

# **Pender County, North Carolina**

Financial and Compliance Reports  
Year Ended June 30, 2016

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**Pender County, North Carolina**

**List of Principal Officials  
June 30, 2016**

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**Board of County Commissioners**

George Brown – Chairman

Fred McCoy – Vice Chairman

Demetrice Keith  
David Piepmeyer  
David Williams

**County Manager**  
Randell Woodruff

**Finance Officer**  
Kathy Brafford

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## **Independent Auditor's Report**

To the Honorable Chairman and  
Members of the Board of County Commissioners  
Pender County, North Carolina

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pender County, North Carolina (the County) as of and for the year ended June 30, 2016, 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 Pender County Alcoholic Beverage Control ("ABC") Board, the discretely presented component unit. 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 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 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Pender County, North Carolina as of June 30, 2016, and the respective changes in financial position and, where applicable cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Governmental Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension Asset (Liability) and County Contributions, and the Register of Deeds Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 83 through 89 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 Pender County's basic financial statements. The combining and individual fund financial statements and schedules, budgetary schedules, and other supplementary data listed in the table of contents as "Other Supplemental Information," 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* (Uniform Guidance) 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 "Other Supplemental Information" and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to 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, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2017, on our consideration of Pender 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pender County's internal control over financial reporting and compliance.

*RSM US LLP*

New Bern, North Carolina  
January 3, 2017

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**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

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As management of Pender County, we offer readers of Pender County's financial statements this narrative overview and analysis of the financial activities of Pender County for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements which follow this narrative.

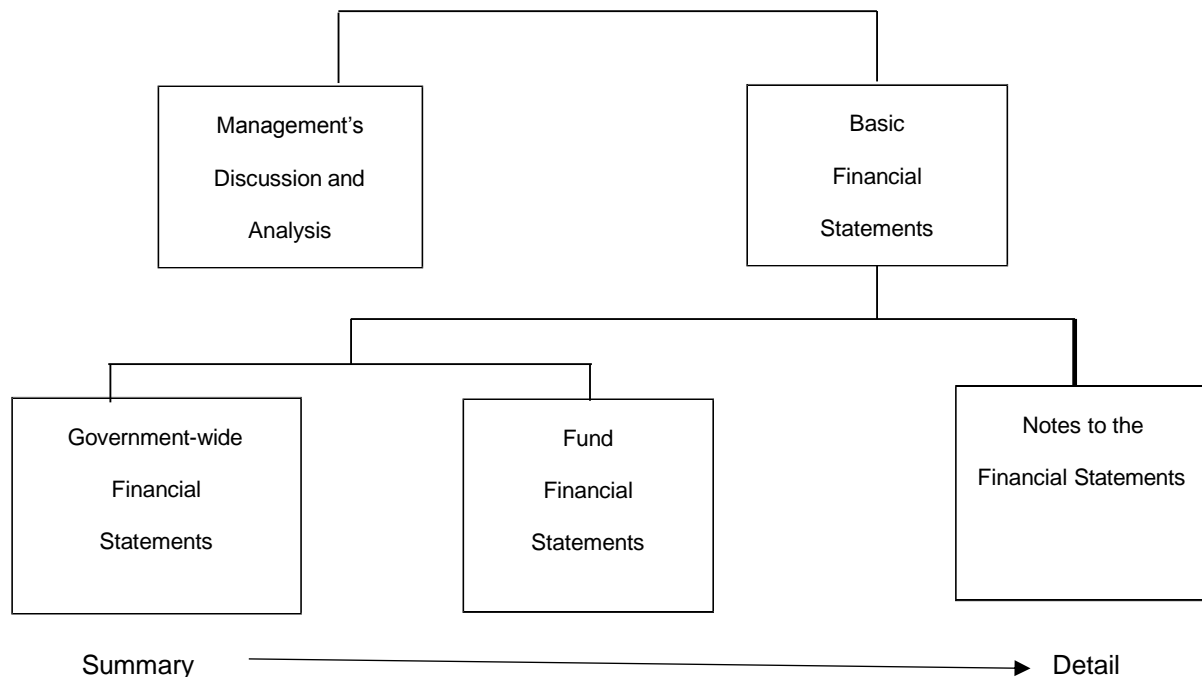
### **Financial Highlights**

- The assets and deferred outflows of resources of Pender County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$41,224,283 (net position).
- The government's total net position increased by \$13,143,530 during the fiscal year. This included an increase of \$10,643,704 from governmental sources, and business-type funds produced an increase of \$2,499,826.
- As of the close of the current fiscal year, Pender County's governmental funds reported combined ending fund balances of \$68,569,432, an increase of \$34,815,791 in comparison with the prior year. Approximately 22.4% of this total amount, or \$15,347,132, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,347,132 or 28.17% of total general fund expenditures for the fiscal year.
- Pender County's total long term debt increased \$35,426,618 or 26.99% during the current fiscal year. The key factors of this increase were due the issuance of general obligation bonds for school projects and bond anticipation notes for water projects.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Pender County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Pender County.

Required Components of Annual Financial Report  
Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

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

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Pender County has six fiduciary funds, all of which are agency funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start after Exhibit 9.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Pender County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning at Exhibit A-1, directly after the notes.

### **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 \$41,224,283 as of June 30, 2016. The County's net position increased by \$13,143,530 for the fiscal year ended June 30, 2016. Net position is reported in three categories: net investment in capital assets, \$60,039,761, restricted net position of \$23,783,263, and unrestricted net position (deficit) of (\$42,598,741).

The invested in capital assets, net of related debt, category is defined as the County's investment in County owned capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Pender County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Pender 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.

Another category of net position is restricted net position. This represents resources that are subject to external restrictions on how they may be used.

The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position (deficit) totaled (\$42,598,741) at June 30, 2016. This deficit is a result of the situation described in the following paragraph.

Under North Carolina law, the County is responsible for providing capital funding for the schools. The County has chosen to meet its obligation to provide the schools capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County, however, are owned and utilized by the schools. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$74 million of the outstanding debt on the County's financial statements was related to assets included in the public school's financial statements.

**Pender County, North Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

However, since the majority of this schools related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate and amount, as may be necessary to pay the debt service on its general obligation bonds.

**Pender County's Net Position**  
**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 74,421,114	\$ 39,925,295	\$ 13,338,848	\$ 10,739,890	\$ 87,759,962	\$ 50,665,185
Capital assets, net	30,080,346	30,910,127	93,107,533	81,991,121	123,187,879	112,901,248
Total assets	<u>104,501,460</u>	<u>70,835,422</u>	<u>106,446,381</u>	<u>92,731,011</u>	<u>210,947,841</u>	<u>163,566,433</u>
Total deferred outflows of resources	4,139,809	3,915,745	402,125	409,504	4,541,934	4,325,249
Current and other liabilities	11,855,941	60,141,885	16,049,505	63,792,770	27,905,446	123,934,655
Long-term liabilities	83,858,894	9,597,283	61,740,198	2,576,565	145,599,092	12,173,848
Total liabilities	<u>95,714,835</u>	<u>69,739,168</u>	<u>77,789,703</u>	<u>66,369,335</u>	<u>173,504,538</u>	<u>136,108,503</u>
Total deferred inflows of resources	717,254	3,446,523	43,700	255,903	760,954	3,702,426
Net position:						
Net investment in capital assets	24,965,534	24,864,086	35,074,227	31,626,717	60,039,761	56,490,803
Restricted	23,741,825	17,055,630	41,438	-	23,783,263	17,055,630
Unrestricted	(36,498,179)	(40,354,240)	(6,100,562)	(5,111,440)	(42,598,741)	(45,465,680)
Total net position	<u>\$ 12,209,180</u>	<u>\$ 1,565,476</u>	<u>\$ 29,015,103</u>	<u>\$ 26,515,277</u>	<u>\$ 41,224,283</u>	<u>\$ 28,080,753</u>

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.19%, which is a slight increase over the previous year's rate of 98.09%.
- Increased charges for services revenue due to increased use and consumption by customers and citizens.
- Continued low cost of debt due to the County's high bond rating.



**Pender County, North Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

**Pender County Changes in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenues:						
Program revenues:						
Charges for services	\$ 2,274,736	\$ 1,899,239	\$ 12,023,978	\$ 9,355,026	\$ 14,298,714	\$ 11,254,265
Operating grants and contributions	12,199,068	9,719,827	1,144,024	1,400,743	13,343,092	11,120,570
Capital grants and contributions	1,621,000	-	2,537,030	-	4,158,030	-
General revenues:					-	
Property taxes	45,756,053	33,583,281	-	-	45,756,053	33,583,281
Other taxes	20,838,358	18,365,113	-	-	20,838,358	18,365,113
Investment earnings, unrestricted	107,567	929,375	26,382	-	133,949	929,375
Miscellaneous, unrestricted	727,072	186,787	654,485	946,607	1,381,557	1,133,394
Total revenues	<u>83,523,854</u>	<u>64,683,622</u>	<u>16,385,899</u>	<u>11,702,376</u>	<u>99,909,753</u>	<u>76,385,998</u>
Expenses:						
General government	7,975,116	7,667,772	-	-	7,975,116	7,667,772
Public safety	19,290,762	18,191,534	-	-	19,290,762	18,191,534
Economic and physical development	5,477,929	2,615,560	-	-	5,477,929	2,615,560
Human services	15,974,710	16,185,153	-	-	15,974,710	16,185,153
Cultural and recreation	1,549,797	1,365,484	-	-	1,549,797	1,365,484
Education	19,793,731	15,639,138	-	-	19,793,731	15,639,138
Interest on long term debt	1,706,508	1,875,045	-	-	1,706,508	1,875,045
Sanitation	-	-	4,969,124	4,910,397	4,969,124	4,910,397
Water and sewer	-	-	8,824,201	7,151,157	8,824,201	7,151,157
Section 8 Housing	-	-	1,123,429	1,167,050	1,123,429	1,167,050
Country Court	-	-	80,916	60,446	80,916	60,446
Total expenses	<u>71,768,553</u>	<u>63,539,686</u>	<u>14,997,670</u>	<u>13,289,050</u>	<u>86,766,223</u>	<u>76,828,736</u>
Increase in net position before transfers	11,755,301	1,143,936	1,388,229	(1,586,674)	13,143,530	(442,738)
Transfers	<u>(1,111,597)</u>	<u>(1,037,622)</u>	<u>1,111,597</u>	<u>1,037,622</u>	<u>-</u>	<u>-</u>
Increase in net position after transfers	10,643,704	106,314	2,499,826	(549,052)	13,143,530	(442,738)
Net position, beginning, previously reported	-	3,272,956	-	27,209,978	-	30,482,934
Restatement	-	-	-	-	-	-
Net position, beginning, restated	<u>1,565,476</u>	<u>1,459,162</u>	<u>26,515,277</u>	<u>27,064,329</u>	<u>28,080,753</u>	<u>28,523,491</u>
Net position ending	<u>\$ 12,209,180</u>	<u>\$ 1,565,476</u>	<u>\$ 29,015,103</u>	<u>\$ 26,515,277</u>	<u>\$ 41,224,283</u>	<u>\$ 28,080,753</u>

**Governmental activities.** Governmental activities increased the County's net position by \$10,643,704. The key element of this increase is as follows:

- Increase in property rate increased property tax revenue by \$12,172,772.

**Business-type activities:** Business-type activities increased Pender County's net position by \$2,499,826, accounting for an increase in the government's net position. Key elements of this increase are as follows:

- Charges for services increased by \$2,668,952 or 28.5%.
- Capital grants were \$2,537,030 or 100% increase over the prior year.

## **Financial Analysis of the County's Funds**

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

**Governmental Funds.** The focus of Pender County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Pender County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Pender County. At the end of the current fiscal year, Pender County's fund balance available in the General Fund was \$15,347,132, while total fund balance reached \$33,113,343. The Governing Board of Pender County has determined that the county should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 28.17% of general fund expenditures, while total fund balance represents 60.8% of that same amount.

At June 30, 2016, the governmental funds of Pender County reported a combined fund balance of 68,569,432, a 103.1% increase over last year. The primary reasons for this increase are the increase in property tax revenue and bond proceeds.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund decreased revenues by \$4,037,646 and expenditures by \$3,495,455.

**Proprietary Funds.** Pender County's proprietary funds provide the same type of information found in the business activities columns of the government-wide statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year was a deficit of \$6,100,562. The total growth in net position for those funds was \$2,499,826. Other factors concerning the finances of these funds have already been addressed in the discussion of Pender County's business-type activities.

**Pender County, North Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
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**Capital Asset and Debt Administration**

**Capital assets.** Pender County's capital assets for its governmental and business-type activities as of June 30, 2016, totals \$123,187,879 (net of accumulated depreciation). These assets include buildings, roads and bridges, utility plants and distribution lines, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of new equipment and vehicles for governmental activities.
- Continued improvement and expansion of ongoing projects.
- Construction of water and wastewater infrastructure.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land	\$ 10,372,655	\$ 10,276,114	\$ 369,193	\$ 415,193	\$ 10,741,848	\$ 10,691,307
Buildings	17,413,522	13,091,762	67,410,599	35,733,332	84,824,121	48,825,094
Furniture, fixtures, and equipment	1,388,152	1,659,305	2,847,016	171,964	4,235,168	1,831,269
Other	174,324	240,728	104,412	721	278,736	241,449
Construction in progress	731,693	5,642,218	22,376,313	45,669,911	23,108,006	51,312,129
Total	<u>30,080,346</u>	<u>30,910,127</u>	<u>93,107,533</u>	<u>81,991,121</u>	<u>123,187,879</u>	<u>112,901,248</u>

**Long-term Debt.** As of June 30, 2016, Pender County had total bonded debt outstanding of \$125,617,000, all of which is debt backed by the full faith and credit of the County.

**Pender County's Outstanding Debt and Long-term Liabilities**  
**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Limited Obligation Debt	\$ 6,280,805	\$ 6,558,483	\$ 38,054,195	\$ 39,201,517	\$ 44,335,000	\$ 45,760,000
Blended component unit debt*	-	-	(20,585,000)	(20,960,000)	(20,585,000)	(20,960,000)
Subtotal Limited Obligation Debt	6,280,805	6,558,483	17,469,195	18,241,517	23,750,000	24,800,000
General Obligation Bonds	64,260,000	45,525,000	37,607,000	38,224,000	101,867,000	83,749,000
Bond anticipation notes	-	-	11,328,000	-	11,328,000	-
Revenue bonds	-	-	4,801,000	4,879,000	4,801,000	4,879,000
Capital leases	743,384	1,274,905	-	-	743,384	1,274,905
Installment purchases	2,196,428	977,604	261,272	367,201	2,457,700	1,344,805
Net pension liability (LEO)	698,522	621,700	-	-	698,522	621,700
Net pension liability (LGERS)	1,079,550	-	81,256	-	1,160,806	-
Other postemployment benefits	7,173,617	6,282,640	415,420	363,708	7,589,037	6,646,348
Compensated absences	1,586,485	1,668,128	82,743	71,931	1,669,228	1,740,059
Unamortized bond premiums	7,564,010	3,053,798	3,076,375	3,168,829	10,640,385	6,222,627
Total	<u>\$ 91,582,801</u>	<u>\$ 65,962,258</u>	<u>\$ 75,122,261</u>	<u>\$ 65,316,186</u>	<u>\$ 166,705,062</u>	<u>\$ 131,278,444</u>

\*See Note 3, 7c, paragraphs 1-3

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Pender County's total debt increased by \$35,426,618 (26.99%) during the past fiscal year, primarily due to loan proceeds for school and water projects.

Pender County received an upgrade of its credit rating by Standard and Poor's of AA (from AA-) and upgrade by Moody's Investors of Aa3 (from Aa2) in the previous fiscal year.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Pender County is \$319,199,576. The County has \$61,828,000 in bonds authorized but un-issued at June 30, 2016.

Additional information regarding Pender County's long-term debt can be found in the notes to the financial statements under Section B.

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

**Economic Outlook**

Pender County has been one of the fastest growing counties in North Carolina during the last decade. The 2015 census population estimate was 57,611, up 10.4% from the 2010 population estimate of 52,217. The County's unemployment rate has held steady. According to the North Carolina Department of Commerce's preliminary statewide and county data for September 2015, the County's unemployment rate was 5.3%, down % from 6.5% in September 2014. Pender County remains a Tier 3 County as designated by the NC Department of Commerce, indicating that the county is 1 of the 20 "least distressed" counties within the State. This designation results from the high population growth in the middle of the decade and the assessed value of Topsail Township, and is not indicative of the true county-wide economic picture.

The distressed economy is not unique to Pender County but is common to all counties in the state and nation. The negative impact on the county's budget and its ability to provide services has been significant, while at the same time the demand for services for many county functions (such as public health and social services) increases during economically challenging times.

With the regional economy continuing to strengthen and move forward, Pender County is showing signs of sustained economic recovery with increasing revenue levels and significant growth in the County ad valorem tax base. This growth will potentially lead to a recovery with new investments made and jobs being created to energize the economy. Currently there are several economic development projects with exciting potential for job creation and tax base growth in the County. With the County's close proximity to the ports, ILM Airport, the Wilmington metropolitan area, I-40, US#17, and US#421, the outlook for the County during the next few years continues to be one of optimism, and transition to more urban growth.

### **Encouraging Business and Industry Development**

A vital element for the economic viability of Pender County long term is success with economic development. In simple terms, economic development is the creation of wealth in a county through the creation of jobs and investment. Central to creating jobs and investment is creating a climate that is attractive to new business and industry, and for the expansion of existing industry. As mentioned above, the County's proximity to major transportation corridors is a major asset for economic development.

The Commissioners have been committed to creating industrial product to attract industrial clients, as evidenced by the Pender Commerce Park (PCP). Acme Smoked Fish recently constructed a 100,000 square foot seafood processing facility in PCP, starting production in January 2015. The business currently employs approximately 120 workers. Empire Distributors is in the process of constructing their beverage distribution facility within PCP, which is anticipated to be operational by October 15, 2016. Additionally, negotiations are currently underway with a third company to locate within PCP.

Additionally, the County, together with Pender Progress Corporation, Four County EMC, Wilmington Industrial Business Development and the Town of Burgaw, constructed an industrial shell building in Pender Progress Industrial Park in Burgaw. This 40,000 square foot building is expandable to 80,000 square feet. Wilmington Business Development has been marketing the building and negotiations are currently underway for its sale to a prospective buyer.

Pender County is poised to reap significant economic benefits over the next five years due to the investment made by the Board in much-needed infrastructure. The County has moved forward with its economic development efforts, including operation of both a new water treatment plant and a new wastewater plant, and the creation of two additional water/sewer districts.

Sixty percent of the County's workforce commutes out of the county to work. The Board understands that economic development is a process, and the Board will continue to devote time, effort and resources, along with its economic development partners, to attract and recruit industrial development, jobs and investment, into the County. Strategies for the next few years include evaluating opportunities for creating business and tourism development incentives, securing and preparing additional sites for industrial development and facilitating development of additional shell building product.

### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities:** The County Commissioners approved a \$55,387,488 General Fund Budget on June 6, 2016, which was included within a total budget ordinance of \$111,473,997, adopted on the same date.

The FY 16-17 General Fund Budget increased about 3.5% as compared to the FY 15-16 Adopted Budget. There was a combination of increases and decreases over the prior year's budget that resulted in a net increase of \$1,859,971.

**Pender County, North Carolina**  
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The FY 16-17 General Fund Budget of \$55,387,488 is in balance with a tax rate of \$.685 per 100 of assessed valuation, the same as the previous FY. Other funds are also in balance. The initial appropriation from the Fund Balance of the General Fund was \$153,178.

**Business-type Activities:** The vision and priority of expanding public water and sewer infrastructure within the County has been many years in development and implementation. To remedy this, the County has undertaken numerous public infrastructure related projects.

The Surface Water Treatment Plant was dedicated and officially went online in November 2012. This plant provides all of the drinking water for the Rocky Point/Topsail and Scotts Hill Water & Sewer

Districts and the soon to be completed Moore's Creek and Central Pender Water Distribution Systems. The plant is designed to upgrade to 6 MGD with little additional investment and will operate to serve the current and future water districts with safe drinking water supply for the next 10 to 15 years.

Design, permitting, and construction activities are underway for the installation of new public water mains and services to the Moore's Creek and Central Pender Water & Sewer Districts. The seven-year General Obligation Bonds authorized in 2006 by the citizens of these two districts have been extended for an additional 3 years to 2016. As sufficient water supply wasn't available to extend waterlines into these districts until the same year as the bond authorizations would have expired (2013), we were approved by the citizens and the LGC to extend the bond authorizations until November 2016. Construction is currently underway and is expected to be completed in August 2017. The County is anticipating an additional 1,200 to 1,500 water customers upon completion of this project.

Construction of the US Highway 421 Pender Commerce Park infrastructure was completed in December 2014. Those improvements included water distribution, sewer collection, storm water management, street lighting, sidewalks, street trees, and over a mile of roadway construction which serves the entire Commerce Park.

In order to provide wastewater treatment and disposal for development of the Commerce Park, a new state-of-the-art wastewater treatment facility went under construction in March 2014. The project was divided into two phases. Phase I, which has been completed, consisted of the influent plant pump station and an equalization basin that will be incorporated as part of a pump and haul operation that will be in place until completion of Phase II. Phase II of the project includes the remaining wastewater treatment facilities and processes that are being constructed semi-concurrently with Phase I. The final facility will have a treatment capacity of 500,000 gallons per day and will utilize an NPDES permit that was acquired via inter-local agreement with the Cape Fear Public Utility Authority in New Hanover County. The NPDES provides for a point discharge to the Cape Fear River of up to 4 million gallons per day; however, permit provisions allow for construction in incremental capacities as demand increases. Final completion of the facility is scheduled for March 2017.

To accommodate the anticipated high-strength waste stream and provide a unique and sustainable facility, the process has been designed as an Adaptive Eco-System utilizing hydroponics (plants) and moving bed bioreactors (MBBR). The "Adaptive Ecosystem" Wastewater Reclamation Facility is estimated to cost approximately \$20 Million to construct.

**Pender County, North Carolina  
Management's Discussion and Analysis (Unaudited)  
June 30, 2016**

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Pender County Utilities received approval for \$3,925,000 in grant funding for the project from both state and federal economic development agencies. The project is now formally known as the "Melinda K. Knoerzer Adaptive Ecosystem Reclamation Facility."

**Requests for Information**

This report is designed to provide an overview of the County's finances 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 Director, Pender County, 805 S. Walker Street, P.O. Box 1578, Burgaw, North Carolina 28425. You can also call (910) 259-1407, visit our website at [www.pendercountync.gov](http://www.pendercountync.gov) or send an email to [kbrafford@pendercountync.gov](mailto:kbrafford@pendercountync.gov).

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## **BASIC FINANCIAL STATEMENTS**

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**Statement of Net Position**  
**June 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pender County ABC Board
<b>Assets</b>				
Cash and cash equivalents	\$ 31,166,940	\$ 6,333,664	\$ 37,500,604	\$ 742,799
Accounts receivables (net)	325,082	1,179,599	1,504,681	1,058
Taxes receivables (net)	1,261,481	-	1,261,481	-
Accrued interest receivable	126,149	-	126,149	-
Internal balances	10,714,959	(10,714,959)	-	-
Due from other government	4,629,631	-	4,629,631	-
Inventories	48,301	-	48,301	689,989
Prepaid items	353,982	2,448	356,430	14,369
Restricted cash and cash equivalents	25,631,034	16,538,096	42,169,130	-
Restricted net pension asset, ROD	163,555	-	163,555	-
Capital assets:				
Land and construction in progress	11,104,347	46,439,025	57,543,372	6,500
Capital assets net of depreciation/amortization	18,975,999	46,668,508	65,644,507	67,715
Total capital assets	30,080,346	93,107,533	123,187,879	74,215
Total assets	104,501,460	106,446,381	210,947,841	1,522,430
<b>Deferred Outflows of Resources</b>				-
Deferred charge on refunding	3,072,879	322,936	3,395,815	-
Pension deferrals	1,066,930	79,189	1,146,119	42,398
Total deferred outflows of resources	4,139,809	402,125	4,541,934	42,398
<b>Liabilities</b>				
Accounts payable	3,675,668	2,511,837	6,187,505	704,724
Accrued interest payable	456,366	127,046	583,412	-
Customer deposits	-	28,559	28,559	-
Long-term liabilities:				
Due within one year	7,723,907	13,382,015	21,105,922	-
Due in more than one year	83,858,894	61,740,246	145,599,140	23,382
Total liabilities	95,714,835	77,789,703	173,504,538	728,106
<b>Deferred Inflows of Resources</b>				
Pension deferrals	589,594	43,700	633,294	12,153
Unearned revenue	127,660	-	127,660	-
Total deferred inflows of resources	717,254	43,700	760,954	12,153
<b>Net position</b>				
Net investment in capital assets	24,965,534	35,074,227	60,039,761	74,215
Restricted for:		-	-	-
Stabilization by State statute	14,759,266	-	14,759,266	-
Health	1,528,814	-	1,528,814	-
Education	7,111,877	-	7,111,877	-
Public safety	93,159	-	93,159	-
Sheriff's seizures	248,709	-	248,709	-
Hud Section 8 housing	-	41,438	41,438	-
Working capital	-	-	-	166,863
Unrestricted (deficit)	(36,498,179)	(6,100,562)	(42,598,741)	583,491
Total net position	\$ 12,209,180	\$ 29,015,103	\$ 41,224,283	\$ 824,569

See Notes to Financial Statements

**Pender County, North Carolina**

**Statement of Activities**

**For the Fiscal Year Ended June 30, 2016**

		Program Revenues		
Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental:				
General government	\$ 7,975,116	\$ 1,114,419	\$ -	\$ -
Public safety	19,290,762	236,472	686,708	-
Economic and physical development	5,477,929	898,611	474,996	-
Human services	15,974,710	1,907	10,931,407	-
Cultural and recreation	1,549,797	23,327	105,957	-
Education	19,793,731	-	-	1,621,000
Interest on long-term debt	1,706,508	-	-	-
Total governmental activities	71,768,553	2,274,736	12,199,068	1,621,000
Business-type:				
Resource Recovery Fund	4,969,124	4,576,384	-	-
Water Districts	4,828,087	4,866,361	-	-
Water Treatment Plant	2,633,696	597,075	-	-
Sewer Fund	6,283	1,925,494	-	-
Section 8 Housing	1,123,429	-	1,144,024	-
Country Court Apartments	80,916	58,664	-	-
Waste Water Treatment Plant	1,356,135	-	-	2,537,030
Total business-type activities	14,997,670	12,023,978	1,144,024	2,537,030
Total primary government	\$ 86,766,223	\$ 14,298,714	\$ 13,343,092	\$ 4,158,030
Component units:				
Pender County ABC Board	\$ 6,066,354	\$ 6,094,608	\$ -	\$ -

**General revenues:**

**Taxes:**

Property taxes, levied for general purposes

Local option sales tax

Other taxes

Investment earnings, unrestricted

Miscellaneous, unrestricted

**Transfers**

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

See Notes to Financial Statements

**Exhibit 2**

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Primary Government</b>			<b>Component Unit</b>	
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Pender County ABC Board</b>	
\$ (6,860,697)	\$ -	\$ (6,860,697)	\$ -	
(18,367,582)	-	(18,367,582)	-	
(4,104,322)	-	(4,104,322)	-	
(5,041,396)	-	(5,041,396)	-	
(1,420,513)	-	(1,420,513)	-	
(18,172,731)	-	(18,172,731)	-	
(1,706,508)	-	(1,706,508)	-	
(55,673,749)	-	(55,673,749)	-	
-	(392,740)	(392,740)	-	
-	38,274	38,274	-	
-	(2,036,621)	(2,036,621)	-	
-	1,919,211	1,919,211	-	
-	20,595	20,595	-	
-	(22,252)	(22,252)	-	
-	1,180,895	1,180,895	-	
-	707,362	707,362	-	
(55,673,749)	707,362	(54,966,387)	-	
-	-	-	28,254	
45,756,053	-	45,756,053	-	
10,598,259	-	10,598,259	-	
10,240,099	-	10,240,099	-	
107,567	26,382	133,949	286	
727,072	654,485	1,381,557	-	
(1,111,597)	1,111,597	-	-	
66,317,453	1,792,464	68,109,917	286	
10,643,704	2,499,826	13,143,530	28,540	
1,565,476	26,515,277	28,080,753	796,029	
\$ 12,209,180	\$ 29,015,103	\$ 41,224,283	\$ 824,569	

**Governmental Funds**  
**Balance Sheet**  
**June 30, 2016**

	General	School Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 19,818,203	\$ -	\$ 10,288,159	\$ 30,106,362
Accounts receivable	562,067	-	-	562,067
Taxes receivable	1,007,380	-	254,101	1,261,481
Due from other funds	10,776,032	-	-	10,776,032
Due from other governments	3,327,062	-	1,065,584	4,392,646
Inventory	48,301	-	-	48,301
Prepays	353,982	-	-	353,982
Restricted cash	922,670	23,416,271	1,292,093	25,631,034
Total assets	<u>\$ 36,815,697</u>	<u>\$ 23,416,271</u>	<u>\$ 12,899,937</u>	<u>\$ 73,131,905</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,327,431	\$ 354,167	\$ 190,778	\$ 2,872,376
Due to other governments	239,883	-	-	239,883
Due to other funds	-	-	61,073	61,073
Total liabilities	<u>2,567,314</u>	<u>354,167</u>	<u>251,851</u>	<u>3,173,332</u>
<b>Deferred inflows of resources</b>	<u>1,135,040</u>	<u>-</u>	<u>254,101</u>	<u>1,389,141</u>
<b>Fund balances:</b>				
Nonspendable:				
Inventory	48,301	-	-	48,301
Prepays	353,982	-	-	353,982
Restricted:				
Stabilization by State statute	14,759,266	-	-	14,759,266
Health Department Escrow	1,528,814	-	-	1,528,814
Public safety	-	-	93,159	93,159
Sheriff's seizures	248,709	-	-	248,709
Economic and physical development	-	-	14,441	14,441
School capital projects	-	23,062,104	7,111,877	30,173,981
Committed:				
Tax revaluation	634,251	-	-	634,251
Automation enhancement and preservation	39,710	-	-	39,710
Capital projects	-	-	5,174,508	5,174,508
Assigned:				
Subsequent years expenditures	153,178	-	-	153,178
Unassigned	15,347,132	-	-	15,347,132
Total fund balances	<u>33,113,343</u>	<u>23,062,104</u>	<u>12,393,985</u>	<u>68,569,432</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,815,697</u>	<u>\$ 23,416,271</u>	<u>\$ 12,899,937</u>	<u>\$ 73,131,905</u>

See Notes to Financial Statements

**Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2016**

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

Total Fund Balance, Governmental Funds	\$ 68,569,432
Charges relating to advance refunding debt issue	3,072,880
Net pension asset, ROD	163,555
Capital assets used in governmental activities that are not financial resources and therefore are not reported in the funds	30,080,346
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the statement of net position	1,066,930
Accrued interest receivable on the Statement of Net Position	126,149
Property taxes receivable	1,261,481
Internal service funds are used by management to charge the costs of certain activities such as insurance to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities on the Statement of Net Position	497,168
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(91,582,801)
Accrued interest payable on the Statement of Net Position	(456,366)
Pension related deferrals	<u>(589,594)</u>
Net position of governmental activities	<u>\$ 12,209,180</u>

See Notes to Financial Statements

**Governmental Funds**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2016**

	General	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 45,626,191	\$ -	\$ 9,749,803	\$ 55,375,994
Unrestricted Intergovernmental	7,754,306	-	3,773,613	11,527,919
Restricted Intergovernmental	11,364,828	-	1,889,639	13,254,467
Permits and fees	928,346	-	-	928,346
Charges for services	1,344,328	-	-	1,344,328
Interest	106,799	702	66	107,567
Miscellaneous	727,072	-	-	727,072
Total revenues	67,851,870	702	15,413,121	83,265,693
<b>Expenditures</b>				
General government	7,322,829	-	-	7,322,829
Public safety	8,287,978	-	10,151,747	18,439,725
Economic and physical development	5,141,615	-	358,212	5,499,827
Human services	15,092,374	-	-	15,092,374
Culture and recreation	1,364,891	-	-	1,364,891
Education	15,426,903	3,735,700	6,146,914	25,309,517
Debt service:				
Principal	1,577,601	-	-	1,577,601
Interest	259,576	-	-	259,576
Bond issuance cost	-	224,437	(557)	223,880
Total expenditures	54,473,767	3,960,137	16,656,316	75,090,220
Revenues over (under) expenditures	13,378,103	(3,959,435)	(1,243,195)	8,175,473
<b>Other Financing sources (uses)</b>				
Bond proceeds	2,166,677	24,500,000	-	26,666,677
Bond refunding proceeds	-	-	11,135,000	11,135,000
Payment of refunded debt	-	-	(13,219,978)	(13,219,978)
Bond premium	-	2,536,387	2,281,479	4,817,866
Transfers in	5,881,000	5,750,000	6,336,386	17,967,386
Transfers out	(14,845,633)	(5,875,000)	(6,000)	(20,726,633)
Total other financing sources (uses)	(6,797,956)	26,911,387	6,526,887	26,640,318
Net change in fund balances	6,580,147	22,951,952	5,283,692	34,815,791
<b>Fund Balances</b>				
Beginning	26,533,196	110,152	7,110,293	33,753,641
Ending	\$ 33,113,343	\$ 23,062,104	\$ 12,393,985	\$ 68,569,432

See Notes to Financial Statements



**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**

**For the Fiscal Year Ended June 30, 2016**

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

Net change in fund balances - total governmental funds	\$ 34,815,791
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.	
Increase in purchased capital assets, net of decrease in construction in progress	605,826
Depreciation expense	(1,461,254)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to increase net assets	25,647
The contributions to the pension plans in the current fiscal year are not included in the Statement of Activities	1,066,930
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Increase in deferred property taxes	59,032
Increase in accrued interest receivable	7,830
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets:	
Additions to long-term liabilities	(45,425,215)
Retirement of long-term liabilities	19,804,672
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:	
Pension expense	602,564
Decrease in accrued interest payable	130,474
Amortization of premium and deferred refunding charge	23,443
Internal service fund is used by management to charge the costs of risk management to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.	387,964
Change in net position of governmental activities	\$ 10,643,704

See Notes to Financial Statements

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**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 44,405,212	\$ 44,404,212	\$ 45,626,191	\$ 1,221,979
Unrestricted intergovernmental	6,325,511	6,325,511	7,754,306	1,428,795
Restricted intergovernmental	16,678,792	11,060,576	11,364,828	304,252
Permits and fees	536,000	601,500	928,346	326,846
Charges for services	1,181,138	1,126,260	1,344,328	218,068
Interest	23,000	24,000	106,799	82,799
Miscellaneous	409,000	1,978,948	727,072	(1,251,876)
Total revenues	69,558,653	65,521,007	67,851,870	2,330,863
<b>Expenditures</b>				
General government	8,874,591	8,922,367	7,322,829	1,599,538
Public safety	9,065,977	8,502,056	8,287,978	214,078
Economic and physical development	3,530,653	5,295,344	5,141,615	153,729
Health services	21,793,636	16,426,437	15,092,374	1,163,307
Culture and recreation	1,413,531	1,519,852	1,364,891	154,961
Education, schools	15,041,542	15,391,749	15,426,903	(35,154)
Debt service:				
Principal	1,789,627	1,789,627	1,577,601	212,026
Interest	254,385	421,055	259,576	161,479
Total expenditures	61,763,942	58,268,487	54,473,767	3,623,964
Revenues over expenditures	7,794,711	7,252,520	13,378,103	5,954,827
<b>Other financing sources (uses)</b>				
Loan proceeds	-	2,166,677	2,166,677	-
Transfers from other funds	-	5,881,000	5,881,000	-
Transfers to other funds	(7,560,711)	(15,306,183)	(14,970,633)	506,306
Appropriated fund balance	-	40,000	-	(40,000)
Reserves	(234,000)	(34,014)	-	34,014
Total other financing sources (uses)	(7,794,711)	(7,252,520)	(6,922,956)	500,320
Revenues over expenditures and other financing sources (uses)	\$ -	\$ -	6,455,147	\$ 6,455,147
Fund balance, beginning			26,023,945	
Fund balance, ending			32,479,092	
A legally budgeted Tax Reassessment Fund is consolidated into the General Fund for reporting purposes:				
Transfer from General Fund			125,000	
Fund balance, beginning of year			509,251	
Fund balance, end of year			\$ 33,113,343	

See Notes to Financial Statements

**Pender County, North Carolina**

**Proprietary Funds  
Statement of Net Position  
June 30, 2016**

	Business-type Activities - Enterprise Funds			
	Resource Recovery Fund	Rocky Point Water Fund	Water Treatment Plant	Water Fund
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 100	\$ 2,771,119	\$ -	\$ -
Accounts receivable, net of allowance for doubtful accounts	456,729	638,697	-	-
Due from other funds	-	678,906	-	-
Due from Districts	-	-	-	740,000
Prepaid expenses	-	-	-	-
Restricted cash and cash equivalents	-	1,038,986	-	-
Total current assets	456,829	5,127,708	-	740,000
Noncurrent assets:				
Capital assets, net	1,364,891	22,871,637	34,368,796	-
Due from Districts	-	-	-	19,845,000
Total noncurrent assets	1,364,891	22,871,637	34,368,796	19,845,000
Total assets	1,821,720	27,999,345	34,368,796	20,585,000
<b>Deferred Outflows of Resources</b>	11,807	321,260	16,115	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	26,590	167,418	83,448	-
Due to other funds	1,147,129	-	4,442,073	-
Customer deposits payable	-	25,549	-	-
Compensated absences liability - current	12,598	35,000	9,295	-
Installment notes payable - current	-	-	101,190	-
Revenue bonds payable - current	-	-	80,000	-
Limited obligation bonds payable - current	-	-	-	348,223
General obligation bonds payable - current	-	310,000	260,000	-
Bond anticipation notes	-	-	-	-
Total current liabilities	1,186,317	537,967	4,976,006	348,223
Noncurrent liabilities:				
Compensated absences liability	1,182	7,114	-	-
Other postemployment benefit liability	79,613	211,836	50,284	-
Net pension liability	12,115	38,889	16,414	-
Installment notes payable	-	-	51,336	-
Revenue bonds payable	-	-	4,721,000	-
Limited obligation bonds payable	-	-	-	20,236,777
General obligation bonds payable	-	19,117,764	16,762,000	-
Total noncurrent liabilities	92,910	19,375,603	21,601,034	20,236,777
Total liabilities	1,279,227	19,913,570	26,577,040	20,585,000
<b>Deferred Inflows of Resources</b>	6,516	20,915	8,893	-
<b>Net Position</b>				
Net investment in capital assets	1,364,891	4,457,309	12,393,270	-
Hud Section 8 housing	-	-	-	-
Unrestricted	(817,107)	3,928,811	(4,594,292)	-
Total net position	\$ 547,784	\$ 8,386,120	\$ 7,798,978	\$ -

See Notes to Financial Statements

# Exhibit 6

PCP Wastewater Treatment Plant	Total Aggregate Nonmajor Fund	Total	Governmental Activities - Internal Service Fund
\$ 440,846	\$ 3,121,599	\$ 6,333,664	\$ 1,060,578
-	84,173	1,179,599	-
-	99	679,005	-
-	-	740,000	-
-	2,448	2,448	-
4,121,140	11,377,970	16,538,096	-
4,561,986	14,586,289	25,472,812	1,060,578
20,390,121	14,112,088	93,107,533	-
-	-	19,845,000	-
20,390,121	14,112,088	112,952,533	-
24,952,107	28,698,377	138,425,345	1,060,578
1,592	51,351	402,125	-
1,351,229	1,010,198	2,638,883	563,410
1,365,040	4,439,722	11,393,964	-
-	3,010	28,559	-
5,257	7,850	70,000	-
-	6,780	107,970	-
-	-	80,000	-
772,322	-	1,120,545	-
-	65,000	635,000	-
-	11,368,548	11,368,548	-
3,493,848	16,901,108	27,443,469	563,410
-	4,447	12,743	-
-	73,687	415,420	-
1,755	12,083	81,256	-
-	101,967	153,303	-
-	-	4,721,000	-
18,149,924	-	38,386,701	-
-	2,675,011	38,554,775	-
18,151,679	2,867,195	82,325,198	-
21,645,527	19,768,303	109,768,667	563,410
878	6,498	43,700	-
5,589,015	11,269,742	35,074,227	-
-	41,438	41,438	-
(2,281,721)	(2,336,253)	(6,100,562)	497,168
\$ 3,307,294	\$ 8,974,927	\$ 29,015,103	\$ 497,168

**Pender County, North Carolina**

**Proprietary Funds**

**Statement of Revenues, Expenses and Changes in Fund Net Position**

**For the Fiscal Year Ended June 30, 2016**

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point Water Fund	Water Treatment Plant
<b>Operating Revenues</b>			
Charges for services	\$ 4,517,468	\$ 4,375,557	\$ 597,075
Dwelling rental	-	-	-
Miscellaneous	58,916	-	-
Total operating revenues	4,576,384	4,375,557	597,075
<b>Operating Expenses</b>			
Cost of services	4,911,000	2,655,555	933,793
Depreciation and amortization	45,256	705,233	966,677
Total operating expenses	4,956,256	3,360,788	1,900,470
Operating income (loss)	(379,872)	1,014,769	(1,303,395)
<b>Nonoperating Revenues (Expenses)</b>			
Restricted intergovernment	-	-	-
Interest income	-	2,220	-
Miscellaneous	332,120	-	-
Loss on disposal of asset	-	(11,404)	-
Interest expense	-	(738,980)	(733,226)
Debt issuance costs	(12,868)	-	-
Total net nonoperating revenues (expenses)	319,252	(748,164)	(733,226)
Capital contributions	-	-	-
Income (loss) before transfers	(60,620)	266,605	(2,036,621)
Transfers in	77,713	332,769	1,773,136
Transfers out	(369,455)	(52,400)	(25,000)
Total transfers in (out)	(291,742)	280,369	1,748,136
Change in net position	(352,362)	546,974	(288,485)
Net position, beginning	900,146	7,839,146	8,087,463
Net position, ending	\$ 547,784	\$ 8,386,120	\$ 7,798,978

See Notes to Financial Statements

**Exhibit 7**

PCP Wastewater Treatment Plant	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ -	\$ 2,409,686	\$ 11,899,786	\$ 1,698,511
-	57,987	57,987	-
-	7,289	66,205	
-	2,474,962	12,023,978	1,698,511
435,689	1,457,702	10,393,739	2,958,197
-	365,048	2,082,214	-
435,689	1,822,750	12,475,953	2,958,197
(435,689)	652,212	(451,975)	(1,259,686)
-	1,144,024	1,144,024	-
17,590	6,572	26,382	-
-	322,365	654,485	-
-	(126,900)	(138,304)	-
(792,992)	(103,634)	(2,368,832)	-
(1,713)	-	(14,581)	-
(777,115)	1,242,427	(696,826)	-
2,537,030	-	2,537,030	-
1,324,226	1,894,639	1,388,229	(1,259,686)
1,100,849	376,878	3,661,345	1,647,650
-	(2,102,893)	(2,549,748)	-
1,100,849	(1,726,015)	1,111,597	1,647,650
2,425,075	168,624	2,499,826	387,964
882,219	8,806,303	26,515,277	109,204
\$ 3,307,294	\$ 8,974,927	\$ 29,015,103	\$ 497,168

**Pender County, North Carolina**

**Proprietary Funds**

**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2016**

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point Water Fund	Water Treatment Plant Fund
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 4,610,228	\$ 4,283,615	\$ 676,298
Payments to customers and suppliers	(5,091,189)	(1,969,138)	(612,917)
Payments to employees	(171,586)	(565,266)	(252,114)
Net cash provided by (used in) operating activities	(652,547)	1,749,211	(188,733)
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition & construction of capital assets	(75,764)	-	(84,367)
Grant proceeds	-	-	-
Repayment of installment notes and bonds	-	(310,000)	(419,245)
Proceeds from issuance bond anticipation notes	-	-	-
Debt issuance costs	(12,868)	-	-
Interest paid	-	(840,170)	(795,145)
Net cash provided by (used in) capital and related financing activities	(88,632)	(1,150,170)	(1,298,757)
<b>Cash Flows From Noncapital Financing Activities</b>			
Due to (from) other funds	700,801	-	(260,646)
Due from district	-	-	-
HUD operating grants	-	-	-
Miscellaneous revenues	332,120	-	-
Transfers in (out)	(291,742)	280,369	1,748,136
Net cash provided by noncapital financing activities	741,179	280,369	1,487,490
<b>Cash Flows From Noncapital Financing Activities</b>		2,220	-
Interest on cash and cash equivalents	-	2,220	-
Net increase (decrease) in cash and cash equivalents	-	881,630	-
<b>Cash and Cash Equivalents</b>			
Beginning	100	2,928,475	-
Ending	\$ 100	\$ 3,810,105	\$ -

See Notes to Financial Statements



Exhibit 8

		PCP		Total		Governmental	
Water Fund		Wastewater Treatment Plant Fund		Aggregate Nonmajor Funds		Activities - Internal Service Fund	
\$	-	\$	-	\$	2,504,469	\$	12,074,610
	-		(396,442)		(1,216,148)		(9,285,834)
	-		(32,949)		(216,136)		(1,238,051)
	-		(429,391)		1,072,185		1,550,725
	-		(12,080,488)		(207,169)		(12,447,788)
	-		2,537,030		-		2,537,030
(375,000)			(772,322)		(71,683)		(1,948,250)
-			-		11,368,546		11,368,546
-			(1,713)		-		(14,581)
-			(679,536)		(111,651)		(2,426,502)
(375,000)			(10,997,029)		10,978,043		(2,931,545)
-			1,365,040		1,016,104		2,821,299
375,000			-		-		375,000
-			-		1,144,088		1,144,088
-			-		322,365		654,485
-			1,100,849		(1,726,114)		1,111,498
375,000			2,465,889		756,443		6,106,370
-			17,590		6,572		26,382
-			17,590		6,572		26,382
-			(8,942,941)		12,813,243		4,751,932
-			13,504,927		1,686,326		18,119,828
\$	-	\$	4,561,986	\$	14,499,569	\$	22,871,760
						\$	1,060,578

(Continued)

**Pender County, North Carolina**

**Proprietary Funds**

**Statement of Cash Flows (Continued)**

**For the Fiscal Year Ended June 30, 2016**

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point Water Fund	Water Treatment Plant Fund
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (379,872)	\$ 1,014,769	\$ (1,303,395)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	45,256	705,233	966,677
Change in assets and liabilities:			
Accounts receivable	33,844	(87,199)	79,223
Prepaid items	-	-	-
Accounts payable and accrued expenses	(358,914)	99,779	74,443
Customer deposits payable	-	(4,743)	
Compensated absences	2,001	5,905	(3,046)
OPEB	9,825	26,372	6,723
Decrease in net pension asset	15,444	50,090	24,887
(increase) decrease in deferred outflows of resources	(834)	2,312	1,567
Increase in net pension liability	12,115	38,889	16,414
Increase (Decrease) in deferred inflows of resources	(31,412)	(102,196)	(52,226)
Net cash provided by (used in) operating activities	<u>\$ (652,547)</u>	<u>\$ 1,749,211</u>	<u>\$ (188,733)</u>

See Notes to Financial Statements

**Exhibit 8**  
**(Continued)**

	Water Fund	PCP Wastewater Treatment Plant Fund	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$	-	\$ (435,689)	\$ 652,212	\$ (451,975)	\$ (1,259,686)
	-	-	365,047	2,082,213	-
	-	-	30,914	56,782	-
	-	-	(2,448)	(2,448)	-
	-	-	17,216	(167,476)	(56,149)
	-	-	924	(3,819)	-
	-	5,257	695	10,812	-
	-	-	8,792	51,712	-
	-	-	13,781	104,202	-
	-	(1,592)	(1,018)	435	-
	-	1,755	12,083	81,256	-
	-	878	(26,013)	(210,969)	-
\$	-	\$ (429,391)	\$ 1,072,185	\$ 1,550,725	\$ (1,315,835)

**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2016**

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	Agency Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 43,771
Accounts Receivable	4,717
Total assets	<u>48,488</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 48,488
Total liabilities	<u>48,488</u>
<b>Net Position</b>	<u><u>\$ -</u></u>

See Notes to Financial Statements

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## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 1. Nature of the Entity, Reporting Entity, and Summary of Significant Accounting Policies**

**A. Reporting entity**

Pender County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under General Statute 153A-10. The County is located in the southeastern part of the State in the Coastal Region and has a population of approximately 55,334. As required by generally accepted accounting principles (GAAP), these financial statements present the County and its component units, legally separate entities for which the County is financially accountable.

**Blended Component Units**

The blended presentation method presents component units, presented below, as a department or unit of the County, and offers no separate presentation as with the discrete method. These units are reported as non-major enterprise funds with the exception of Rocky Point/Topsail Water/Sewer District which is reported as a major fund.

**Pender County Housing Authority (“the Authority”):** The Authority, a separate legal entity governed by the County Commissioners, exists to provide low and moderate income residents alternatives for affordable housing. Its primary revenues are rental payments and subsidies paid by the federal government. The Authority’s operations are reported in two non-major enterprise funds: the Section 8 Administration and Country Court Apartments Fund. Separate financial statements are not issued for the Authority.

**Maple Hill Water District (“the District”):** The District was established by the Pender County Board of Commissioners on February 21, 1989. It includes a section of Northeast Pender County near the Onslow and Duplin County lines. Approximately 450 potential customers (households and businesses) are within the District. The District provides potable water to the customers in the District. Under State law, NCGS 162A-89, the Pender County Board of Commissioners also serve as the governing board of the District. This District is reported as an enterprise fund. Separate financial statements are not issued for the District.

**The Rocky Point/Topsail Water/Sewer District (“the District”):** The District was established by the Pender County Board of Commissioners. The District provides potable water and access to sewer services to the customers in the District. Under State law, NCGS 162A-89, the Pender County Board of Commissioners also serve as the governing board of the District. The District is reported as an enterprise fund. Separate financial statements are not issued for the District.

**Scotts Hill Water and Sewer District (“the District”):** The District was established by the Pender County Board of Commissioners on February 20, 2006. It includes a section of Southeast Pender County near the New Hanover County line. Approximately 650 potential customers (households and businesses) are within the District. The District began the provision for potable water to the customers in the District in November 2011. Under State law, NCGS 162A-89, the Pender County Board of Commissioners also serve as the governing board of the District. This District is reported as an enterprise fund. Separate financial statements are not issued for the District.

**Moore’s Creek Water and Sewer District (“the District”):** The District was established by the Pender County Board of Commissioners on February 20, 2006. It includes a section of Southeast Pender County near the New Hanover County line on US 421. Approximately 700 potential customers (households and businesses) are within the District. The citizens within the Moore’s Creek Water and Sewer District approved a General Obligation Bond Referendum on November 7, 2006 to fund the future construction of a water distribution system to serve the District. The GO Bond Referendum, which took effect upon its approval by the qualified voters in the District on November 7, 2006, was extended from seven to ten years after the date such bond order took effect. Construction of the Moore’s Creek Water Distribution system is in process at the end of fiscal year 2016.

## Pender County, North Carolina

### Notes to Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

**Central Pender Water and Sewer District (“the District”):** The District was established by the Pender County Board of Commissioners on February 20, 2006. It includes a section of Southeast and Central Pender County in the vicinity of the Town of Burgaw. Approximately 850 potential customers (households and businesses) are within the District. The citizens within the Central Pender Water and Sewer District approved a General Obligation Bond Referendum on November 7, 2006, to fund the future construction of a water distribution system to serve the District. The GO Bond Referendum, which took effect upon its approval by the qualified voters in the District on November 7, 2006, was extended from seven to ten years after the date such bond order took effect. Construction of the Central Pender Water Distribution system is in process at the end of fiscal year 2016.

#### Discretely Presented Component Units

The discretely presented component unit presented below is reported in a separate column in the County's government-wide financial statements in order to emphasize that it is legally separate from the County.

**Pender County ABC Board:** The members of the Alcoholic Beverage Control (ABC) Board's governing board are appointed by the County Commissioners. The ABC Board is required by state statute to distribute its surpluses to the General Fund of the County. The Board, as provided by North Carolina Alcoholic Beverage Control Laws, operates four retail liquor stores. The Alcoholic Beverage Control Board, which has a June 30 year-end, is presented as if it were a proprietary fund.

Complete financial statements for the discretely presented component unit may be obtained at the administrative offices of those entities, which are as follows:

Pender County ABC Board  
207 US 117 Bypass  
Burgaw, North Carolina 28425

#### Other Component Unit

#### Industrial Facilities and Pollution Control Financing Authority:

The County's Board of Commissioners are responsible for appointing the members of the board of the Industrial Facilities and Pollution Control Financing Authority (“Industrial Authority”), and the County can remove any member of the board with or without cause. The Industrial Authority exists to issue and service revenue bond debt for private businesses to aid in the financing of the industrial manufacturing facilities for the purpose of providing employment and raising below average manufacturing wages and for established industries that are in need of modernization in order to meet the pollution control requirements of the federal government, state, county and city. The Industrial Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Industrial Authority does not issue separate financial statements.

#### B. Basis of presentation, basis of accounting

**Government-wide Statements:** The statement of net position and the statement of activities display information about the primary government net position (“the County”) and its discretely presented component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County.

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties

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

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

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

The County reports the following major governmental funds:

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

*School Capital Project Fund:* This fund is used to track revenue and expenditures for school capital outlay.

The County reports the following major enterprise funds:

*Resource Recovery Fund:* This fund accounts for the operation, maintenance, and development of various landfills and disposal sites.

*Rocky Point – Topsail Water and Sewer Fund:* This fund is used to account for the operations of the water and sewer district within Rocky Point and Topsail.

*Water Treatment Plant:* This fund is used to account for the construction of the Water Treatment Plant.

*Water Fund:* This fund is used to account for the Limited Obligation Bonds issued by the County to cover the Water District General Obligation Bonds.

*PCP Waste Water Treatment Plant Fund:* This fund is used to account for the construction of the PCP Waste Water Treatment Plant.



**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

The County reports the following fiduciary fund type:

*Agency Funds:* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Ad Valorem and Vehicle Tax Agency Fund; the 4-H Fund; Extension Education Fund; the Sea Oats Travel Fund; a Pesticide Recycling Grant; and the Tourism Development Authority Fund.

The Ad Valorem and Vehicle Tax Agency Fund accounts for ad valorem registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County.

The County reports the following non-major funds:

Governmental: Fire Service District Fund, Rescue Districts Fund, 911 Emergency Telephone Fund, CDBG Scattered Sites Fund, HPRP Grant Fund, School Special Revenue Fund, Vehicle Replacement Capital Project Fund, Capital Improvements Fund, and Capital Facilities Reserve Fund.

Enterprise: Maple Hill Water Fund, Sewer Fund, Section 8 Administration Fund, Country Court Apartments Fund, Scotts Hill Water & Sewer Fund, Waste Water Treatment Plant Fund, Moore's Creek Water District, and Central Pender Water District. The majority of the enterprise funds have capital project funds which are cumulative and are reported in the major or non-major operating funds.

Internal Service: Employee Health Insurance Fund and Workers Compensation Fund.

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

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

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

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

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied, subject to availability.

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

**C. Budgetary data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, 911 Emergency Telephone, Fire Service and Rescue District, School, and Revaluation Special Revenue Funds, Vehicle Replacement Capital Project Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Reserve Special Revenue Fund, Capital Projects Funds, and the Enterprise Capital Projects Funds, which are consolidated with the Enterprise Operating Funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. The governing board must approve all amendments. During the year, several material amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

**D. Assets, liabilities, deferred inflows and outflows of resources, and fund equity**

**1. Deposits and Investments**

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

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

The majority of the County and the ABC Board's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NC Capital Management Trust 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.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

The unexpended bond proceeds of the District's Bonds are classified as restricted assets within the Water and Sewer Districts because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Reassessment Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Money in the School Capital Projects Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 159-18 through 22.

## Pender County, North Carolina

### Notes to Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

##### Governmental Activities

General Fund	Tax revaluation	\$ 634,251
General Fund	AE&P Funds	39,710
General Fund	Sheriff - Federal and State Drug Seizure	248,709
School Capital Projects Fund	Unexpended bond proceeds for schools	24,708,364
Total Governmental Activities		<u>\$ 25,631,034</u>

##### Business-Type Activities

Rocky Point/Topsail Water	Customer Deposits	25,549
Rocky Point/Topsail Water	Unexpended bond/grant proceeds	1,013,437
Maple Hill	Customer Deposits	910
Country Court Apartments	Customer Deposits	2,100
Moore's Creek Water District	Unexpended bond/grant proceeds	5,302,159
Central Pender Water District	Unexpended bond/grant proceeds	6,072,801
PCP Water Treatment Plant	Unexpended bond/grant proceeds	4,121,140
Total Business-Type Activities		<u>\$ 16,538,096</u>

Total Restricted Cash	<u>\$ 42,169,130</u>
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#### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

#### 5. Allowances for Doubtful Accounts

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

#### 6. Inventories and Prepaid Items

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

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

#### 7. Capital Assets

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

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Pender 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 Pender County Board of Education.

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

	Years
Buildings	50
Other improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment	3

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

	Years
Property	15-50
Equipment	5-10
Vehicles	5

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has two items that meet this criterion- contributions made to the pension plan in the 2016 fiscal year and unamortized charge on refunding. In addition to liabilities, the statement of net position and balance sheet can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and other pension-related deferrals.

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

**9. Long-term Obligations**

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

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

**10. Compensated Absences**

The vacation policies of the County provides for the accumulation of up to 240 hours earned vacation leave with such leave being fully vested when earned. Effective July 1, 1994, the County has elected to pay, upon satisfactory separation of service from the County with over five years of service to the County, 25% of the accumulated sick leave value to the separating employee. Accumulated earned leave pay at June 30, 2016 amounted to \$1,669,228 in total, \$1,586,485 of which represents the liability of the governmental funds and is recorded in the government-wide financial statements and \$82,743 is recorded in the Enterprise Funds. The 75% remaining unused sick leave accumulated at the time of retirement may also be used in the determination of length of service for retirement benefit purposes. Since no termination payment is involved, no accrual for this part of the sick leave is provided by the County.

ABC Board employees may accumulated up to 240 hours earned vacation, and such leave is fully vested when earned. Accumulated earned vacation amounted to approximately \$23,675 at June 30, 2016. Employees can accumulate an unlimited amount of sick leave. Sick leave does not vest, but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**11. Net Position/Fund Balances**

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

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

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for fire protection, emergency services, and emergency telephone purposes.

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

Restricted for Health Department Escrow – portion of fund balance that is restricted by revenue source for the health department.

Restricted for Sheriff's Seizures – portion of fund balance that is restricted by revenue source for Sheriff Seizures.

Restricted for School Capital Projects – portion of fund balance that is restricted for School Capital Projects

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

Committed for Tax Revaluation - portion of fund balance that can only be used for Tax Revaluation.

Committed for Automation and Preservation – portion of fund balance that will be used for automation enhancement projects.

Committed for Capital Outlay and Improvements – portion of fund balance that will be used for Capital Outlay and Improvements.

Assigned Fund Balance – portion of fund balance that the Pender County governing board has budgeted.

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

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund which can report a positive unassigned fund balance.

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

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

Pender County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 30% of current fiscal year expenditures. However, effective October 2013, the County changed that policy to state that the unassigned fund balance should be equal to or greater than 20% of current fiscal year expenditures. Any portion of the General Fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

**12. Defined Benefit Pension Plans**

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

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

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

The governmental fund balance sheet includes reconciliation between fund balance total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$56,360,253) consists of the following:



**Pender County, North Carolina**

**Notes to Financial Statements**

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**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

(total capital assets on government-wide statement in governmental activities)	\$ 50,650,028
Less accumulated depreciation	20,569,682
Net capital assets	<u>30,080,346</u>

Net pension asset	163,555
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Contributions to the pension plan in the current fiscal year	1,066,930
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Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	3,072,879
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Internal service assets and liabilities are included in governmental activities in the statement of net assets	497,168
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Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	126,149
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Deferred inflows of resources for taxes receivable	1,261,481
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Pension related deferrals	(589,594)
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Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:

Bonds, leases, and installment financing	(81,044,627)
Compensated absences	(1,586,485)
Other postemployment benefits	(7,173,617)
Net pension liability	(1,778,072)
Accrued interest payable	<u>(456,366)</u>

Total adjustment	<u><u>\$ (56,360,253)</u></u>
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## Notes to Financial Statements

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of (\$24,172,087) is comprised of the following:

Capital outlay expenditures recorded in the fund statements	
but capitalized as assets in the statement of activities	\$ 605,826
Cost of disposed capital asset not recorded in fund statements	25,647
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,461,254)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statements of activities - it affects only the government-wide statement of net position	(42,452,866)
Principal payments on debt owed are recorded as an use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	18,798,029
Expenses reported on fund statements that are capitalized on government-wide statements - refunding costs and premiums	23,443
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,066,930
Internal service fund net revenue	387,964
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences	81,643
Other postemployment benefits	(890,977)
LGERS and LEO pensions	(1,156,372)
Pension expense	602,564
Interest payable	130,474
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in accrued interest receivable	7,830
Increase in deferred taxes	59,032
Total adjustment	<u><u>\$ (24,172,087)</u></u>

**Note 2. Stewardship, Compliance, and Accountability**

**A. Significant Violations of Finance-Related Legal and Contractual Provisions**

**1. Noncompliance with North Carolina General Statutes**

There were several funds that were still open in the ledger that have been closed out for several years. In addition, there are several projects that should be closed out but are still open on the books. A significant amount of time needs to be spent cleaning up the ledger to close out funds that do not exist anymore, and to close out projects.

**2. Noncompliance with revenue bond covenant**

The County failed to set up a debt reserve bank account for revenue bonds as required by USDA Bond Order Section 3.05 and 3.06. The bond order requires the County to deposit to debt reserve account in an amount equal to 1/10 of the debt service requirement annually. This should have been done for the years ending June 30, 2013, 2014, 2015, and 2016.

**Note 3. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

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

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

At June 30, 2016, the County's deposits had a carrying amount of \$31,695,020 and a bank balance of \$32,191,249. Of the bank balance, \$750,388 was covered by federal depository insurance and \$31,440,861 was covered by collateral held under the Pooling Method.

At June 30, 2016 Pender County had \$964 cash on hand.

At June 30, 2016, the carrying amount of deposits for Pender County ABC Board was \$741,999 and the bank balance was \$694,318. At June 30, 2016, the Board has a concentration of credit risk in that deposits with a carrying amount of \$608,662 and bank balances of \$577,197 were on deposit in one financial institution. These exceeded the FDIC deposit limit of \$250,000 for interest bearing accounts.

## Pender County, North Carolina

### Notes to Financial Statements

#### Note 3. Detail Notes on All Funds (Continued)

Both First Citizens Bank and Trust Company and Bank of America have selected the pooling method to secure public deposits

##### 2. Investments:

At June 30, 2016, the County's investments consisted of \$48,017,521 in the North Carolina Capital Management Trust's cash portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

##### 3. Receivables:

Receivables at the government-wide level at June 30, 2016, were as follows:

	Accounts	Taxes and Related Accrued Interest	Sales Tax	Due from Other Governments	Total
Governmental Activities:					
General	\$ 325,082	\$ 2,215,358	\$ 236,985	\$ 3,327,062	\$ 6,104,487
Other Governmental	-	463,023	-	1,065,584	1,528,607
Total Receivables	325,082	2,678,381	236,985	4,392,646	7,633,094
Allowance for Doubtful Accounts	-	1,290,751	-	-	1,290,751
Total Governmental Activities	\$ 325,082	\$ 1,387,630	\$ 236,985	\$ 4,392,646	\$ 6,342,343
Business-type Activities					
Maple Hill Water Fund	\$ 41,055	\$ -	\$ -	\$ -	\$ 41,055
Sewer Fund	5,394	-	-	-	5,394
Resource Recovery	122,529	529,331	-	-	651,860
Country Court	-	-	-	259	259
Rocky Point Water & Sewer	1,018,705	-	-	-	1,018,705
Scott's Hill Water & Sewer	82,355	-	-	-	82,355
Total Receivables	1,270,038	529,331	-	259	1,799,628
Allowance for Doubtful Accounts	441,931	178,098	-	-	620,029
Total Business-type Activities	\$ 828,107	\$ 351,233	\$ -	\$ 259	\$ 1,179,599

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

Local Option Sales Tax	\$ 2,937,730
Franchise Tax	72,719
Option 4 Redistribution	17,636
DMV - Vehicle Tax	342,996
Health Grants	173,465
DSS Grants	848,100
Total	<u>\$ 4,392,646</u>

**Pender County, North Carolina**

**Notes to Financial Statements**

**Note 3. Detail Notes on All Funds (Continued)**

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Capital Assets July 1, 2015	Additions	Retirements Transfers.	Capital Assets June 30, 2016
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 10,276,114	\$ 18,439	\$ 78,102	\$ 10,372,655
Construction in progress	5,642,218	524,361	(5,434,887)	731,692
Total capital assets not being depreciated	15,918,332	542,800	(5,356,785)	11,104,347
<b>Capital assets being depreciated:</b>				
Buildings & Improvements	25,646,330	5,361,752	(208,102)	30,799,980
Intangibles	1,497,986	-	(33,700)	1,464,286
Equipment	2,909,653	81,014	32,055	3,022,722
Vehicles	4,842,792	55,147	(639,246)	4,258,693
Total capital assets being depreciated	34,896,761	5,497,913	(848,993)	39,545,681
Less accumulated depreciation for:				
Buildings & Improvements	12,554,568	836,513	(4,623)	13,386,458
Intangibles	1,257,258	46,222	(12,918)	1,290,562
Equipment	2,462,594	104,468	(41,864)	2,525,198
Vehicles	3,630,546	474,051	(737,133)	3,367,464
Total accumulated depreciation	19,904,966	\$ 1,461,254	\$ (796,538)	20,569,682
Total capital assets being depreciated, net	14,991,795			18,975,999
<b>Governmental activity capital assets, net</b>	<b>\$ 30,910,127</b>			<b>\$ 30,080,346</b>

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

General government	\$ 511,439
Public Safety	569,889
Human Services	248,413
Education	58,450
Economic and physical development	29,225
Cultural and recreational	43,838
Total depreciation expense	<u>\$ 1,461,254</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Sewer Fund</b>					
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	\$ 256,544	\$ -	\$ -	\$ -	\$ 256,544
Equipment	16,295	-	-	-	16,295
Total capital assets being depreciated	272,839	-	-	-	272,839
Less accumulated depreciation for:					
Buildings and improvements	159,162	6,283	-	-	165,445
Equipment	16,295	-	-	-	16,295
Total accumulated depreciation	175,457	\$ 6,283	\$ -	\$ -	181,740
Total capital assets being depreciated, net	97,382				91,099
<b>Sewer capital assets, net</b>	<b>\$ 97,382</b>				<b>\$ 91,099</b>
	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Maple Hill Public Utilities Fund</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 4,930	\$ -	\$ -	\$ -	\$ 4,930
Construction in progress	126,900	-	-	(126,900)	-
Total capital assets not being depreciated	131,830	-	-	(126,900)	4,930
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	5,628,999	-	-	-	5,628,999
Total capital assets being depreciated	5,628,999	-	-	-	5,628,999
Less accumulated depreciation for:					
Buildings and improvements	902,917	140,283	-	-	1,043,200
Total accumulated depreciation	902,917	\$ 140,283	\$ -	\$ -	1,043,200
Total capital assets being depreciated, net	4,726,082				4,585,799
<b>Maple Hill capital assets, net</b>	<b>\$ 4,857,912</b>				<b>\$ 4,590,729</b>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Rocky Point/Topsail Public Utilities Fund</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 343,493	\$ -	\$ -	\$ -	\$ 343,493
Construction in progress	10,428	-	-	(10,428)	-
Total capital assets not being depreciated	353,921	-	-	(10,428)	343,493
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	26,288,387	-	-	-	26,288,387
Intangibles	9,485	-	-	-	9,485
Vehicles	470,686	14,666	(12,157)	-	473,195
Equipment	33,907	-	-	-	33,907
Total capital assets being depreciated	26,802,465	14,666	(12,157)	-	26,804,974
Less accumulated depreciation for:					
Buildings and improvements	3,159,058	654,603	-	7,712	3,821,373
Intangibles	8,766	-	-	719	9,485
Vehicles	375,372	50,631	(12,157)	(1,781)	412,065
Equipment	17,219	-	-	16,688	33,907
Total accumulated depreciation	3,560,415	\$ 705,234	\$ (12,157)	\$ 23,338	4,276,830
Total capital assets being depreciated, net	23,242,050				22,528,144
<b>Rocky Point/Topsail capital assets, net</b>	<b>\$ 23,595,971</b>				<b>\$ 22,871,637</b>
	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Section 8 Public Utilities Fund</b>					
<b>Capital assets, being depreciated:</b>					
Intangibles	9,383	-	-	-	9,383
Vehicles	15,615	-	-	-	15,615
Total capital assets being depreciated	24,998	-	-	-	24,998
Less accumulated depreciation for:					
Intangibles	9,381	-	-	-	9,381
Vehicles	11,191	3,123	-	-	14,314
Total accumulated depreciation	20,572	\$ 3,123	\$ -	\$ -	23,695
Total capital assets being depreciated, net	4,426				1,303
<b>Section 8 capital assets, net</b>	<b>\$ 4,426</b>				<b>\$ 1,303</b>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Country Court</b>					
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	\$ 333,617	\$ -	\$ -	\$ -	\$ 333,617
Intangibles	1,200	-	-	-	1,200
Total capital assets being depreciated	334,817	-	-	-	334,817
Less accumulated depreciation for:					
Buildings and improvements	171,055	7,590	-	-	178,645
Intangibles	1,200	-	-	-	1,200
Total accumulated depreciation	172,255	7,590	-	-	179,845
Total capital assets being depreciated, net	162,562				154,972
<b>Country Court capital assets, net</b>	<b>\$ 162,562</b>				<b>\$ 154,972</b>

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Resource Recovery Fund</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 66,770	\$ -	\$ -	\$ (46,000)	\$ 20,770
Construction in progress	5,589	68,324	-	-	73,913
Total capital assets not being depreciated	72,359	68,324	-	(46,000)	94,683
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	1,857,726	-	-	46,000	1,903,726
Equipment	47,795	7,440	-	-	55,235
Total capital assets being depreciated	1,905,521	7,440	-	46,000	1,958,961
Less accumulated depreciation for:					
Buildings and improvements	595,610	44,547	-	(2,392)	637,765
Equipment	47,887	709	-	2,392	50,988
Total accumulated depreciation	643,497	\$ 45,256	\$ -	\$ -	688,753
Total capital assets being depreciated, net	1,262,024				1,270,208
<b>Solid Waste capital assets, net</b>	<b>\$ 1,334,383</b>				<b>\$ 1,364,891</b>



Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Scotts Hill Water &amp; Sewer Public Utilities Fund</b>					
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 27,980	\$ -	\$ -	\$ -	\$ 27,980
Total capital assets not being depreciated	27,980	-	-	-	27,980
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	3,110,091	-	-	-	3,110,091
Vehicles	21,377	-	-	-	21,377
Total capital assets being depreciated	3,131,468	-	-	-	3,131,468
Less accumulated depreciation for:					
Buildings and improvements	342,848	77,752	-	-	420,600
Vehicles	15,676	4,275	-	-	19,951
Total accumulated depreciation	358,524	\$ 82,027	\$ -	\$ -	440,551
Total capital assets being depreciated, net	2,772,944				2,690,917
<b>Scott's Hill capital assets, net</b>	<b>\$ 2,800,924</b>				<b>\$ 2,718,897</b>
	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Water Treatment Plant Public Utilities Fund</b>					
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 34,257,739	\$ 85,367	\$ -	\$ (34,343,106)	\$ -
Total capital assets not being depreciated	34,257,739	85,367	-	(34,343,106)	-
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	944,782	-	-	33,408,024	34,352,806
Intangibles	-	-	-	935,082	935,082
Vehicles	68,691	-	-	-	68,691
Equipment	22,720	-	-	-	22,720
Total capital assets being depreciated	1,036,193	-	-	34,343,106	35,379,299
Less accumulated depreciation for:					
Buildings and improvements	2,344	859,548	-	-	861,892
Intangibles	-	93,508	-	-	93,508
Vehicles	34,914	11,349	-	-	46,263
Equipment	6,568	2,272	-	-	8,840
Total accumulated depreciation	43,826	\$ 966,677	\$ -	\$ -	1,010,503
Total capital assets being depreciated, net	992,367				34,368,796
<b>Water Treatment Plant capital assets, net</b>	<b>\$ 35,250,106</b>				<b>\$ 34,368,796</b>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Waste Water Treatment Plant</b>					
<b>Public Utilities Fund</b>					
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 2,978,012	\$ -	\$ -	\$ (2,978,012)	\$ -
Total capital assets not being depreciated	2,978,012	-	-	(2,978,012)	-
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	3,024,206	-	-	-	3,024,206
Intangibles	-	-	-	2,005,440	2,005,440
Total capital assets being depreciated	3,024,206	-	-	2,005,440	5,029,646
Less accumulated depreciation for:					
Buildings and improvements	378,026	125,741	(144,910)	-	358,857
Intangibles	-	-	-	-	-
Total accumulated depreciation	378,026	\$ 125,741	\$ (144,910)	\$ -	358,857
Total capital assets being depreciated, net	2,646,180				4,670,789
<b>Waste Water Treatment Plant capital assets, net</b>	<b>\$ 5,624,192</b>				<b>\$ 4,670,789</b>

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>PCP Waste Water Treatment Plant</b>					
<b>Public Utilities Fund</b>					
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 7,458,845	\$ 12,931,276	\$ -	\$ -	\$ 20,390,121
Total capital assets not being depreciated	7,458,845	12,931,276	-	-	20,390,121
<b>PCP Waste Water Treatment Plant capital assets, net</b>	<b>\$ 7,458,845</b>				<b>\$ 20,390,121</b>

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Moore's Creek Water District</b>					
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 289,024	\$ 617,553	\$ -	\$ -	\$ 906,577
Total capital assets not being depreciated	289,024	617,553	-	-	906,577
<b>Moore's Creek capital assets, net</b>	<b>\$ 289,024</b>				<b>\$ 906,577</b>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Business-type activities:</b>					
<b>Central Pender Water District</b>					
<b>Public Utilities Fund</b>					
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 515,394	\$ 462,328	\$ -	\$ -	\$ 977,722
Total capital assets not being depreciated	515,394	462,328	-	-	977,722
<b>Central Pender capital assets, net</b>	<b>\$ 515,394</b>				<b>\$ 977,722</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 81,991,121</b>				<b>\$ 93,107,533</b>

Construction Commitments

The government has various active construction projects as of June 30, 2016. At June 30, 2016, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Waste Water Treatment Plant	\$ 11,342,038	\$ 3,133,654
Central Pender Water	384,076	6,142,098
Moore's Creek Water	532,363	4,160,535
Solid Waste Transfer Station	42,809	505,613
HVAC Repairs-Government Complex	38,000	38,000
Total	\$ 12,339,286	\$ 13,979,900

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2016, was as follows:

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
<b>Capital assets not being depreciated:</b>					
Land	\$ 6,500	\$ -	\$ -	\$ -	\$ 6,500
Total capital assets not being depreciated	6,500	-	-	-	6,500
<b>Capital assets, being depreciated:</b>					
Buildings	17,147	-	-	-	17,147
Building addition	96,564	-	-	-	96,564
Land improvements	13,313	-	-	-	13,313
Roof replacement	29,695	-	-	-	29,695
Equipment	252,647	12,644	-	-	265,291
Vehicle	20,622	-	-	-	20,622
Total capital assets being depreciated	429,988	12,644	-	-	442,632
Less accumulated depreciation for:					
Buildings	17,147	-	-	-	17,147
Building addition	70,736	1,931	-	-	72,667
Land improvements	-	666	-	-	666
Roof replacement	24,587	1,980	-	-	26,567
Equipment	211,592	12,347	-	-	223,939
Vehicle	33,931	-	-	-	33,931
Total accumulated depreciation	357,993	\$ 16,924	\$ -	\$ -	374,917
<b>ABC Board capital assets, net</b>	<b>\$ 78,495</b>				<b>\$ 74,215</b>

## Pender County, North Carolina

### Notes to Financial Statements

#### Note 3. Detail Notes on All Funds (Continued)

##### B. Liabilities

##### 1. Payables

Payables at the government-wide level at June 30, 2016, were as follows:

	Vendors		Salaries and Benefits		Accrued Interest		Other	Total
Governmental Activities:								
General	\$	2,514,553	\$	357,822	\$	456,366	\$ -	\$ 3,328,741
Other Governmental		239,883		-		-	-	239,883
Internal Service		-		-		-	563,410	563,410
Total Governmental Activities	\$	2,754,436	\$	357,822	\$	456,366	\$ 563,410	\$ 4,132,034
Business-type Activities								
Maple Hill Water Fund	\$	128	\$	-	\$	567	\$ -	\$ 695
Sewer Fund		5,839		-		-	-	5,839
Resource Recovery		23,967		2,623		-	-	26,590
Section 8 Administration		420		2,262		-	3,936	6,618
Country Court		24,183		-		38	-	24,221
Scott's Hill Water & Sewer		1,012		714		7,741	-	9,467
Water Treatment Plant		20,974		3,790		58,684	-	83,448
Rocky Point Water & Sewer		91,717		9,435		60,016	6,250	167,418
Moore's Creek Water District		536,300		-		-	26,618	562,918
Central Pender Water District		381,236		-		-	19,204	400,440
PCP Waste Water Treatment Plant		1,349,962		1,267		-	-	1,351,229
Total Business-type Activities	\$	2,435,738	\$	20,091	\$	127,046	\$ 56,008	\$ 2,638,883

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

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

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

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation.

Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service.

**Note 3. Detail Notes on All Funds (Continued)**

Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,099,527 for the year ended June 30, 2016. Contributions to the pension plan from the ABC Board were \$27,030 for the year ended June 30, 2016.

*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, 2016, the County reported a liability of \$1,160,806 for its proportionate share of LGERS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County's proportion was .25865%, which was an increase of .00319% from its proportion measured as of June 30, 2014.

## Notes to Financial Statements

**Note 3. Detail Notes on All Funds (Continued)**

For the year ended June 30, 2016, the County recognized pension expense of \$635,809. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 272,856
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	330,478
Changes in proportion and differences between County contributions and proportionate share of contributions	31,751	20,950
County contributions subsequent to the measurement date	1,099,527	-
Total	<u>\$ 1,131,278</u>	<u>\$ 624,284</u>

\$1,099,527 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ (383,759)
2018	(383,759)
2019	(383,272)
2020	558,257
	<u>\$ (592,533)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

## Notes to Financial Statements

**Note 3. Detail Notes on All Funds (Continued)**

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, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

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

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

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

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	\$ 8,094,462	\$ 1,160,806	\$ (4,680,646)
ABC Boards proportionate share of the net pension liability (asset)	\$ 163,046	\$ 23,382	\$ (94,282)

**Note 3. Detail Notes on All Funds (Continued)**

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

**1. Plan Description.**

Pender County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to 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.

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

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	64
Total	<u>64</u>

A separate report was not issued for the plan.

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

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

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

**3. Contributions:**

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

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2015 was 20 years.



## Pender County, North Carolina

### Notes to Financial Statements

#### Note 3. Detail Notes on All Funds (Continued)

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

Annual required contribution	\$ 100,370
Interest on net pension obligation	31,085
Adjustment to annual required contribution	(54,633)
Annual pension cost (expense)	<u>76,822</u>
Benefit payments made	-
Increase (decrease) in net pension obligation	<u>76,822</u>
Net pension obligation, beginning of year	621,700
Net pension obligation, end of year	<u><u>\$ 698,522</u></u>

#### 4. Funded Status and Funding Progress.

3 Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 61,930	8.84%	\$ 547,612
2015	75,352	1.68%	621,700
2016	76,822	0.00%	698,522

As of December 31, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,080,043, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,080,043. The covered payroll (annual payroll of active employees covered by the plan) was \$2,782,922, and the ratio of the UAAL to the covered payroll was 38.81%.

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

#### c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$162,108, which consisted of \$139,100 from the County and \$23,008 from the law enforcement officers.

**Note 3. Detail Notes on All Funds (Continued)**

**d. Deferred Compensation Plan**

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

The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan to be held in a trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts that had been deferred by the plan participants were required to be reported as assets of the County. Effective last fiscal year and in accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the County's Deferred Compensation Plan is no longer reported within the County's Agency Funds.

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

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

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero.

Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$5,928 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$163,555 for its proportionate share of RODSPF's the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update

Notes to Financial Statements

**Note 3. Detail Notes on All Funds (Continued)**

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, 2015, the County's proportion was 0.71%, which was a decrease of .03% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$6,769. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 801	\$ 2,708
Net difference between projected and actual earnings on pension plan investments	8,112	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	6,302
County contributions subsequent to the measurement date	5,928	-
Total	<u>\$ 14,841</u>	<u>\$ 9,010</u>

\$5,928 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (1,821)
2018	(1,709)
2019	1,243
2020	2,190
	<u>\$ (97)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

**Note 3. Detail Notes on All Funds (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. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

	<b>1% Decrease (4.75%)</b>	<b>Discount Rate (5.75%)</b>	<b>1% Increase (6.75%)</b>
County's proportionate share of the net pension liability (asset)	\$ (147,562)	\$ (163,555)	\$ (177,318)

*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.* Under a County resolution, Pender County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of credible service with the County. The County pays the full cost of coverage for these benefits through private insurers. Also, retirees can purchase coverage for their dependents at the County's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

## Notes to Financial Statements

## Note 3. Detail Notes on All Funds (Continued)

## f. Other Postemployment Benefit

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

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	15	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	334	64
Total	349	64

*Funding Policy.* The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of Commissioners. The County's members can purchase coverage for their dependents at the County's group rates. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 6.95% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented 6.01% and 5.86% of covered payroll, respectively. There were no contributions made by employees. The County's obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

*Summary of Significant Accounting Policies.* The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Under a County resolution, the contributions are recognized when due and the County will provide the contributions to the HCB Plan. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Annual OPEB Cost and Net OPEB Obligation.* The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 1,018,829
Interest on net OPEB obligation	265,854
Adjustment to annual required contribution	(253,973)
Annual OPEB cost (expense)	1,030,710
Benefit payments made	(88,021)
Increase (decrease) in net OPEB obligation	942,689
Net OPEB obligation, beginning of year	6,646,348
Net OPEB obligation, end of year	\$ 7,589,037

Notes to Financial Statements

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**Note 3. Detail Notes on All Funds (Continued)**

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 913,065	6.30%	\$ 5,836,870
2015	\$ 877,664	6.00%	\$ 6,646,348
2016	\$ 1,030,710	8.50%	\$ 7,589,037

*Funded Status and Funding Progress.* As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$10,014,665. The covered payroll (annual payroll of active employees covered by the plan) was \$14,667,853, and the ratio of UAAL to the covered payroll was 68.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarially accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members 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 assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a 3% inflation assumption. The medical cost trend rate varied between 7.5% and 5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at December 31, 2014 was 30 years.

## Notes to Financial Statements

## Note 3. Detail Notes on All Funds (Continued)

## g. Other Employment Benefits

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

## 3. Deferred Outflows and Inflows of Resources

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Charge on refunding of debt	\$ 3,395,815	\$ -
Pensions deferrals	1,146,119	633,294
Taxes receivable, net (General)	-	1,007,380
Taxes receivable, net (Fire & Rescue)	-	254,101
Prepaid taxes	-	127,660
Total	<u>\$ 4,541,934</u>	<u>\$ 2,022,435</u>

## 4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in one insurance pool administered by the North Carolina Association of County Commissioners (NCACC) Liability and Property Pool, which provides property and liability coverage.

The County obtains general, auto, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and property coverage equal to replacement cost values of owned property. The pools are audited annually by certified public accountants and the audited financial statements are available to the County upon request.

Beginning July 1, 2005, the County became partially self-insured for group medical and prescription drug coverage and self-insured for group dental coverage. The County contracted with Employers Direct Health beginning in 2007 to administer the program. The contract provides for stop-loss reinsurance protection on an aggregate and specific basis. Aggregate stop-loss insures cumulated covered claims above the annual attachment point during any contract period.

Specific stop-loss insures coverage claims above \$75,000 for any one participant after the County has satisfied an additional \$100,000 aggregating specific deductible in any contract period. The group dental coverage has limited ability due to plan design and no stop-loss reinsurance is purchased.

## Pender County, North Carolina

### Notes to Financial Statements

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#### Note 3. Detail Notes on All Funds (Continued)

Effective January 1, 2016, the County was accepted into the North Carolina State Health Plan (SHP) and has moved from the prior insurance vendor to the SHP. The State Health Plan's network is through Blue Cross Blue Shield of North Carolina.

The County contracts with the NCACC to administer its workers compensation program for workers compensation claims.

The liability of unpaid claims of the County as of June 30, 2016, is as follows:

	Fiscal Year Ended June 30,	
	2016	2015
Unpaid claims at July 1	\$ 619,554	\$ 599,066
Inurred claims and judgements for current and prior year events where the County has retained risk of loss	2,819,178	3,806,179
Payments on claims for current and prior year events where the County has retained risk of loss	2,875,322	3,785,691
Unpaid claims at June 30	\$ 563,410	\$ 619,554

In accordance with G.S. 159-29, County employees who have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$100,000. The Deputy Tax Collector, Director of Utilities, and Register of Deeds are each individually bonded for \$50,000. The Assistant Deputy Tax Collector, Deputy Finance Officer, and Tax Collector are each individually bonded for \$30,000. The Housing Director is bonded for \$25,000.

The County carries flood insurance through the NCACC, with a deductible of \$25,000 per occurrence. Flood coverage is excluded on property located in the 100 year flood zone as designated by the Federal Emergency Management Agency.

The County carries 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.

#### 5. Contingent Liabilities

At June 30, 2016, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.



## Pender County, North Carolina

### Notes to Financial Statements

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#### Note 3. Detail Notes on All Funds (Continued)

##### 6. Long-Term Obligations

###### a. Capital Leases

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

Lease agreement executed on December 15, 2012 to lease vehicles for various county department vehicles and requires 5 annual payments of \$109,822.	\$ 206,994
Lease agreement executed on February 20, 2014 to lease vehicles for various county department vehicles and requires 3 annual payments of \$137,837.	136,673
Lease agreement executed on February 20, 2014 to lease computer system and software equipment and requires 4 annual payments of \$37,503.	73,828
Lease agreement executed on February 20, 2014 to lease vehicles for various county department vehicles and requires 5 annual payments of \$111,433.	325,889
Total Capital Leases	<u><u>\$ 743,384</u></u>

At June 30, 2016, the County leased vehicles valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles	\$ 1,423,260	\$ 821,357	\$ 601,903

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

Year Ending June 30	
2017	\$ 396,595
2018	258,141
2019	103,023
Total minimum lease payments	<u>757,759</u>
Less: amount representing interest	<u>14,375</u>
Present value of the minimum lease payments	<u><u>\$ 743,384</u></u>

###### b. Mortgage Notes

Pender County Housing Authority (Country Court Enterprise Fund) has two notes outstanding aggregating \$108,747 due to the United States Department of Agriculture Farmer's Home Administration. The notes are collateralized by an apartment complex and bear interest at 1%.

###### c. Limited Obligation Bonds

On October 10, 2012 the County Water Districts (the Districts) issued individual refunding bonds totaling \$22,330,000 for USDA Bonds being refinanced. The County then issued Limited Obligation Bonds ("LOBs") to purchase these bonds. The County (and bondholders) have a security interest in the Water District's refunding bonds.

Notes to Financial Statements

**Note 3. Detail Notes on All Funds (Continued)**

When debt service is due, each water district remits the debt services payments for their respective bonds to the County, which remits the same amount to the bondholders of the County's LOBs. If a district does not pay, the County has the bonds and the District's ad valorem taxing power for the general obligation bonds as collateral. The Limited Obligation Bonds are appropriation-backed and require the Board to budget for the debt service annually. Payments consists of annual principal payment and bi-annual interest payments with a 3.73% average interest rate over the life of the term. The reader should note that this debt issuance is entirely offset by the Water District's Refunding 2012 Bonds as detailed below under the General Obligation Indebtedness section.

The Water Districts are a blended component unit of the County. On the fund statements, the amounts owed to the County to make the payments for the LOBs are classified as "Due to the County" in the Water District Funds, and as "Due from the Districts" in the Water Fund. On the government-wide financial statements, these amounts are eliminated. Therefore, when Exhibit 1 debt totals are compared to the total debt in the notes, the amount will differ by the amount eliminated for this LOB debt.

On May 27, 2015, the County issued \$24,800,000 limited obligation bonds to finance various projects throughout the County. When debt services is due, each respective fund remits debt service payments for its portion of the bonds to the County, which then remits it to the bondholders. If a District does not pay, the County has the bonds and the District's ad valorem taxing power for the general obligation bonds as collateral. The Limited Obligation Bonds are appropriation-backed and require the Board to budget for the debt service annually. The payments consist of annual principal payment and bi-annual interest payments with a 3.73% average interest rate over the life of the term.

The minimum payments for the Limited Obligation Bonds as of June 30, 2016 are as follows:

Year Ending June 30	Government-Wide Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 264,455	\$ 283,770	\$ 1,120,545	\$ 1,670,441	\$ 1,385,000	\$ 1,954,211
2018	264,455	270,548	1,165,545	1,618,265	1,430,000	1,888,813
2019	269,744	257,324	1,195,256	1,568,589	1,465,000	1,825,913
2020	277,678	243,838	1,232,322	2,017,725	1,510,000	2,261,563
2021	284,289	229,954	1,265,711	1,460,709	1,550,000	1,690,663
2022-2026	1,537,806	928,750	7,177,194	6,341,612	8,715,000	7,270,362
2027-2031	1,775,816	554,547	8,579,184	4,547,115	10,355,000	5,101,662
2032-2036	1,606,562	155,472	8,778,436	2,698,939	10,384,998	2,854,411
2037-2041	-	-	5,090,000	1,250,100	5,090,000	1,250,100
2042-2045	-	-	2,450,000	220,725	2,450,000	220,725
Total	\$ 6,280,805	\$ 2,924,203	\$ 38,054,193	\$ 23,394,220	\$ 44,334,998	\$ 26,318,423

## Pender County, North Carolina

### Notes to Financial Statements

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#### Note 3. Detail Notes on All Funds (Continued)

##### d. General Obligation Bonds

The general obligation bonds serviced by the General Fund are collateralized by the full faith, credit and taxing power of the County. The general obligation bonds serviced by the Water Fund and Sewer Fund are collateralized by the full faith, credit and taxing power of the Maple Hill Water District, the Rocky Point – Topsail Water and Sewer District, and the Scotts Hill Water and Sewer District. The following individual issues are outstanding at June 30, 2016:

General Obligation Refunding Bonds, Series 2012 \$2,040,000,000 due in annual payments ranging from \$385,000 to \$465,000, plus semi-annual interest payments at 1.96% through June 2017, serviced by Special Revenue Fund.	\$ 335,000
General Obligation Refunding Bonds, Series 2010 \$4,985,000 due in annual payments ranging from \$10,000 to \$460,000, plus semi-annual interest payments ranging from 4.40% to 4.70% through 2022, serviced by Special	2,380,000
General Obligation School Bonds, Series 2007 \$20,875,000 due in annual payments ranging from \$900,000 to \$1,875,000, plus interest ranging from 4.00% to 6.00% through 2028, serviced by the School Capital Project Fund.	900,000
Refunded-General Obligation School Bonds, Series 2012 \$25,860,000 due in annual installments ranging from \$155,000 to \$3,010,000 plus interest at 2% through 2026, serviced by the School Capital Project Fund.	25,010,000
General Obligation School Bonds, Series 2016 \$24,500,000 due in 20 annual payments of \$1,225,000 plus interest ranging from 2% to 5% through 2036, serviced by the School Capital Project Fund.	24,500,000
Refunded-General Obligation School Bonds, Series 2016 \$11,135,000 due in annual installments ranging from \$50,000 to \$1,685,000 plus interest ranging from 3% to 5% through 2028, serviced by the School Capital Project	11,135,000
Total General Obligation Bonds (Governmental Activities)	\$ 64,260,000
Serviced by Water and Sewer Districts:	
\$9,500,000 Water Treatment Plant Bonds, Water Series, 2012A to USDA Rural Development, due in annual payments ranging from \$125,000 to \$430,000, plus interest at 3.50% through June 2052.	\$ 9,246,000
\$7,000,000 Water Treatment Plant Bonds, Water Series, 2012B to USDA Rural Development, due in annual payments ranging from \$87,000 to \$325,000, plus interest at 3.50% through June 2052.	6,808,000
\$1,000,000 Water Treatment Plant Bonds, Water Series, 2012D to USDA Rural Development, due in annual payments ranging from \$16,000 to \$41,000, plus interest at 2.75%.	968,000
\$220,000 Maple Hill Water District Refunding Bond, Series 2012 due in annual payments ranging from \$10,000 to \$15,000, plus interest ranging from 2 to 5%, through June 2031	175,000
\$2,575,000 Scott's Hill Water & Sewer District Refunding Bond, Series 2012, due in annual payments ranging from \$55,000 to \$150,000, plus interest ranging from 2 to 5% through June 2041.	2,360,000
\$19,535,000 Rocky Point - Topsail Water & Sewer District Refunding Bond, Series 2012 due in annual payments ranging from \$295,000 to \$925,000, plus interest ranging from 2 to 5% through June 2044.	18,050,000
Total General Obligation Bonds (Business-type Activities)	\$ 37,607,000
Total General Obligation Bonds	<u>\$ 101,867,000</u>

## Pender County, North Carolina

### Notes to Financial Statements

#### Note 3. Detail Notes on All Funds (Continued)

##### e. Installment Purchase Obligations

Serviced by General Fund:

\$500,000 note to Four County EMC to finance the Industrial Shell Building. Principal payments will be repaid in 84 equal monthly installments, with the first installment being due July 31, 2014. Interest rate is 0%. \$ 363,095

\$2,000,000 note to Four County EMC to finance a 0% interest loan from the County to RC Creation Holdings, LLC (through USDA Rural Development REDLG grant program), to be used for the purchase of (or reimbursement for purchase of) equipment. Principal payments will be repaid in 120 equal monthly installments. The interest rate is 0%. A similar note with the same repayment terms to reimburse Pender County is held by RC Creation Holdings, LLC. 1,833,333  
Total Governmental Activities \$ 2,196,428

Serviced by Enterprise Funds:

\$935,082 note to Lower Cape Fear Water and Sewer Authority to finance the purchase of water capacity for the water treatment plant. Principal payments will be repaid in 20 equal semi-annual installments. The interest rate was 5.25%, but changed to 4.09% effective January 2007. \$ 152,525  
Total Business-Type Activities \$ 152,525  
Total Installment Purchases \$ 2,348,954

Annual maturity requirements on all long-term debt (except accrued compensated absences and unfunded pension obligations, which have no definite maturities, limited obligation and revenue bonds and capital lease obligations, which are presented elsewhere) with related interest as of June 30, 2016, are as follows:

Year Ending June 30	General Obligation Bonds		Installment Note		Mortgage Notes		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 5,980,000	\$ 3,302,321	\$ 372,618	\$ 2,484	\$ 6,780	\$ 1,056	\$ 9,665,259
2018	5,779,000	3,556,667	322,764	501	6,848	988	9,666,768
2019	5,718,000	3,396,380	271,428	-	6,916	920	9,393,644
2020	5,693,000	3,211,777	271,428	-	6,986	850	9,184,041
2021	5,707,000	2,965,207	271,428	-	7,056	780	8,951,471
2022-2026	27,816,000	11,488,518	839,288	-	36,355	2,821	40,182,982
2027-2031	14,995,000	7,073,429	-	-	31,102	1,070	22,100,601
2032-2036	12,669,000	4,785,201	-	-	6,704	42	17,460,947
2037-2041	7,738,000	2,797,679	-	-	-	-	10,535,679
2042-2046	5,587,000	1,277,856	-	-	-	-	6,864,856
2047-2051	3,721,000	475,356	-	-	-	-	4,196,356
2052	464,000	16,045	-	-	-	-	480,045
Total	\$ 101,867,000	\$ 44,346,436	\$ 2,348,954	\$ 2,985	\$ 108,747	\$ 8,527	\$ 148,682,649

\* General Obligation Bonds above in the annual maturity schedule includes Bond Anticipation Notes as well as General Obligation Bonds.

##### f. Revenue Bond

The \$4,955,000 Water Revenue Bond, 2012C to USDA Rural Development, due in annual payments ranging from \$75,000 to \$205,000, plus interest at 2.75% through June 2052, has a balance of \$4,801,000 as of June 30, 2016.

## Pender County, North Carolina

### Notes to Financial Statements

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#### Note 3. Detail Notes on All Funds (Continued)

The future payments of the revenue bond are as follows:

Year Ending June 30	Principal	Interest
2017	\$ 80,000	\$ 132,028
2018	82,000	129,828
2019	84,000	127,573
2020	87,000	125,263
2021	89,000	122,870
2022-2026	482,000	576,345
2027-2031	555,000	506,138
2032-2036	634,000	425,618
2037-2041	725,000	333,575
2042-2046	831,000	228,195
2047-2051	947,000	107,690
2052	205,000	5,638
Total	<u>\$ 4,801,000</u>	<u>\$ 2,820,761</u>

The County is in compliance with the covenants as to rates, fees, rentals and charges in Article III of the Bond Order, authorizing the issuance of the Water Revenue Bond, Series 2012C. Section 3.04 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2016, is as follows:

Change in net position	\$ 2,779,535
Add back:	
Depreciation	2,026,244
Interest expense	<u>2,367,641</u>
Income available for debt service (net revenue)	7,173,420
Debt service, principal and interest paid (debt service requirement)	4,309,208
110% Debt service coverage	4,740,129
Net revenue exceeds 110% of debt service requirement	Yes

The County is not in compliance with Article III of the Bond Order, authorizing the issuance of the Water Revenue Bond, Series 2012C. Section 3.05 and 3.06 of the Bond Order requires the County to deposit to the Debt Service Reserve fund in an amount equal to 1/10 of the Debt Service Reserve Requirement annually. This account has not been set up as of June 30, 2016.

The County issued a bond anticipation note for Central Pender Water and Sewer District of \$6,047,000 on April 19, 2016. The note had an expiration date of November 2, 2016. On October 31, 2016, the USDA Rural Development purchased the District's general obligation bond to refund the previously issued bond anticipation note. The new bond bears interest at 1.875% and expires on October 31, 2056. The proceeds will be used to partially finance certain improvements to the District's water system including the construction of new water mains to provide public water supply to approximately 650 residential customers in Phase I area of the District. A loan from USDA of \$3,910,091 will partially fund the project. The District is expected to contribute approximately \$81,700.

**Note 3. Detail Notes on All Funds (Continued)**

The County issued a bond anticipation note for Moore's Creek Water and Sewer District of \$5,281,000 on May 3, 2016. The note had an expiration date of November 2, 2016. On October 31, 2016, the USDA Rural Development purchased the District's general obligation bond to refund the previously issued bond anticipation note. The new bond bears interest at 1.875% and expires on October 31, 2056. The proceeds will be used to partially finance certain improvements to the District's water system including the construction of new water mains to provide public water supply to approximately 500 residential customers in Phase I area of the District. A loan from USDA of \$3,647,432 will partially fund the project. The District is expected to contribute approximately \$78,100.

**g. Advance Refundings**

On September 14, 2010, the County issued \$4,985,000 of general obligation refunding bonds to provide resources to refund \$5,000,000 of general obligation bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$296,911. This amount has been netted against the new debt and is being amortized over the life of the refunded debt, which has the same maturity as the old debt.

On June 12, 2012, the County issued \$25,860,000 of general obligation refunding bonds to provide resources to refund \$25,000,000 of general obligation bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$860,000. This amount has been netted against the new debt and is being amortized over the life of the refunded debt, which has the same maturity as the old debt.

On October 10, 2012, the County issued \$22,330,000 of water district refunding bonds to provide resources to refund \$23,462,000 of general obligation bonds. This debt was issued at a premium of \$1,808,886, which is included in the net debt service and is being amortized over the term of the debt. The reacquisition price exceeded the net carrying amount of the old debt by \$369,941. This amount has been netted against the new debt and is being amortized over the life of the refunded debt, which has the same maturity as the old debt.

On June 28, 2016, the County issued \$11,325,000 of school refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for to be used for all future debt service payments of \$12,775,000 of general obligation bonds. This debt was issued at a premium of \$2,281,479, which is included in the net debt service and is being amortized over the term of the debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$446,987. This amount is being netted against the new debt and amortized over the life of the refunded debt, which has the same maturity as the old debt. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$2,264,066 and resulted in an economic gain of \$3,948,790.

**Debt Related to Capital Activities** – Of the total Governmental Activities debt listed only \$5,114,812 relates to assets for which the County holds title. There was no unspent restricted cash associated with the governmental activities debt.

**Pender County, North Carolina**

**Notes to Financial Statements**

**Note 3. Detail Notes on All Funds (Continued)**

**h. Long-Term Obligation Activity**

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2016:

	Balance 7/1/2015	Additions	Retirements	Balance 6/30/2016	Current Portion of Balance
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 45,525,000	\$ 35,635,000	\$ 16,900,000	\$ 64,260,000	\$ 5,345,000
Limited Obligation Debt	6,558,483	-	277,678	6,280,805	659,428
Installment Note	977,604	2,000,000	781,176	2,196,428	271,429
Capital Leases	1,274,905	-	531,521	743,384	388,050
Unamortized Bond Premium	3,053,798	4,817,866	307,654	7,564,010	-
Net Pension Obligation (LEO)	621,700	76,822	-	698,522	-
Net pension liability (LGERS)	-	1,079,550	-	1,079,550	-
Other Postemployment Benefits	6,282,640	890,977	-	7,173,617	-
Compensated Absences	1,668,128	925,000	1,006,643	1,586,485	1,060,000
Total	<u>\$ 65,962,258</u>	<u>\$ 45,425,215</u>	<u>\$ 19,804,672</u>	<u>\$ 91,582,801</u>	<u>\$ 7,723,907</u>

The General Fund is used to liquidate the liability for compensated absences and other postemployment benefits for Governmental Activities.

**Business-Type Activities**

Limited Obligation Debt	\$ 39,201,517	-	\$ 1,147,322	\$ 38,054,195	\$ 1,120,545
Blended component unit debt*	(20,960,000)	-	(375,000)	(20,585,000)	-
Subtotal Limited Obligation Debt	18,241,517	-	772,322	17,469,195	1,120,545
General Obligation Bonds	38,224,000	-	617,000	37,607,000	635,000
Revenue Bond	4,879,000	-	78,000	4,801,000	80,000
Bond Anticipation Notes	-	11,328,000	-	11,328,000	11,328,000
Installment & Mortgage Notes	367,201	-	105,928	261,272	107,970
Unamortized Bond Premium	3,168,829	40,548	133,002	3,076,375	-
Net pension liability (LGERS)	-	81,256	-	81,256	-
Other Postemployment Benefits	363,708	51,712	-	415,420	-
Compensated Absences	71,931	10,812	-	82,743	10,500
Total	<u>\$ 65,316,186</u>	<u>\$ 11,512,328</u>	<u>\$ 1,706,252</u>	<u>\$ 75,122,261</u>	<u>\$ 13,282,015</u>

The Water/Sewer Operating and Resource Recovery Funds are used to liquidate the liability for compensated absences for business-type activities.

## Pender County, North Carolina

### Notes to Financial Statements

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#### Note 3. Detail Notes on All Funds (Continued)

##### i. Other

The County's legal debt margin at June 30, 2016 approximates \$319,199,576. Bonds authorized but unissued at June 30, 2016, are as follows:

School Bonds	\$ 50,500,000
Moore's Creek Water & Sewer General Obligation Bonds	5,281,000
Central Pender Water & Sewer District General Obligation Bonds	6,047,000
Total Bonds Authorized but unissued	<u>\$ 61,828,000</u>

#### C. Interfund Balances and Activity

##### Interfund Receivables and Payables

Amounts classified on the balance sheet as "Due from other funds" and "Due to other funds" at June 30, 2016, include the following interfund gross receivables and payables:

	Receivables	Payables
General Fund	\$ 10,714,959	\$ -
Fire Service District Fund	-	-
Rescue District Fund	-	-
Vehicle Replacement Fund	-	-
Country Court	-	(99)
PCP Waste Water Treatment Plant	-	1,365,040
Resource Recovery Fun	-	1,147,129
Moore's Creek Water District	-	313,485
Central Pender Water District	-	554,092
Rocky Point / Topsail Water & Sewer	-	(678,906)
Scott's Hill Water & Sewer	-	678,906
Water Treatment Plant	-	4,442,073
Waste Water Treatment Plant	-	2,893,239
Total	<u>\$ 10,714,959</u>	<u>\$ 10,714,959</u>



## Pender County, North Carolina

### Notes to Financial Statements

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#### Note 3. Detail Notes on All Funds (Continued)

##### Interfund Transfers:

Interfund transfers and transfers from component unit during the year ended June 30, 2016, can be summarized as follows:

All interfund receivables and payables resulted from transfers used to supplement other funding sources.

From the General Fund to the School Special Revenue Fund to fund debt service.	\$ 5,204,703
From the General Fund to the School Capital Project fund to cover expenditures.	5,875,000
From the School Capital Project Fund to General Fund to pay back loan	5,875,000
From the General Fund to the Capital Project Fund to fund projects.	175,147
From the 911 Emergency Telephone Systems Fund to General Fund for reimbursement	6,000
From the General Fund to the Worker's Comp Fund to pay workers compensation premiums.	375,000
From the General Fund to the Employee Health Insurance Fund	1,167,850
From the General Fund to the Rescue District Fund to provide resources.	332,877
From the General Fund to the Fire District Fund to provide resources.	407,021
From the General Fund to the Revaluation Fund to provide resources.	125,000
From the General Fund to the Vehicle Replacement Fund to provide resources.	215,879
From the General Fund to the Scotts Hill Water & Sewer District to provide resources.	242
From the General Fund to the Maple Hill Water Fund to provide resources.	886
From the General Fund to the Section 8 Administration Fund to provide resources.	1,395
From the General Fund to the Country Court Apartments Fund to provide resources.	23,900
From the General Fund to the Rocky Point/Topsail Water & Sewer Fund to provide resources.	7,769
From the General Fund to the Resource Recovery Project Fund to provide resources.	77,713
From the General Fund to the Rocky Point Water Fund Phase V CPF to provide resources.	3,643
From Major Enterprise Funds to Internal Service Fund to pay employees health insurance	96,400
From Non-Major Enterprise Funds to Internal Service Fund to pay employees health insurance	8,400
From the General Fund to the PCP Waste Water Treatment Plant Fund to provide resources.	1,100,849
	<u>\$ 21,080,674</u>

#### D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$ 30,080,346	\$ 93,107,533
Less: long-term debt	(5,114,812)	(74,542,843)
Add: unexpended bond proceeds	-	16,509,537
Net investment in capital assets	<u>\$ 24,965,534</u>	<u>\$ 35,074,227</u>

#### E. Fund Balance

Pender County has a revenue spending policy that provides a policy for programs with multiple revenue sources. The Finance Officers will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund

## Pender County, North Carolina

### Notes to Financial Statements

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#### Note 3. Detail Notes on All Funds (Continued)

balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

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

Total Fund Balance - General Fund	\$ 33,113,343
Less:	
Nonspendable	402,283
Stabilization by State Statute	14,759,266
Health Department Escrow	1,528,814
Sheriff's Seizures	248,709
Tax Revaluation	634,251
Automation Enhancement and Preservation	39,710
Appropriated Fund Balance in 2016 Budget	153,178
Remaining Fund Balance	<u>\$ 15,347,132</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The General Fund had outstanding encumbrances of \$94,105.

Pender County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures, effective October 21, 2013. The County was in compliance with the 20% requirement at June 30, 2016. Per the policy, they have 36 months to reinstate the fund balance to meet the 20% requirement if they fail to obtain the stated amount of available fund balance.

Total Fund Balance - General Fund	\$ 33,113,343
Less: Restricted	(17,766,211)
Available Fund Balance	<u>\$ 15,347,132</u>
General Fund Expenditures	<u>\$ 54,473,767</u>
Available Fund Balance as % General Fund Expenditures	28.17%

#### Note 4. Joint Ventures

The County, in conjunction with the State of North Carolina, New Hanover County and the Pender County Board of Education, participates in a joint venture to operate Cape Fear Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed 381,186 to the community college operating purposes during the fiscal year ended June 30, 2016. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2016. Complete financial statements for the community college may be obtained from the community college's administrative offices at 321 North Front Street, Wilmington, North Carolina 28401.

Notes to Financial Statements

**Note 4. Joint Ventures (Continued)**

The County, in conjunction with New Hanover and Brunswick Counties, participates in a joint venture to operate Southeastern Center for Mental Health Development Disabilities, and Substance Abuse Services (the Center). Each of the Counties appoints three Board Members. The Center is not considered a component unit of any other government. The County has ongoing responsibility for the Center or would otherwise have to provide mental health services itself. The County contributed \$156,000 to the Center during the year ended June 30, 2016, and provides the Center use of space at its government complex center in Burgaw. The County has no equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2016. Complete copies of the Center's financial statements may be obtained at the Center's administrative offices on South 17<sup>th</sup> Street in Wilmington, North Carolina.

**Note 5. Related Organizations**

The County commissioners are responsible for appointing the members of the Industrial Pollution Control and Financing Authority, but the County's accountability for this organization does not extend beyond making these appointments. The Authority exists to aid in the financing of industrial manufacturing facilities in the area for the general economic benefit of the area. As of June 30, 2016, the Authority has no debt issues outstanding.

**Note 6. Jointly Governed Organizations**

The County, in conjunction with other counties and municipalities, established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$25,727 to the Council during the fiscal year ended June 30, 2016.

The County, in conjunction with the City of Wilmington and four other counties in southeastern North Carolina, established the Lower Cape Fear Water and Sewer Authority (Authority). The Authority was established to help facilitate water and sewer services in southeastern North Carolina. Pender County Commissioners appoint two of thirteen members of the Authority's Board of Directors. The County paid its annual system development charge in the amount of \$103,673 to the Authority during the year ended June 30, 2016. The balance due to the Authority at June 30, 2016 is \$152,526.

**Note 7. Benefit Payments Issued by the State**

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

	Federal	State
Temporary Assistance to Needy Families (TANF)	\$ 315,856	\$ -
Medicaid	46,055,310	25,122,240
Health Choice	1,235,412	57,093
Women, Infants and Children (WIC)	821,218	-
Adoption Assistance	200,666	194,027
Energy Assistance	231,100	-
Adult Assistance - SC/SA Domiciliary Care	-	361,585
Total	<u>\$ 48,859,562</u>	<u>\$ 25,734,945</u>

**Note 8. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**Note 9. Pronouncements Issued, Not Yet Effective**

The GASB has issued several pronouncements prior to June 30, 2016 that have effective dates applicable to future fiscal years and may impact future financial presentations.

Management has not currently determined what, if any, effect implementation of the following statements may have on the financial statements of Pender County.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" - Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. This Statement is effective for fiscal years beginning after June 15, 2017.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will require governments that enter into tax abatement agreements to disclose certain information about the agreements. This Statement is effective for fiscal years beginning after December 15, 2015.

In December 2015, GASB issued Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

**Note 9. Pronouncements Issued, Not Yet Effective (Continued)**

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement will enhance accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement will address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

**Note 10. Subsequent Event**

The County issued General Obligation School Bonds, Series 2016A of \$50,500,000 on October 25, 2016. These bonds are to be used for school construction and renovations. These bonds were authorized but unissued at June 30, 2016.

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## **Required Supplemental Financial Data**

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

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- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Schedule of Proportionate Share of Net Pension Liability for Local Governmental Employees' Retirement System
- Schedule of Contributions to Local Governmental Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Asset for Register of Deeds Supplemental Pension Fund
- Schedule of Contributions to Register of Deeds' Supplemental Pension Fund

**Pender County, North Carolina  
Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a / b )	Covered Payroll for Year Ending On Val Date ( c )	UAAL as a Percentage of Covered Payroll ( ( b - a ) / c )
12/31/2010	-	483,372	483,372	0.00%	2,071,322	23.34%
12/31/2011	-	485,848	485,848	0.00%	2,309,593	21.04%
12/31/2012	-	531,578	531,578	0.00%	2,347,222	22.65%
12/31/2013	-	581,037	581,037	0.00%	2,382,860	24.38%
12/31/2014	-	608,536	608,536	0.00%	2,386,736	25.50%
12/31/2015	-	1,080,043	1,080,043	0.00%	2,782,922	38.81%

Notes to the Required Schedules:

Valuation Date	12/31/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market Value
Actuarial assumptions	
Investment rate of return	3.57%
Projected salary increases	3.50 – 7.35%
*includes inflation at	3.00%
Cost of living adjustments	N/A



**Pender County, North Carolina  
Other Postemployment Benefits  
Required Supplementary Information**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a / b )	Covered Payroll for Year Ending On Val Date ( c )	UAAL as a Percentage of Covered Payroll ( ( b - a ) / c )
12/31/2010	-	8,009,338	8,009,338	0.00%	12,994,710	61.60%
12/31/2012	-	8,112,003	8,112,003	0.00%	13,978,699	58.00%
12/31/2014	-	10,014,665	10,014,665	0.00%	14,667,853	68.30%

**Pender County, North Carolina  
Other Postemployment Benefits  
Required Supplementary Information**

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	913,065	6.30%
2015	877,664	6.00%
2016	1,030,710	8.50%

Notes to the Required Schedules:

Valuation Date	12/31/2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Pay, Open
Remaining amortization period	30 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions	
Investment rate of return	4.00%
*includes inflation at	3.00%
Pre-Medicare Trend Rate	7.50 – 5.00%
Post-Medicare Trend Rate	5.50 – 5.00%
Year of Ultimate Trend Rate	2020

**Pender County, North Carolina**  
**Schedule of Proportionate Share of Net Pension Liability (Asset)**  
**Local Governmental Employees' Retirement System**  
**Last Three Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.25865%	0.25546%	0.25960%
County's proportionate share of the net pension liability (asset) \$	\$ 1,160,806	\$ (1,506,565)	\$ 3,129,177
County's covered payroll	\$ 15,408,045	\$ 15,004,563	\$ 13,307,829
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	7.53%	-10.04%	23.51%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

\*\*This is the same percentage for all participant employers in the LGERS plan.

**Pender County, North Carolina  
Schedule of County Contributions  
Local Governmental Employees' Retirement System  
Last Three Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,099,527	\$ 1,068,154	\$ 1,023,364
Contributions in relation to the contractually required contribution	<u>1,099,527</u>	<u>1,068,154</u>	<u>1,023,364</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 15,716,206	\$ 15,408,045	\$ 15,004,563
Contributions as a percentage of covered payroll	7.00%	6.93%	6.82%

**Pender County, North Carolina**  
**Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)**  
**Registers of Deeds' Supplemental Pension Fund**  
**Last Three Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.70577%	0.67167%	0.66000%
County's proportionate share of the net pension liability (asset) \$	\$ (163,555)	\$ (152,245)	\$ (140,884)
County's covered payroll	\$ 173,510	\$ 376,502	\$ 376,510
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-94.26%	-40.44%	-37.42%
Plan fiduciary net position as a percentage of the total pension liability	197.29%	193.88%	190.50%

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

**Pender County, North Carolina**  
**Schedule of County Contributions**  
**Registers of Deeds' Supplemental Pension Fund**  
**Last Three Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,928	\$ 5,648	\$ 5,484
Contributions in relation to the			
contractually required contribution	<u>5,928</u>	<u>5,648</u>	<u>5,484</u>
Contribution deficiency (excess)	<u>-</u>	<u>\$ -</u>	<u>-</u>
County's covered payroll	\$ 176,691	\$ 173,510	\$ 376,502
Contributions as a percentage of			
covered payroll	3.36%	3.26%	1.46%

## MAJOR GOVERNMENTAL FUNDS

- 
- General Fund
  - School Capital Project Fund
-

## **GENERAL FUND**

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The General Fund is the principal fund of the County and is used to account for all activities of the County not included in other specific funds. The General Fund accounts for the normal recurring activities of the County. These activities are funded principally by property and sales taxes on individuals and businesses, and grants from other governmental units.

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**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**  
**(Page 1 of 3)**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Ad valorem taxes	\$ 44,404,212	\$ 45,626,191	\$ 1,221,979
Unrestricted intergovernmental	6,325,511	7,754,306	1,428,795
Restricted intergovernmental	11,060,576	11,364,828	304,252
Permits and fees	601,500	928,346	326,846
Charges for services	1,126,260	1,344,328	218,068
Interest	24,000	106,799	82,799
Miscellaneous	1,978,948	727,072	(1,251,876)
Total revenues	65,521,007	67,851,870	2,330,863
<b>Expenditures</b>			
General government:			
Governing body	205,710	176,735	28,975
County manager	294,743	285,431	9,312
Human resources	188,923	175,262	13,661
Board of Elections	361,378	287,439	73,939
Finance	471,992	459,762	12,230
Information systems	1,703,880	1,340,086	363,794
Tax administrator	652,894	537,231	115,663
Tax collections	700,456	603,135	97,321
AE&P Fund	98,000	79,200	18,800
Register of deeds	315,601	296,456	19,145
Public buildings	2,446,956	1,982,341	464,615
Vehicle maintenance	548,531	459,400	89,131
Court facilities	25,000	16,783	8,217
County attorney	112,000	80,644	31,356
Non-departmental	796,303	542,924	253,379
Total general government	8,922,367	7,322,829	1,599,538
Public safety:			
Sheriff	4,821,016	5,039,494	(218,478)
Jail	2,549,486	2,226,436	323,050
Animal control	262,176	259,818	2,358
Emergency management	459,378	421,374	38,004
Forest resources	230,000	198,768	31,232
Sheriff seizure	110,000	75,173	34,827
Medical examiner	70,000	66,915	3,085
Total public safety	8,502,056	8,287,978	214,078

Continued

**Pender County, North Carolina**

**General Fund**

**Schedule of Revenues, Expenditures and**

**Changes in Fund Balance - Budget and Actual**

**For the Fiscal Year Ended June 30, 2016**

**(Page 2 of 3)**

Economic and physical development:

Extension service	\$ 2,465,783	\$ 2,131,861	333,922
Planning	1,207,149	1,062,442	144,707
Tourism office	144,856	137,920	6,936
Option 4 payments	600,000	458,186	141,814
Outside agencies	877,556	1,351,206	(473,650)
Total economic and physical development	5,295,344	5,141,615	153,729

Human services:

Health department	5,697,518	4,978,047	719,471
Public assistance	10,107,071	9,512,807	594,264
Mosquito control	294,791	285,946	8,845
Veterans	138,057	132,917	5,140
Mental health	18,000	19,026	(1,026)
EDTAP transportation	171,000	163,631	7,369
Total health	16,426,437	15,092,374	1,334,063

Culture and recreation

Recreation	596,788	470,464	126,324
Libraries	807,080	778,924	28,156
Youth alternatives	115,984	115,503	481
Total culture and recreation	1,519,852	1,364,891	154,961

Education, schools

Public schools - current expenditures	14,869,563	14,904,717	(35,154)
Community college	522,186	522,186	-
Total education	15,391,749	15,426,903	(35,154)

Debt service:

Principal	1,789,627	1,577,601	212,026
Interest	421,055	259,576	161,479
Total debt service	2,210,682	1,837,177	373,505

Total expenditures	58,268,487	54,473,767	3,794,720
Revenues over expenditures	7,252,520	13,378,103	6,125,583

Continued

**Pender County, North Carolina**

**General Fund**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual**

**For the Fiscal Year Ended June 30, 2016**

**(Page 3 of 3)**

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**Other financing sources (uses)**

Loan proceeds	\$ 2,166,677	\$ 2,166,677	\$ -
Transfers in (out):			
911 Emergency Telephone Systems Fund	6,000	6,000	-
School Capital Project Fund	5,875,000	5,875,000	-
Non-major governmental funds	(6,461,386)	(6,336,386)	125,000
School Capital Project Fund	(5,750,000)	(5,750,000)	-
Revaluation Fund	(125,000)	(125,000)	-
Internal Service Funds	(1,495,126)	(1,542,850)	(47,724)
Enterprise Funds	(1,474,671)	(1,216,397)	258,274
Appropriated fund balance	40,000	-	(40,000)
Reserves	(34,014)	-	34,014
Total other financing sources (uses)	<u>(7,252,520)</u>	<u>(6,922,956)</u>	<u>329,564</u>

Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	6,455,147	<u>\$ 6,455,147</u>
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Fund balance, beginning	<u>26,023,945</u>
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Fund balance, ending	<u>\$ 32,479,092</u>
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**Revaluation Fund**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

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	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures</b>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
<b>Revenues over expenditures</b>	<u>(125,000)</u>	<u>-</u>	<u>-</u>
<b>Other financing sources</b>			
Transfer from General Fund	<u>125,000</u>	<u>125,000</u>	<u>-</u>
<b>Revenues and other financing sources over expenditures</b>	<u><u>\$ -</u></u>	<u>125,000</u>	<u><u>\$ 125,000</u></u>
<b>Fund balances</b>			
Beginning		<u>509,251</u>	
Ending		<u><u>\$ 634,251</u></u>	

**School Capital Project Fund**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2016**

		Actual			Variance
	Project	Prior	Current	Total	Positive
	Authorization	Years	Year	to Date	(Negative)
Revenues					
Sales tax refund	\$ 820,118	\$ 820,142	\$ -	\$ 820,142	\$ 24
Lottery funds	1,518,876	1,518,876	-	1,518,876	-
PSBCF - state revenue	1,545,816	1,545,816	-	1,545,816	-
Interest income	3,932,697	1,541,651	702	1,542,353	(2,390,344)
Total revenues	7,817,507	5,426,485	702	5,427,187	(2,390,320)
Expenditures					
Intergovernmental:					
Schools:					
Burgaw Middle	220,811	689,517	-	689,517	(468,706)
Topsail Middle	3,023,050	3,035,255	-	3,035,255	(12,205)
Pender High School	8,821,446	-	-	-	8,821,446
Burgaw Elementary Land	100,721	-	-	-	100,721
Burgaw Elementary Sch Add	5,976,942	5,976,942	-	5,976,942	-
Topsail High Land	1,510,017	1,510,017	-	1,510,017	-
Topsail High School	36,606,889	36,606,888	-	36,606,888	1
Central Topsail Elementary	7,813,266	750,766	-	750,766	7,062,500
Penderlea School	500,158	500,158	-	500,158	-
Rocky Point Primary School	1,966,349	1,903,848	-	1,903,848	62,501
West Pender Middle School	2,999,968	499,967	-	499,967	2,500,001
Performing Arts Center	6,653,006	6,653,008	-	6,653,008	(2)
Survey/tests	125,000	14,850	3,735,700	3,750,550	(3,625,550)
Bond closing costs	2,658,017	178,494	224,437	402,931	2,255,086
Contract service - arbitrage	3,900	4,550	-	4,550	(650)
Total expenditures	78,979,540	58,324,260	3,960,137	62,284,397	16,695,143
Revenues under expenditures	(71,162,033)	(52,897,775)	(3,959,435)	(56,857,210)	14,304,823
Other financing sources					
Transfers from (to):					
Public School Capital Fund	(3,006,706)	(3,006,706)	-	(3,006,706)	-
General Fund	125,000	125,000	5,750,000	5,875,000	5,750,000
General Fund	(8,881,706)	-	(5,875,000)	(5,875,000)	3,006,706
Premium on debt issued	2,962,781	426,319	2,536,387	2,962,706	(75)
Bond proceeds	80,375,000	55,875,000	24,500,000	80,375,000	-
Reserve for arbitrage	(586,336)	(585,686)	-	(585,686)	650
Public school capital fund	174,000	174,000	-	174,000	-
	71,162,033	53,007,927	26,911,387	79,919,314	8,757,281
Revenues and other financing sources over (under) expenditures					
	\$ -	\$ 110,152	22,951,952	\$ 23,062,104	\$ 23,062,104

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**NON-MAJOR GOVERNMENTAL FUNDS**

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**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2016**

	Government Fund Types		
	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 6,267,485	\$ 4,020,674	\$ 10,288,159
Taxes receivable (net)	254,101	-	254,101
Due from other governments	1,065,584	-	1,065,584
Restricted cash	67,904	1,224,189	1,292,093
<b>Total assets</b>	<b>\$ 7,655,074</b>	<b>\$ 5,244,863</b>	<b>\$ 12,899,937</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	120,423	70,355	190,778
Due to other funds	61,073	-	61,073
<b>Total liabilities</b>	<b>181,496</b>	<b>70,355</b>	<b>251,851</b>
Deferred inflows of resources	254,101	-	254,101
Fund balances:			
Restricted:			
Public safety	93,159	-	93,159
Economic development	14,441	-	14,441
School capital projects	7,111,877	-	7,111,877
Committed:			
Capital outlay and improvements	-	5,174,508	5,174,508
<b>Total fund balances</b>	<b>7,219,477</b>	<b>5,174,508</b>	<b>12,393,985</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 7,655,074</b>	<b>\$ 5,244,863</b>	<b>\$ 12,899,937</b>



**Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance**

**Non-major Governmental Funds**

**For the Fiscal Year Ended June 30, 2016**

	Government Funds		
	Special Revenue Funds	Capital Projects Funds	Total Non-major Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 9,749,803	\$ -	\$ 9,749,803
Investment earnings	-	-	-
Unrestricted intergovernmental	3,773,613	-	3,773,613
Restricted intergovernmental	1,621,000	268,639	1,889,639
Investment earnings	66	-	66
<b>Total revenues</b>	<b>15,144,482</b>	<b>268,639</b>	<b>15,413,121</b>
<b>Expenditures</b>			
Current:			
Public safety	10,151,747	-	10,151,747
Education	6,146,914	-	6,146,914
Capital outlay	-	358,212	358,212
Bond issuance cost	-	(557)	(557)
<b>Total expenditures</b>	<b>16,298,661</b>	<b>357,655</b>	<b>16,656,316</b>
<b>Revenues over (under) expenditures</b>	<b>(1,154,179)</b>	<b>(89,016)</b>	<b>(1,243,195)</b>
<b>Other financing sources (uses)</b>			
Transfers in	5,945,360	391,026	6,336,386
Transfers out	(6,000)	-	(6,000)
Premiums	2,281,479	-	2,281,479
Bond proceeds	11,135,000	-	11,135,000
Bond refunding	(13,219,978)	-	(13,219,978)
<b>Total other financing sources (uses)</b>	<b>6,135,861</b>	<b>391,026</b>	<b>6,526,887</b>
<b>Net change in fund balance</b>	<b>4,981,682</b>	<b>302,010</b>	<b>5,283,692</b>
<b>Fund balances</b>			
Beginning	2,237,795	4,872,498	7,110,293
Ending	\$ 7,219,477	\$ 5,174,508	\$ 12,393,985

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## **NON-MAJOR SPECIAL REVENUE FUNDS**

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

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**Non-Major Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2016**

	Fire Service	Rescue	911 Emergency	CDBG		School	
	District	District	Telephone	Scattered	HPRP	Special	
	Fund	Fund	Fund	Sites	Grant	Revenue Fund	Totals
<b>Assets</b>							
Cash and cash equivalents	\$ 59,933	\$ -	\$ 23,010	\$ 14,441	\$ 100	\$ 6,170,001	\$ 6,267,485
Taxes receivable (net)	115,860	138,241	-	-	-	-	254,101
Due from other governments	35,809	68,340	-	-	-	961,434	1,065,584
Restricted cash and equivalents	-	-	-	-	-	67,904	67,904
<b>Total assets</b>	<b>\$ 211,603</b>	<b>\$ 206,581</b>	<b>\$ 23,010</b>	<b>\$ 14,441</b>	<b>\$ 100</b>	<b>\$ 7,199,339</b>	<b>\$ 7,655,074</b>
<b>Liabilities, Deferred Inflows</b>							
<b>of Resources,</b>							
<b>and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 35,810	\$ -	\$ 18,783	\$ -	\$ -	\$ 65,830	\$ 120,423
Due from other funds	-	39,441	-	-	-	21,632	61,073
<b>Total liabilities</b>	<b>35,810</b>	<b>39,441</b>	<b>18,783</b>	<b>-</b>	<b>-</b>	<b>87,462</b>	<b>181,496</b>
Deferred inflows of resources	115,860	138,241	-	-	-	-	254,101
<b>Fund balances:</b>							
<b>Restricted:</b>							
Public safety	59,933	28,899	4,227	-	100	-	93,159
Economic development	-	-	-	14,441	-	-	14,441
Education	-	-	-	-	-	7,111,877	7,111,877
<b>Total fund balances</b>	<b>59,933</b>	<b>28,899</b>	<b>4,227</b>	<b>14,441</b>	<b>100</b>	<b>7,111,877</b>	<b>7,219,477</b>
<b>Total liabilities,</b>							
<b>deferred inflows of</b>							
<b>resources, and fund balances</b>	<b>\$ 211,603</b>	<b>\$ 206,581</b>	<b>\$ 23,010</b>	<b>\$ 14,441</b>	<b>\$ 100</b>	<b>\$ 7,199,339</b>	<b>\$ 7,655,074</b>

**Non-Major Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2016**

	Fire Service District Fund	Rescue District Fund	911 Emergency Telephone Fund	CDBG Scattered Sites	HPRP Grant	School Special Revenue Fund	Totals
<b>Revenues</b>							
Ad valorem taxes	\$ 4,189,191	\$ 5,560,612	\$ -	\$ -	\$ -	\$ -	\$ 9,749,803
Unrestricted intergovernmental	-	-	400,996	-	-	3,372,617	3,773,613
Restricted intergovernmental	-	-	-	-	-	1,621,000	1,621,000
Investment earnings	-	-	-	-	-	66	66
<b>Total revenues</b>	<b>4,189,191</b>	<b>5,560,612</b>	<b>400,996</b>	<b>-</b>	<b>-</b>	<b>4,993,683</b>	<b>15,144,482</b>
<b>Expenditures</b>							
Public safety	4,417,753	5,198,836	535,158	-	-	-	10,151,747
Education	-	-	-	-	-	6,146,914	6,146,914
<b>Total expenditures</b>	<b>4,417,753</b>	<b>5,198,836</b>	<b>535,158</b>	<b>-</b>	<b>-</b>	<b>6,146,914</b>	<b>16,298,661</b>
<b>Revenues over (under) expenditures</b>	<b>(228,562)</b>	<b>361,776</b>	<b>(134,162)</b>	<b>-</b>	<b>-</b>	<b>(1,153,231)</b>	<b>(1,154,179)</b>
<b>Other financing (uses)</b>							
Transfers from (to):							
Transfers from General Fund	407,021	332,877	759	-	-	5,204,703	5,945,360
Transfers to General Fund	-	-	(6,000)	-	-	-	(6,000)
Bond proceeds	-	-	-	-	-	11,135,000	11,135,000
Bond premium	-	-	-	-	-	2,281,479	2,281,479
Bond refunding	-	-	-	-	-	(13,219,978)	(13,219,978)
<b>Total other financing uses</b>	<b>407,021</b>	<b>332,877</b>	<b>(5,241)</b>	<b>-</b>	<b>-</b>	<b>5,401,204</b>	<b>6,135,861</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>178,459</b>	<b>694,653</b>	<b>(139,403)</b>	<b>-</b>	<b>-</b>	<b>4,247,973</b>	<b>4,981,682</b>
<b>Fund balances</b>							
Beginning	(118,526)	(665,754)	143,630	14,441	100	2,863,904	2,237,795
Ending	\$ 59,933	\$ 28,899	\$ 4,227	\$ 14,441	\$ 100	\$ 7,111,877	\$ 7,219,477

**Fire Service District Fund**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Ad valorem taxes	\$ 4,074,058	\$ 4,189,191	\$ 115,133
NCDOT Grant	75,000	-	(75,000)
<b>Total revenues</b>	<b>4,149,058</b>	<b>4,189,191</b>	<b>40,133</b>
<b>Expenditures</b>			
Public safety:			
Fire Districts:			
Pender Central	338,925	348,854	(9,929)
Sloop Point	1,389,490	1,399,506	(10,016)
Maple Hill	133,180	134,751	(1,571)
Rocky Point	498,941	512,061	(13,120)
Long Creek	347,846	333,432	14,414
Shiloh	146,704	150,812	(4,108)
Penderlea	173,996	180,694	(6,698)
Atkinson	166,853	171,670	(4,817)
Hampstead	758,068	764,193	(6,125)
Scotts Hill	218,717	220,501	(1,784)
Northeast Pender	182,112	186,618	(4,506)
Penderlea - Dublin Area	14,022	14,661	(639)
Grant expenditures	75,000	-	75,000
<b>Total expenditures</b>	<b>4,443,854</b>	<b>4,417,753</b>	<b>26,101</b>
<b>Revenues (under) expenditures</b>	<b>(294,796)</b>	<b>(228,562)</b>	<b>66,234</b>
<b>Other financing sources (uses)</b>			
Contingency	(118,525)	-	118,525
Transfer from General Fund	413,321	407,021	6,300
<b>Total other financing sources</b>	<b>294,796</b>	<b>407,021</b>	<b>124,825</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>178,459</b>	<b>\$ 178,459</b>
<b>Fund balances</b>			
Beginning		(118,526)	
Ending		<b>\$ 59,933</b>	

**Rescue District Fund**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Ad valorem taxes:			
Rescue district taxes:			
Pender county EMS taxes	\$ 5,198,836	\$ 5,500,612	\$ 301,776
Miscellaneous revenues	57,877	60,000	2,123
<b>Total revenues</b>	<u>5,256,713</u>	<u>5,560,612</u>	<u>303,899</u>
<b>Expenditures</b>			
Public safety:			
Pender volunteer EMS & rescue	5,589,590	5,198,836	390,754
<b>Total expenditures</b>	<u>5,589,590</u>	<u>5,198,836</u>	<u>390,754</u>
<b>Revenues under expenditures</b>	<u>(332,877)</u>	<u>361,776</u>	<u>694,653</u>
<b>Other financing sources</b>			
Transfer from General Fund	332,877	332,877	-
<b>Revenues and other financing sources over expenditures</b>	<u>\$ -</u>	<u>694,653</u>	<u>\$ 694,653</u>
<b>Fund balances</b>			
Beginning		(665,754)	
Ending		<u>\$ 28,899</u>	

**911 Emergency Telephone Systems**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Unrestricted intergovernmental	\$ 402,738	\$ 400,996	\$ (1,742)
<b>Total revenues</b>	<u>402,738</u>	<u>400,996</u>	<u>(1,742)</u>
<b>Expenditures</b>			
Implemental functions	81,483	86,835	(5,352)
Training	3,500	2,949	551
Telephone	5,000	8,534	(3,534)
Supplies & materials	5,400	5,743	(343)
Contracted services	207,200	213,752	(6,552)
Telecommunication service	227,670	208,781	18,889
Other equipment	8,600	8,564	36
<b>Total expenditures</b>	<u>538,853</u>	<u>535,158</u>	<u>3,695</u>
<b>Revenues over (under) expenditures</b>	<u>(136,115)</u>	<u>(134,162)</u>	<u>1,953</u>
<b>Other financing sources (uses)</b>			
Debt proceeds	141,356	-	(141,356)
Transfer from General Fund	759	759	-
Transfer to General Fund	(6,000)	(6,000)	-
<b>Total other financing sources (uses)</b>	<u>136,115</u>	<u>(5,241)</u>	<u>(141,356)</u>
<b>Revenues and other financing sources over expenditures</b>	<u>\$ -</u>	<u>(139,403)</u>	<u>\$ (139,403)</u>
<b>Fund balances</b>			
Beginning		<u>143,630</u>	
Ending		<u>\$ 4,227</u>	



**CDBG Scattered Sites****Statement of Revenue, Expenses and****Changes in Fund Balances - Budget and Actual****From Inception and the Year Ended June 30, 2016**

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Community development (08 scattered sites)	\$ 500,000	\$ 497,419	-	\$ 497,419	\$ (2,581)
Community development (10 ER housing)	500,000	532,125	-	532,125	32,125
Community development (11 CDBG)	400,000	307,286	-	307,286	(92,714)
Community development (11-C-2279)	-	50,000	-	50,000	50,000
Community development (scattered)	-	447,393	-	447,393	447,393
<b>Total revenues</b>	<b>1,400,000</b>	<b>1,834,223</b>	<b>-</b>	<b>1,834,223</b>	<b>434,223</b>
<b>Expenditures</b>					
Community development (08 scattered sites):					
Clearance/demolition	25,000	24,694	-	24,694	306
Relocation	345,000	346,123	-	346,123	(1,123)
Rehabilitation	85,000	76,957	-	76,957	8,043
Administration	45,000	45,000	-	45,000	-
<b>Total</b>	<b>500,000</b>	<b>492,774</b>	<b>-</b>	<b>492,774</b>	<b>7,226</b>
Community development (10 ER housing):					
Clearance/demolition	-	4,500	-	4,500	(4,500)
Rehabilitation	450,000	488,999	-	488,999	(38,999)
Administration	50,000	73,690	-	73,690	(23,690)
<b>Total</b>	<b>500,000</b>	<b>567,189</b>	<b>-</b>	<b>567,189</b>	<b>(67,189)</b>
Community development (11 CDBG):					
Clearance/demolition	-	20,633	-	20,633	(20,633)
Relocation	-	1,500	-	1,500	(1,500)
Rehabilitation	-	223,671	-	223,671	(223,671)
Administration	-	63,359	-	63,359	(63,359)
<b>Total</b>	<b>-</b>	<b>309,163</b>	<b>-</b>	<b>309,163</b>	<b>(309,163)</b>
Community development (11-C-2279):					
Clearance/demolition					
Planning	-	5,000	-	5,000	(5,000)
Administration	-	45,000	-	45,000	(45,000)
<b>Total</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>50,000</b>	<b>(50,000)</b>
Community development (scattered):					
Clearance/demolition	46,000	40,413	-	40,413	5,587
Relocation	230,000	265,564	-	265,564	(35,564)
Rehabilitation	84,000	54,766	-	54,766	29,234
Administration	36,500	36,413	-	36,413	87
Planning	3,500	3,500	-	3,500	-
<b>Total</b>	<b>400,000</b>	<b>400,656</b>	<b>-</b>	<b>400,656</b>	<b>(656)</b>
<b>Total expenditures</b>	<b>1,400,000</b>	<b>1,819,782</b>	<b>-</b>	<b>1,819,782</b>	<b>(419,782)</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ 14,441</b>	<b>\$ -</b>	<b>\$ 14,441</b>	<b>\$ 14,441</b>

**Fund balances**

Beginning	14,441
Ending	<u>\$ 14,441</u>

**HPRP Grant****Statement of Revenue, Expenses and****Changes in Fund Balances - Budget and Actual****From Inception and the Year Ended June 30, 2016**

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
HPRP Grant	\$ 275,000	\$ 190,564	\$ -	\$ 190,564	\$ (84,436)
Total revenues	275,000	190,564	-	190,564	(84,436)
Expenditures					
Current:					
Salaries and fringe benefits	82,864	52,333	-	52,333	30,531
Utilities	28,851	23,231	-	23,231	5,620
Utility deposit	1,000	864	-	864	136
Security deposit	10,541	10,340	-	10,340	201
Rent assistance	150,138	107,361	-	107,361	42,777
Supplies and materials	1,027	643	-	643	384
Contracted services	568	555	-	555	13
Miscellaneous	11	-	-	-	11
Total expenditures	275,000	195,327	-	195,327	79,673
Revenues over expenditures	-	(4,763)	-	(4,763)	(4,763)
Other financing sources					
Transfer from general fund	-	4,863	-	4,863	(4,863)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 100	\$ -	\$ 100	(100)
Fund balances					
Beginning			100		
Ending			\$ 100		

**School Special Revenue Fund**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Other taxes - sales	\$ 2,747,987	\$ 3,372,617	\$ 624,630
Lottery funds	423,365	1,621,000	1,197,635
Investment earnings	-	66	66
Total revenues	<u>3,171,352</u>	<u>4,993,683</u>	<u>1,822,331</u>
<b>Expenditures</b>			
Option 4 redistribution	269,000	213,242	55,758
Debt service payment	4,125,000	4,125,000	-
Interest expense	1,614,180	1,614,180	-
Reserves	4,948,260	-	4,948,260
Bond issuance costs	2,281,480	194,492	2,086,988
Total expenditures	<u>13,237,920</u>	<u>6,146,914</u>	<u>7,091,006</u>
Revenue over (under) expenditures	(10,066,568)	(1,153,231)	8,913,337
<b>Other financing sources (uses)</b>			
Bond proceeds	11,135,000	11,135,000	-
Bond premium	2,281,480	2,281,479	(1)
Bond refunding	(11,135,000)	(13,219,978)	(2,084,978)
Transfer from General fund	5,204,703	5,204,703	-
Fund balance appropriated	2,580,385	-	(2,580,385)
Total other financing sources (uses)	<u>10,066,568</u>	<u>5,401,204</u>	<u>(4,665,364)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 4,247,973</u>	<u>\$ 4,247,973</u>
Fund balance, beginning		<u>2,863,904</u>	
Fund balance, ending		<u>\$ 7,111,877</u>	

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## **NON-MAJOR CAPITAL PROJECT FUNDS**

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Capital Project Funds account for all resources used for current and future acquisition and/or construction of major capital facilities by the County except for those financed by proprietary funds.

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**Non-Major Capital Projects Fund**  
**Combining Balance Sheet**  
**June 30, 2016**

	<b>Capital Improvements Fund</b>	<b>Capital Facilities Reserve Fund</b>	<b>Totals</b>
<b>Assets</b>			
Cash and investments	\$ 3,921,526	\$ 99,148	\$ 4,020,674
Restricted cash	1,224,189	-	1,224,189
<b>Total assets</b>	<b>\$ 5,145,715</b>	<b>\$ 99,148</b>	<b>\$ 5,244,863</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 70,355	\$ -	\$ 70,355
<b>Total liabilities</b>	<b>70,355</b>	<b>-</b>	<b>70,355</b>
Fund balances:			
Restricted:			
School capital projects	-	-	-
Committed:			
Capital outlay and improvements	5,075,360	99,148	5,174,508
Unassigned:	-	-	-
<b>Total fund balances</b>	<b>5,075,360</b>	<b>99,148</b>	<b>5,174,508</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,145,715</b>	<b>\$ 99,148</b>	<b>\$ 5,244,863</b>

**Non-major Capital Projects Fund**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Vehicle Replacement Fund</b>	<b>Capital Improvements Fund</b>	<b>Capital Facilities Reserve Fund</b>	<b>Totals</b>
<b>Revenues</b>				
Interest income	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	-	268,639	-	268,639
<b>Total revenues</b>	-	268,639	-	268,639
<b>Expenditures</b>				
Capital outlay	-	358,212	-	358,212
Education	-	-	-	-
<b>Total expenditures</b>	-	358,212	-	358,212
<b>Revenues over (under) expenditures</b>	-	(89,573)	-	(89,573)
<b>Other financing sources (uses)</b>				
Bond proceeds	-	-	-	-
Premium	-	-	-	-
Bond issuance cost	-	557	-	557
Transfers from (to):				
General Fund	-	-	-	-
General Fund	215,879	175,147	-	391,026
<b>Total other financing sources (uses)</b>	215,879	175,704	-	391,583
<b>Revenues and other financing sources over (under) expenditures</b>	215,879	86,131	-	302,010
<b>Fund balances</b>				
Beginning	(215,879)	4,989,229	\$ 99,148	4,872,498
Ending	\$ -	\$ 5,075,360	\$ 99,148	\$ 5,174,508

**Vehicle Replacement Fund - Capital Project Fund**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenditures</b>			
Reserves	<b>215,879</b>	<b>-</b>	<b>215,879</b>
<b>Other financing sources</b>			
Transfer from general fund	<b>215,879</b>	<b>215,879</b>	<b>-</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>-</b>	<b>215,879</b>	<b>215,879</b>
<b>Fund balances</b>			
Beginning		<b>(215,879)</b>	
Ending		<b>\$ -</b>	



**Capital Improvements Fund - Capital Project Fund**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Project Authorization</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Recreation Grant	\$ 712,545	\$ 134,233	\$ (578,312)
Emergency Management Grant	-	21,906	21,906
Community development	10,000	112,500	102,500
<b>Total revenues</b>	<b>722,545</b>	<b>268,639</b>	<b>(453,906)</b>
<b>Expenditures</b>			
Capital Outlay:			
Undefined projects	-	1,114	(1,114)
Industrial infrastructure development	-	500	(500)
Parks & recreation	550,000	16,193	533,807
Hampstead annex	4,915,777	-	4,915,777
HVAC installation	1,200,000	37,526	1,162,474
Miller's pond park	368,940	96,748	272,192
Pender Memorial Park	102,795	2,795	100,000
Hampstead Kiwanis park	101,069	3,711	97,358
Jail renovations	1,520,423	-	1,520,423
Probation & parole building renovation	175,000	140,790	34,210
FMA Grants	2,099,254	58,835	2,040,419
<b>Total expenditures</b>	<b>11,033,258</b>	<b>358,212</b>	<b>10,675,046</b>
<b>Revenues under expenditures</b>	<b>(10,310,713)</b>	<b>(89,573)</b>	<b>10,221,140</b>
<b>Other financing sources (uses)</b>			
Loan proceeds	8,390,031	-	(8,390,031)
Premium on LOB's	79,369	-	(79,369)
Bond issuance cost	(79,369)	557	79,926
Transfers from General Fund	1,920,682	175,147	(1,745,535)
<b>Total other financing sources (uses)</b>	<b>10,310,713</b>	<b>175,704</b>	<b>(10,135,009)</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>86,131</b>	<b>\$ 86,131</b>
<b>Fund balances</b>			
Beginning		4,989,229	
Ending		<u>\$ 5,075,360</u>	

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## **PROPRIETARY FUNDS**

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

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## MAJOR ENTERPRISE FUNDS

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- Resource Recovery Fund: This fund is used to account for the operation, maintenance, and development of various landfills and disposal sites.
  - Rocky Point – Topsail Water and Sewer Fund: This fund is used to account for the operations of the water and sewer district with Rocky Point and Topsail.
  - Water Treatment Plant: This fund is used to account for the construction of the Water Treatment Plant.
  - Water Fund: This fund is used to account for the Limited Obligation Bonds issued by the County to cover the Water District General Obligation Bonds.
  - PCP Waste Water Treatment Plant: This fund is used to account for the construction of the PCP Waste Water Treatment Plant.
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**Pender County, North Carolina**  
**Resource Recovery Operating Fund**

**Exhibit E-1**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance, Positive (Negative)
<b>Operating Revenues</b>			
Landfill fees	\$ 1,200,000	\$ 1,040,113	\$ (159,887)
User fees	3,687,100	3,477,355	(209,745)
Recycling	15,000	16,566	1,566
Miscellaneous	129,674	42,350	(87,324)
Total operating revenues	5,031,774	4,576,384	(455,390)
<b>Operating Expenditures</b>			
Salaries and employee benefits	223,913	225,708	(1,795)
Contracted services	110,062	107,747	2,315
Other operating expenditures	4,682,400	4,563,704	118,696
Capital outlay	65,263	54,070	11,193
Total operating expenditures	5,081,638	4,951,229	130,409
Operating revenues under operating expenditures	(49,864)	(374,845)	(324,981)
<b>Non-Operating Revenues</b>			
White goods	-	19,231	19,231
Scrap tire	65,000	80,739	15,739
Reimbursement from schools	290,000	232,150	(57,850)
Total non-operating revenues	355,000	332,120	(22,880)
Revenues under expenditures	305,136	(42,725)	(347,861)
<b>Other Financing Sources (Uses)</b>			
Transfers in (out):			
General Fund	77,713	77,713	-
Employee Insurance Fund	(19,000)	(19,000)	-
Water/Wastewater Capacity Fees Fund	(350,455)	(350,455)	-
Solid Waste Capital Project Fund	(13,394)	(13,394)	-
Total other financing sources (uses)	(305,136)	(305,136)	-
Revenues under expenditures and other financing uses	\$ -	\$ (347,861)	\$ (347,861)
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ (347,861)	
Transfer to Solid Water Capital Project Fund		13,394	
Capital outlay		54,741	
OPEB expense		(9,825)	
Debt issuance costs		(12,868)	
Pension expense		(4,687)	
Depreciation		(45,256)	
Change in net position, full accrual basis		\$ (352,362)	

**Pender County, North Carolina**  
**Solid Waste Capital Project Fund**

**Exhibit E-1a**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	Total Project Estimates	Actual			Variance Positive Negative
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Contracted services	40,900	2,162	1,520	3,682	37,218
Capital outlay	628,820	3,427	13,914	17,341	611,479
Total expenditures	669,720	5,589	15,434	21,023	648,697
Revenues over (under) expenditures	(669,720)	(5,589)	(15,434)	(21,023)	648,697
<b>Other Financing Sources (Uses)</b>					
Transfers from General Fund	13,394	-	13,394	13,394	-
CWSRF loan proceeds	669,720	-	-	-	(669,720)
Debt issuance costs	(13,394)	-	(12,868)	(12,868)	526
Total other financing sources (uses)	669,720	-	526	526	(669,194)
Revenues under expenditures and other financing sources (uses)	\$ -	\$ (5,589)	\$ (14,908)	\$ (20,497)	\$ (20,497)

**Pender County, North Carolina  
Rocky Point/Topsail Water & Sewer Fund**

**Exhibit E-2**

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance, Positive (Negative)
<b>Revenues</b>			
School fees - sewer	\$ 30,000	\$ 23,549	\$ (6,451)
Commercial sewer fees	75,859	141,137	65,278
Water fees	3,796,432	3,928,953	132,521
Connections fees - water	95,000	200,878	105,878
Other fees	62,935	81,040	18,105
Total operating revenues	4,060,226	4,375,557	315,331
<b>Expenditures</b>			
Sewer operations:			
Salaries and employee benefits	39,914	45,625	(5,711)
Contracted services	7,500	7,501	(1)
Other operating expenditures	57,000	57,729	(729)
Capital outlay	25,000	19,782	5,218
Total	129,414	130,637	(1,223)
Water Operations:			
Salaries and employee benefits	647,393	618,853	28,540
Contracted services	572,835	296,830	276,005
Water purchases	937,323	896,796	40,527
Other operating expenditures	959,630	693,803	265,827
Debt service payments:			
Principal	310,000	310,000	-
Interest	784,000	788,186	(4,186)
Total	4,211,181	3,604,468	606,713
Revenues over (under) expenditures	(280,369)	640,452	920,821
<b>Other Financing Sources (Uses)</b>			
Transfers in (out):			
General Fund	7,769	7,769	-
Water/Sewer Capacity Fees Fund	325,000	325,000	-
Employee Insurance Fund	(52,400)	(52,400)	-
Loss on disposal of asset	-	(3,061)	(3,061)
Total other financing sources	280,369	277,308	(3,061)
Revenues, other sources, and appropriated fund balance over expenditures	\$ -	\$ 917,760	\$ 917,760
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 917,760	
OPEB expense		(26,373)	
Pension expense		15,428	
Interest income, Rocky Pt Phase V Capital Project Fund		2,220	
Expense in Capital Project Fund		(16,034)	
Principal payments		310,000	
Premium amortization		49,206	
Depreciation		(705,233)	
Change in net position, full accrual basis		\$ 546,974	

**Pender County, North Carolina**  
**Rocky Point Water Fund-Phase III Capital Project Fund**

**Exhibit E-2a**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

		Actual		Completed	Variance
	Project	Prior	Current	Total	Positive
	Authorizations	Years	Year	to Date	Negative
<b>Revenues</b>					
USDA Rural Development - grant	\$ 3,680,500	\$ 3,680,500	\$ -	\$ 3,680,500	\$ -
Investment income	2,627	46,651	-	46,651	44,024
Sales tax refund	181,949	168,212	-	168,212	(13,737)
Total revenue	3,865,076	3,895,363	-	3,895,363	30,287
<b>Expenditures</b>					
Contracted services	845,107	421,175	-	421,175	423,932
Construction	7,636,830	5,464,244	-	5,464,244	2,172,586
Interest	527,701	842,694	-	842,694	(314,993)
Contingency	27,420	350	-	350	27,070
Reserve for arbitrage	8,700	8,700	-	8,700	-
Other	-	1,004	-	1,004	(1,004)
Total expenditures	9,045,758	6,738,167	-	6,738,167	2,307,591
Revenues under expenditures	(5,180,682)	(2,842,804)	-	(2,842,804)	2,337,878
<b>Other Financing Sources (Uses)</b>					
USDA Rural Development - loan	5,723,000	5,723,000	-	5,723,000	-
Premium on debt issued	-	57,876	-	57,876	(57,876)
Donations	53,000	53,000	-	53,000	-
Transfers in (out):					
Rocky Point Phase IV	(341,015)	(341,015)	-	(341,015)	-
Rocky Point Water & Sewer	(340,803)	(340,803)	-	(340,803)	-
Rocky Point Water & Sewer	86,500	86,500	-	86,500	-
Total other financing sources (uses)	5,180,682	5,238,558	-	5,238,558	(57,876)
Revenues and other financing sources over expenditures and other financing sources	\$ -	\$ 2,395,754	\$ -	\$ 2,395,754	\$ 2,395,754



**Pender County, North Carolina**  
**Rocky Point Water Fund-Phase IV Capital Project Fund**

**Exhibit E-2b**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

		Actual		Completed	Variance
	Project	Prior	Current	Total	
	Authorization	Years	Year	to Date	Positive Negative
<b>Revenues</b>					
USDA Rural Development Grant	\$ 1,094,000	\$ 174,900	\$ -	\$ 174,900	\$ (919,100)
Connection fees	30,000	-	-	-	(30,000)
Investment income	-	79,048	-	79,048	79,048
Total revenues	1,124,000	253,948	-	253,948	(870,052)
<b>Expenditures</b>					
Postage	4,000	1,168	-	1,168	2,832
Supplies and materials	1,650	1,309	-	1,309	341
Contracted services	371,296	238,951	-	238,951	132,345
Capital outlay	2,162,000	1,893,203	-	1,893,203	268,797
Interest	140,000	90,076	-	90,076	49,924
Contingency	92,804	2,550	-	2,550	90,254
Total expenditures	2,771,750	2,227,257	-	2,227,257	544,493
Revenues under expenditures	(1,647,750)	(1,973,309)	-	(1,973,309)	(325,559)
<b>Other Financing Sources (Uses)</b>					
USDA Rural Development - loan	1,187,985	1,529,000	-	1,529,000	341,015
Premium on debt issued	-	2,150	-	2,150	2,150
Transfer from Rocky Point Water & Sewer	459,765	431,865	-	431,865	(27,900)
Total other financing sources	1,647,750	1,963,015	-	1,963,015	315,265
Revenues and other financing sources over expenditures and other financing sources	\$ -	\$ (10,294)	\$ -	\$ (10,294)	\$ (10,294)

Pender County, North Carolina  
Rocky Point Water Fund-Phase V Capital Project Fund

Exhibit E-2c

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

		Actual			
	Total			Completed	Variance
	Project	Prior	Current	Total	Positive
	Estimates	Years	Year	to Date	Negative
<b>Revenues</b>					
Investment income	\$ 95,374	\$ 549,518	\$ 2,220	\$ 551,738	\$ 456,364
Total revenue	95,374	549,518	2,220	551,738	456,364
<b>Expenditures</b>					
Capital outlay	8,951,152	8,336,582	-	8,336,582	614,570
Contracted services	602,561	604,933	-	604,933	(2,372)
Interest	920,548	920,549	-	920,549	(1)
Reserve for arbitrage	95,874	94,895	-	94,895	979
Contingency	6,550	6,550	-	6,550	-
Total expenditures	10,576,685	9,963,509	-	9,963,509	613,176
<b>Other Financing Sources (Uses)</b>					
USDA Rural Development - loan	10,625,000	10,625,000	-	10,625,000	-
Premium on debt issued	-	14,944	-	14,944	14,944
Transfer to Rocky Point Water & Sewer	(143,689)	(143,689)	-	(143,689)	(143,689)
Total other financing sources (uses)	10,481,311	10,496,255	-	10,496,255	(128,745)
Revenues over (under) expenditures					
and other financing sources	\$ -	\$ 1,082,264	\$ 2,220	\$ 1,084,484	\$ 940,795

**Pender County, North Carolina**  
**Water Treatment Plant**

**Exhibit E-3**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance, Positive (Negative)
<b>Revenues</b>			
Water fees	\$ 599,398	\$ 597,075	\$ (2,323)
Other fees	3,029	-	(3,029)
Total operating revenues	602,427	597,075	(5,352)
<b>Expenditures</b>			
Salaries and employee benefits	338,173	190,108	148,065
Contract services	71,193	58,842	12,351
Operating expenditures	736,491	687,477	49,014
Capital outlay	50,000	-	50,000
Debt service payments:			
Principal	419,245	419,245	-
Interest	735,461	733,951	1,510
Total operating expenditures	2,350,563	2,089,623	260,940
Revenues over (under) expenditures	(1,748,136)	(1,492,548)	255,588
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
General fund	3,643	3,643	-
Wastewater capacity fees	1,769,493	1,769,493	-
Transfers to Employee Insurance Fund	(25,000)	(25,000)	-
Total other financing sources	1,748,136	1,748,136	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 255,588	\$ 255,588
<b>Reconciliation of modified accrual basis with full     accrual basis:</b>			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual to full accrual;	\$	255,588	
Long term debt repayments		419,245	
Interest in Capital Project Fund		725	
Depreciation		(966,677)	
Pension expense		9,357	
OPEB expense		(6,723)	
Change in net position, full accrual basis	\$	(288,485)	

**Exhibit E-3a**

		Actual			Variance
	Project	Prior	Current	Total	Positive
	Authorization	Years	Year	to Date	Negative
<b>Revenues</b>					
USDA Rural Development - grant	\$ 7,594,000	\$ 7,594,000	\$ -	\$ 7,594,000	\$ -
Investment income	4,100	53,000	-	53,000	48,900
Sales tax refund	215,009	-	-	-	(215,009)
Total revenue	7,813,109	7,647,000	-	7,647,000	(166,109)
<b>Expenditures</b>					
Contracted services	2,664,079	2,824,414	-	2,824,414	(160,335)
Capital outlay	28,756,000	29,261,965	-	29,261,965	(505,965)
Water treatment plant	4,125,455	836,006	-	836,006	3,289,449
Reserve for arbitrage	4,100	2,935	-	2,935	1,165
Interest	1,541,686	1,332,419	84,642	1,417,061	124,625
Total expenditures	37,091,320	34,257,739	84,642	34,342,381	2,748,939
Revenues over (under) expenditures	(29,278,211)	(26,610,739)	84,642	(26,695,381)	2,582,830
<b>Other Financing Sources (Uses)</b>					
USDA loan proceeds	17,500,000	17,500,000	-	17,500,000	-
USDA revenue bonds	4,955,000	4,955,000	-	4,955,000	-
Transfer from Capacity Fee Fund	502,000	502,000	-	502,000	-
Loan from General Fund	6,321,211	1,177,624	-	1,177,624	(5,143,587)
Total other financing sources (uses)	29,278,211	24,134,624	-	24,134,624	(5,143,587)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (2,476,115)	\$ 84,642	\$ (2,560,757)	\$ (2,560,757)

**Pender County, North Carolina**  
**General Water Fund**

**Exhibit E-4**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

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	Budget	Actual	Variance, Positive (Negative)
<b>Revenues</b>			
Payment from district	\$ -	\$ 740,000	\$ 740,000
Total operating revenues	-	740,000	740,000
<b>Expenditures</b>			
Debt service payments:			
Principal	-	375,000	(375,000)
Interest	-	365,000	(365,000)
	-	740,000	(740,000)
 Revenues over expenditures	 \$ -	 \$ -	 \$ -

**Pender County, North Carolina**  
**PCP Waste Water Treatment Plant Fund**

**Exhibit E-5**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance, Positive (Negative)
<b>Revenues</b>			
Water fees	\$ 236,019	\$ -	\$ (236,019)
Total operating revenues	236,019	-	(236,019)
<b>Expenditures</b>			
Salaries and employee benefits	64,219	32,632	31,587
Contracted services	799,280	328,235	471,045
Operating expenditures	124,302	73,780	50,522
Debt service payments:			
Principal	570,000	772,322	(202,322)
Interest	558,347	869,467	(311,120)
Total operating expenditures	2,116,148	2,076,436	39,712
Revenues over (under) expenditures	(1,880,129)	(2,076,436)	(196,307)
<b>Other Financing Sources (Uses)</b>			
Appropriated fund balance	779,280	-	(779,280)
From General Fund	1,100,849	1,100,849	-
Total other financing sources	1,880,129	1,100,849	(779,280)
Revenues under expenditures and other financing sources (uses)	\$ -	(975,587)	\$ (975,587)

**Reconciliation of modified accrual basis with full  
accrual basis:**

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual to full accrual;	(975,587)
Gold Leaf Grant Exhibit-8a	320,000
EDA Grant Exhibit-8a	1,467,030
CDBG Grant Exhibit-8a	750,000
Premium amortization	76,475
Interest income Exhibit-8a	17,590
Long term debt repayments	772,322
Debt issuance costs	(1,713)
Pension expense	(1,042)
Change in net position, full accrual basis	\$ 2,425,075

**Pender County, North Carolina**  
**PCP Wastewater Treatment Plant Capital Project Fund**

**Exhibit E-5a**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive Negative
<b>Revenues</b>					
Gold Leaf	\$ 400,000	\$ -	\$ 320,000	\$ 320,000	\$ (80,000)
Rural Center Grant	500,000	-	-	-	(500,000)
EDA Grant	2,275,000	-	1,467,030	1,467,030	(807,970)
CDBG	750,000	-	750,000	750,000	-
Investment income	-	-	17,590	17,590	17,590
Total revenue	3,925,000	-	2,554,620	2,554,620	(1,370,380)
<b>Expenditures</b>					
Construction	23,569,253	7,458,845	12,931,276	20,390,121	3,179,132
Bond Issuance Cost	-	126,789	1,713	126,789	(126,789)
Total expenditures	23,569,253	7,585,634	12,932,989	20,516,910	3,052,343
Revenues over (under) expenditures	(19,644,253)	(7,585,634)	(10,378,369)	(17,962,290)	1,681,963
<b>Other Financing Sources (Uses)</b>					
Premium on LOBs	244,253	1,529,527	-	1,529,527	1,285,274
Limited Obligation Bonds	19,400,000	18,241,517	-	18,241,517	(1,158,483)
Total other financing sources	19,644,253	19,771,044	-	19,771,044	126,791
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 12,185,410	\$ (10,378,369)	\$ 1,808,754	\$ 1,808,754

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## NON-MAJOR ENTERPRISE FUNDS

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- Maple Hill Water Fund: This fund is used to account for the operations of the Maple Hill Water District.
  - Sewer Fund: This fund accounts for the operations of the sewer plant.
  - Section 8 Administration Fund: This fund is used to account for the funds received from HUD to provide housing assistance to individuals.
  - County Court Apartments Fund: This fund is used to account for the funds received from Rural Development.
  - Scott's Hill Water and Sewer Fund: This fund is used to account for the operations of the Scott's Hill Water and Sewer District.
  - Waste Water Treatment Plant: This fund is used to account for the construction of the new plant and operation before and after the plant is completed.
  - Moore's Creek Water District Fund: This fund is used to account for the operations of the Moore's Creek Water District.
  - Central Pender Water District Fund: This fund is used to account for the operations of the Central Pender Water District.
-

**Pender County, North Carolina**

**Proprietary Funds  
Combining Statement of Net Position  
June 30, 2016**

	Maple Hill Water Fund	Sewer Fund	Section 8 Admin. Fund	Country Court Apartments Fund
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 33,764	\$ 1,267,648	\$ 116,215	\$ 81,200
Accounts receivable, net of allowance for doubtful accounts	31,378	5,394	-	-
Due from other governments	-	-	-	259
Due from other funds	-	-	-	99
Prepaid expenses	-	-	-	-
Restricted cash	910	-	-	2,100
Total current assets	66,052	1,273,042	116,215	83,658
Noncurrent Assets:				
Capital assets, net	4,590,729	91,099	1,303	154,972
Total noncurrent assets	4,590,729	91,099	1,303	154,972
Total assets	4,656,781	1,364,141	117,518	238,630
Deferred Outflows of Resources	7,792	-	5,012	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	128	5,839	6,618	24,183
Due from other funds	-	-	-	-
Accrued interest payable	567	-	-	38
Customer deposits payable	910	-	-	2,100
Compensated absences liability - current	283	-	6,650	-
Installment notes payable-current	-	-	-	6,780
General obligation bonds payable -current	10,000	-	-	-
Bond anticipation notes	-	-	-	-
Total current liabilities	11,888	5,839	13,268	33,101
Noncurrent liabilities:				
Compensated absences liability	4,447	-	-	-
Other postemployment benefit liability	22,680	-	48,099	-
Net pension liability	4,721	-	6,135	-
Installment notes payable	-	-	-	101,967
General obligation bonds payable	186,924	-	-	-
Total noncurrent liabilities	218,772	-	54,234	101,967
Total liabilities	230,660	5,839	67,502	135,068
Deferred Inflows of Resources	2,539	-	3,299	-
<b>Net Position</b>				
Net investment in capital assets	4,393,805	91,099	1,303	46,225
Restricted by HUD Section 8	-	-	41,438	-
Unrestricted	37,569	1,267,203	8,988	57,337
Total net position	\$ 4,431,374	\$ 1,358,302	\$ 51,729	\$ 103,562

Exhibit E-6

Scott's Hill Water & Sewer	Waste Water Treatment Fund	Moore's Creek Water District	Central Pender Water District	Total Non-Major
\$ 543,289	\$ 1,079,483	\$ -	\$ -	\$ 3,121,599
47,142	-	-	-	83,914
-	-	-	-	259
-	-	-	-	99
2,448	-	-	-	2,448
-	-	5,302,159	6,072,801	11,377,970
592,879	1,079,483	5,302,159	6,072,801	14,586,289
2,718,897	4,670,789	906,577	977,722	14,112,088
2,718,897	4,670,789	906,577	977,722	14,112,088
3,311,776	5,750,272	6,208,736	7,050,523	28,698,377
38,547	-	-	-	51,351
1,726	-	562,918	400,440	1,001,852
678,906	2,893,239	313,485	554,092	4,439,722
7,741	-	-	-	8,346
-	-	-	-	3,010
917	-	-	-	7,850
-	-	-	-	6,780
55,000	-	-	-	65,000
-	-	5,299,170	6,069,378	11,368,548
744,290	2,893,239	6,175,573	7,023,910	16,901,108
-	-	-	-	4,447
2,908	-	-	-	73,687
1,227	-	-	-	12,083
-	-	-	-	101,967
2,488,087	-	-	-	2,675,011
2,492,222	-	-	-	2,867,195
3,236,512	2,893,239	6,175,573	7,023,910	19,768,303
660	-	-	-	6,498
175,810	4,670,789	909,566	981,145	11,269,742
-	-	-	-	41,438
(62,659)	(1,813,756)	(876,403)	(954,532)	(2,336,253)
\$ 113,151	\$ 2,857,033	\$ 33,163	\$ 26,613	\$ 8,974,927

**Pender County, North Carolina**

**Proprietary Funds**

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**

**For the Fiscal Year Ended June 30, 2016**

	Maple Hill Water Fund	Sewer Fund	Section 8 Admin. Fund	Country Court Apartments Fund
<b>Operating Revenues</b>				
Charges for services	\$ 198,894	\$ 1,925,494	\$ -	\$ -
Dwelling rental	-	-	-	57,987
Other operating revenues	2,619	-	-	677
Total operating revenues	201,513	1,925,494	-	58,664
<b>Operating expenses</b>				
Salaries and benefits	84,470	-	118,095	-
Housing assistance payments	-	-	986,951	-
Operating expenses	46,038	-	15,260	-
Contracted services	7,020	-	-	41,422
Housing administration	-	-	-	30,713
Water purchases	35,745	-	-	-
Depreciation	140,283	6,283	3,123	7,590
Total operating expenses	313,556	6,283	1,123,429	79,725
Operating income (loss)	(112,043)	1,919,211	(1,123,429)	(21,061)
<b>Nonoperating revenues (expenses)</b>				
Interest income	-	-	18	142
Restricted intergovernmental	-	-	1,144,024	-
Miscellaneous revenues	-	-	40,312	-
Fraud recovery	-	-	10,243	-
Loss on scrapped asset	(126,900)	-	-	-
Interest expense	(6,876)	-	-	(1,191)
Total net nonoperating revenues (expenses)	(133,776)	-	1,194,597	(1,049)
Income (loss) before transfers	(245,819)	1,919,211	71,168	(22,110)
Transfers in	886	350,455	1,395	23,900
Transfers out	(5,200)	(2,094,493)	(1,700)	-
Total transfers in (out)	(4,314)	(1,744,038)	(305)	23,900
Change in net position	(250,133)	175,173	70,863	1,790
Net position, beginning	4,681,507	1,183,129	(19,134)	101,772
Net position, ending	\$ 4,431,374	\$ 1,358,302	\$ 51,729	\$ 103,562

Exhibit E-7

Scott's Hill Water & Sewer		Waste Water Treatment Fund		Moore's Creek Water District		Central Pender Water District		Total Non-Major	
\$	285,298	\$	-	\$	-	\$	-	\$	2,409,686
	-		-		-		-		57,987
	3,993		-		-		-		7,289
	289,291		-		-		-		2,474,962
	22,767		-		-		-		225,332
	-		-		-		-		986,951
	11,446		-		1,020		240		74,004
	4,440		-		-		-		52,882
	-		-		-		-		30,713
	52,076		-		-		-		87,821
	82,027		125,741		-		-		365,047
	172,756		125,741		1,020		240		1,822,750
	116,535		(125,741)		(1,020)		(240)		652,212
	-		-		2,989		3,423		6,572
	-		-		-		-		1,144,024
	-		271,810		-		-		312,122
	-		-		-		-		10,243
	-		-		-		-		(126,900)
	(95,567)		-		-		-		(103,634)
	(95,567)		271,810		2,989		3,423		1,242,427
	20,968		146,069		1,969		3,183		1,894,639
	242		-		-		-		376,878
	(1,500)		-		-		-		(2,102,893)
	(1,258)		-		-		-		(1,726,015)
	19,710		146,069		1,969		3,183		168,624
	93,441		2,710,964		31,194		23,430		8,806,303
\$	113,151	\$	2,857,033	\$	33,163	\$	26,613	\$	8,974,927

**Pender County, North Carolina**

**Proprietary Funds**

**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2016**

	Maple Hill Water Fund	Sewer Fund	Section 8 Admin. Fund	Country Court Apartments Fund
<b>Cash Flows from operating activities</b>				
Receipts from customers and users	\$ 200,755	\$ 1,962,439	\$ -	\$ 58,464
Payments to customers and suppliers	(88,331)	1,804	(1,011,499)	(48,014)
Payments to employees	(82,768)	-	(114,469)	-
Net cash provided by (used in) operating activities	29,656	1,964,243	(1,125,968)	10,450
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition & construction of capital assets	-	-	-	-
Repayment of debt	(10,000)	-	-	(6,683)
Proceeds from bond anticipation notes and premiums	-	-	-	-
Interest paid	(7,612)	-	-	(1,217)
Net cash provided by (used in) capital and related financing activities	(17,612)	-	-	(7,900)
<b>Cash Flows from Noncapital Financing Activities</b>				
Due to (from) other funds	-	-	-	-
HUD operating grants	-	-	1,144,088	-
Miscellaneous revenues	-	-	50,555	-
Transfers in (out)	(4,314)	(1,744,038)	(305)	23,801
Net cash provided by (used in) noncapital financing activities	(4,314)	(1,744,038)	1,194,338	23,801
<b>Cash Flows from Investing Activities</b>				
Interest income	-	-	18	142
Net decrease in cash and cash equivalents	7,730	220,205	68,388	26,493
<b>Cash and Cash Equivalents</b>				
Beginning	26,944	1,047,443	47,827	56,807
Ending	\$ 34,674	\$ 1,267,648	\$ 116,215	\$ 83,300
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (112,043)	1,919,211	(1,123,429)	(21,061)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	140,283	6,283	3,123	7,590
Change in assets and liabilities:				
Accounts receivable	(758)	36,945	-	-
Prepaid items	-	-	-	-
Accounts payable and accrued expenses	(308)	1,804	(9,288)	24,121
Customer deposits payable	(83)	-	-	(200)
Compensated absences	749	-	(564)	-
OPEB	2,586	-	5,688	-
Decrease in net pension asset	4,600	-	7,942	-
Decrease in deferred outflows of resources	(1,333)	-	631	-
Increase in net pension liability	4,721	-	6,135	-
Decrease in deferred inflows of resources	(8,758)	-	(16,206)	-
Net cash provided by (used in) operating activities	\$ 29,656	\$ 1,964,243	\$ (1,125,968)	\$ 10,450

Exhibit E-8

Scott's Hill Water & Sewer	Water Treatment Fund	Moore's Creek Water District	Central Pender Water District	Total Non-Major
\$ 282,811	\$ -	\$ -	\$ -	\$ 2,504,469
(68,848)	-	(1,020)	(240)	(1,216,148)
(18,899)	-	-	-	(216,136)
195,064	-	(1,020)	(240)	1,072,185
-	-	(80,447)	(126,722)	(207,169)
(55,000)	-	-	-	(71,683)
-	-	5,299,170	6,069,376	11,368,546
(102,822)	-	-	-	(111,651)
(157,822)	-	5,218,723	5,942,654	10,978,043
-	807,673	81,467	126,964	1,016,104
-	-	-	-	1,144,088
-	271,810	-	-	322,365
(1,258)	-	-	-	(1,726,114)
(1,258)	1,079,483	81,467	126,964	756,443
-	-	2,989	3,423	6,572
35,984	1,079,483	5,302,159	6,072,801	12,813,243
507,305	-	-	-	1,686,326
\$ 543,289	\$ 1,079,483	\$ 5,302,159	\$ 6,072,801	\$ 14,499,569
116,535	(125,741)	(1,020)	(240)	652,212
82,027	125,741	-	-	365,047
(5,273)	-	-	-	30,914
(2,448)	-	-	-	(2,448)
887	-	-	-	17,216
1,207	-	-	-	924
510	-	-	-	695
518	-	-	-	8,792
1,239	-	-	-	13,781
(316)	-	-	-	(1,018)
1,227	-	-	-	12,083
(1,049)	-	-	-	(26,013)
\$ 195,064	\$ -	\$ (1,020)	\$ (240)	\$ 1,072,185

**Pender County, North Carolina  
Maple Hill Water Operating Fund**

**Exhibit E-9**

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance, Positive (Negative)
<b>Operating Revenues</b>			
Water fees	\$ 147,063	\$ 143,267	\$ (3,796)
Sewer fees	57,925	55,627	(2,298)
Other fees	2,450	2,619	169
Total operating revenues	207,438	201,513	(5,925)
<b>Operating Expenditures</b>			
Water:			
Salaries and employee benefits	53,507	60,682	(7,175)
Contract services	2,000	2,000	-
Water purchases	42,000	35,745	6,255
Operating expenditures	26,950	19,770	7,180
Debt service payments:			
Principal	10,000	10,000	-
Interest	12,000	7,659	4,341
Total water operating expenditures	146,457	135,856	10,601
Sewer:			
Salaries and employee benefits	23,207	21,972	1,235
Contract services	5,000	5,020	(20)
Operating expenditures	28,460	26,268	2,192
Total sewer operating expenditures	56,667	53,260	3,407
Operating revenues over operating expenditures operating expenditures	4,314	12,397	8,083
<b>Other Financing Sources (Uses)</b>			
Transfers in (out):			
General fund	886	886	-
Employee Insurance Fund	(5,200)	(5,200)	-
Total other financing sources (uses)	(4,314)	(4,314)	-
Revenues, other financing sources (uses) over (under) expenditures	\$ -	\$ 8,083	\$ 8,083
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 8,083	
Premium amortization		783	
Principal payments		10,000	
Expense in capital project fund		(126,900)	
Depreciation		(140,283)	
Pension expense		770	
OPEB expense		(2,586)	
Change in net position, full accrual basis		\$ (250,133)	



**Pender County, North Carolina**  
**Maple Hill Sewer Capital Project Fund**

**Exhibit E-9a**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	Actual				Variance Positive Negative
	Project Authorization	Prior Years	Current Year	Completed	
				Total to Date	
Revenues					
Connection fees	\$ 42,750	\$ 42,659	\$ -	\$ 42,659	\$ (91)
Grant revenue	2,000	2,000	-	2,000	-
Clean Water Trust Fund	2,774,614	2,893,180	-	2,893,180	118,566
Miscellaneous	1,463,000	1,463,000	-	1,463,000	-
Total revenue	4,282,364	4,400,839	-	4,400,839	118,475
Expenditures					
Contracted services	419,864	57,867	-	57,867	361,997
Operating	77,811	524,009	-	524,009	(446,198)
Capital outlay	3,589,689	3,616,610	-	3,616,610	(26,921)
Other	195,000	228,482	-	228,482	(33,482)
Total expenditures	4,282,364	4,426,968	-	4,426,968	(144,604)
Revenues under expenditures	\$ -	\$ (26,129)	\$ -	\$ (26,129)	\$ (26,129)

**Pender County, North Carolina**  
**St. Helena Wastewater Capital Project Fund**

**Exhibit E-9b**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	Actual				Variance
	Project	Prior	Current	Total	
	Authorization	Years	Year	to Date	Positive Negative
Revenues					
Connection fees	\$ 193,000	\$ -	\$ -	\$ -	\$ (193,000)
NC Rural Center Grant	2,774,614	-	-	-	(2,774,614)
Total revenue	2,967,614	-	-	-	(2,967,614)
Expenditures					
Contracted services	210,000	126,900	-	126,900	83,100
Impact fees	112,500	-	-	-	112,500
Capital outlay	2,600,500	-	-	-	2,600,500
Other	267,000	-	-	-	267,000
Total expenditures	3,190,000	126,900	-	126,900	3,063,100
Revenues under expenditures	(222,386)	(126,900)	-	(126,900)	95,486
Other Financing Sources (Uses)					
Transfer from Waste Water Treatment Plant	-	126,900	-	126,900	126,900
Contingency	(210,000)	-	-	-	210,000
USDA RD loan	432,386	-	-	-	(432,386)
Total other financing sources (uses)	222,386	126,900	-	126,900	(95,486)
Revenues over) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

**Pender County, North Carolina**  
**Sewer Operating Fund**

**Exhibit E-10**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Final Budget	Actual	Variance Postive (Negative)
<b>Revenues</b>			
Operating revenues	\$ -	\$ -	\$ -
Total revenue	-	-	-
<b>Expenditures</b>			
Sewer operations	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Reconciliation of modified accrual basis with full  
accrual basis:**

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	\$ -
Depreciation	(6,283)
Water and Wastewater capacity fees capital project fund	1,325,494
Development fees capital project fund	600,000
Transfer in capital project fund	350,455
Transfers out capital project fund	<u>(2,094,493)</u>
Change in net position, full accrual basis	<u>\$ 175,173</u>

**Pender County, North Carolina**  
**Water/Waste Water Capacity Fees Fund**

**Exhibit E-10a**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Water and sewer capacity fees	\$ 1,200,000	\$ 1,325,494	\$ 125,494
Total revenue	1,200,000	1,325,494	125,494
<b>Expenditures</b>			
Total expenditures	-	-	-
Revenues over expenditures			
<b>Other Financing Sources (Uses)</b>			
Transfers out:			
Water Treatment Plant Fund	(1,769,493)	(1,769,493)	-
Rocky Point Fund	(325,000)	(325,000)	-
Fund balance appropriated	894,493	-	(894,493)
Total other financing sources (uses)	(1,200,000)	(2,094,493)	(894,493)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (768,999)	\$ (768,999)

**Pender County, North Carolina**  
**Water/Waste Water Capacity Fees Fund**

**Exhibit E-10b**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Development fees	\$ 600,000	\$ 600,000	\$ -
Total revenues	600,000	600,000	-
<b>Expenditures</b>			
Capital outlay	950,455	-	950,455
Total expenditures	950,455	-	950,455
Revenues over expenditures	(350,455)	600,000	(950,455)
<b>Other Financing Sources (Uses)</b>			
Transfers from Sewer Fund	350,455	350,455	-
Total other financing sources (uses)	350,455	350,455	-
Revenues over expenditures and other financing sources (uses)	\$ -	\$ 950,455	\$ 950,455

**Pender County, North Carolina**  
**Section 8 Administration Fund**

**Exhibit-E11**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Restricted intergovernmental-HUD	\$ 1,179,309	\$ 1,144,024	\$ (35,285)
Miscellaneous revenues	15,380	40,312	24,932
Fraud recovery	8,000	10,243	2,243
Interest	36	18	(18)
Total revenue	1,202,725	1,194,597	(8,128)
<b>Expenditures</b>			
Salaries and benefits	124,377	113,905	10,472
Housing assistance payments	1,074,585	986,951	87,634
Operating expenditures	24,590	15,260	9,330
Total expenditures	1,223,552	1,116,116	107,436
Revenues over (under) expenditures	(20,827)	78,481	99,308
<b>Other Financing Sources (Uses)</b>			
Transfers in (out):			
General Fund	22,527	1,395	(21,132)
Employee Insurance Fund	(1,700)	(1,700)	(3,400)
Total other financing sources (uses)	20,827	(305)	(21,132)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 78,176	\$ 78,176
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 78,176	
Depreciation		(3,123)	
Pension expense		1,498	
OPEB expense		(5,688)	
Change in net position, full accrual basis		\$ 70,863	

**Pender County, North Carolina**  
**Country Court Apartments Fund**

**Exhibit E-12**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Dwelling rentals	\$ 58,216	\$ 57,987	\$ (229)
Miscellaneous revenues	220	677	457
Interest income	30	142	228
Total revenue	58,466	58,806	340
<b>Expenditures</b>			
Administration and tenant services	30,178	30,713	(535)
Contracted services	41,352	41,422	(70)
FMHA debt service payments	7,836	7,874	(38)
Total expenditures	79,366	80,009	(643)
Revenues over (under) expenditures	(20,900)	(21,203)	(303)
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
General Fund	20,900	20,900	-
Reserve Fund	-	3,000	3,000
Total other financing sources (uses)	20,900	23,900	3,000
Revenues over expenditures and other financing sources	\$ -	\$ 2,697	\$ 2,697

**Reconciliation of modified accrual basis with full  
accrual basis:**

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	2,697
Depreciation	(7,590)
Principal payments	6,683
Change in net position, full accrual basis	\$ 1,790

**Pender County, North Carolina**  
**Scotts Hill Water & Sewer District Operating Fund**

**Exhibit-E13**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues</b>			
Water fees	\$ 250,000	\$ 278,498	\$ 28,498
Connection fees	2,000	6,800	4,800
Miscellaneous fees	-	3,993	3,993
Total revenue	252,000	289,291	37,291
<b>Operating expenditures</b>			
Salaries and benefits	23,429	22,483	946
Operating expenditures	14,150	11,446	2,704
Contracted services	2,500	4,440	(1,940)
Water purchases	52,075	52,076	(1)
Total expenditures	92,154	90,445	1,709
<b>Non-operating expenditures</b>			
Interest expense	103,588	102,106	1,482
Principal payments	55,000	55,000	-
Total non-operating expenditures	158,588	157,106	1,482
Revenues over expenditures	1,258	41,740	40,482
<b>Other financing sources (uses):</b>			
Transfers in (out):			
General Fund	242	242	-
Employee Insurance Fund	(1,500)	(1,500)	-
Total other financing sources (uses)	(1,258)	(1,258)	-
Revenues over expenditures and other financing sources	\$ -	\$ 40,482	\$ 40,482
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		40,482	
Depreciation		(82,027)	
Bond premium amortization		6,539	
Principal payments		55,000	
Pension expense		233	
OPEB expense		(517)	
Change in net position, full accrual basis		\$ 19,710	



**Pender County, North Carolina**  
**Scotts Hill Water & Sewer Capital Project Fund**

**Exhibit-E13a**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Actual			Total and
	Project	Prior	Current	Completed
	Authorization	Years	Year	Project
<b>Revenues</b>				
Connection fees	\$ 84,000	\$ 105,560	\$ -	\$ 105,560
Investment income	-	8,623	-	8,623
Total revenue	84,000	114,183	-	114,183
<b>Expenditures</b>				
Administrative and legal fees	15,000	5,800	-	5,800
Capital outlay	2,355,000	1,846,863	-	1,846,863
Contracted services	272,000	257,407	-	257,407
Capitalized interest	131,000	27,091	-	27,091
Contingency	227,000	175,900	-	175,910
Total expenditures	3,000,000	2,313,061	-	460,408
Revenues over (under) expenditures	(2,916,000)	2,198,888	-	2,198,888
<b>Other financing sources:</b>				
USDA Rural Development Loan	2,916,000	2,711,000	-	2,711,000
Revenues over expenditures	\$ -	\$ 512,112	\$ -	\$ 512,112

**Pender County, North Carolina**  
**Waste Water Treatment Plant Operating Fund**

**Exhibit E-14**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Final Budget	Actual	Variance Postive (Negative)
<b>Operating revenue</b>			
Total revenue	\$ -	\$ -	\$ -
<b>Expenditures</b>			
Total expenditures	-	-	-
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Revenues over (under) expenditures			
modified accrual basis, above		\$ -	
Revenue from capital project fund		271,810	
Depreciation		<u>(125,741)</u>	
Change in net position, full accrual basis		<u>\$ 146,069</u>	

**Pender County, North Carolina**  
**Waste Water Treatment Plant Capital Project Fund**

**Exhibit E-14a**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
<b>Revenues</b>					
Total revenue	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Contracted services	-	79,306	-	79,306	(79,306)
Burgaw sewer project	2,005,440	2,005,440	-	2,005,440	-
Construction	19,262,428	6,052,252	-	6,052,252	13,210,176
Capital outlay	1,290,460	361,287	-	361,287	929,173
Transfer expenses to other projects	-	(5,521,302)	(971,543)	(6,492,845)	6,492,845
Total expenditures	22,558,328	2,976,983	(971,543)	2,005,440	20,552,888
Revenues over (under) expenditures	(22,558,328)	(2,976,983)	(971,543)	(2,005,440)	20,552,888
<b>Other financing sources (uses):</b>					
Transfer to Capital Improvement Fund	-	(126,900)	-	(126,900)	126,900
Loan from General fund	22,558,328	2,893,239	-	2,893,239	19,665,089
Total other financing sources	22,558,328	2,766,339	-	2,766,339	19,791,989
Revenues under expenditures and other financing sources (uses)	\$ -	\$ (210,644)	\$ (971,543)	\$ 760,899	\$ 760,899

**Pender County, North Carolina**  
**Moore's Creek Water District Distribution Fund**

**Exhibit E-15**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Final Budget	Actual	Variance Postive (Negative)
<b>Operating revenue</b>			
Total revenue	-	-	-
<b>Operating expenditures</b>			
Total expenditures	-	-	-
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Reconciliation of modified accrual basis with full  
accrual basis:**

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	\$ -
Interest income	2,989
Connection fees	<u>(1,020)</u>
Change in net position, full accrual basis	<u>\$ 1,969</u>

**Pender County, North Carolina**  
**Moore's Creek Water District Fund and Capital Project**

**Exhibit E-15a**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
<b>Revenues</b>					
Connection fees	\$ 78,100	\$ 31,194	\$ (1,020)	\$ 30,174	\$ (47,926)
Rural Development Grant	3,467,432	-	-	-	(3,467,432)
Interest income	-	-	2,989	2,989	2,989
Total revenue	3,545,532	31,194	1,969	33,163	(3,512,369)
<b>Expenditures</b>					
Construction	8,826,532	289,024	617,553	906,577	7,919,955
Total expenditures	8,826,532	289,024	617,553	906,577	7,919,955
Revenues over (under) expenditures	(5,281,000)	(257,830)	(615,584)	(873,414)	4,407,586
<b>Other financing sources (uses):</b>					
Bond anticipation notes	5,281,000	-	5,281,000	5,281,000	-
Bond premium	-	-	18,170	18,170	18,170
Total other financing sources (uses)	5,281,000	-	5,299,170	5,299,170	18,170
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (257,830)	\$ 4,683,586	\$ 4,425,756	\$ 4,425,756

Pender County, North Carolina  
Central Pender Water District Fund

Exhibit E-16

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -
Total revenue	-	-	-
<b>Expenditures</b>			
Total expenditures	-	-	-
Revenues over expenditures	\$ -	\$ -	\$ -

**Reconciliation of modified accrual basis with full  
accrual basis:**

Revenues over (under) expenditures and other financing sources, modified accrual basis, above	\$ -
Interest income	3,423
Connection fees	(240)
Change in net position, full accrual basis	\$ 3,183

**Pender County, North Carolina**  
**Central Pender Water District Capital Project Fund**

**Exhibit E-16a**

**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
<b>Revenues</b>					
Connection fees	\$ 81,700	\$ 23,430	\$ (240)	\$ 23,190	\$ (58,510)
Rural Development Grant	3,910,091	-	-	-	(3,910,091)
Interest income	-	-	-	3,423	3,423
Total revenue	3,991,791	23,430	(240)	23,190	(3,965,178)
<b>Expenditures</b>					
Construction	10,038,791	515,394	462,328	977,722	9,061,069
Total expenditures	10,038,791	515,394	462,328	977,722	9,061,069
Revenues over (under) expenditures	(6,047,000)	(491,964)	(462,568)	(954,532)	5,095,891
<b>Other financing sources (uses):</b>					
Bond anticipation notes	6,047,000	-	6,047,000	6,047,000	-
Bond premium	-	-	22,378	22,378	(22,378)
Total other financing sources (uses)	6,047,000	-	6,047,000	6,069,378	(22,378)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (491,964)	\$ 5,584,432	\$ 5,114,846	\$ 5,114,846

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## **AGENCY FUNDS**

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Agency funds are used to account for assets the County holds on behalf of others.

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**Combining Balance Sheet**  
**All Agency Funds**  
**June 30, 2016**

	Agency							Totals
	Ad Valorem and DMV Collections	Four H Fund	Extension Education	Sea Oats Travel	Pesticide Recycling Grant	Tourism Development Authority		June 30, 2016
<b>Assets</b>								
Cash and cash equivalents	\$ 4,867	\$ -	\$ 18,788	\$ 313	\$ 1,558	\$ 18,245	\$	43,771
Accounts receivable	4,580	-	138	-	-	-		4,717
Total assets	<u>\$ 9,447</u>	<u>\$ -</u>	<u>\$ 18,926</u>	<u>\$ 313</u>	<u>\$ 1,558</u>	<u>\$ 18,245</u>	<u>\$</u>	<u>48,488</u>
<b>Liabilities</b>								
Intergovernmental payables	\$ 9,446	\$ -	\$ 18,926	\$ 313	\$ 1,558	\$ 18,245	\$	48,488
Total liabilities	<u>\$ 9,446</u>	<u>\$ -</u>	<u>\$ 18,926</u>	<u>\$ 313</u>	<u>\$ 1,558</u>	<u>\$ 18,245</u>	<u>\$</u>	<u>48,488</u>

**Agency Funds**  
**Combining Statement of Changes In Assets And Liabilities**  
**For the Fiscal Year Ended June 30, 2016**

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<b>Ad Valorem and Vehicle Tax:</b>				
Assets:				
Cash and cash equivalents	\$ 2,879	\$ 1,988	\$ -	\$ 4,867
Accounts receivable	275,628	-	271,049	4,579
	<u>\$ 278,507</u>	<u>\$ 1,988</u>	<u>\$ 271,049</u>	<u>\$ 9,446</u>
Liabilities:				
Intergovernmental payable	<u>\$ 278,507</u>	<u>\$ 271,049</u>	<u>\$ 1,988</u>	<u>\$ 9,446</u>
<b>Four H Fund:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 1,354</u>	<u>\$ -</u>	<u>\$ 1,354</u>	<u>\$ -</u>
Liabilities:				
Intergovernmental payable	<u>\$ 1,354</u>	<u>\$ 1,354</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Extension Education:</b>				
Assets:				
Cash and cash equivalents	\$ 18,623	\$ 165	\$ -	\$ 18,788
Accounts receivable	-	138	-	138
	<u>\$ 18,623</u>	<u>\$ 303</u>	<u>\$ -</u>	<u>\$ 18,926</u>
Liabilities:				
Intergovernmental payable	<u>\$ 18,623</u>	<u>\$ -</u>	<u>\$ 303</u>	<u>\$ 18,926</u>
<b>Sea Oats Travel:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313</u>
Liabilities:				
Intergovernmental payable	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313</u>
<b>Pesticide Recycling Grant:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 1,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,558</u>
Liabilities:				
Intergovernmental payable	<u>\$ 1,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,558</u>
<b>Tourism Development Authority</b>				
Assets:				
Cash and cash equivalents	\$ 18,599	\$ -	\$ 354	\$ 18,245
Accounts receivable	84	-	84	-
	<u>\$ 18,683</u>	<u>\$ -</u>	<u>\$ 438</u>	<u>\$ 18,245</u>
Liabilities:				
Intergovernmental payable	<u>\$ 18,683</u>	<u>\$ 438</u>	<u>\$ -</u>	<u>\$ 18,245</u>
<b>Totals - All Agency Funds:</b>				
Assets:				
Cash and cash equivalents	\$ 43,326	\$ 2,153	\$ 1,708	\$ 43,771
Accounts receivable	275,712	138	271,133	4,717
	<u>\$ 319,038</u>	<u>\$ 2,291</u>	<u>\$ 272,841</u>	<u>\$ 48,488</u>
Liabilities:				
Intergovernmental payable	<u>\$ 319,038</u>	<u>\$ 272,841</u>	<u>\$ 2,291</u>	<u>\$ 48,488</u>

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## OTHER SCHEDULES

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This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
  - Analysis of Current Tax Levy
  - Ten Largest Taxpayers
-

**Pender County, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**General Fund**

**Exhibit G-1**

**For the Fiscal Year Ended June 30, 2016**

Year	Uncollected Balance 6/30/2015	Additions	Collections And Credits	Uncollected Balance 6/30/2016
2015-16	\$ -	\$ 45,576,335	\$ 44,766,859	\$ 809,476
2014-15	659,110	148	407,025	252,233
2013-14	282,769	48	94,540	188,277
2012-13	199,558	-	40,640	158,918
2011-12	146,579	-	25,069	121,510
2010-11	143,629	-	17,565	126,064
2009-10	110,152	-	6,730	103,422
2008-09	95,767	-	4,598	91,169
2007-08	94,788	-	2,376	92,412
2006-07	148,156	-	2,427	145,729
2005-06	62,072	-	62,072	-
Totals	<u>\$ 1,942,580</u>	<u>\$ 45,576,531</u>	<u>\$ 45,429,901</u>	<u>\$ 2,089,210</u>

Less allowance for uncollectible accounts:

General Fund

\$ 1,081,829

Ad valorem taxes receivable - net:

General Fund

1,007,381

Reconcilement with revenues:

Ad valorem taxes - General Fund

45,626,191

Reconciling items:

Penalties and Interest

(268,302)

Discounts, Releases, Refunds

72,012

Total Collections and Credits

\$ 45,429,901

**Pender County, North Carolina  
Analysis of Current Tax Levy  
County - Wide Levy**

**Exhibit G-2**

**For the Fiscal Year Ended June 30, 2016**

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 6,150,898,594	0.685	\$ 42,133,655	\$ 42,133,655	\$ -
Vehicle taxes collected by DMV	497,418,394	0.685	3,407,316	-	3,407,316
Penalties			-	-	-
Total	<u>6,648,316,988</u>		<u>45,540,971</u>	<u>42,133,655</u>	<u>3,407,316</u>
Discoveries:					
Current year taxes	7,988,175	0.685	54,719	54,719	-
Penalties	-		-	-	-
Total	<u>7,988,175</u>		<u>54,719</u>	<u>54,719</u>	<u>-</u>
Abatements					
Current year taxes	(7,446,861)		(51,148)	(51,148)	-
Penalties	-		-	-	-
Total	<u>(7,446,861)</u>		<u>(51,148)</u>	<u>(51,148)</u>	<u>-</u>
Total For Year	<u>\$ 6,648,858,303</u>		<u>\$ 45,544,542</u>	<u>\$ 42,137,226</u>	<u>\$ 3,407,316</u>
Net levy	6,151,439,908		45,544,542	42,137,226	3,407,316
Uncollected taxes at June 30, 2016			<u>824,597</u>	<u>809,476</u>	<u>15,121</u>
Current year's taxes collected			<u>\$ 44,719,946</u>	<u>\$ 41,327,751</u>	<u>\$ 3,392,195</u>
Current levy collection percentage			<u>98.19%</u>	<u>98.08%</u>	<u>99.56%</u>

**Pender County, North Carolina  
Analysis of Current Tax Levy  
County - wide Levy**

**Exhibit G-2a**

**For the Fiscal Year Ended June 30, 2016**

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**Secondary Market Disclosures:**

Assessed Valuation		
Assessment Ratio		100%
Real Property	\$	5,906,628,133
Personal Property		120,090,412
Public Service Companies		<u>128,318,600</u>
Total Assessed Valuation		6,155,037,145
Tax Rate per \$100		<u>0.685</u>
Levy (includes discoveries, releases and abatements)	\$	<u><u>42,162,004</u></u>

In addition to the County - wide rate, the following table lists the levies by the County on behalf of the Fire and Rescue districts for the fiscal year ended June 30:

Fire and Rescue Districts	\$	<u>8,658,469</u>
Total	\$	<u><u>8,658,469</u></u>



**Pender County, North Carolina  
Ten Largest Taxpayers**

**Exhibit G-3**

**For the Fiscal Year Ended June 30, 2016**

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2014 Assessed Valuation</u>	<u>% of Total Valuation</u>
Red Mountain Timber Co LLC	Timber Production	\$ 50,211,699	0.83%
Duke Energy Progress Inc	Utilities	45,846,369	0.75%
Four County EMC	Utilities	36,770,239	0.60%
LL Building Products	Manufacturing	17,488,749	0.29%
RC Creation Holdings LLC	Food	12,948,164	0.21%
Jones Onslow EMC	Utilities	12,739,389	0.21%
Weingarten Investments Inc	Communications	11,637,418	0.19%
Bellsouth Telephone Co	Utilities	11,099,069	0.18%
TC&I Timber Co LLC	Timber Production	10,937,444	0.18%
Lowes Homes Centers	Retail	10,261,512	0.17%
<b>Totals</b>		<u><u>\$ 219,940,052</u></u>	<u><u>3.61%</u></u>

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## **COMPLIANCE SECTION**

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

To the Honorable Chairman and  
Members of the Board of County Commissioners  
Pender 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Pender County, North Carolina (the County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Pender County's basic financial statements, and have issued our report thereon dated January 3, 2017. Our report includes a reference to other auditors who audited the financial statements of Pender County Alcoholic Beverage Control Board (ABC Board), the discretely presented component unit, as described in our report on Pender County's basic financial statements. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the ABC Board.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pender 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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002 to be significant deficiencies. 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pender 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*.

## **County's Response to Findings**

Pender County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pender County's responses were not subject to the auditing procedures applied in the audit of 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 County's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

New Bern, North Carolina  
January 3, 2017



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

RSM US LLP

**Independent Auditor's Report**

To the Honorable Chairman and  
Members of the Board of County Commissioners  
Pender County, North Carolina

**Report on Compliance the Major Federal Program**

We have audited Pender County, North Carolina's 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 Pender County's major federal program for the year ended June 30, 2016. Pender County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Pender County's basic financial statements include the operations of Pender County Alcoholic Beverage Control Board (ABC Board), a discretely presented component unit of Pender County. Our audit, described below, did not include the operations of the ABC Board because the financial statements of the ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, OMB Uniform Guidance, or the State Single Audit Implementation Act.

***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 Pender County's major federal program 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; 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 Pender 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 the major federal program. However, our audit does not provide a legal determination of Pender County's compliance.

### **Opinion on the Major Federal Program**

In our opinion, Pender County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-004 through 2016-008 and 2016-010 through 2016-012. Our opinion on the major federal program is not modified with respect to these matters.

Pender County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. Pender County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

Management of Pender 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 Pender County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 significant deficiencies or material weaknesses, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as findings 2016-004 through 2016-013 that we consider to be significant deficiencies.

Pender County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. Pender County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

*RSM VS LLP*

New Bern, North Carolina  
January 3, 2017



PENDER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2016

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 weakness(es) identified?

X

Yes

                     No

Significant deficiency(ies) identified?

X

Yes

                     None Reported

Noncompliance material to financial statements noted?

                     Yes

X

                     No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

                     Yes

X

                     No

Significant deficiency(ies) identified?

X

Yes

                     None Reported

(Continued)

PENDER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2016

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

Any audit findings disclosed that are required to be

reported in accordance with 2 CFR 200.516(a)?	<u>X</u>	Yes	<u>          </u>	No
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Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance Program	93.778

Dollar threshold used to distinguish

between Type A and Type B Programs	\$	<u>1,735,915</u>
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Auditee qualified as low-risk auditee?	<u>          </u>	Yes	<u>X</u>	No
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**State Awards**

The only major State program for Pender County is the Medical Assistance program, CFDA 93.778, which is a State match on a federal program. Therefore, this program has been included in the list of major federal programs above.

(Continued)

PENDER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2016

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**Section II. Financial Statement Findings**

**Significant Deficiency – Financial Reporting on Schedule of Expenditures of Federal and State Awards**

**Finding: 2016-001**

**Criteria:** Accounting principles generally accepted in the United States, as applied to governments (GAAP), require that amounts reimbursable from federal or state grants should be recorded as receivables when all requirements for reimbursement have been completed, and expenditures associated with reimbursable amounts should be identified in the general ledger as federal or state financial award expenditures. Additionally, 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 (the Act) require auditees to prepare a Schedule of Expenditures of Federal and State Awards (SEFSA) for the period covered by the auditee's financial statements.

**Condition and Context:** A portion of Federal and State award revenues were recorded on the cash basis during fiscal year 2016, i.e. revenue for the fiscal year ended June 30, 2016 excluded certain amounts expended in the fiscal year ended June 30, 2016, for which the eligibility requirements for reimbursement were complete at June 30, 2016, but for which grant reimbursement was not received until the fiscal year ending June 30, 2017.

**Effect:** Audit adjustments to the trial balance were required in order to accrue certain revenue as of June 30, 2016. Additionally, for the purpose of preparing and reporting federal and State award expenditures as required by the Uniform Guidance and the Act, certain amounts reported as expended pursuant to federal and State awards for the fiscal year ended June 30, 2016, required adjustment.

**Cause:** Unfamiliarity with (1) revenue recognition and expenditure reporting requirements for governmental entities receiving federal and State awards, and (2) preparation of the SEFSA.

**Recommendation:** We recommend the County provide training to appropriate staff related to (1) revenue recognition and expenditure reporting requirements for governmental entities receiving federal and State awards, and (2) preparation of the SEFSA; and review with the County's auditors the processes and techniques applied by the auditor for the current year preparation and reconciliation of the SEFSA in order to successfully complete the SEFSA in the future.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency – Fund Close-Outs**

**Finding: 2016-002**

**Criteria:** Per GAAP, once a capital project is completed, the related capital project fund should be closed in a timely manner.

**Condition and Context:** Per review of the trial balance during the audit, we noted various open funds that needed to be closed out as the projects had been completed for several years or had limited activity.

**Effect:** Trial balance contains fund accounts that are not necessary and should be closed.

(Continued)

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2016**

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**Cause:** Recent year's staff turnover in addition to lack of familiarity with the close-out process.

**Recommendation:** We recommend that management evaluate the County's funds and close out the applicable funds.

**Views of Responsible Management:** See management's corrective action plan.

**Material Weakness - Debt Covenant Violation**

**Finding: 2016-003**

**Criteria:** Per USDA Bond Order 3.05 and 3.06, the County was to set up a restricted debt service account and 1/10 of annual debt payment should have been deposited into the restricted account annually until full payment is deposited.

**Condition and Context:** The County failed to set up a restricted debt service account and deposit 1/10 of the annual requirement payment for the years ended June 30, 2013, 2014, 2015, and 2016.

**Effect:** The restricted debt service account was not set up and required amounts were not deposited timely.

**Cause:** Administrative oversight.

**Recommendation:** We recommend the County review all debt agreement covenants to insure that the County is not in violation of the covenants.

**Views of Responsible Management:** See management's corrective action plan.

(Continued)

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2016**

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

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services (DHHS)  
Program Name: Medical Assistance Program  
CFDA # 93.778

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2016-004**

**Criteria:** Per the NC DHHS, Division of Medical Assistance (DMA) requirements, it is the County Department of Social Services' (DSS) responsibility to complete the recertification process and ensure that proper documentation is contained in the individual case file to verify eligibility.

**Condition and Context:** Of the 60 case files sampled, we noted 25 instances in which there was no Medical Transportation Assistance Notice of Rights Form (DMA 5046) mailed or provided to the client upon completion of annual recertification.

**Effect:** Potential exists that individuals did not receive benefits for which they were eligible.

**Cause:** Administrative oversight.

**Questioned Costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing second party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2016-005**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for completing the recertification process and ensuring that proper documentation, including a correct budget calculation, is contained in the individual case file to verify eligibility.

**Condition and Context:** Of the 60 case files sampled, we noted nine instances in which there was either an error in the budget calculation of countable income or maintenance limit amount, an error in the amount keyed into the NCFASST system, or there was no budget calculation present in the case file.

**Effect:** Potential exists for an individual to incorrectly be deemed eligible or ineligible for program benefits.

**Cause:** Administrative oversight.

(Continued)

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**For the Fiscal Year Ended June 30, 2016**

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**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing second party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2016-006**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for completing an Online Verification (OLV) lookup during the recertification process in order to check the client's income among other details.

**Condition and Context:** Of the 60 case files sampled, we noted five instances in which the OLV was not completed or in the file.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** No reportable questioned costs noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing second party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2016-007**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for completing an asset verification in the Asset Verification System (AVS), or other third party source, during the recertification process for applicable programs in order to verify the client's liquid assets.

**Condition and Context:** Of the 60 files sampled, we noted one instance in which the evidence of verification of liquid assets was not present.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** No reportable questioned costs noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing second party reviews of case files by supervisors to ensure program requirements have been met.

(Continued)

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For the Fiscal Year Ended June 30, 2016**

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**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**  
**Finding: 2016-008**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for completing the recertification process and ensuring that proper benefit certification periods are determined for each individual case file.

**Condition and Context:** Of the 60 files sampled, we noted three instances in which the incorrect certification periods were utilized.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** No reportable questioned costs noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing second party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency**  
**Finding: 2016-009**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for completing the application or recertification process and ensuring that proper documentation is contained in the individual case file to verify eligibility. It is also Pender County's local agency policy to include in that documentation a narrative or dictation detailing facts and circumstances for all case action taken. This aids in tracking onset of eligibility and certification period of benefits, among other details, and is recommended by the State.

**Condition and Context:** Of the 60 files sampled, we noted three instances in which the narrative or dictation was not present in the case file.

**Effect:** Potential for vital information to be neglected.

**Cause:** Administrative oversight.

**Questioned costs:** No reportable questioned costs noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing second party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

(Continued)

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For the Fiscal Year Ended June 30, 2016**

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**Significant Deficiency and Noncompliance – Eligibility**

**Finding: 2016-010**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for utilizing the proper method of determining a client's eligibility.

**Condition and Context:** Of the 60 files sampled, we noted one instance in which the incorrect method was utilized. The MAGI eligibility determination should have been used instead of the traditional method.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** No reportable questioned costs noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing second party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – Eligibility**

**Finding: 2016-011**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for verifying that individuals qualifying under the Medicaid Disability status are noted as disabled on the online verification system or another appropriate source.

**Condition and Context:** Of the 60 files sampled, we noted three instances in which an appropriate source to verify disability was not in the file.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** No reportable questioned costs noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing second party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – Eligibility**

**Finding: 2016-012**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for determining appropriate eligibility for qualified individuals and verifying certain information related to the individuals, including whether they are deceased.

(Continued)



**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2016**

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**Condition and Context:** Of the 60 files sampled, we noted one instance in which an individual was determined eligible for benefits, however the individual was deceased prior to the certification period.

**Effect:** Ineligible applicant receiving benefits.

**Cause:** Administrative oversight.

**Questioned costs:** No reportable questioned costs noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing second party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency – Financial Reporting on Schedule of Expenditures of Federal and State Awards**

**Finding: 2016-013** (See also Finding 2016-001)

**Criteria:** Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires auditees to prepare a Schedule of Expenditures of Federal and State Awards (SEFSA) for the period covered by the auditee's financial statements.

**Condition and Context:** The auditor assisted the auditee with certain accounting procedures necessary to prepare the SEFSA, which were subsequently reviewed and approved by management. During this process, it was noted that a portion of federal and State award revenues were recorded on the cash basis during fiscal year 2016, i.e. revenue for the fiscal year ended June 30, 2016 (1) excluded certain amounts expended in the fiscal year ended June 30, 2016, for which the eligibility requirements for reimbursement were complete at June 30, 2016, but for which grant reimbursement was not received until the fiscal year ending June 30, 2017, and (2) included certain amounts expended in the fiscal year ended June 30, 2015, for which the eligibility requirements for reimbursement were complete at June 30, 2015, but for which grant reimbursement was not received until the fiscal year ended June 30, 2016.

**Effect:** Adjustments were required to certain revenue and expenditure amounts identified in the County's trial balance, and to the initial amounts reported in the SEFSA as federal or State award expenditures.

**Cause:** Unfamiliarity with (1) revenue recognition and expenditure reporting requirements for governmental entities receiving federal and State awards, and (2) preparation of the SEFSA.

**Recommendation:** We recommend the County provide training to appropriate staff related to (1) revenue recognition and expenditure reporting requirements for governmental entities receiving federal and State awards, and (2) preparation of the SEFSA; and review with the County's auditors the processes and techniques applied by the auditor for the current year preparation and reconciliation of the SEFSA in order to successfully complete the SEFSA in the future.

**Views of Responsible Management:** See management's corrective action plan.



## PENDER COUNTY FINANCE DEPT

805 S. WALKER STREET

P. O. BOX 1578

BURGAW, NC 28425

(910) 259-1282

### PENDER COUNTY, NORTH CAROLINA

#### Corrective Action Plan

For the Fiscal Year Ended June 30, 2016

#### Section II. Financial Statement Identifying Numbers

**Name of contact person:** Katherine C. Brafford

**Proposed completion date:** December 31, 2016

**Identifying Number:** 2016-001

**Audit Finding:** The auditor, not auditee, completed the majority of the accounting procedures necessary to prepare the Schedule of Expenditures of Federal and State Awards (SEFSA).

**Corrective Actions Taken or Planned:** County Finance staff will review the processes and techniques applied by the auditor for the current year preparation and reconciliation of the SEFSA in order to successfully complete the SEFSA in the future.

**Identifying Number:** 2016-002

**Audit Finding:** Per review of the trial balance during the audit we noted various open fund accounts that needed to be closed out since the projects had been completed for several years.

**Corrective Actions Taken or Planned:** County Finance staff will review the applicable fund accounts and work on the close-out process.

**Identifying Number:** 2016-003

**Audit Finding:** The County failed to set up USDA-required debt service account and deposit required payments.

**Corrective Actions Taken or Planned:** The County set up an account at North Carolina Cash Management Trust and transferred required amounts on December 28, 2016.



## PENDER COUNTY FINANCE DEPT

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### **PENDER COUNTY, NORTH CAROLINA Corrective Action Plan (Continued) For the Fiscal Year Ended June 30, 2016**

#### **Section III. Federal Award Identifying Numbers and Questioned Costs**

##### **Identifying Number: 2016-004**

**Audit Finding:** Of the 60 case files sampled, we noted 25 instances in which there was no Medical Transportation Assistance Notice of Rights Form (DMA 5046) mailed or provided to the client upon completion of annual recertification.

**Corrective Actions Taken or Planned:** The agency has made a change in process whereby at the completion of the recertification workers are mailing the DMA 5046 along with the annual recertification notice. Additionally, all cases noted were reviewed with the worker and policy training has been completed at unit meetings. Second Party review now also includes verifying DMA 5046 notice has been given.

##### **Identifying Number: 2016-005**

**Audit Finding:** Of the 60 case files sampled, we noted nine instances in which there was either an error in the budget calculation of countable income or maintenance limit amount, an error in the amount keyed into the NCFASST system, or there was no budget calculation present in the case file.

**Corrective Actions Taken or Planned:** The supervisors have conducted unit meeting training(s) on policy as well as conducted individual training. Policy training included budget calculations as well as household size determinations. Second Party reviews are being conducted to insure calculations are being completed correctly.

##### **Identifying Number: 2016-006**

**Audit Finding:** Of the 60 case files sampled, we noted five instances in which the OVS and/or OLV was not completed or in the file.

**Corrective Actions Taken or Planned:** OLV is not a requirement in policy OVS is. OLV is only utilized when OVS information is inconclusive. However, under second party review managers are verifying OVS or OLV if OVS information is inconclusive.

##### **Identifying Number: 2016-007**

**Audit Finding:** Of the 60 files sampled, we noted one instance in which the AVS was not completed.

**Corrective Actions Taken or Planned:** Unit meeting training(s) on policy have been completed on policy requiring AVS verification. Second party review by managers includes verification of AVS information.

##### **Identifying Number: 2016-008**

**Audit Finding:** Of the 60 files sampled, we noted three instances in which the incorrect certification periods were utilized.

**Corrective Actions Taken or Planned:** Managers will conduct policy training on determination of certification periods. Second party review will include insuring that certification periods are accurate.



## PENDER COUNTY FINANCE DEPT

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### **PENDER COUNTY, NORTH CAROLINA Corrective Action Plan (Continued) For the Fiscal Year Ended June 30, 2016**

**Identifying Number: 2016-009**

Audit Finding: Of the 60 files sampled, we noted three instances in which the narrative or dictation was not present in the case file.

Corrective Actions Taken or Planned: Managers have conducted training and training will continue to insure that case narratives are completed appropriately. Second party reviews will insure that case narration is present in all files reviewed.

**Identifying Number: 2016-010**

Audit Finding: Of the 60 files sampled, we noted one instance in which the incorrect method was utilized. The MAGI eligibility determination should have been used instead of the traditional method.

Corrective Actions Taken or Planned: Trainings have been conducted concerning MAGI eligibility and training will continue to insure that those individuals appropriate for MAGI are placed in that program. Second party reviews will help to insure that determination of MAGI eligibility is evaluated correctly.

**Identifying Number: 2016-011**

Audit Finding: Of the 60 files sampled, we noted three instances in which an appropriate source to verify disability was not in the file.

Corrective Actions Taken or Planned: DSS will conduct training on disability verification. Training will include that verification through either DDS or Social Security is present in the record. Second party review will insure that verification is present in the record.

**Identifying Number: 2016-012**

Audit Finding: Of the 60 files sampled, we noted one instance in which an individual was determined eligible for benefits, however the individual was deceased prior to the certification period.

Corrective Actions Taken or Planned: Training will be conducted to insure that workers review all verifications that would indicate a person is deceased. Second party reviewers will remind workers to review all information that can be reviewed to insure that the recipient is not deceased.

**Identifying Number: 2016-013**

Audit Finding: Auditor, not auditee prepared the Schedule of Expenditures of Federal and State Awards.

Corrective Actions Taken or Planned: County Finance staff will seek training to enable it to prepare the Schedule of Expenditures of Federal and State Awards next year.



## PENDER COUNTY FINANCE DEPT

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### **PENDER COUNTY, NORTH CAROLINA Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2016**

#### **Identifying Number: 2015-01**

**Audit Finding:** The County was funding the Water Treatment Plant with transfers from Capital Reserve accounts and other funds, which are not operating revenues. This produced a bond covenant violation related to the ratios required to be maintained.

**Corrective Action Taken:** The County did not fund the Water Treatment Plant (WTP) with transfers from Capital Reserve accounts in fiscal year 2016. Service revenues for capacity fees are recorded in a separate fund and transfers from that fund were the only transfers into the WTP in FY 2016, with the exception of \$3,643 transfer from the General Fund to allocate the WTP's portion of a 1.5% COLA which was approved in the fiscal year 2016 budget. The total cost of the COLA was initially included in the Human Resources Department budget within the General Fund. Once approved, the money was allocated to the various departments and/or funds that it applied to.

#### **Identifying Number: 2015-02**

**Audit Finding:** During testing of the Subsidized Child Care Cluster, it was noted where two clients overpaid the parent fees which resulted in DSS underpaying the providers by a total questioned cost amount of \$125.

**Corrective Action Taken:** The County remedied these findings immediately after discovery by correcting the payments the following month.

**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
<b>Federal Awards:</b>						
<u>U. S. Department of Agriculture</u>						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Social Services:						
Administration:						
Supplemental Nutrition Assist Program Cluster						
State Administrative Matching Grants for the						
Supplemental Nutrition Assistance Program	10.561		\$ 400,193	\$ -	\$ -	\$ 400,193
Food Stamp County Incentive	10.561		-	368	-	-
Food Stamp Fraud Admin.	10.561		53,677	-	-	53,677
Supplemental Nutrition Assist Program Cluster			453,870	368	-	453,870
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for						
Women, Infants, & Children	10.557		249,437	-	-	-
Direct Benefit Payments:						
Special Supplemental Nutrition Program for						
Women, Infants, & Children (WIC)	10.557		821,218	-	-	-
Total U.S. Dept. of Agriculture			1,070,655	-	-	-
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Dept. of Public Safety:						
Division of Emergency Management						
Hazard Mitigation Grant	97.039		38,542	-	-	-
EMG Performance Grant	97.042		29,900	-	-	-
Total U. S. Department of Homeland Security			68,442	-	-	-
<u>U.S. Dept. of Health &amp; Human Services</u>						
Passed-through N.C. Dept of Health and Human Services:						
Division of Aging and Adult Services						
Passed-through Cape Fear Council of Governments:						
Aging Cluster:						
Special Programs for the Aging - Title III B						
Access	93.044		76,413	4,495	80,908	-
Title III Preventive Health	93.043		6,802	400	7,202	-
Congregate Meals	93.045		50,010	2,942	52,952	-
Home Delivered Services	93.045		87,977	5,175	93,152	-
NISP Congregate USDA	93.053		17,604	-	17,604	-
Family Caregiver Services	93.052		23,827	1,588	25,415	-
Total Aging Cluster			262,633	14,600	277,233	-
Passed-through N.C. Dept of Health and Human Services:						
Division of Public Health:						
Temporary Assistance for Needy Families	93.558		5,990	-	-	-
Maternal and Child Health Services Block Grant	93.994		60,132	45,105	-	-
Immunization	93.268		11,177	-	-	-
Comprehensive Breast and Cervical Cancer	93.919		7,651	-	-	-
Preventative Health and Health Service Block Grant	93.758		30,991	-	-	-
Sexually Transmitted Disease Control	93.977		510	-	-	-
HIV Preventive Activities	93.940		2,000	-	-	-
Public Health Emergency Preparedness	93.069		36,466	-	-	-
HPP and PHEP Aligned Coop Agreement	93.074		15,000	-	-	-
Family Planning Services	93.217		31,336	-	-	-
CDC - Tuberculosis	93.116		30,592	-	-	-
Total Division of Public Health			231,845	45,105	-	-

**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>	<u>Local Expenditures</u>
Division of Social Services:						
Administration:						
Adult Care Home Case Management	93.778		\$ 7,481	\$ 3,740	\$ -	\$ 3,740
MAC	93.778		19,251	-	-	19,251
Special Children Adoption	93.558		-	81,600	-	-
Family Preservation	93.556		14,983	-	-	-
Adoption/Foster Care	93.XXX		34,748	23,170	-	49,225
Refugee Assistance Admin	93.566		1,130	-	-	-
Refugee Assistance Payments	93.566		1,888	-	-	-
State County Special Assistance	93.778		43,512	-	-	15,064
IV-D Administration	93.563		261,726	-	-	134,828
IV-D Offset Fees ESC	93.563		57	-	-	30
IV-D Offset Fees Federal	93.563		1,271	-	-	655
AFDC Payment & Penalties	93.560		(361)	(99)	-	(99)
Low Income Energy Assistance:						
Administration	93.568		43,632	-	-	-
Direct Benefit Payments	93.568		231,100	-	-	-
Crisis Intervention Program	93.568		121,757	-	-	-
Temporary Assistance for Needy Families Cluster:						
Temporary Assistance for Needy Families - Admin	93.558		56,132	-	-	144,017
Temporary Assistance for Needy Families - Services	93.558		415,352	-	-	461,950
TANF Payments & Penalties	93.558		315,856	-	-	-
Total TANF Cluster			<u>787,340</u>	<u>-</u>	<u>-</u>	<u>605,967</u>
Administration for Children and Families						
Foster Care and Adoption Cluster (Note 4)						
IV-E Admin Foster Care	93.658		599	-	-	599
IV-E Foster Care	93.658		64,707	16,542	-	16,542
IV-E Foster Care/Off TRN	93.658		44,740	-	-	44,740
IV-E Foster Care In Excess	93.658		24,940	6,387	-	6,387
IV-E Admin County Paid	93.658		52,635	26,317	-	26,317
IV-E CPS	93.658		46,959	24,036	-	22,923
IV-E Adoption/Off TRN	93.659		117	-	-	117
IV-E Adoption Subsidy & Vendor	93.659		200,666	52,226	-	52,226
IV-E Adoption	93.659		7,646	7,646	-	-
Total Foster Care and Adoption (Note 4)			<u>443,009</u>	<u>133,154</u>	<u>-</u>	<u>169,851</u>
Permanency Planning	93.645		49,070	-	-	16,357
Independent Living Transitional	93.674		1,000	-	-	-
Links	93.674		16,399	4,100	-	-
Total Division of Social Services			<u>2,078,993</u>	<u>245,665</u>	<u>-</u>	<u>1,014,869</u>

**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>	<u>Local Expenditures</u>
Division of Aging and Adult Services:						
Division of Social Services:						
SSBG - State In Home Services	93.667		\$ 7,400	\$ -	\$ -	\$ 1,057
SSBG - State Adult Day Care	93.667		5,407	3,052	-	1,208
SSBG - In-Home Services Over 60	93.667		3,821	-	-	546
SSBG - Other Services and Training	93.667		150,286	12,092	-	54,126
SSBG - Adult Protective Services	93.667		35,815	-	-	11,938
Total Division of Social Services			<u>202,729</u>	<u>15,144</u>	<u>-</u>	<u>68,875</u>
Division of Child Development:						
Subsidized Child Care (Note 4)						
<u>Child Care Development Fund Cluster:</u>						
Division of Social Services:						
Child Care Development Fund-Administration	93.596		117,023	-	-	-
Division of Child Development:						
Child Care and Development Fund -- Discretionary	93.575		611,790	-	-	-
Child Care and Development Fund -- Mandatory	93.596		214,315	-	-	-
Child Care and Development Fund -- Match	93.596		244,387	86,863	-	-
Total Child Care Development Fund Cluster			<u>1,187,515</u>	<u>86,863</u>	<u>-</u>	<u>-</u>
Temporary Assistance for Needy Families (TANF)	93.558		196,493	-	-	-
Foster Care Title IV-E	93.658		11,468	5,864	-	-
State Appropriations			-	76,109	-	-
TANF-MOE			-	154,347	-	-
Total Subsidized Child Care (Note 4)			<u>1,395,476</u>	<u>323,183</u>	<u>-</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human						
Division of Medical Assistance:						
Direct Benefit Payments:						
Medical Assistance Program	93.778		46,055,310	25,122,240	-	-
Health Choice Expenditures	93.767		1,235,412	57,093	-	-
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778		1,416,134	-	-	482,518
Medical Transportation	93.778		87,944	-	-	87,944
Medical Assistance Program	93.778		13,983	7,242	-	-
Total Medical Assistance Program			<u>48,808,783</u>	<u>25,186,575</u>	<u>-</u>	<u>570,462</u>
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health	93.767		48,380	2,302	-	229
Total State Children's Insurance Program -						
N.C. Health Choice			<u>48,380</u>	<u>2,302</u>	<u>-</u>	<u>229</u>
Total U.S. Dept. of Health and Human Services			<u>54,621,806</u>	<u>25,832,942</u>	<u>277,233</u>	<u>2,108,305</u>



**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
U.S. Dept. of Commerce Economic Development Administration Grant	11.300		\$ 1,467,030	\$ -	\$ -	\$ -
U.S. Dept. of Housing and Urban Development Passed through NC Dept. of Commerce Community Development Block Program (CDBG) Direct Program	14.228-1		750,000	-	-	-
Lower Income Housing Assistance Program - Section 8 Housing Voucher Program	14.871		1,025,012	-	-	-
Total U.S. Dept. of Housing and Urban Development			1,775,012	-	-	-
Total Federal Awards			57,863,848	25,832,942	277,233	2,108,305
<b>State Awards:</b>						
<u>N.C. Dept. of Cultural and Natural Resources</u>						
Division of State Library State Aid to Public Libraries			-	105,394	-	-
Total N.C. Dept. of Cultural and Natural Resources			-	105,394	-	-
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management White Goods Management Program			-	19,231	-	-
Scrap Tire Program			-	80,739	-	-
Electronics Management			-	7,951	-	-
Division of Parks and Recreation PARTF Grant - Millers Pond Park			-	147,101	-	-
Total N.C. Dept. of Environmental and Natural Resources			-	255,022	-	-
<u>N.C. Dept. of Health and Human Services</u>						
Division of Social Services CP&L Energy Assistance			-	2,169	-	-
SC/SA Domiciliary Care			-	361,585	-	361,585
County Fund Programs			-	-	-	1,344,688
St Child Welfare/CPS/CS			-	38,361	-	-
CWS - Adoption			-	141,801	-	18,195
AFDC Incentive Program Integrity			-	91	-	-
Work First Non Reimbursable			-	-	-	554,440
Foster Home			-	66,477	-	66,477
SFHF Maximization			-	100,522	-	100,522
Cape Fear Council of Governments Division of Aging and Adult Services Senior Center General Purpose			-	22,773	22,773	-
In Home Support Services DSS		NC-16	-	4,754	4,754	-
In Home Support Services		NC-16	-	194,466	194,466	-
Fans			-	1,111	1,111	-
Total Division of Social Service			-	934,110	223,104	2,445,907
Division of Public Health General Aid to Counties			-	57,085	-	-
Child Health			-	1,790	-	-
Maternal Health (HMHC)			-	4,587	-	-
HMHC Family Planning			-	8,277	-	-
Food and Lodging			-	14,806	-	-
Women's Health Service Fund			-	9,933	-	-
School Health Center			-	91,104	-	-
School Nurse Funding Initiative			-	150,000	-	-
General Communicable Disease Control			-	9,999	-	-
HIV STD SSBG Aid			-	500	-	-
Sexually Transmitted Diseases			-	1,206	-	-
TB Medical Service			-	953	-	-
Tuberculosis			-	5,458	-	-
Breast and Cervical Cancer Program			-	5,100	-	-
Total Division of Public Health			-	360,798	-	-
Division of Child Development Non-Allocating County Cost			-	-	-	325,341
Total N. C. Department of Health and Human Services			-	1,294,908	223,104	2,771,248
<u>N.C. Dept. of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds			-	1,621,000	-	-
Total N.C. Dept. of Public Instruction			-	1,621,000	-	-

**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &amp;</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Passed-through</u> <u>to Subrecipients</u>	<u>Local</u> <u>Expenditures</u>
<u>N.C. Dept. of Public Safety</u>						
Teen Court			\$ -	\$ 19,884	\$ -	\$ -
Counseling Service			-	11,359	-	-
JCPC Positive Action			-	7,632	-	-
Restitution			-	26,216	-	-
Office of Juvenile Justice Youth Services			-	48,500	-	-
Total N.C. Dept. of Public Safety			-	113,591	-	-
<u>N.C. Dept. of Transportation</u>						
ROAP Elderly and Disabled Transportation Assistance		DOT-16CL	-	61,927	-	-
ROAP EDTAP		DOT-16CL	-	15,043	-	-
ROAP Employment		DOT-16CL	-	72,925	-	-
Highway Construction Program		DOT-18	-	75,000	-	-
Total NC Department of Transportation			-	224,895	-	-
Golden Leaf Foundation						
Economic Catalyst Grant Program				300,000		
Total State Awards			-	3,914,810	223,104	2,771,248
Total Federal and State Awards			\$57,863,848	29,747,752	\$500,337	\$4,879,553

See notes to Schedule of Expenditures of Federal and State Awards.

**PENDER COUNTY, NORTH CAROLINA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2016**

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**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Pender County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA 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. Because the SEFSA presents only a selected portion of the operations of Pender County, it is not intended to and does not present the financial position, changes in net position or cash flows of Pender County.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pender County's indirect costs are determined by a State-approved plan contracted annually with DMG Maximus, Inc. and therefore has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

In accordance with guidance issued by the United States Department of Agriculture, Food and Nutrition Service Division, direct benefit payments for the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program, of \$12,799,641 have not been reported as expenditures in the basic financial statements or in the SEFSA.

**Note 3: Loans Outstanding**

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

<u>Program Title</u>	Pass-through			
	CFDA Number	Grantor's Number	Federal Expenditure	State Expenditure
School Nurse Funding Initiative	-	-	\$ -	\$ 150,000

The County has prior outstanding loan balances from federal and State funding sources that are not required to be presented within the SEFSA because there are no continuing requirements beyond repayment of the loan balances in accordance with loan agreement provisions. Balances and transactions related to these programs are included in the County's basic financial statements.

<u>Program Title</u>	CFDA Number	Beginning Balance	Additions	Retirements	Ending Balance
Clean Water State Revolving Fund	66.458	\$ -	\$ -	\$ -	\$ -

**Note 4: Cluster of Programs**

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care and Foster Care and Adoption.