
Assigned	1,083,494	-	34,457	-	-	-	-	-	-	-
Unassigned, reported in:										
Capital projects funds	-	(3,305)	(3,792)	(26,818)	(2,449)	-	-	(198,513)	769,198	-
Special revenue funds	-	(18,134)	(52,801)	(2,700,299)	(1,851,050)	(1,026,393)	492,384	145,084	678,703	697,638
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 2,721,147</u>	<u>\$ 2,079,800</u>	<u>\$ 1,291,012</u>	<u>\$ (2,032,379)</u>	<u>\$ (1,542,584)</u>	<u>\$ (561,781)</u>	<u>\$ 558,534</u>	<u>\$ 657,298</u>	<u>\$ 1,476,479</u>	<u>\$ 746,612</u>
Total - All governmental funds	<u>\$ 9,197,766</u>	<u>\$ 7,952,046</u>	<u>\$ 6,253,683</u>	<u>\$ 5,073,077</u>	<u>\$ 4,400,205</u>	<u>\$ 4,569,487</u>	<u>\$ 3,537,008</u>	<u>\$ 4,102,282</u>	<u>\$ 5,996,841</u>	<u>\$ 6,744,087</u>

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

Revenues	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Ad valorem taxes	\$ 7,833,819	\$ 7,633,899	\$ 7,551,559	\$ 7,427,254	\$ 7,192,395	\$ 6,423,969	\$ 6,326,879	\$ 6,301,406	\$ 6,251,892	\$ 6,317,071
Local Option sales taxes	1,918,615	2,316,829	1,935,100	1,988,910	1,782,190	1,715,656	1,708,979	1,677,773	1,644,393	2,257,641
Other taxes and licenses	225,686	179,150	206,265	188,057	309,692	293,785	323,984	453,775	102,536	176,815
Unrestricted intergovernmental revenues	116,352	71,190	9,775	83,564	49,057	33,733	36,655	36,577	11,979	37,832
Restricted intergovernmental revenues	4,384,509	4,992,163	4,722,416	4,332,204	4,057,893	4,758,863	4,169,731	5,463,517	5,398,965	4,228,029
Permits and fees	194,805	208,429	184,664	245,672	231,129	218,720	213,070	214,090	189,840	183,699
Sales and services	2,021,350	1,875,496	1,893,890	2,123,033	2,173,157	2,688,426	1,711,052	1,111,576	1,733,324	1,623,137
Investment earnings	67,172	18,610	7,831	1,289	3,893	7,095	20,458	18,871	46,173	98,106
Miscellaneous	29,569	134,508	98,611	92,656	62,593	111,900	78,349	20,602	81,860	81,398
Total revenues	\$ 16,791,877	\$ 17,430,274	\$ 16,610,111	\$ 16,482,639	\$ 15,861,999	\$ 16,252,147	\$ 14,589,157	\$ 15,298,187	\$ 15,460,962	\$ 15,003,728
Expenditures										
General government	\$ 2,073,052	\$ 2,172,473	\$ 2,308,618	\$ 2,339,969	\$ 2,438,043	\$ 2,105,687	\$ 2,194,943	\$ 1,965,452	\$ 1,974,221	\$ 1,979,876
Public safety	3,571,620	3,550,652	3,334,498	3,265,332	3,493,180	3,272,656	3,343,358	3,957,894	3,453,358	3,309,659
Economic and physical development	538,876	624,171	624,495	569,969	1,022,394	1,066,723	1,142,873	2,274,405	1,318,196	857,794
Human services	6,031,474	6,412,017	6,485,637	6,918,037	7,129,500	6,592,373	6,290,905	7,456,681	6,187,877	6,158,918
Cultural and recreational	505,696	688,282	319,480	306,792	335,110	293,197	280,998	291,670	280,650	302,313
Education	1,816,761	1,812,563	2,160,827	2,077,253	1,841,359	2,025,011	1,933,526	1,927,016	2,379,286	2,287,629
Debt service										-
Principal	143,705	144,775	165,356	161,750	213,293	108,961	177,398	249,154	825,451	479,587
Interest	14,366	16,153	22,115	27,926	30,342	33,899	34,657	17,058	33,981	43,693
Capital outlays	781,732	539,397	348,479	413,703	-	-	-	-	-	-
Total expenditures	\$ 15,477,282	\$ 15,960,483	\$ 15,769,505	\$ 16,080,731	\$ 16,503,221	\$ 15,498,507	\$ 15,398,658	\$ 18,139,330	\$ 16,453,020	\$ 15,419,469
Excess of revenues over (under) expenditures	\$ 1,314,595	\$ 1,469,791	\$ 840,606	\$ 401,908	\$ (641,222)	\$ 753,640	\$ (809,501)	\$ (2,841,143)	\$ (992,058)	\$ (415,741)
Other financing sources (uses)										
Transfers in	772,540	1,103,261	301,089	332,114	344,356	317,114	295,355	506,218	326,975	340,275
Transfers out	(1,048,167)	(967,184)	(954,130)	(72,114)	(114,355)	(72,114)	(72,114)	(302,806)	(140,525)	(117,960)
Debt Proceeds (Installment purchase)	206,753	138,627	-	-	234,640	91,492	-	693,243	-	-
Insurance Proceeds	-	-	-	-	-	-	-	21,350	43,096	-
Sale of capital assets	-	-	-	10,965	7,299	750	20,986	28,605	15,267	321
Sale of component unit (hospital proceeds)	-	-	-	-	-	-	-	-	-	227,706
Total other financing sources (uses)	(68,874)	274,704	(653,041)	270,965	471,940	337,242	244,227	946,610	244,813	450,342
Net change in fund balances	\$ 1,245,721	\$ 1,744,495	\$ 187,565	\$ 672,873	\$ (169,282)	\$ 1,090,882	\$ (565,274)	\$ (1,894,533)	\$ (747,245)	\$ 34,601
Debt services as a percentage of noncapital expenditures	1.07%	1.01%	1.19%	1.18%	1.48%	0.92%	1.38%	1.47%	5.22%	3.39%

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
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
2018	7,907,423	2,009,307	639	139,582	13,428	10,070,379

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

Fiscal Year Ended June 30	REAL PROPERTY	PERSONAL PROPERTY	PUBLIC SERVICE COMPANIES PROPERTY	DEDUCT EXEMPT PROPERTY and DEFERRED BECAUSE OF USF PROPERTY	TOTAL ASSESSED VALUE	Total Direct Tax Rate
	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value	
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
2018	843,486	169,515	60,297	(151,322)	921,976	0.845

Washington County, North Carolina
Principal Property Taxpayers
June 30, 2018

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2018 Assessed Value</u>	<u>Tax Levy</u>	<u>Percentage of Assessed Valuation</u>
Dominion NC Power	Utility	\$ 40,053,379	\$ 338,451	4.28%
Weyerhaeuser Company	Lumber, Plywood, and Wood	15,863,900	134,050	1.69%
Mackeys Ferry Sawmill, Inc.	Lumber	7,535,988	63,679	0.80%
JCT, LLC	Swin, Agriculture	6,394,919	54,037	0.68%
3 Barnes, LLC/ B 5, LLC	Logging, Agriculture	5,944,290	50,229	0.63%
Creswell Alligood Solar, LLC	Solar Energy	5,481,466	46,318	0.59%
Poerter, James F. Jr. & Melinda Q	Residential, Commercial	4,478,137	37,841	0.48%
CAH Acquisition Company #1, LLC	Hospital	4,427,531	37,413	0.47%
Alexander, Alvah III	Agriculture	4,351,102	36,767	0.46%
Bell Land	Agriculture	4,222,620	35,681	0.45%
Howell, F.T., Dr. Howell, Et Al	Agriculture	3,927,180	33,185	0.42%
Waterside Acquisition Partners	Commercial Property	3,842,480	32,469	0.41%
Albemarle Beach Farms, Inc.	Agriculture	3,680,345	31,099	0.39%
Kanban Industries, Inc.	Commercial Storage/Shipping	3,411,990	28,831	0.36%
Perdue	Agriculture	3,345,528	28,270	0.36%
Boyd, Douglas; James Et Ux 3-B Farms	Agriculture	3,315,126	28,013	0.35%
Plymouth Hospitality, LLC	Motel	3,271,961	27,648	0.35%
Northfolk Southern	Utility	3,070,751	25,948	0.33%
Domtar Paper Company, LLC	Lumber, Plywood, and Wood	3,070,359	25,945	0.33%
The Carrolton of Plymouth, Inc.	Assisted Living	2,986,700	25,238	0.32%
Manning Bros., Manning Farms	Agriculture	2,840,395	24,001	0.30%
Giles, Harry & Linda	Residential, Commercial	2,745,016	23,195	0.29%
Murphy-Brown LLC	Agriculture	2,715,570	22,947	0.29%
Carolina Telephone	Utility	2,650,377	22,396	0.28%
Linden Carolina, LLC	Agriculture	2,573,790	21,749	0.27%
Totals		<u>\$ 146,200,900</u>	<u>\$ 1,235,400</u>	<u>15.61%</u>
Total Assessed Valuation		<u>\$ 936,853,255</u>		

Source: Washington County Tax Department

**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		
2009	2008	\$ 6,180,783	\$ 5,753,272	93.08%	\$ 402,320	\$ 6,155,592	99.59%	\$ 25,191	0.41%
2010	2009	6,130,086	5,638,587	91.98%	461,109	6,099,696	99.50%	30,390	0.50%
2011	2010	6,206,829	5,700,097	91.84%	471,167	6,171,264	99.43%	35,565	0.57%
2012	2011	6,274,268	5,721,808	91.19%	507,371	6,229,179	99.28%	45,089	0.72%
2013	2012	6,384,291	5,797,054	90.80%	531,724	6,328,778	99.13%	55,513	0.87%
2014	2013	7,165,939	6,624,047	92.44%	478,280	7,102,327	99.11%	63,612	0.89%
2015	2014	7,018,235	6,598,938	94.03%	278,877	6,877,815	98.00%	140,420	2.00%
2016	2015	7,182,538	6,893,232	95.97%	172,388	7,065,620	98.37%	116,918	1.63%
2017	2016	7,597,191	7,263,962	95.61%	168,501	7,432,463	97.83%	164,728	2.17%
2018	2017	7,790,697	7,470,386	95.89%	-	7,470,386	95.89%	320,311	4.11%

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

Fiscal Year Ended June 30	Gross Population	Assessed Value	Gross Debt	Debt Payable from Enterprise Revenues	Less Capital Leases and Installment Purchase Obligations	Net Bond debt Total	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009	\$ 13,172	\$ 781,206	\$ 6,591,544	\$ 5,291,667	\$ 869,877	\$ 430,000	0.06%	\$ 54.87
2010	13,004	775,075	5,721,971	5,204,450	372,521	145,000	0.02%	32.65
2011	13,004	794,102	6,074,938	5,113,328	961,610	-	-	11.15
2012	13,004	807,283	5,801,468	5,017,256	784,212	-	-	-
2013	12,736	807,283	5,682,923	4,916,180	766,743	-	-	-
2014	12,920	906,175	5,500,235	4,712,145	788,090	-	-	-
2015	12,826	886,214	5,697,515	5,071,174	626,341	-	-	-
2016	12,679	908,233	5,326,040	4,865,055	460,985	-	-	-
2017	12,589	933,978	5,106,157	4,651,281	454,876	-	-	-
2018	12,012	921,976	4,948,204	4,430,280	517,924	-	-	-

Washington County, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

<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%	<u>\$ -</u>
Subtotal, overlapping debt			\$ -
Washington County Direct Debt			517,924
Total direct and overlapping debt			<u>\$ 517,924</u>

Washington County, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt Limit	\$ 73,758,080	\$ 74,718,230	\$ 72,658,671	\$ 70,897,091	\$ 72,494,056	\$ 64,582,638	\$ 63,528,182	\$ 62,814,822	\$ 62,005,991	\$ 62,496,471
Total net debt applicable to the limit	517,924	454,876	460,985	626,341	788,090	766,743	784,212	961,610	517,521	1,299,877
Legal debt margin	73,240,156	74,263,354	72,197,686	70,270,750	71,705,966	63,815,895	62,743,970	61,853,212	61,488,470	61,196,594
Total net debt applicable to the limit as a percentage of debt limit	0.70%	0.61%	0.63%	0.88%	1.09%	1.19%	1.23%	1.53%	0.83%	2.08%
Assessed value of taxable property	921,976,000									
Deb limit - 8 percent of assessed value	73,758,080									
Gross Debt										
General obligation bonds	-									
Water revenue bonds	3,982,400									
North Carolina DENR loans	447,880									
Installment purchases	517,924									
Total Gross debt	4,948,204									
Statutory Deductions:										
Debt included in gross debt incurred or authorized by water	(4,430,280)									
Net Debt-Total amount of debt applicable to debt limit	\$ 517,924									

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	Per Capita
	General Obligation Bonds	Installment Purchase Agreement	Water Revenue Bonds	Notes Payable				
2018	\$ -	\$ 517,924	\$ 3,982,400	\$ 447,880	\$ 4,948,204	1.22%	406	
2017	-	454,876	4,175,409	475,872	5,106,157	1.26%	406	
2016	-	460,985	4,361,191	503,864	5,326,040	1.31%	420	
2015	-	626,341	4,540,016	531,158	5,697,515	1.37%	444	
2014	-	788,090	4,712,145	-	5,500,235	1.35%	426	
2013	-	766,743	4,916,180	-	5,682,923	1.12%	446	
2012	-	784,212	5,017,255	-	5,801,467	12.10%	446	
2011	-	961,610	5,113,328	-	6,074,938	1.27%	467	
2010	145,000	372,521	5,204,450	-	5,721,971	1.48%	440	
2009	430,000	869,877	5,291,667	-	6,591,544	1.95%	500	

Washington County, North Carolina
Pledged Revenue Coverage
Last Ten Fiscal Years
(amounts express in thousands)

Fiscal Year Ended June 30	Gross Revenues	Operating Expenses *	Net Revenue Available for Debt Services	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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%
2018	1,434,102	932,755	501,347	221,001	161,798	382,799	131%

* Operating expenses do not include depreciation

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

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Income	Final School Enrollment	Unemployment Rate	Residential/Commercial	
						Number of Units	Construction Value
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
2018	12,012	N/A	N/A	1,478	5.9%	286	3,401,415

**Washington County, North Carolina
Principal Employers
June 30, 2018**

<u>Employer</u>	<u>Full-time Equivalent Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Domtar Paper Company Llc	474	1	9.83%
Washington County Bd Of Education	248	2	5.14%
Weyerhaeuser Co (A Corp)	186	3	3.86%
County Of Washington	160	4	3.32%
Washington County Hospital	80	5	1.66%
Principle Long Term Care Inc	77	6	1.60%
Mackeys Ferry Sawmill	65	7	1.35%
District Health Dept Martin	60	8	1.24%
Home Life Care Inc	36	9	0.75%
Feyer Ford And Mercury Inc	29	10	0.60%
Total	1,415		

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, 2018

Total county employment	4823
Total Unemployed	286
 Total labor force	 5109
 Unemployment rate	 5.9%

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	27	26	34	34	29	32	32	32	30	26
Public Safety	46	45	56	56	80	82	86	86	80	72
Human Services	83	85	61	61	59	59	72	72	65	52
Economic and Physical development	2	2	-	-	-	-	-	-	-	-
Cultural and Recreation	2	2	2	2	2	2	2	2	2	1
Water/Sanitation (Business activity)	11	11	10	10	10	8	8	8	10	9
Total	171	171	163	163	180	183	200	200	187	160

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.

Washington County, North Carolina
Water System
Major Water Users
June 30, 2018

Rank	Name	Annual Water Sales (MG)	Revenues	Percentage
1	Pines Elementary	1,134	\$ 16,452.00	1.20%
2	Wendy's Restaurant	583	\$ 7,993.00	0.58%
3	Albemarle Beach Farms	582	\$ 8,839.00	0.65%
4	NCDOT	519	\$ 7,623.00	0.56%
5	Speedway LLC	392	\$ 5,336.00	0.39%
6	Wash. Co. Resources Ctr.	356	\$ 5,504.00	0.40%
7	Kendricks Creek Farm Inc.	290	\$ 3,863.00	0.28%
8	Ready Mix Concrete	285	\$ 4,581.00	0.34%
9	Mitchell Edwards (Farmer)	183	\$ 2,394.00	0.18%
10	Life Incorporated	181	\$ 2,329.00	0.17%
Total		4,505	\$ 64,914.00	4.75%
Total Water Sales			1,366,993	100%

Washington County, North Carolina
Water System Statistics
Last Ten Fiscal Years
(amounts express in thousands)

Fiscal Year Ended June 30	Number of Customers	Average Daily Demand (MGD)	Peak Daily Demand (MGD)	Maximum Capacity (MGD)
2018	2,555	397,000	646,000	750,000
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

**Washington County, North Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
# of Stations	2	2	2	2	2	2	3	3	2	2
# of Patrol Units	34	36	37	25	25	25	23	30	32	38
Transportation										
Stadard Vans	1	1	1	1	1	1	2	2	2	1
Conversion Vans	5	5	3	3	4	4	-	-	-	-
Lift Vans Buses	2	2	2	2	3	3	5	5	5	6
Minivans	1	1	1	2	2	2	1	1	1	1
# of Standard Vehicles	5	5	7	5	1	1	6	4	4	4
EMS - Ambulances	5	5	7	7	7	8	8	7	7	7
Water (Business Activity)										
Miles of Distribution Line	130	130	130	130	130	140	140	140	136	136
Tank Storage Capacity	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	#####	750,000
# of Utility Vehicles	7	7	7	8	6	6	8	8	8	7
Facility Services										
# of Maintenance Units	5	5	6	6	5	5	6	6	7	7
Emergency Management										
# of Vehicles	2	2	2	2	1	1	2	2	2	2
Cultural / Recreation										
# of Vehicles	1	1	1	1	1	1	1	2	4	2
# of Buses	1	1	1	2	2	2	2	2	3	2
Landfill										
# of Vehicles	1	1	1	1	2	2	2	2	2	2
County Manager										
# of Vehicles	1	1	1	1	1	1	1	1	1	1

Washington County, North Carolina
Operating Indicators by Function / Program
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Inspections Department										
Building permits issued	255	307	390	207	157	391	368	332	302	286
Sheriff										
Arrests	356	320	276	541	460	219	418	537	537	282
Property Crime (Breaking/Entering)	214	303	290	255	186	1,745	89	452	452	489
Emergency Medical Services										
Calls	1,978	2,014	3,820	2,530	2,497	2,068	3,286	2,367	3,608	4,060
Solid Waste Disposal - County Landfill										
Construction & Demolition (tons)	1,055	417	751	1,675	593	778	793	1,012	1,305	1,029
Land Clearing - Inert Debris (tons)	-	1,223	1,402	4,279	1,317	1,578	1,501	1,410	1,650	2,119
Recycle White Goods (tons)	59	51	169	157	21	45	40	60	44	20
C&D & LCID - contractors portion (tons)	695	427	652	4,172	444	702	408	469	722	426
Department of Social Services										
Adult Assisted Living Facility cases	61	61	60	59	51	54	50	60	50	48
Family & Children's Medicaid (active cases)	2,061	2,079	1,574	2,086	2,239	1,360	1,460	1,679	1,452	1,417
Food and Nutrition Services Program	2,874	3,116	1,580	1,829	1,800	1,827	1,799	1,691	1,592	1,487
Children in Foster Care	15	7	6	10	10	8	13	8	8	22
Community Alternatives Program	77	53	55	55	53	55	57	56	57	58
Child Support caseload	1,449	1,442	1,436	1,394	1,394	1,347	1,319	1,295	1,311	1,281
Disability Medicaid cases	N/A	684	670	676	689	666	678	751	970	728
Adult Medicaid cases	N/A	387	385	373	364	356	425	1,806	1,782	1,057
Library										
Library Items Circulated	43,512	40,358	48,542	47,080	46,122	42,625	47,488	22,282	14,245	28,029
Number of Library Visits	52,075	59,589	60,097	61,484	64,635	59,069	71,729	62,161	42,068	86,532

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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 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 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 (the "County") as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 4, 2019. Our report includes a reference to other auditors who audited the financial statements of the Washington County ABC Board, as described in our report on the County's financial statements. The financial statements of the Washington County ABC Board were not audited in accordance with *Government Auditing Standards*. Our report also includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify 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 as items 2018-001, 2018-002, and 2018-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-004 to be a significant deficiency.

Compliance and Other Matters

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

Washington County, North Carolina's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.



Atlanta, Georgia
April 4, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

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

Report on Compliance for Each Major Federal Program

We have audited Washington County, North Carolina's (the "County") 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 the County's major federal programs for the year ended June 30, 2018. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

Report on Internal Control Over Compliance

Management of the 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 a 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 4, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
APPLICABLE SECTIONS OF THE 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 (the "County") 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 the County's major state programs for the year ended June 30, 2018. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the applicable sections of Title 2 U.S. 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, 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 state program occurred. An audit includes examining, on a test basis, evidence about the 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 the County's compliance.

Opinion on Each Major State Program

In our opinion, the 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, 2018.

Report on Internal Control Over Compliance

Management of the 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 the 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 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-005, that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is 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 compliance and, accordingly, we express no opinion on the response.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 4, 2019

WASHINGTON COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2018**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures			Payments To Subrecipients
			Federal	State	Local	
FEDERAL AWARDS						
U.S. Department of Agriculture:						
Passed through North Carolina Department of Health and Human Services:						
Supplemental Nutrition Assistance Program:						
SNAP Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561		\$ 248,804	\$ -	\$ 248,804	\$ -
Supplemental Nutrition Assistance Program Cluster			248,804	-	248,804	-
Total U.S. Department of Agriculture			248,804	-	248,804	-
U.S. Department of Housing and Urban Development:						
Single Family Housing Rehabilitation Grant						
	14.239		32,412	-	-	-
Total U.S. Department of Housing and Urban Development			32,412	-	-	-
U.S. Department of Health and Human Services						
Passed through North Carolina Department of Health and Human Services						
Child Care Development Cluster:						
Child Care Development Fund - Administration	93.596		80,842	-	-	-
Total Child Care Development Cluster			80,842	-	-	-
Temporary Assistance for Needy Families (TANF):						
TANF - Work First Administration	93.558		76,008	-	30,480	-
TANF - Work First Service	93.558		315,345	-	71,724	-
Total Temporary Assistance for Needy Families Cluster			391,353	-	102,204	-
Foster Care Program:						
IV-E Administration	93.658		13,158	6,579	6,579	-
IV-E Child Protective Services	93.658		15,480	12,424	3,056	-
IV-E Foster Care	93.658		32,345	-	32,345	-
IV-E Foster Care & Extend Reg	93.658		32,232	7,764	7,765	-
Total Foster Care			93,215	26,767	49,745	-
Adoption Program:						
IV-E Adoption Assistance - Administration	93.659		139,556	33,614	453	35,516
Total Adoption			139,556	33,614	453	35,516
Medicaid:						
Administration - Medical Assistance Program	93.778		4,937	-	4,937	-
Medical Assistance - Special Assistance	93.778		1,548	-	516	-
Medical Assistance - Administration	93.778		445,416	-	142,307	-
Medical Assistance - Transportation Administration	93.778		20,321	-	20,321	-
Total Medicaid Cluster			472,222	-	168,081	-
Social Services Block Grant:						
Social Services Block Grant - In Home Services	93.667		112,906	-	36,858	-
Total Social Services Block Grant			112,906	-	36,858	-
Family Preservation	93.556		9,137	-	-	-
Low-Income Home Energy Assistance Program:						
Crisis Intervention Payments	93.568		76,006	-	-	-
Low Income Energy Assistance Program	93.568		12,497	-	-	-
Low Income Home Energy Assistance Program	93.568		90,800	-	-	-
Total Low-Income Home Energy Assistance Grant			179,303	-	-	-
Permanency Planning - Service & Admin	93.645		1,705	-	568	-
Independent Living Program:						
Chafee Foster Care Independence Program	93.674		2,227	557	-	-
Total Independent Living Grant			2,227	557	-	-
Child Support Enforcement Program:						
IV-D Administration	93.563		251,118	-	129,364	-
Total Child Support Enforcement Grant			251,118	-	129,364	-
Children's Health Insurance Program (CHIP):						
North Carolina Health Choice	93.767		12,440	8	-	-
Total Child Support Enforcement Grant			12,440	8	-	-
Total U.S. Department of Health and Human Services			1,746,024	60,946	487,273	35,516

continued

WASHINGTON COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2018**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures			Payments
			Federal	State	Local	To Subrecipients
U.S. Department of Homeland Security						
Passed through North Carolina Department of Public Safety						
HSGP Credentialing System	97.042		85,989	-	-	-
Hazardous Material Emergency Preparedness Grant	97.042		20,000	-	-	-
Total Child Care Development Cluster			105,989	-	-	-
Total U.S. Department of Homeland Security			105,989	-	-	-
U.S. Department of Transportation						
Passed through North Carolina Department of Transportation						
Formula Grants for Rural Areas - Community Transportation Service	20.509	DOT-11	67,207	3,874	-	-
Total Formula Grants for Rural Areas			67,207	3,874	-	-
Total U.S. Department of Transportation			67,207	3,874	-	-
TOTAL FEDERAL AWARDS			2,200,436	64,820	736,077	35,516
STATE AWARDS						
North Carolina Department of Commerce						
Commerce Center Project Grant - Industrial Development Fund		COM-2	-	324,114	-	-
Total North Carolina Department of Commerce			-	324,114	-	-
North Carolina Department of Public Instruction:						
Public School Capital Building Fund - Lottery Proceeds		DPI-3	-	178,760	-	178,760
Total North Carolina Department of Public Instruction			-	178,760	-	178,760
North Carolina Department of Environmental Quality						
Scrap Tire Program			-	23,417	-	-
White Goods Management Program			-	7,954	-	-
Total North Carolina Department of Environmental Quality			-	31,371	-	-
North Carolina Department of Aging:						
Passed through Albemarle Commission						
Aging grant			-	77,878	-	-
Total North Carolina Department of Aging			-	77,878	-	-
North Carolina Department of Transportation						
ROAP - Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	51,300	-	-
ROAP - Rural General Public Program		DOT-16CL	-	49,676	-	-
ROAP - Work First Transitional Employment		DOT-16CL	-	5,713	-	-
Total North Carolina Department of Transportation			-	106,689	-	-
North Carolina Housing Finance Agency						
Urgent Repair Program		NCHFA-3	-	100,000	-	-
Total North Carolina Housing Finance Agency			-	100,000	-	-
TOTAL STATE AWARDS			-	818,812	-	178,760
TOTAL FEDERAL AND STATE AWARDS			\$ 2,200,436	\$ 883,632	\$ 736,077	\$ 214,276

WASHINGTON COUNTY, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related Fund liability is incurred.

Federal grant programs which are administered through State agencies (pass-through awards) have been included in this report, including any funds expended for the State funded portion of those same programs.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The County elected not to utilize the 10% de minimis indirect cost rate.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
Material weaknesses identified: yes no

Significant deficiencies identified: yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid Cluster
93.558	Temporary Assistance for Needy Families
20.509	Formula Grants for Rural Transportation

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I
SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

State Awards

Internal control over major state programs:

Material weaknesses identified: _____ yes no

Significant deficiencies identified: yes _____ none reported

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

Any audit findings disclosed that are require to be reported
In accordance with the State Single Audit Implementation Act? _____ yes no

Identification of major state program:

Program Name _____

Transit Formula Grants for Rural Transportation

Commerce Center Special Appropriations

Rural Operating Assistance Program (ROAP) Cluster

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001 Revenue Recognition

Criteria: Internal controls should be in place to ensure that amounts reported as revenues and related balance sheet accounts are appropriate, are properly valued, and are recorded in the proper period in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's revenues and related balance sheet accounts.

Context/Cause: During our testing, audit adjustments were required to properly report the County's revenues and related balance sheet accounts. The nature of these adjustments is as follows:

- Adjustments were required to correct the reporting of the General Fund's outstanding receivables for the property taxes and the motor vehicle taxes as of June 30, 2018. The accrued receivables had not been adjusted from the prior year and an audit entry of approximately \$678,000 and \$14,000, respectively, were required to adjust the general ledger to reflect the balances provided in the County's subsidiary ledger system;
- The County was not reporting the occupancy taxes levied by the County as a revenue and expenditure in the General Fund. As the County is the legal authority authorized to levy the occupancy tax and then pass the funds on to the Travel & Tourism Authority, the revenues and related expenditures should be reported as a tax revenue to the County. An adjustment of approximately \$156,000 was required to record the 2018 fiscal year activity;
- An adjustment was required in the Emergency Medical Services Fund in order to record the current year's outstanding receivables. As the revenues of this fund are billed and collected on a separate general ledger system, the year-end adjustments were not properly recorded to the County's general ledger. An adjustment of approximately \$539,000 were required to adjust the current year outstanding receivables, the related allowance for uncollectable estimates from management, and the recognition of accrued revenues as of June 30, 2018;
- Adjustments were required to correct the reporting of the Sanitation Fund's outstanding receivables as of June 30, 2018. The accrued receivables had not been adjusted from the prior year and an audit entry of approximately \$130,000, was required to adjust the general ledger to reflect the balances provided in the County's subsidiary ledger system and the related allowance for uncollectible accounts.

Effects: Total misstatements related to revenue recognition and reporting of the related balance sheet accounts were approximately \$1,517,000 for the year ended June 30, 2018.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-001 Revenue Recognition

Recommendation: We recommend the County carefully review all revenues to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We will take necessary steps in the future to ensure that revenues and related balance sheet accounts are properly recorded.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-002 Expenditure/Expense Recognition

Criteria: Generally, expenditures/expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles.

Condition: Misstatements were detected in the reporting of the County's expenditures/expenses and the related balance sheet accounts.

Context/Cause: During our testing, audit adjustments were required to properly report the County's expenditures/expenses and related balance sheet accounts. The nature of these adjustments is as follows:

- During the testing of the County's accounts payable balances, it was identified the general ledger balance included several years of manual audit entries from prior years which were never reversed, thus duplicating the recognition of previous expenditures/expense in both the year of the accrual and the following year of disbursements. Adjustments of approximately \$361,700 were required to the General Fund (\$200,000), the Emergency Medical Services Fund (\$61,600), the Sanitation Fund (\$62,800), the Water Fund (\$12,700), and the NCHFA Single Family Rehabilitation Loan Fund (\$12,800), and Travel & Tourism Authority (\$11,800);
- During the testing of the current year payroll costs at the County, it was noted the County was not recording the accrued wages for the employee's time worked during June, but not paid until July. The entry affected the General Fund (\$265,000, with \$256,000 to restate opening fund balance), the Emergency Medical Services Fund (\$62,000, with \$59,000 to restate opening fund balance), the Sanitation Fund (\$5,000, with \$4,000 to restate opening net position), the Water Fund (\$14,000, with \$17,000 to restate opening net position), the Airport Fund (\$2,000, with \$3,000 to restate opening fund balance), and the Travel & Tourism Authority (\$1,000, with \$1,000 to restate opening fund balance). The accrual for the fiscal year ended June 30, 2018 also required an adjustment to the opening balances of each fund for the accrual of wages earned as of June 30, 2017 in the appropriate year. Total adjustments to the current year accruals were approximately \$350,000, with adjustments to the opening balances of approximately \$340,000;
- An adjustment of approximately \$6,500 was required in the Water Fund in order to record the current year balances of compensated absences which were earned by employees of the fund, as of June 30, 2018;
- An adjustment of approximately \$52,000 was required to adjust the Sanitation Fund's estimated closure and post-closure costs for the County's landfill as of June 30, 2018 to be reported in accordance with GAAP to account for the usage of landfill capacity during the year;
- An adjustment of approximately \$105,000 was required to reconcile the opening fund balance for the recognition of legal expenditures, incorrectly reported as a reduction of fund balance, rather than being recognized as expenditures in the fiscal year ended June 30, 2018;

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-002 Expenditure/Expense Recognition

- An adjustment of approximately \$13,500 was required to adjust the accrued interest balance in the Water Fund, associated with the interest incurred as of June 30, 2018 on the long-term liabilities;
- An adjustment of approximately \$275,000 was required to write-off interfund balances where the General Fund was advancing funds to the Sanitation Fund. It was determined the Sanitation Fund did not have the ability or intent to repay these funds, and the receivable was written off as a transfer, thus increasing the transfers out in the General Fund and increasing transfers in for the Sanitation Fund.

Effects: Audit adjustments totaling approximately \$1,163,700 were needed to correct the County's expenditures/expenses and related balance sheet accounts, with approximately \$701,700 of these adjustments restating the opening balances of the funds noted above.

Recommendation: We recommend the County ensure all expenditures/expenses are properly reported in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding and are currently implementing controls to ensure these year-end adjustments are considered and reflected in the general ledger, as appropriate.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-003 Schedule of Expenditures of Federal and State Awards

Criteria: 2 CFR 200.302(b)(1) states that all nonfederal entities must identify in its accounts all federal awards received and expended. The schedule of expenditures of federal and state awards (SEFSA), as required by 2 CFR 200.510(b), should be derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements for the County.

Condition: Internal controls were not in place to timely prepare, support, or reconcile the expenditures reported on the schedule of expenditures of federal and state awards (SEFSA) to the County's underlying accounting records. The County was not able to timely prepare the complete schedule of expenditures of federal and state awards until December 2018. Additionally, the County prepares the majority portion of the schedule of expenditures of federal and state awards based on revenues received from the State for state and pass-through federal funds.

Context/Cause: During the preparation of the schedule of expenditures of federal and state awards, it was noted the County was not preparing the report based on expenditures. The majority of the County's federal and state awards are related to health and human service grant activity, which is maintained outside of the County's finance department. As such, the County did not have procedures in place to permit for the reconciliation of the schedule of expenditures of federal and state awards to be reconciled to the underlying expenditures of the County.

Effects: Ultimately the County was able to provide the necessary underlying records to support the expenditures reported on the schedule of expenditures of federal and state awards, but the reconciliation was performed with the Finance department and the department of Social Services working together to go through the general ledger and supporting workpapers to reconcile the activity of the County to the SEFSA.

Recommendation: We recommend the County establish procedures to ensure all federal and state grant expenditures are included in the schedule of expenditures of federal and state awards (on an accrual basis) and that CFDA numbers are reported correctly. The County should utilize the County's general ledger system to separately track the expenditures which are program eligible in project codes to aide Finance in the reconciliation of the accounting system to the SEFSA.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to properly track the expenditures of all federal and state funded programs. We will utilize the general ledger system of the County to aide in both the tracking but also the monthly reporting, in an attempt to minimize the manual calculations involved in the reconciliations.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-004 Segregation of Duties

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Segregation of duties is achieved when specific employee functions related to important accounting areas are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

Condition: The limited number of employees and the resulting overlapping of duties causes segregation of duties to be difficult.

Context/Cause: During the course of our test work, we noted the following areas where the County's control procedures were not sufficient to mitigate risks:

- Bank statements are received, downloaded, or accessed online, and reviewed by the same person who reconciles the bank account. We recommend the employee who reconciles the bank statement does not initially open the bank statement.
- During our review of manual journal entries during the year ended June 30, 2018, we noted the daily collections of property taxes are accounted for using the County's separate property tax system. A manual journal entry is required to post the daily collections into the County's general ledger. Although the tax collections are reconciled and approved, prior to posting, there was no documented review or approval of the manual entries entered into the County's general ledger. We recommend the County document the review and independent approval of all manual journal entries prior to posting.

Effects: Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the County. Additionally, without additional internal controls related to financial reporting, errors could occur and not be detected.

Recommendation: We recommend that the County review its processes and determine where it can effectively segregate duties to alleviate the segregation of duties issues as described above and strengthen internal controls.

Auditee's Response: We will review our operations to determine the most efficient and effective solutions to properly segregate duties and strengthen internal controls at the County.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION III STATE AWARDS FINDINGS AND QUESTIONED COSTS

**2018-005 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Allowable Costs**

Criteria: Departments, agencies and/or organizations using ROAP funds to provide services shall determine a billing/reimbursement rate by mile, hour or trip which is based on the fully allocated cost of the service. The fully allocated cost of providing a trip should include both direct costs and shared (indirect) costs. The ITRE Rate Setting Model or other fully allocated cost model approved by the Public Transportation Division (PTD) are acceptable.

Condition: During testing of the per trip costs utilized by the County, the rates were not based on the fully allocated cost of the service and were not calculated using the ITRE (Institution for Transportation Research and Education) Rate Setting Model.

Context/Cause: During the testing of the program costs reported on the quarterly reports for the operation of the ROAP activities, we noted the costs were based on rates set by the County, but were not based on the fully allocated costs of the current year operations and were not set using the State recommended Rate Setting Model.

Effects: While the rates were calculated using an other basis for the fiscal year ended June 30, 2018, the overall cost of running the transportation programs were significantly greater than the available funding. During the year, the fully allocated rate of the program generated a per trip rate greater than that ultimately charged by the County, therefore, there were no questioned costs.

Questioned Costs. None.

Recommendation: We recommend that the County utilize a rate cost which complies with the requirements of the program.

Auditee's Response: We will review our cost rate structure to ensure we utilize the ITRE rate setting model in the coming fiscal year.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

Context: The Hospital was a non-profit organization. The Hospital Board was sold and the Hospital Pension Plan was frozen in March 2007. Washington County assumed the liability for the hospital pension's 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.

Current Status: The issue was corrected in the current year.

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

Condition: 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.

Context: 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 Fund was due to a substantial increase in non-cash estimated landfill closure costs and excess expenditures over revenues.

Current Status: The issue was corrected in the current year.

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

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

Context: The County did not reconcile subsidiary billings and collection reports from the tax department, water sewer and solid waste fees to the general ledger each month. The allowance for doubtful accounts were not adjusted at year end based on prior experience of uncollectible accounts.

Current Status: Repeat finding at 2018-001.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2017-004 Expenditures Exceeded Budgeted Appropriations

Condition: 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.

Context: 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.

Current Status: The finding was corrected in the current year.

2017-005 Bank Account was not Reconciled during the Year

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

Context: The 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.

Current Status: The finding was corrected in the current year.

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

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

Context: The purchase of two HVAC units were recorded as repairs and maintenance expense rather than capital outlay.

Current Status: The finding was corrected in the current year.

COUNTY OF WASHINGTON

BOARD OF COMMISSIONERS

COMMISSIONERS:

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



ADMINISTRATION STAFF:

CURTIS S. POTTER
COUNTY MANAGER/ COUNTY ATTORNEY
cpotter@washconc.org

JULIE J. BENNETT, CMC, NCCCC
CLERK TO THE BOARD
jbennett@washconc.org

POST OFFICE BOX 1007
PLYMOUTH, NORTH CAROLINA 27962
OFFICE (252) 793-5823 FAX (252) 793-1183

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

2018-001 Revenue Recognition

Contact Person Responsible for the Corrective Action Plan: Missy Dixon, Finance Director

Corrective Action Plan: The County is working to develop year-end reporting procedures to ensure the revenue accruals are timely reviewed and adjusted.

Anticipated Completion Date: June 30, 2019

2018-002 Expenditure / Expense Recognition

Contact Person Responsible for the Corrective Action Plan: Missy Dixon, Finance Director

Corrective Action Plan: The County is working to develop year-end reporting procedures to ensure the expenditure / expenses accruals and period recognition entries are timely reviewed and adjusted.

Anticipated Completion Date: June 30, 2019

2018-003 Reporting of the Schedule of Expenditures of Federal and State Awards

Contact Person Responsible for the Corrective Action Plan: Missy Dixon, Finance Director

Corrective Action Plan: The County has implemented controls to help reconcile the federal and state funding as it is collected back to the expenditures and will use this to aid in preparation of the annual schedule of federal and state awards.

Anticipated Completion Date: June 30, 2019

2018-004 Segregation of Duties

Contact Person Responsible for the Corrective Action Plan: Missy Dixon, Finance Director

Corrective Action Plan: The County will continue to evaluate the ideal segregation, given the limited number of resources, and determine where segregation cannot be achieved, what compensating controls can be utilized to achieve proper independence or reviews.

Anticipated Completion Date: June 30, 2019

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MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

2018-005 Rural Operating Assistance Program (ROAP)
Allowable Costs

Contact Person Responsible for the Corrective Action Plan: Missy Dixon, Finance Director

Corrective Action Plan: We will review our cost rate structure to ensure we utilize the ITRE rate setting model in the coming fiscal year.

Anticipated Completion Date: June 30, 2019