



**Pender County, North Carolina**

Financial and Compliance Reports  
Year Ended June 30, 2017

(This Page Was Intentionally Left Blank)

**Pender County, North Carolina**

**List of Principal Officials  
June 30, 2017**

---

**Board of County Commissioners**

George Brown – Chairman

Fred McCoy – Vice Chairman

Jackie Newton  
David Piepmeyer  
David Williams

**County Manager**

Randell Woodruff

**Finance Officer**

Kathy Brafford

## Financial Section

Independent Auditor's Report .....	1 - 3
Management's Discussion and Analysis (Unaudited) .....	4 - 15
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position .....	16
Statement of Activities .....	17 - 18
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds .....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	22
Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	24
Statement of Net Position – Proprietary Funds .....	25 - 26
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	27 - 28
Statement of Cash Flows – Proprietary Funds .....	29 - 32
Statement of Fiduciary Net Position – Fiduciary Funds .....	33
Notes to Financial Statements .....	34 - 82
Required Supplementary Information (Unaudited):	
Schedule of Funding Progress for the Other Postemployment Benefits .....	83
Schedule of Employer Contributions for the Other Postemployment Benefits .....	84
Schedule of Proportionate Share of Net Pension Liability for Local Governmental Employees' Retirement System .....	85
Schedule of Schedule of Contributions to Local Governmental Employees' Retirement System.....	86
Schedule of Proportionate Share of Net Pension Asset for Register of Deeds' Supplemental Pension Fund.....	87
Schedule of Contributions to Register of Deeds' Supplemental Pension Fund.....	88
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance .....	89
Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll – Law Enforcement Officers' Special Separation Allowance .....	90
Other Supplementary Information:	
Budgetary Schedules of Major Governmental Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	91 - 93
Statement of Revenue, Expenses and Changes in Fund Balances – Budget and Actual – Revaluation Fund .....	94
Statement of Revenue, Expenses and Changes in Fund Balances – Budget and Actual – School Capital Project Fund.....	95
Combining Schedules of Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	97
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	99
Special Revenue Funds:	
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Fire Service District Fund .....	100
Rescue Districts Fund.....	101
911 Emergency Telephone Systems .....	102
School Special Revenue Fund.....	103

<i>Capital Project Funds:</i>	
Combining Balance Sheet – Non-Major Capital Projects Fund .....	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Capital Projects Fund .....	105
Statement of Revenue, Expenses and Changes in Fund Balances – Budget and Actual: Capital Improvements Fund – Capital Project Fund .....	106
Proprietary Funds	
<i>Enterprise Funds (Major):</i>	
Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP):	
Resource Recovery Operating Fund .....	107
Solid Waste Capital Project Fund .....	108
Hampstead Transfer Station Capital Project Fund .....	109
Rocky Point/Topsail Water and Sewer Fund .....	110
Water and Water Treatment Plant .....	111
Waste Water Treatment and Sewer .....	112
Water Treatment Plant Capital Project Fund .....	113
PCP Wastewater Treatment Plant Capital Project Fund.....	114
Water/Waste Water Capacity Fees Fund .....	115
<i>Enterprise Funds (Non-Major):</i>	
Combining Statement of Net Position – Proprietary Funds .....	116 - 117
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	118 - 119
Statement of Cash Flows – Proprietary Funds.....	120 - 121
Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP):	
Maple Hill Water Operating Fund .....	122
Section 8 Administration Fund.....	123
Country Court Apartments Fund.....	124
Scotts Hill Water & Sewer District Operating Fund.....	125
Scotts Hill Water & Sewer Capital Project Fund .....	126
Moore’s Creek Water District Fund.....	127
Moore’s Creek Water District Fund and Capital Project.....	128
Central Pender Water District Fund.....	129
Central Pender Water District Capital Project Fund.....	130
<i>Internal Service Funds:</i>	
Combining Balance Sheet – Self-Insured Internal Service Fund .....	131
Statement of Revenues, Expenses, and Changes in Net Position Self-Insured Internal Service Fund – Employee Health Insurance Fund.....	132
Statement of Revenues, Expenses, and Changes in Net Position Self-Insured Internal Service Fund – Workers Compensation Fund .....	133
<i>Agency Funds:</i>	
Combining Balance Sheet – All Agency Funds.....	134
Combining Statement of Changes in Assets and Liabilities – All Agency Funds .....	135
Other Supplementary Data:	
Schedule of Ad Valorem Taxes Receivable – General Fund .....	136
Analysis of Current Tax Levy .....	137 - 138
Ten Largest Taxpayers .....	139

## Compliance Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	140 - 141
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act.....	142 – 144
Independent Auditor’s Report on Compliance For Each Major State Program And Report On Internal Control Over Compliance .....	145 – 146

Schedule of Findings and Questioned Costs .....	147 – 158
Corrective Action Plan .....	159 – 165
Summary Schedule of Prior Audit Findings.....	166 - 169
Schedule of Expenditures of Federal and State Awards .....	170 - 175
Notes to Schedule of Expenditures of Federal and State Awards.....	176



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 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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### 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, 2017, 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.

### **Emphasis of Matter**

As discussed in Note 9 to the financial statements, in the year ended June 30, 2017, the County adopted new accounting guidance provided in Governmental Accounting Standards Board Statement Number 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, 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 Liability (Asset) and County Contributions, and the Register of Deeds Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions beginning after the Notes to the Basic Financial Statements 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 15, 2018, 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 15, 2018

(This Page Was Intentionally Left Blank)

---

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

---

**Pender County, North Carolina  
Management's Discussion and Analysis (Unaudited)  
June 30, 2017**

---

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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements which follow this narrative.

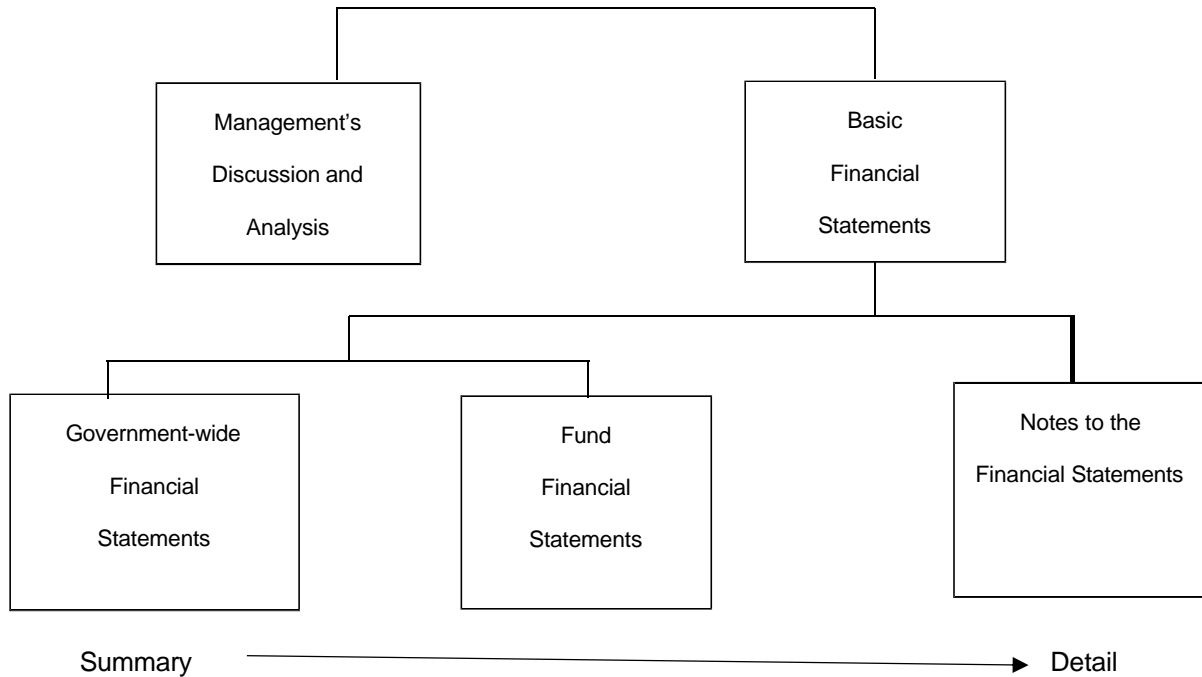
**Financial Highlights**

- The assets and deferred outflows of resources of Pender County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,607,300 (net position).
- The government's total net position produced a deficit of (\$10,265,744) during the fiscal year. This included a deficit of (\$14,039,087) from governmental sources, and business-type funds produced an increase of \$3,773,343.
- As of the close of the current fiscal year, Pender County's governmental funds reported combined ending fund balances of \$104,354,760, an increase of \$35,785,328 in comparison with the prior year. Approximately 22.5% of this total amount, or \$23,444,772, 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 \$23,444,772 or 42.3% of total general fund expenditures for the fiscal year.
- Pender County's total long term debt increased \$55,100,476 or 33.1% during the current fiscal year. The key factors of this increase were due the issuance of general obligation bonds for school 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.

**Pender County, North Carolina  
Management's Discussion and Analysis (Unaudited)  
June 30, 2017**

---

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.

**Pender County, North Carolina  
Management's Discussion and Analysis (Unaudited)  
June 30, 2017**

---

**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 \$30,607,300 as of June 30, 2017. The County's net position decreased with a deficit of (\$10,265,744) for the fiscal year ended June 30, 2017. Net position is reported in three categories: net investment in capital assets, \$62,854,526, restricted net position of \$75,486,118, and unrestricted net position deficit of (\$107,733,344).

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 (\$107,733,344) at June 30, 2017. 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 \$114 million of



**Pender County, North Carolina  
Management's Discussion and Analysis (Unaudited)  
June 30, 2017**

the outstanding debt on the County's financial statements was related to assets included in the public school's financial statements.

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**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 116,518,512	\$ 74,421,114	\$ 3,520,370	\$ 13,338,848	\$ 120,038,882	\$ 87,759,962
Capital assets, net	30,846,024	30,080,346	107,661,167	93,107,533	138,507,191	123,187,879
Total assets	<u>147,364,536</u>	<u>104,501,460</u>	<u>111,181,537</u>	<u>106,446,381</u>	<u>258,546,073</u>	<u>210,947,841</u>
Total deferred outflow s of resources	7,258,956	4,139,809	648,230	402,125	7,907,186	4,541,934
Current and other liabilities	18,360,569	11,855,941	9,660,293	16,049,505	28,020,862	27,905,446
Long-term liabilities	138,076,387	83,858,894	69,366,592	61,740,198	207,442,979	145,599,092
Total liabilities	<u>156,436,956</u>	<u>95,714,835</u>	<u>79,026,885</u>	<u>77,789,703</u>	<u>235,463,841</u>	<u>173,504,538</u>
Total deferred inflow s of resources	<u>367,682</u>	<u>717,254</u>	<u>14,436</u>	<u>43,700</u>	<u>382,118</u>	<u>760,954</u>
Net position:						
Net investment in capital assets	25,966,359	24,965,534	36,888,167	35,074,227	62,854,526	60,039,761
Restricted	75,444,680	23,741,825	41,438	41,438	75,486,118	23,783,263
Unrestricted	(103,592,185)	(36,498,179)	(4,141,159)	(6,100,562)	(107,733,344)	(42,598,741)
Total net position	<u>\$ (2,181,146)</u>	<u>\$ 12,209,180</u>	<u>\$ 32,788,446</u>	<u>\$ 29,015,103</u>	<u>\$ 30,607,300</u>	<u>\$ 41,224,283</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 98.18%, which is a slight decrease over the previous year's rate of 98.19%.
- 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, 2017**

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,073,769	\$ 2,274,736	\$ 14,253,949	\$ 12,023,978	\$ 17,327,718	\$ 14,298,714
Operating grants and contributions	12,207,623	12,199,068	1,133,668	1,144,024	13,341,291	13,343,092
Capital grants and contributions	590,820	1,621,000	3,936,047	2,537,030	4,526,867	4,158,030
General revenues:						
Property taxes	57,238,946	45,756,053	-	-	57,238,946	45,756,053
Other taxes	13,652,702	20,838,358	-	-	13,652,702	20,838,358
Investment earnings, unrestricted	435,695	107,567	33,101	26,382	468,796	133,949
Miscellaneous, unrestricted	92,672	727,072	446,526	654,485	539,198	1,381,557
Loss on sale of asset	(322,511)	-	(1,554,517)	-	(1,877,028)	-
Total revenues	<u>86,969,716</u>	<u>83,523,854</u>	<u>18,248,774</u>	<u>16,385,899</u>	<u>105,218,490</u>	<u>99,909,753</u>
<b>Expenses:</b>						
General government	6,883,987	7,975,116	-	-	6,883,987	7,975,116
Public safety	20,304,652	19,290,762	-	-	20,304,652	19,290,762
Economic and physical development	3,301,154	5,477,929	-	-	3,301,154	5,477,929
Human services	15,844,984	15,974,710	-	-	15,844,984	15,974,710
Cultural and recreation	988,035	1,549,797	-	-	988,035	1,549,797
Education	46,343,092	19,793,731	-	-	46,343,092	19,793,731
Interest on long term debt	4,222,644	1,706,508	-	-	4,222,644	1,706,508
Sanitation	-	-	6,282,619	4,969,124	6,282,619	4,969,124
Water and sewer	-	-	10,084,685	8,824,201	10,084,685	8,824,201
Section 8 Housing	-	-	1,149,672	1,123,429	1,149,672	1,123,429
Country Court	-	-	78,710	80,916	78,710	80,916
Total expenses	<u>97,888,548</u>	<u>71,768,553</u>	<u>17,595,686</u>	<u>14,997,670</u>	<u>115,484,234</u>	<u>86,766,223</u>
Increase (decrease) in net position before transfers	(10,918,832)	11,755,301	653,088	1,388,229	(10,265,744)	13,143,530
Transfers	<u>(3,120,255)</u>	<u>(1,111,597)</u>	<u>3,120,255</u>	<u>1,111,597</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position after transfers	(14,039,087)	10,643,704	3,773,343	2,499,826	(10,265,744)	13,143,530
Net position, beginning	12,209,180	1,565,476	29,015,103	26,515,277	41,224,283	28,080,753
Restatement (Note 9)	<u>(351,239)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(351,239)</u>	<u>-</u>
Net position ending	<u>\$ (2,181,146)</u>	<u>\$ 12,209,180</u>	<u>\$ 32,788,446</u>	<u>\$ 29,015,103</u>	<u>\$ 30,607,300</u>	<u>\$ 41,224,283</u>

**Governmental activities.** Governmental activities produced a deficit in the County's net position of (\$14,039,087). The key element of this decrease is as follows:

- The issuance of general obligation bonds and expenses related to school projects.

**Business-type activities:** Business-type activities increased Pender County's net position by \$3,773,343, accounting for an increase in the government's net position. Key elements of this increase are as follows:

- Charges for services increased by \$2,229,971 or 18.5%.
- Capital grants were \$1,399,017 or 55.1% 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 \$23,444,772, while total fund balance reached \$40,759,691. 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 42.3% of general fund expenditures, while total fund balance represents 73.5% of that same amount.

At June 30, 2017, the governmental funds of Pender County reported a combined fund balance of 104,354,760, a 34.3% 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 \$4,254,860 and expenditures by \$3,029,167.

**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 (\$3,468,446). The total growth in net position for those funds was \$3,773,343. 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)  
June 30, 2017**

**Capital Asset and Debt Administration**

**Capital assets.** Pender County's capital assets for its governmental and business-type activities as of June 30, 2017, totals \$138,507,191 (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>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$ 10,383,746	\$ 10,372,655	\$ 439,193	\$ 369,193	\$ 10,822,939	\$ 10,741,848
Buildings	15,515,323	17,413,522	62,884,615	67,410,599	78,399,938	84,824,121
Furniture, fixtures, and equipment	1,985,981	1,388,152	150,081	2,847,016	2,136,062	4,235,168
Other	151,430	174,324	3,569,211	104,412	3,720,641	278,736
Construction in progress	2,809,544	731,693	40,618,067	22,376,313	43,427,611	23,108,006
Total	<u>30,846,024</u>	<u>30,080,346</u>	<u>107,661,167</u>	<u>93,107,533</u>	<u>138,507,191</u>	<u>123,187,879</u>

**Pender County, North Carolina  
Management's Discussion and Analysis (Unaudited)  
June 30, 2017**

**Long-term Debt.** As of June 30, 2017, Pender County had total bonded debt outstanding of \$180,465,000, 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**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Limited Obligation Debt	\$ 6,016,305	\$ 6,280,805	\$ 36,933,695	\$ 38,054,195	\$ 42,950,000	\$ 44,335,000
Blended component unit debt*	-	-	(20,200,000)	(20,585,000)	(20,200,000)	(20,585,000)
Subtotal Limited Obligation Debt	6,016,305	6,280,805	16,733,695	17,469,195	22,750,000	23,750,000
General Obligation Bonds	109,415,000	64,260,000	48,300,000	37,607,000	157,715,000	101,867,000
Bond anticipation notes	-	-	-	11,328,000	-	11,328,000
Revenue bonds	-	-	4,721,000	4,801,000	4,721,000	4,801,000
Federal revolving loan	-	-	584,971	-	584,971	-
Capital leases	361,337	743,384	-	-	361,337	743,384
Installment purchases	2,633,328	2,196,428	154,025	261,272	2,787,353	2,457,700
Net pension liability (LEOSSA)	1,156,255	698,522	-	-	1,156,255	698,522
Net pension liability (LGERS)	5,137,529	1,079,550	386,696	81,256	5,524,225	1,160,806
Other postemployment benefits	8,036,708	7,173,617	466,845	415,420	8,503,553	7,589,037
Compensated absences	1,623,199	1,586,485	99,752	82,743	1,722,951	1,669,228
Unamortized bond premiums	13,035,522	7,564,010	2,943,371	3,076,375	15,978,893	10,640,385
Total	<u>\$ 147,415,183</u>	<u>\$ 91,582,801</u>	<u>\$ 74,390,355</u>	<u>\$ 75,122,261</u>	<u>\$ 221,805,538</u>	<u>\$ 166,705,062</u>

Pender County's total debt increased by \$55,100,476 (33.1%) 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 an 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 \$380,159,962. The County does not have any unissued bonds at June 30, 2017.

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 2016 census population estimate was 59,090, up 13% 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 June 2017, the County's unemployment rate was 4.4%, down 0.9% from 5.3% in June 2016. 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

**Pender County, North Carolina  
Management's Discussion and Analysis (Unaudited)  
June 30, 2017**

---

the middle of the decade and the assessed value of Topsail Township, and is not indicative of the true county-wide economic picture.

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 and started production in January 2015. The business currently employs approximately 150 workers. Empire Distributors opened their beverage distribution facility within PCP in October 2016. Negotiations are currently underway with a third company to locate within PCP.

Additionally, the County sold its industrial shell building in Pender Progress Industrial Park in Burgaw to Mojo Properties, LLC in June 2017. This 40,000 square foot building has now been added to the County's tax base.

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, 2018**

**Governmental Activities:** The County Commissioners approved a \$58,792,417 General Fund Budget on June 5, 2017, which was included within a total budget ordinance of \$117,063,385, adopted on the same date.

The FY 17-18 General Fund Budget increased about 5% as compared to the FY 16-17 Adopted Budget. There was a combination of increases and decreases over the prior year's budget that resulted in a net increase of \$5,589,388.

The FY 17-18 General Fund Budget of \$58,792,417 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 \$155,369.

**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.

Construction activities are nearly complete for the installation of approximately 75 miles of new public water mains and services a 500,000 gallon elevated water storage tank to serve the Moore's Creek and Central Pender water and sewer districts. The seven-year General Obligation Bonds authorized in 2006 by the citizens of these two districts were 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 expected to be completed by February 2018. 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 and was completed in June 2017. The facility has an initial treatment capacity of 500,000 gallons per day and utilizes 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.

**Pender County, North Carolina  
Management's Discussion and Analysis (Unaudited)  
June 30, 2017**

---

To accommodate the anticipated high-strength waste stream and provide a unique and sustainable facility, the process was designed as an Adaptive Eco-System utilizing hydroponics (plants) and moving bed bioreactors (MBBR).

**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).



(This Page Was Intentionally Left Blank)

---

## **BASIC FINANCIAL STATEMENTS**

---

(This Page Was Intentionally Left Blank)

**Statement of Net Position**  
**June 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pender County ABC Board
<b>Assets</b>				
Cash and cash equivalents	\$ 42,213,518	\$ 6,965,012	\$ 49,178,530	\$ 848,089
Accounts receivables (net)	931	1,811,832	1,812,763	104
Taxes receivables (net)	1,445,724	-	1,445,724	-
Accrued interest receivable	144,572	-	144,572	-
Internal balances	7,711,090	(7,711,090)	-	-
Due from other government	6,358,871	613	6,359,484	-
Notes receivable	1,633,328	-	1,633,328	-
Inventories	43,429	-	43,429	662,060
Prepaid items	9,028	3,967	12,995	27,652
Restricted cash and cash equivalents	56,822,365	2,450,036	59,272,401	-
Restricted net pension asset, ROD	135,656	-	135,656	-
Capital assets:				
Land and construction in progress	13,193,290	41,057,260	54,250,550	6,500
Capital assets net of depreciation/amortization	17,652,734	66,603,907	84,256,641	61,316
Total capital assets	30,846,024	107,661,167	138,507,191	67,816
Total assets	147,364,536	111,181,537	258,546,073	1,605,721
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	2,753,298	312,335	3,065,633	-
Pension deferrals	4,505,658	335,895	4,841,553	122,914
Total deferred outflow s of resources	7,258,956	648,230	7,907,186	122,914
<b>Liabilities</b>				
Accounts payable	7,580,466	4,285,225	11,865,691	749,732
Accrued interest payable	1,441,307	334,688	1,775,995	-
Customer deposits	-	16,617	16,617	-
Long-term liabilities:				
Due w ithin one year	9,338,796	5,023,763	14,362,559	-
Due in more than one year	138,076,387	69,366,592	207,442,979	120,549
Total liabilities	156,436,956	79,026,885	235,463,841	870,281
<b>Deferred Inflows of Resources</b>				
Pension deferrals	228,203	14,436	242,639	4,224
Unearned revenue	139,479	-	139,479	-
Total deferred inflow s of resources	367,682	14,436	382,118	4,224
<b>Net position</b>				
Net investment in capital assets	25,966,359	36,888,167	62,854,526	67,816
Restricted for:				
Stabilization by State statute	13,002,253	-	13,002,253	-
Health	2,566,291	-	2,566,291	-
Education	59,328,596	-	59,328,596	-
Public safety	420,047	-	420,047	-
Sheriff's seizures	127,493	-	127,493	-
Hud Section 8 housing	-	41,438	41,438	-
Working capital	-	-	-	194,385
Unrestricted (deficit)	(103,592,185)	(4,141,159)	(107,733,344)	591,928
Total net position	\$ (2,181,146)	\$ 32,788,446	\$ 30,607,300	\$ 854,129

See Notes to Financial Statements

**Pender County, North Carolina**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2017**

Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental:				
General government	\$ 6,883,987	\$ 1,643,761	\$ 308,354	\$ -
Public safety	20,304,652	1,267,984	993,082	-
Economic and physical development	3,301,154	42,593	-	-
Human services	15,844,984	107,176	10,182,759	-
Cultural and recreation	988,035	12,255	106,500	590,820
Education	46,343,092	-	616,928	-
Interest on long-term debt	4,222,644	-	-	-
Total governmental activities	97,888,548	3,073,769	12,207,623	590,820
Business-type:				
Resource Recovery Fund	6,282,619	5,521,593	-	-
Water Districts	6,287,852	4,909,122	-	2,855,576
Water Treatment Plant and Water Fund	2,594,837	2,305,237	-	-
Sewer Treatment Plant and Sewer Fund	1,201,996	1,447,619	-	1,080,471
Section 8 Housing	1,149,672	-	1,133,668	-
Country Court Apartments	78,710	70,378	-	-
Total business-type activities	17,595,686	14,253,949	1,133,668	3,936,047
Total primary government	\$ 115,484,234	\$ 17,327,718	\$ 13,341,291	\$ 4,526,867
<b>Component units:</b>				
Pender County ABC Board	\$ 6,532,568	\$ 6,561,830	\$ -	\$ -

General revenues:

- Taxes:
  - Property taxes, levied for general purposes
  - Local option sales tax
  - Investment earnings, unrestricted
  - Miscellaneous, unrestricted
  - Loss on sale of asset
- Transfers
  - Total general revenues and transfers
  - Change in net position
- Net position, beginning
- Restatement for accounting change-Note 9
- 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>	
\$ (4,931,872)	\$ -	\$ (4,931,872)	\$ -	
(18,043,586)	-	(18,043,586)	-	
(3,258,561)	-	(3,258,561)	-	
(5,555,049)	-	(5,555,049)	-	
(278,460)	-	(278,460)	-	
(45,726,164)	-	(45,726,164)	-	
(4,222,644)	-	(4,222,644)	-	
<u>(82,016,336)</u>	<u>-</u>	<u>(82,016,336)</u>	<u>-</u>	
-	(761,026)	(761,026)	-	
-	1,476,846	1,476,846	-	
-	(289,600)	(289,600)	-	
-	1,326,094	1,326,094	-	
-	(16,004)	(16,004)	-	
-	(8,332)	(8,332)	-	
<u>-</u>	<u>1,727,978</u>	<u>1,727,978</u>	<u>-</u>	
<u>(82,016,336)</u>	<u>1,727,978</u>	<u>(80,288,358)</u>	<u>-</u>	
-	-	-		29,262
57,238,946	-	57,238,946	-	
13,652,702	-	13,652,702	-	
435,695	33,101	468,796	297	
92,672	446,526	539,198	-	
(322,511)	(1,554,517)	(1,877,028)	-	
(3,120,255)	3,120,255	-	-	
<u>67,977,249</u>	<u>2,045,365</u>	<u>70,022,614</u>	<u>297</u>	
(14,039,087)	3,773,343	(10,265,744)	29,559	
12,209,180	29,015,103	41,224,283	824,570	
(351,239)	-	(351,239)	-	
<u>\$ (2,181,146)</u>	<u>\$ 32,788,446</u>	<u>\$ 30,607,300</u>	<u>\$ 854,129</u>	

**Governmental Funds  
Balance Sheet  
June 30, 2017**

	General	School Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 29,232,170	\$ -	\$ 12,135,346	\$ 41,367,516
Accounts receivable	-	931	-	931
Taxes receivable	1,164,202	-	281,522	1,445,724
Due from other funds	7,719,179	-	-	7,719,179
Due from other governments	5,188,975	-	1,169,896	6,358,871
Inventory	43,429	-	-	43,429
Prepays	9,028	-	-	9,028
Restricted cash	1,538,553	54,822,402	461,410	56,822,365
Total assets	<u>\$ 44,895,536</u>	<u>\$ 54,823,333</u>	<u>\$ 14,048,174</u>	<u>\$ 113,767,043</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,560,496	\$ 4,814,926	\$ 171,901	\$ 7,547,323
Due to other funds	-	-	8,089	8,089
Total liabilities	<u>2,560,496</u>	<u>4,814,926</u>	<u>179,990</u>	<u>7,555,412</u>
<b>Deferred inflows of resources</b>	<u>1,575,349</u>	<u>-</u>	<u>281,522</u>	<u>1,856,871</u>
<b>Fund balances:</b>				
Nonspendable:				
Inventory	43,429	-	-	43,429
Prepays	9,028	-	-	9,028
Restricted:				
Stabilization by State statute	13,002,253	-	-	13,002,253
Health Department Escrow	2,566,291	-	-	2,566,291
Public safety	-	-	420,047	420,047
Sheriff's seizures	127,493	-	-	127,493
School capital projects	-	50,008,407	9,320,189	59,328,596
Committed:				
Tax revaluation	1,030,601	-	-	1,030,601
Automation enhancement and preservation	380,455	-	-	380,455
Capital projects	-	-	3,846,426	3,846,426
Assigned:				
Subsequent years expenditures	155,369	-	-	155,369
Unassigned	23,444,772	-	-	23,444,772
Total fund balances	<u>40,759,691</u>	<u>50,008,407</u>	<u>13,586,662</u>	<u>104,354,760</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 44,895,536</u>	<u>\$ 54,823,333</u>	<u>\$ 14,048,174</u>	<u>\$ 113,767,043</u>

See Notes to Financial Statements

**Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2017**

---

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

Total Fund Balance, Governmental Funds	\$ 104,354,760
Charges relating to advance refunding debt issue	2,753,298
Net pension asset, ROD	135,656
Capital assets used in governmental activities that are not financial resources and therefore are not reported in the funds	30,846,024
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the statement of net position	4,505,658
Note receivable	1,633,328
Accrued interest receivable on the Statement of Net Position	144,572
Property taxes receivable	1,445,724
Grant revenue receivable	271,667
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	812,860
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(147,415,183)
Accrued interest payable on the Statement of Net Position	(1,441,307)
Pension related deferrals	<u>(228,203)</u>
Net position of governmental activities	<u><u>\$ (2,181,146)</u></u>

See Notes to Financial Statements



**Governmental Funds**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2017**

	General	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$46,905,658	\$ -	\$ 9,931,079	\$ 56,836,737
Unrestricted Intergovernmental	9,638,804	-	4,013,898	13,652,702
Restricted Intergovernmental	11,224,794	-	1,451,740	12,676,534
Permits and fees	1,038,058	-	-	1,038,058
Charges for services	1,613,745	-	-	1,613,745
Interest	204,229	231,176	290	435,695
Miscellaneous	832,536	-	-	832,536
Total revenues	71,457,824	231,176	15,397,007	87,086,007
<b>Expenditures</b>				
General government	7,585,025	-	-	7,585,025
Public safety	9,473,143	-	10,232,882	19,706,025
Economic and physical development	3,301,289	-	2,377,686	5,678,975
Human services	15,003,335	-	-	15,003,335
Culture and recreation	1,612,319	-	-	1,612,319
Education	16,974,625	29,054,676	264,193	46,293,494
Debt service:				
Principal	1,209,647	-	5,345,000	6,554,647
Interest	292,499	-	2,423,696	2,716,195
Bond issuance cost	-	505,756	218	505,974
Total expenditures	55,451,882	29,560,432	20,643,675	105,655,989
Revenues over (under) expenditures	16,005,942	(29,329,256)	(5,246,668)	(18,569,982)
<b>Other Financing sources (uses)</b>				
Bond proceeds	1,000,000	50,500,000	-	51,500,000
Note receivable payments	200,006	-	-	200,006
Bond premium	-	5,775,559	-	5,775,559
Transfers in	-	-	6,513,573	6,513,573
Transfers out	(9,559,600)	-	(74,228)	(9,633,828)
Total other financing sources (uses)	(8,359,594)	56,275,559	6,439,345	54,355,310
Net change in fund balances	7,646,348	26,946,303	1,192,677	35,785,328
<b>Fund Balances</b>				
Beginning	33,113,343	23,062,104	12,393,985	68,569,432
Ending	\$40,759,691	\$ 50,008,407	\$ 13,586,662	\$ 104,354,760

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, 2017**

---

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

Net change in fund balances - total governmental funds	\$ 35,785,328
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	3,315,633
Depreciation expense	(1,453,880)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to increase net assets	
Note receivable	1,633,328
The contributions to the pension plans in the current fiscal year are not included in the Statement of Activities	
	4,505,658
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	184,243
Increase in accrued interest receivable	18,423
Increase in grant revenue	271,667
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	(63,604,362)
Retirement of long-term liabilities	7,771,980
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	(424,344)
Increase in accrued interest payable	(984,941)
Amortization of premium and deferred refunding charge	(15,534)
Pension related deferrals	(228,203)
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.	
	315,692
Change in net position of governmental activities	<u>\$ (14,039,087)</u>

See Notes to Financial Statements

(This Page Was Intentionally Left Blank)

**General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 45,124,680	\$ 45,384,680	\$ 46,905,658	\$ 1,520,978
Unrestricted intergovernmental	6,325,511	7,195,000	9,638,804	2,443,804
Restricted intergovernmental	16,678,792	11,119,659	11,224,794	105,135
Permits and fees	536,000	797,000	1,038,058	241,058
Charges for services	1,181,138	1,349,400	1,613,745	264,345
Interest	23,000	50,000	204,229	154,229
Miscellaneous	409,000	127,522	832,536	705,014
Total revenues	<u>70,278,121</u>	<u>66,023,261</u>	<u>71,457,824</u>	<u>5,434,563</u>
<b>Expenditures</b>				
General government	8,671,357	9,387,886	7,585,025	1,802,861
Public safety	9,535,012	9,911,981	9,473,143	438,838
Economic and physical development	3,216,687	3,464,485	3,301,289	163,196
Health services	21,646,721	16,492,990	15,003,335	1,489,655
Culture and recreation	1,416,834	1,702,678	1,612,319	90,359
Education, schools	16,514,186	16,980,109	16,974,625	5,484
Debt service:				
Principal	1,122,157	1,215,658	1,209,647	6,011
Interest	354,365	292,365	292,499	(134)
Total expenditures	<u>62,477,319</u>	<u>59,448,152</u>	<u>55,451,882</u>	<u>3,996,270</u>
Revenues over expenditures	<u>7,800,802</u>	<u>6,575,109</u>	<u>16,005,942</u>	<u>9,430,833</u>
<b>Other financing sources (uses)</b>				
Loan proceeds	-	-	1,000,000	1,000,000
Note receivable payments	-	200,012	200,006	(6)
Transfers from other funds	-	-	-	-
Transfers to other funds	(7,566,802)	(10,093,550)	(9,955,950)	137,600
Appropriated fund balance	-	3,068,461	-	(3,068,461)
Reserves	(234,000)	249,968	-	(249,968)
Total other financing sources (uses)	<u>(7,800,802)</u>	<u>(6,575,109)</u>	<u>(8,755,944)</u>	<u>(2,180,835)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>7,249,998</u>	<u>\$ 7,249,998</u>
Fund balance, beginning			<u>32,479,092</u>	
Fund balance, ending			<u>39,729,090</u>	
A legally budgeted Tax Reassessment Fund is consolidated into the General Fund for reporting purposes:				
Transfer from General Fund			396,350	
Fund balance, beginning of year			634,251	
Fund balance, end of year			<u>\$ 40,759,691</u>	

See Notes to Financial Statements

**Pender County, North Carolina**

**Proprietary Funds  
Statement of Net Position  
June 30, 2017**

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water Treatment Plant and Water Fund
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,172,730	\$ 3,333,260	\$ -
Accounts receivable, net of allowance for doubtful accounts	527,525	397,728	11,523
Due from other funds	-	678,906	-
Due from Districts	-	-	430,000
Prepaid expenses	-	-	-
Restricted cash and cash equivalents	-	1,027,197	82,910
Total current assets	1,700,255	5,437,091	524,433
Noncurrent assets:			
Capital assets, net	2,749,942	22,279,765	33,410,763
Due from Districts	-	-	19,770,000
Total noncurrent assets	2,749,942	22,279,765	53,180,763
Total assets	4,450,197	27,716,856	53,705,196
<b>Deferred Outflows of Resources</b>			
	53,206	440,919	53,676
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	1,318,095	190,518	96,315
Due to other funds	-	-	4,272,434
Customer deposits payable	-	13,760	-
Compensated absences liability - current	10,000	37,000	10,000
Installment notes payable - current	-	-	50,836
Revenue bonds payable - current	-	-	82,000
Limited obligation bonds payable - current	-	-	430,000
General obligation bonds payable - current	-	360,000	259,000
Total current liabilities	1,328,095	601,278	5,200,585
Noncurrent liabilities:			
Compensated absences liability	4,938	12,330	5,915
Other postemployment benefit liability	89,384	238,064	56,969
Net pension liability	61,253	193,039	61,794
Installment notes payable	584,971	-	-
Revenue bonds payable	-	-	4,639,000
Limited obligation bonds payable	-	-	19,770,000
General obligation bonds payable	-	18,698,559	16,513,000
Total noncurrent liabilities	740,546	19,141,992	41,046,678
Total liabilities	2,068,641	19,743,270	46,247,263
<b>Deferred Inflows of Resources</b>			
	2,301	7,252	2,231
<b>Net Position</b>			
Net investment in capital assets	2,438,211	4,234,643	11,866,927
Hud Section 8 housing	-	-	-
Unrestricted	(5,750)	4,172,610	(4,357,549)
Total net position	\$ 2,432,461	\$ 8,407,253	\$ 7,509,378

See Notes to Financial Statements

**Exhibit 6**

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 1,347,830	\$ 1,111,192	\$ 6,965,012	\$ 846,002
14,357	861,312	1,812,445	-
6,626	613	686,145	-
-	-	430,000	-
-	3,967	3,967	-
1,337,071	2,858	2,450,036	-
2,705,884	1,979,942	12,347,605	846,002
26,473,510	22,747,187	107,661,167	-
-	-	19,770,000	-
26,473,510	22,747,187	127,431,167	-
29,179,394	24,727,129	139,778,772	846,002
14,779	85,650	648,230	-
1,247,173	1,769,033	4,621,134	33,142
2,913,228	1,211,573	8,397,235	-
-	2,857	16,617	-
6,000	4,597	67,597	-
-	6,777	57,613	-
-	-	82,000	-
735,500	-	1,165,500	-
-	65,000	684,000	-
4,901,901	3,059,837	15,091,696	33,142
562	8,407	32,152	-
-	82,428	466,845	-
17,015	53,596	386,697	-
-	95,193	680,164	-
-	-	4,639,000	-
17,374,770	-	37,144,770	-
-	13,971,237	49,182,796	-
17,392,347	14,210,861	92,532,424	-
22,294,248	17,270,698	107,624,120	33,142
639	2,013	14,436	-
9,700,311	8,648,075	36,888,167	-
-	41,438	41,438	-
(2,801,025)	(1,149,445)	(4,141,159)	812,860
\$ 6,899,286	\$ 7,540,068	\$ 32,788,446	\$ 812,860

**Pender County, North Carolina**

**Proprietary Funds**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Fiscal Year Ended June 30, 2017**

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water and Water Treatment Plant
<b>Operating Revenues</b>			
Charges for services	\$ 5,422,310	\$ 4,397,846	\$ 2,305,237
Dw elling rental	-	-	-
Miscellaneous	99,283	-	-
Total operating revenues	5,521,593	4,397,846	2,305,237
<b>Operating Expenses</b>			
Cost of services	6,231,411	4,252,804	915,928
Depreciation and amortization	45,291	692,647	958,033
Total operating expenses	6,276,702	4,945,451	1,873,961
Operating income (loss)	(755,109)	(547,605)	431,276
<b>Nonoperating Revenues (Expenses)</b>			
Restricted intergovernment	-	-	-
Interest income	-	4,306	-
Miscellaneous	417,324	-	-
Loss on disposal of asset	-	-	-
Interest expense	(5,917)	(735,568)	(720,876)
Debt issuance costs	-	-	-
Total net nonoperating revenues (expenses)	411,407	(731,262)	(720,876)
Income (loss) before transfers	(343,702)	(1,278,867)	(289,600)
Transfers in	2,228,379	1,300,000	-
Transfers out	-	-	-
Total transfers in (out)	2,228,379	1,300,000	-
Change in net position	1,884,677	21,133	(289,600)
Net position, beginning	547,784	8,386,120	7,798,978
Net position, ending	\$ 2,432,461	\$ 8,407,253	\$ 7,509,378

See Notes to Financial Statements

## Exhibit 7

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 1,447,619	\$ 499,131	\$ 14,072,143	\$ 272,197
-	54,988	54,988	-
-	27,535	126,818	-
1,447,619	581,654	14,253,949	272,197
482,570	1,487,600	13,370,313	(43,495)
10,063	228,351	1,934,385	-
492,633	1,715,951	15,304,698	(43,495)
954,986	(1,134,297)	(1,050,749)	315,692
1,080,471	3,989,244	5,069,715	-
13,204	15,591	33,101	-
-	29,202	446,526	-
(1,554,517)	-	(1,554,517)	-
(708,856)	(119,264)	(2,290,481)	-
(507)	-	(507)	-
(1,170,205)	3,914,773	1,703,837	-
(215,219)	2,780,476	653,088	315,692
1,859,255	10,000	5,397,634	-
(2,267,379)	(10,000)	(2,277,379)	-
(408,124)	-	3,120,255	-
(623,343)	2,780,476	3,773,343	315,692
7,522,629	4,759,592	29,015,103	497,168
\$ 6,899,286	\$ 7,540,068	\$ 32,788,446	\$ 812,860



**Pender County, North Carolina**

**Proprietary Funds**

**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2017**

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water and Water Treatment Plant
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 5,444,880	\$ 4,627,026	\$ 2,293,714
Payments to customers and suppliers	(5,057,657)	(3,267,393)	(619,734)
Payments to employees	(235,165)	(908,668)	(246,695)
Net cash provided by (used in) operating activities	152,058	450,965	1,427,285
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition & construction of capital assets	(1,062,973)	(100,775)	-
Proceeds from sale of asset	-	-	-
Grant proceeds	-	-	-
Repayment of installment notes and bonds	-	(320,000)	(735,500)
Proceeds from issuance of debt	584,971	-	-
Debt issuance costs	-	-	-
Interest paid	-	(784,144)	(608,875)
Net cash provided by (used in) capital and related financing activities	(478,002)	(1,204,919)	(1,344,375)
<b>Cash Flows From Noncapital Financing Activities</b>			
Due to (from) other funds	-	-	-
HUD operating grants	-	-	-
Rural development grants	-	-	-
Miscellaneous revenues	417,324	-	-
Transfers in (out)	1,081,250	1,300,000	-
Net cash provided by noncapital financing activities	1,498,574	1,300,000	-
<b>Cash Flows From Noncapital Financing Activities</b>			
Interest on cash and cash equivalents	-	4,306	-
Net increase (decrease) in cash and cash equivalents	1,172,630	550,352	82,910
<b>Cash and Cash Equivalents</b>			
Beginning	100	3,810,105	-
Ending	\$ 1,172,730	\$ 4,360,457	\$ 82,910

**Exhibit 8**

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 1,433,262	\$ 584,347	\$ 14,383,229	\$ 272,197
(635,188)	(1,291,299)	(10,871,271)	(486,773)
(58,639)	(194,574)	(1,643,741)	-
739,435	(901,526)	1,868,217	(214,576)
(5,765,749)	(12,872,255)	(19,801,752)	-
750,000	-	750,000	-
1,080,471	-	1,080,471	-
(430,456)	(11,399,791)	(12,885,747)	-
-	11,328,000	11,912,971	-
(507)	-	(507)	-
(786,142)	(108,300)	(2,287,461)	-
(5,152,383)	(13,052,346)	(21,232,025)	-
583,652	(334,910)	248,742	-
-	1,133,668	1,133,668	-
-	2,072,027	2,072,027	-
-	29,202	446,526	-
(408,124)	(94)	1,973,032	-
175,528	2,899,893	5,873,995	-
13,204	15,591	33,101	-
(4,224,216)	(11,038,388)	(13,456,712)	(214,576)
6,909,117	12,152,438	22,871,760	1,060,578
\$ 2,684,901	\$ 1,114,050	\$ 9,415,048	\$ 846,002

(Continued)

Pender County, North Carolina

Proprietary Funds

Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water and Water Treatment Plant
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (755,109)	\$ (547,605)	\$ 431,276
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	45,291	692,647	958,033
Change in assets and liabilities:			
Accounts receivable	(70,796)	240,969	(11,523)
Prepaid items	-	-	-
Accounts payable and accrued expenses	918,217	22,471	35,037
Customer deposits payable	-	(11,789)	-
Compensated absences	1,160	7,216	6,620
OPEB	9,771	26,228	6,685
(Increase) decrease in deferred outflows of resources	(41,399)	(119,659)	(37,561)
Increase in net pension liability	49,138	154,150	45,380
Increase (Decrease) in deferred inflows of resources	(4,215)	(13,663)	(6,662)
Net cash provided by (used in) operating activities	\$ 152,058	\$ 450,965	\$ 1,427,285

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

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 954,986	\$ (1,134,297)	\$ (1,050,749)	\$ 315,692
10,063	228,351	1,934,385	-
(8,963)	2,846	152,533	-
-	(1,519)	(1,519)	-
(219,790)	(8,293)	747,642	(530,268)
-	(153)	(11,942)	-
1,305	98	16,399	-
-	10,422	53,106	-
(13,187)	(35,633)	(247,439)	-
15,260	41,137	305,065	-
(239)	(4,485)	(29,264)	-
<b>\$ 739,435</b>	<b>\$ (901,526)</b>	<b>\$ 1,868,217</b>	<b>\$ (214,576)</b>

**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2017**

---

	Agency Fund
	<u>          </u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 40,378
Accounts Receivable	7,531
Total assets	<u>47,909</u>
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 47,909
Total liabilities	<u>47,909</u>
 <b>Net Position</b>	 <u><u>\$ -</u></u>

See Notes to Financial Statements

---

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

---

**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 57,611. 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 and 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 a non-major enterprise fund. Separate financial statements are not issued for the District.

**The Rocky Point/Topsail Water and 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 a major 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 a non-major 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 2017. This District is reported as a non-major enterprise fund. Separate financial statements are not issued for the District.

## Pender County, North Carolina

### Notes to Financial Statements

---

#### 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 2017. This District is reported as a non-major enterprise fund. Separate financial statements are not issued for the District.

#### 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 Projects 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 and Water Treatment Plant:* This fund is used to account for the Limited Obligation Bonds issued by the County to cover the Water District General Obligation Bonds and to account for the construction of the Water Treatment Plant and water operations.

*Waste Water Treatment and Sewer Fund:* This fund is used to account for the operations of the waste water treatment plant and sewer operations. This fund was reported in several separate funds for the fiscal year ended June 30, 2016, however, as they are all waste water treatment plant and sewer related, they have been reported together for the fiscal year ended June 30, 2017.

## Pender County, North Carolina

### Notes to Financial Statements

---

#### 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, Capital Improvements Fund, and Capital Facilities Reserve Fund.

Enterprise: Maple Hill Water Fund, Section 8 Administration Fund, Country Court Apartments Fund, Scotts Hill Water & Sewer 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.

Notes to Financial Statements

---

**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 Districts, School Special Revenue Funds, and the Enterprise Operating 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.

## Pender County, North Carolina

### Notes to Financial Statements

---

#### **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 Government 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 of enterprise funds 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

Unexpended bond proceeds are classified as restricted assets 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 Revaluation 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**

---

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

**Pender County Restricted Cash**

Governmental Activities		
General Fund	Tax revaluation	\$ 1,030,601
General Fund	AE&P Funds	380,455
General Fund	Sheriff - Federal and State Drug Seizure	127,497
School Capital Projects Fund	Unexpended bond proceeds for schools	<u>55,283,812</u>
Total Governmental Activities		<u>\$ 56,822,365</u>
Business-Type Activities		
Rocky Point/Topsail Water	Customer Deposits	13,760
Rocky Point/Topsail Water	Unexpended bond/grant proceeds	1,013,437
Maple Hill	Customer Deposits	808
Country Court Apartments	Customer Deposits	2,050
Water Treatment Plant	USDA debt reserves	82,910
PCP Water Treatment Plant	Unexpended bond/grant proceeds	<u>1,337,071</u>
Total Business-Type Activities		<u>\$ 2,450,036</u>
Total Restricted Cash		<u>\$ 59,272,401</u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016. 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.

**Pender County, North Carolina**

**Notes to Financial Statements**

---

**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:

	<u>Years</u>
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:

	<u>Years</u>
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 current 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, 2017 amounted to \$1,722,951 in total, \$1,623,199 of which represents the liability of the governmental funds and is recorded in the government-wide financial statements and \$99,752 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 \$28,701 at June 30, 2017. 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 liability (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 (\$106,535,906) consists of the following:

**Pender County, North Carolina**

**Notes to Financial Statements**

---

**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)	\$ 52,649,666
Less accumulated depreciation	21,803,642
Net capital assets	<u>30,846,024</u>
Net pension asset	135,656
Contributions to the pension plan in the current fiscal year	4,505,658
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	2,753,298
Note receivable	1,633,328
Internal service assets and liabilities are included in governmental activities in the statement of net assets	812,860
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	144,572
Deferred inflows of resources for taxes receivable	1,445,724
Deferred inflows of resources for grant receivable	271,667
Pension related deferrals	(228,203)
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	(131,461,492)
Compensated absences	(1,623,199)
Other postemployment benefits	(8,036,708)
Net pension liability	(6,293,784)
Accrued interest payable	<u>(1,441,307)</u>
Total adjustment	<u><u>\$ (106,535,906)</u></u>

**Pender County, North Carolina**

**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 (\$49,824,415) is comprised of the following:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,315,633
Cost of disposed capital asset not recorded in fund statements	(1,129,775)
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	(1,453,880)
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	(57,275,559)
Note receivable	1,633,328
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	6,858,695
Expenses reported on fund statements that are capitalized on government-wide statements - refunding costs and premiums	(15,534)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	4,505,658
Internal service fund net revenue	315,692
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	(36,714)
Other postemployment benefits	(863,091)
LGERS and LEO pensions	(4,515,712)
Pension expense and deferrals	(652,548)
Interest payable	(984,941)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in grant receivable	271,667
Increase in accrued interest receivable	18,423
Increase in deferred taxes	184,243
	<hr/>
Total adjustment	<u><u>\$ (49,824,415)</u></u>

## **Pender County, North Carolina**

### **Notes to Financial Statements**

---

#### **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. Budget Violations**

For the fiscal year ended June 30, 2017, a budget was not utilized for the following funds: Water Fund (Fund 79), Moore's Creek Water District Fund (Fund 56) and Central Pender Water District Fund (Fund 57).

For the fiscal year ended June 30, 2017, actual expenditures exceeded budgeted expenditures for the following funds: Maple Hill Water Fund (Fund 71), Section 8 Administration Fund (Fund 73) and Country Court Apartments Fund (Fund 74).

#### **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, 2017, the County's deposits had a carrying amount of \$11,168,981 and a bank balance of \$12,408,944. Of the bank balance, \$649,627 was covered by federal depository insurance and \$11,759,317 was covered by collateral held under the Pooling Method.

At June 30, 2017 Pender County had \$4,427 cash on hand.

**Pender County, North Carolina**

**Notes to Financial Statements**

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

1. Deposits (Continued)

At June 30, 2017, the carrying amount of deposits for Pender County ABC Board was \$847,289 and the bank balance was \$787,604. At June 30, 2017, the Board has a concentration of credit risk in that deposits with a carrying amount of \$723,850 and bank balances of \$669,616 were on deposit in one financial institution. These exceeded the FDIC deposit limit of \$250,000 for interest bearing accounts. 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, 2017, the County's investments consisted of \$97,317,901 in the North Carolina Capital Management Trust's Government 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, 2017, were as follows:

	<b>Accounts Receivable</b>	<b>Property Taxes</b>	<b>Sales Tax</b>	<b>Due from Other Governments</b>	<b>Total</b>
<b>Governmental Activities:</b>					
General	\$ -	\$ 2,087,427	\$ 285,466	\$ 4,903,509	\$ 7,276,402
Other Governmental	931	463,425	-	1,169,896	1,634,252
<b>Total Receivables</b>	<b>931</b>	<b>2,550,852</b>	<b>285,466</b>	<b>6,073,405</b>	<b>8,910,654</b>
Allowance for Doubtful Accounts	-	1,105,128	-	-	1,105,128
<b>Total Governmental Activities</b>	<b>\$ 931</b>	<b>\$ 1,445,724</b>	<b>\$ 285,466</b>	<b>\$ 6,073,405</b>	<b>\$ 7,805,526</b>
<b>Business-type Activities</b>					
Maple Hill Water Fund	\$ 54,265	\$ -	\$ -	\$ -	\$ 54,265
Sewer Fund	14,357	-	-	-	14,357
Resource Recovery	732,761	-	-	-	732,761
Country Court	-	-	-	613	613
Moore's Creek Water District	339,610	-	-	-	339,610
Central Pender Water District	443,939	-	-	-	443,939
Water Treatment Plant	11,523	-	-	-	11,523
Rocky Point Water & Sewer	715,672	-	-	-	715,672
Scott's Hill Water & Sewer	89,109	-	-	-	89,109
<b>Total Receivables</b>	<b>2,401,236</b>	<b>-</b>	<b>-</b>	<b>613</b>	<b>2,401,849</b>
Allowance for Doubtful Accounts	589,404	-	-	-	589,404
<b>Total Business-type Activities</b>	<b>\$ 1,811,832</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 613</b>	<b>\$ 1,812,445</b>

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

Local Option Sales Tax	\$ 3,946,228
Franchise Tax	72,543
ABC Distribution	65,058
FEMA grants	484,485
DMV - Vehicle Tax	345,454
Health Grants	605,159
DSS Grants	839,944
<b>Total</b>	<b>\$ 6,358,871</b>

**Pender County, North Carolina**

**Notes to Financial Statements**

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

3. Receivables (Continued)

Notes receivable at June 30, 2017 of \$1,633,328 consists of a interest free note from RC Creations with a maturity date of August 31, 2025.

4. Capital Assets

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

	Capital Assets July 1, 2016	Additions	Retirements Transfers	Capital Assets June 30, 2017
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 10,372,655	\$ 11,091	\$ -	\$ 10,383,746
Construction in progress	731,692	2,418,261	(340,409)	2,809,544
Total capital assets not being depreciated	<u>11,104,347</u>	<u>2,429,352</u>	<u>(340,409)</u>	<u>13,193,290</u>
<b>Capital assets being depreciated:</b>				
Buildings & Improvements	30,799,980	36,812	(1,255,647)	29,581,145
Intangibles	1,464,286	13,300	-	1,477,586
Equipment	3,022,722	805,877	(6,387)	3,822,212
Vehicles	4,258,693	370,701	(53,961)	4,575,433
Total capital assets being depreciated	<u>39,545,681</u>	<u>1,226,690</u>	<u>(1,315,995)</u>	<u>39,456,376</u>
Less accumulated depreciation for:				
Buildings & Improvements	13,386,458	838,936	(159,572)	14,065,822
Intangibles	1,290,562	35,594	-	1,326,156
Equipment	2,525,198	147,877	(6,387)	2,666,688
Vehicles	3,367,464	431,473	(53,961)	3,744,976
Total accumulated depreciation	<u>20,569,682</u>	<u>\$ 1,453,880</u>	<u>\$ (219,920)</u>	<u>21,803,642</u>
Total capital assets being depreciated, net	<u>18,975,999</u>			<u>17,652,734</u>
<b>Governmental activity capital assets, net</b>	<b><u>\$ 30,080,346</u></b>			<b><u>\$ 30,846,024</u></b>

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

General government	\$ 482,653
Public Safety	517,663
Human Services	236,634
Education	49,597
Economic and physical development	51,443
Cultural and recreational	115,890
Total depreciation expense	<u>\$ 1,453,880</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
<b>Business-type activities:</b>					
<b>Waste Water Treatment Plant and Sewer Fund</b>					
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 20,390,121	\$ 3,186,072	\$ -	\$ -	\$ 23,576,193
Total capital assets not being depreciated	20,390,121	3,186,072	-	-	23,576,193
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	3,280,750	-	-	(3,024,206)	256,544
Intangibles	2,021,735	1,119,560	-	-	3,141,295
Total capital assets being depreciated	5,302,485	1,119,560	-	(3,024,206)	3,397,839
Less accumulated depreciation for:					
Buildings and improvements	524,302	6,282	-	(358,857)	171,727
Intangibles	16,295	312,500	-	-	328,795
Total accumulated depreciation	540,597	\$ 318,782	\$ -	\$ (358,857)	500,522
Total capital assets being depreciated, net	4,761,888				2,897,317
<b>Waste Water Treatment Plant capital assets, net</b>	<b>\$ 25,152,009</b>				<b>\$ 26,473,510</b>

	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
<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	-	-	-	-	-
Total capital assets not being depreciated	4,930	-	-	-	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	1,043,200	140,283	-	-	1,183,483
Total accumulated depreciation	1,043,200	\$ 140,283	\$ -	\$ -	1,183,483
Total capital assets being depreciated, net	4,585,799				4,445,516
<b>Maple Hill capital assets, net</b>	<b>\$ 4,590,729</b>				<b>\$ 4,450,446</b>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
<b>Business-type activities:</b>					
<b>Rocky Point/Topsail Water and Sewer Fund</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 343,493	\$ -	\$ -	\$ -	\$ 343,493
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	343,493	-	-	-	343,493
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	26,288,387	-	-	-	26,288,387
Intangibles	9,485	-	-	-	9,485
Vehicles	473,195	64,351	(11,022)	-	526,524
Equipment	33,907	36,425	-	-	70,332
Total capital assets being depreciated	26,804,974	100,776	(11,022)	-	26,894,728
Less accumulated depreciation for:					
Buildings and improvements	3,821,373	654,603	-	-	4,475,976
Intangibles	9,485	-	-	-	9,485
Vehicles	412,065	35,313	(11,022)	-	436,356
Equipment	33,907	2,732	-	-	36,639
Total accumulated depreciation	4,276,830	\$ 692,648	\$ (11,022)	\$ -	4,958,456
Total capital assets being depreciated, net	22,528,144				21,936,272
<b>Rocky Point/Topsail capital assets, net</b>	<b>\$ 22,871,637</b>				<b>\$ 22,279,765</b>

	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
<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	14,314	1,303	-	-	15,617
Total accumulated depreciation	23,695	\$ 1,303	\$ -	\$ -	24,998
Total capital assets being depreciated, net	1,303				-
<b>Section 8 capital assets, net</b>	<b>\$ 1,303</b>				<b>\$ -</b>



Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
<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	<u>334,817</u>	-	-	-	<u>334,817</u>
Less accumulated depreciation for:					
Buildings and improvements	178,645	7,590	-	-	186,235
Intangibles	1,200	-	-	-	1,200
Total accumulated depreciation	<u>179,845</u>	<u>\$ 7,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>187,435</u>
Total capital assets being depreciated, net	<u>154,972</u>				<u>147,382</u>
<b>Country Court capital assets, net</b>	<b><u>\$ 154,972</u></b>				<b><u>\$ 147,382</u></b>
	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
<b>Business-type activities:</b>					
<b>Resource Recovery Fund</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 20,770	\$ 70,000	\$ -	\$ -	\$ 90,770
Construction in progress	73,913	1,430,342	-	-	1,504,255
Total capital assets not being depreciated	<u>94,683</u>	<u>1,500,342</u>	-	-	<u>1,595,025</u>
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	1,903,726	-	-	(70,000)	1,833,726
Equipment	55,235	-	-	-	55,235
Total capital assets being depreciated	<u>1,958,961</u>	-	-	<u>(70,000)</u>	<u>1,888,961</u>
Less accumulated depreciation for:					
Buildings and improvements	637,765	44,547	-	-	682,312
Equipment	50,988	744	-	-	51,732
Total accumulated depreciation	<u>688,753</u>	<u>\$ 45,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>734,044</u>
Total capital assets being depreciated, net	<u>1,270,208</u>				<u>1,154,917</u>
<b>Solid Waste capital assets, net</b>	<b><u>\$ 1,364,891</u></b>				<b><u>\$ 2,749,942</u></b>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
<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	420,600	77,752	-	-	498,352
Vehicles	19,951	1,425	-	-	21,376
Total accumulated depreciation	440,551	\$ 79,177	\$ -	\$ -	519,728
Total capital assets being depreciated, net	2,690,917				2,611,740
<b>Scott's Hill capital assets, net</b>	<b>\$ 2,718,897</b>				<b>\$ 2,639,720</b>
	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
<b>Business-type activities:</b>					
<b>Water Treatment Plant and Water Fund</b>					
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-	-
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	34,352,806	-	-	-	34,352,806
Intangibles	935,082	-	-	-	935,082
Vehicles	68,691	-	-	-	68,691
Equipment	22,720	-	-	-	22,720
Total capital assets being depreciated	35,379,299	-	-	-	35,379,299
Less accumulated depreciation for:					
Buildings and improvements	861,892	859,548	-	-	1,721,440
Intangibles	93,508	84,865	-	-	178,373
Vehicles	46,263	11,349	-	-	57,612
Equipment	8,840	2,271	-	-	11,111
Total accumulated depreciation	1,010,503	\$ 958,033	\$ -	\$ -	1,968,536
Total capital assets being depreciated, net	34,368,796				33,410,763
<b>Water Treatment Plant capital assets, net</b>	<b>\$ 34,368,796</b>				<b>\$ 33,410,763</b>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
<b>Business-type activities:</b>					
<b>Moore's Creek Water District</b>					
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 906,577	\$ 7,104,524	\$ -	\$ -	\$ 8,011,101
Total capital assets not being depreciated	<u>906,577</u>	<u>7,104,524</u>	<u>-</u>	<u>-</u>	<u>8,011,101</u>
<b>Moore's Creek capital assets, net</b>	<b><u>\$ 906,577</u></b>				<b><u>\$ 8,011,101</u></b>
	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
<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	\$ 977,722	\$ 6,520,816	\$ -	\$ -	\$ 7,498,538
Total capital assets not being depreciated	<u>977,722</u>	<u>6,520,816</u>	<u>-</u>	<u>-</u>	<u>7,498,538</u>
<b>Central Pender capital assets, net</b>	<b><u>\$ 977,722</u></b>				<b><u>\$ 7,498,538</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 93,107,533</u></b>				<b><u>\$ 107,661,167</u></b>

**Pender County, North Carolina**

**Notes to Financial Statements**

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

Construction Commitments

The government has various active construction projects as of June 30, 2017. At June 30, 2017, the government's commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to-date</b>	<b>Remaining Commitment</b>
Waste Water Treatment Plant	\$ 13,142,735	\$ 1,332,957
Central Pender Water	5,344,757	1,751,332
Moore's Creek Water	3,117,275	333,385
Solid Waste Transfer Station	548,424	-
HVAC Repairs-Government Complex	74,860	1,140
<b>Total</b>	<b>\$ 22,228,051</b>	<b>\$ 3,418,814</b>

Discretely presented component unit

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

	Capital Assets		Adjustments and Transfers		Capital Assets
	July 1, 2016	Additions	Retirements		June 30, 2017
<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	265,291	6,629	-	-	271,920
Vehicle	20,622	-	-	-	20,622
Total capital assets being depreciated	442,632	6,629	-	-	449,261
Less accumulated depreciation for:					
Buildings	17,147	-	-	-	17,147
Building addition	72,667	1,931	-	-	74,598
Land improvements	666	666	-	-	1,332
Roof replacement	26,567	1,815	-	-	28,382
Equipment	223,939	8,616	-	-	232,555
Vehicle	33,931	-	-	-	33,931
Total accumulated depreciation	374,917	\$ 13,028	\$ -	\$ -	387,945
<b>ABC Board capital assets, net</b>	<b>\$ 74,215</b>				<b>\$ 67,816</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, 2017, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental Activities:					
General	\$ 2,164,547	\$ 395,941	\$ 1,441,307	\$ -	\$ 4,001,795
Other Governmental	4,986,836	-	-	-	4,986,836
Internal Service	-	-	-	33,142	33,142
<b>Total Governmental Activities</b>	<b>\$ 7,151,383</b>	<b>\$ 395,941</b>	<b>\$ 1,441,307</b>	<b>\$ 33,142</b>	<b>\$ 9,021,773</b>
Business-type Activities					
Maple Hill Water Fund	\$ 12,543	\$ -	\$ 550	\$ -	\$ 13,093
Waste Water Treatment Plant and Sewer	1,061,129	-	186,044	-	1,247,173
Resource Recovery	1,310,242	2,966	5,917	-	1,319,125
Section 8 Administration	1,165	2,490	-	-	3,655
Country Court	6,787	-	28	-	6,815
Scott's Hill Water & Sewer	495	1,578	7,781	-	9,854
Water and Water Treatment Plant	33,371	6,145	56,799	-	96,315
Rocky Point Water & Sewer	96,725	26,896	60,647	6,250	190,518
Moore's Creek Water District	578,435	-	7,889	-	586,324
Central Pender Water District	1,138,008	-	9,033	-	1,147,041
<b>Total Business-type Activities</b>	<b>\$ 4,238,900</b>	<b>\$ 40,075</b>	<b>\$ 334,688</b>	<b>\$ 6,250</b>	<b>\$ 4,619,913</b>

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, 2017, was 8.00% of compensation for law enforcement officers and 7.25% 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 \$1,233,545 for the year ended June 30, 2017. Contributions to the pension plan from the ABC Board were \$30,033 for the year ended June 30, 2017.

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

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

At June 30, 2017, the County reported a liability of \$5,524,225 for its proportionate share of LGERS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was .26029%, which was an increase of .00164% from its proportion measured as of June 30, 2015.

**Pender County, North Carolina**

**Notes to Financial Statements**

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

For the year ended June 30, 2017, the County recognized pension expense of \$1,512,970. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 103,791	\$ 193,575
Changes of assumptions	378,360	-
Net difference between projected and actual earnings on pension plan investments	3,054,201	-
Changes in proportion and differences between County contributions and proportionate share of contributions	28,605	13,944
County contributions subsequent to the measurement date	1,233,545	-
Total	<u>\$ 4,798,502</u>	<u>\$ 207,519</u>

\$1,233,545 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, 2018. 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>	
2018	\$ 510,119
2019	510,609
2020	1,458,074
2021	878,645
2022	-
Thereafter	-
	<u>\$ 3,357,447</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

**Pender County, North Carolina**

**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:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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.

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
County's proportionate share of the net pension liability (asset)	\$ 13,111,565	\$ 5,524,225	\$ (813,284)
ABC Boards proportionate share of the net pension liability (asset)	\$ 286,118	\$ 120,549	\$ (17,747)



**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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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, 2016, 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 Statement 73:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers

**3. Actuarial Assumptions:**

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

Inflation	3.0 percent
Salary increases	3.5 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

**Pender County, North Carolina**

**Notes to Financial Statements**

---

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

**4. 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.

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

At June 30, 2017, the County reported a total pension liability of \$1,156,255. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$103,416.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	26,942
County benefit payments and plan administration expense made subsequent to the measurement date	262	-
Total	<u>\$ 262</u>	<u>\$ 26,942</u>

\$262 reported as deferred outflows of resources related to pension resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 4,475
2019	4,475
2020	4,475
2021	4,475
2022	4,475
Thereafter	4,567
	<u>\$ 26,942</u>

\$262 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

**Pender County, North Carolina**

**Notes to Financial Statements**

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

	<b>1% Decrease (2.86%)</b>	<b>Discount Rate (3.86%)</b>	<b>1% Increase (4.86%)</b>
County's proportionate share of the net pension liability (asset)	\$ 1,268,230	\$ 1,156,255	\$ 1,054,298

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

	<b>2017</b>
Beginning balance January 1, 2016*	\$ 1,080,043
Service cost	69,071
Interest on the total pension liability	38,558
Changes of assumptions or other inputs	(31,417)
Ending balance of the total pension liability December 31, 2016	<u>\$ 1,156,255</u>

\*See Note 9

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**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.

The County contributed \$133,538 for the reporting year. No amounts were forfeited.

**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. Registers of Deeds do not contribute.

*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 \$6,270 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$135,656 for its proportionate share of RODSPF's the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015.

**Pender County, North Carolina**

**Notes to Financial Statements**

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

The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was 0.72559%, which was a decrease of .01982% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$5,387. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 145	\$ 1,756
Changes of assumptions	36,142	-
Net difference between projected and actual earnings on pension plan investments	232	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	6,422
County contributions subsequent to the measurement date	6,270	-
Total	<u>\$ 42,789</u>	<u>\$ 8,178</u>

\$6,270 was 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 10,533
2019	13,509
2020	5,814
2021	(1,519)
2022	-
Thereafter	-
	<u>\$ 28,337</u>

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

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

**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, 2016 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

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

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

	<b>1% Decrease (2.75%)</b>	<b>Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
County's proportionate share of the net pension liability (asset)	\$ (109,383)	\$ (135,656)	\$ (157,729)

*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.

**f. Other Postemployment Benefits**

*Plan Administration.* Under a County resolution, Pender County administers a single-employer defined benefit Healthcare Benefits Plan (HCB Plan), single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all 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.

**Pender County, North Carolina**

**Notes to Financial Statements**

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

*Plan membership.* Membership in the plan included the following at June 30, 2016, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Inactive plan members or beneficiaries currently receiving benefit payments	17	-
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	308	58
Total	325	58

*Benefits provided.* 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 6.46% of annual covered payroll. The County obtains healthcare coverage through private insurers. 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	\$ 977,289
Interest on net OPEB obligation	303,561
Adjustment to annual required contribution	(289,995)
Annual OPEB cost (expense)	990,855
Benefit payments made	(76,339)
Increase (decrease) in net OPEB obligation	914,516
Net OPEB obligation, beginning of year	7,589,037
Net OPEB obligation, end of year	\$ 8,503,553

Notes to Financial Statements

---

**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 2015, 2016 and 2017 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 877,664	6.00%	\$ 6,646,348
2016	\$ 1,030,710	8.50%	\$ 7,589,037
2017	\$ 990,855	7.70%	\$ 8,503,553

*Funded Status and Funding Progress.* As of June 30, 2016, 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 \$10,180,910. The covered payroll (annual payroll of active employees covered by the plan) was \$14,340,852, and the ratio of UAAL to the covered payroll was 71.0%.

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 June 30, 2016 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, closed basis. The remaining amortization period at June 30, 2016 was 30 years.



**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	\$ 3,065,633	\$ -
Pensions deferrals	4,841,553	242,639
Taxes receivable, net (General)	-	1,164,208
Taxes receivable, net (Fire & Rescue)	-	281,522
Grant receivables		271,662
Prepaid taxes	-	139,479
Less amounts recorded in full accrual		(1,717,392)
Total	<u>\$ 7,907,186</u>	<u>\$ 382,118</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**

---

**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, 2017, is as follows:

	Fiscal Year Ended June 30,	
	2017	2016
Unpaid claims at July 1	\$ 563,410	\$ 619,554
Incurred claims and judgements for current and prior year events where the County has retained risk of loss	301,998	2,819,178
Payments on claims for current and prior year events where the County has retained risk of loss	845,171	2,875,322
Unpaid claims at June 30	<u>\$ 20,237</u>	<u>\$ 563,410</u>

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, 2017, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

**Pender County, North Carolina**

**Notes to Financial Statements**

---

**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 assets. 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.	\$ 105,585
Lease agreement executed on February 20, 2014 to lease computer system and software equipment and requires 4 annual payments of \$37,503.	37,109
Lease agreement executed on February 20, 2014 to lease vehicles for various county department vehicles and requires 5 annual payments of \$111,433.	218,643
Total Capital Leases	<u><u>\$ 361,337</u></u>

At June 30, 2017, the County leased vehicles valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles	\$ 1,423,260	\$ 1,092,572	\$ 330,688

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

Year Ending June 30	
2018	255,733
2019	111,433
Total minimum lease payments	<u>367,166</u>
Less: amount representing interest	5,829
Present value of the minimum lease payments	<u><u>\$ 361,337</u></u>

**b. Mortgage Notes**

Pender County Housing Authority (Country Court Enterprise Fund) has two notes outstanding aggregating \$103,190 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.

**Pender County, North Carolina**

**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, 2017 are as follows:

Year Ending June 30	Government-Wide Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	264,500	270,593	1,165,500	1,618,219	1,430,000	1,888,812
2019	269,744	257,325	1,195,256	1,568,588	1,465,000	1,825,913
2020	277,678	243,838	1,232,322	1,517,725	1,510,000	1,761,563
2021	284,289	229,954	1,265,711	1,460,709	1,550,000	1,690,663
2022	293,545	215,739	1,311,455	1,402,173	1,605,000	1,617,912
2023-2027	1,578,797	858,313	7,461,203	6,005,650	9,040,000	6,863,963
2028-2032	1,827,384	471,448	8,852,708	4,178,414	10,680,092	4,649,862
2033-2037	1,220,368	93,269	7,864,540	2,340,729	9,084,908	2,433,998
2038-2042	-	-	4,950,000	1,021,050	4,950,000	1,021,050
2043-2044	-	-	1,635,000	110,475	1,635,000	110,475
Total	\$ 6,016,305	\$ 2,640,479	\$ 36,933,695	\$ 21,223,732	\$ 42,950,000	\$ 23,864,211

**Pender County, North Carolina**

**Notes to Financial Statements**

---

**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, 2017:

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 the Special Revenue Fund.	\$ 1,885,000
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 Special Revenue Fund.	22,670,000
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 Special Revenue Fund.	23,275,000
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 Special Revenue Fund.	11,085,000
General Obligation School Bonds, Series 2016A \$50,500,000 due in 20 annual payments of \$2,525,000 plus interest ranging from 3% to 5% through 2036, serviced by the Special Revenue Fund.	<u>50,500,000</u>
Total General Obligation Bonds (Governmental Activities)	<u>\$ 109,415,000</u>
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.	\$ 9,113,000
\$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.	6,707,000
\$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%.	952,000
\$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.	165,000
\$2,575,000 Scotts 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.	2,305,000
\$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.	17,730,000
\$5,281,000 Moore's Creek Water & Sewer District USDA Water Bonds, Series 2016 due in annual payments ranging from \$99,000 to \$191,000, plus interest at 1.875% per annum through June 2056.	5,281,000
6,047,000 Central Pender Water & Sewer District USDA Water Bonds, Series 2016 due in annual payments ranging from \$113,000 to \$218,000, plus interest at 1.875% per annum through June 2056.	<u>6,047,000</u>
Total General Obligation Bonds (Business-type Activities)	<u>\$ 48,300,000</u>
Total General Obligation Bonds	<u><u>\$ 157,715,000</u></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:

\$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. \$ 1,633,328

\$1,000,000 note to Four County EMC to finance a 0% interest loan from the County to Mojo Properties, LLC (through USDA Rural Development REDLG grant program), to be used for the upfitting of the building purchased from the County (Shell Building). 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 Mojo Properties, LLC. 1,000,000

Total Governmental Activities \$ 2,633,328

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. \$ 50,835

Total Business-Type Activities \$ 50,835

Total Installment Purchases \$ 2,684,163

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, 2017, are as follows:

Year Ending June 30	General Obligation Bonds		Installment Note		Mortgage Notes		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	8,304,000	8,263,568	342,502	501	6,799	1,037	16,918,407
2019	8,455,000	8,014,905	300,000	-	6,867	969	16,777,741
2020	8,432,000	7,712,703	300,000	-	6,936	900	16,452,539
2021	8,450,000	7,335,870	300,000	-	7,005	831	16,093,706
2022	8,534,000	6,945,598	300,000	-	7,076	760	15,787,434
2023-2027	39,730,000	29,739,078	1,133,328	-	36,460	2,720	70,641,586
2028-2032	27,444,000	22,957,290	8,333	-	28,996	1,044	50,439,663
2033-2037	25,717,000	18,602,794	-	-	3,051	41	44,322,886
2038-2042	9,239,000	3,037,617	-	-	-	-	12,276,617
2043-2047	6,581,000	1,468,850	-	-	-	-	8,049,850
2048-2052	5,356,000	590,898	-	-	-	-	5,946,898
2053-2056	1,473,000	65,569	-	-	-	-	1,538,569
Total	<u>\$ 157,715,000</u>	<u>\$ 114,734,740</u>	<u>\$ 2,684,163</u>	<u>\$ 501</u>	<u>\$ 103,190</u>	<u>\$ 8,302</u>	<u>\$ 275,245,896</u>

\* 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 \$4,721,000 as of June 30, 2017.

**Pender County, North Carolina**

**Notes to Financial Statements**

---

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

The future payments of the revenue bond are as follows:

Year Ending June 30	Principal	Interest
2018	82,000	129,828
2019	84,000	127,573
2020	87,000	125,263
2021	89,000	122,870
2022	91,000	120,423
2023-2027	496,000	563,091
2028-2032	570,000	490,876
2033-2037	651,000	408,183
2038-2042	745,000	313,639
2043-2047	854,000	205,343
2048-2052	972,000	81,649
Total	<u>\$ 4,721,000</u>	<u>\$ 2,688,738</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, 2017, is as follows:

Change in net position	\$ 1,883,609
Add back:	
Depreciation	1,880,203
Interest expense	<u>2,283,519</u>
Income available for debt service (net revenue)	6,047,331
Debt service, principal and interest paid (debt service requirement)	3,837,209
110% Debt service coverage	4,220,930
Net revenue exceeds 110% of debt service requirement	Yes

The County is 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.

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.

**Pender County, North Carolina**

**Notes to Financial Statements**

---

**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. Federal Revolving Loan**

The \$584,971 Federal Revolving Loan from NC DENR, due in annual payments of \$29,249, plus interest at 1.67% through May 2037, has a balance of \$584,971 as of June 30, 2017.

The future payments of the Federal Revolving Loan are as follows:

Year Ending June 30	Principal	Interest
2018	29,249	9,958
2019	29,249	9,281
2020	29,249	8,792
2021	29,249	8,304
2022	29,249	7,815
2023-2027	146,245	31,749
2028-2032	146,245	19,539
2033-2037	146,236	7,327
Total	<u>\$ 584,971</u>	<u>\$ 102,765</u>

**Debt Related to Capital Activities** – Of the total Governmental Activities debt listed only \$4,879,665 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)**

**i. Long-Term Obligation Activity**

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

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017	Current Portion of Balance
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 64,260,000	\$ 50,500,000	\$ 5,345,000	\$ 109,415,000	\$ 7,615,000
Limited Obligation Debt	6,280,805	-	264,500	6,016,305	264,500
Installment Note	2,196,428	1,000,000	563,100	2,633,328	291,667
Capital Leases	743,384	-	382,047	361,337	254,343
Unamortized Bond Premium	7,564,010	5,775,559	304,047	13,035,522	-
Total pension liability (LEOSSA)	698,522	457,733	-	1,156,255	-
Net pension liability (LGERS)	1,079,550	4,057,979	-	5,137,529	-
Other Postemployment Benefits	7,173,617	863,091	-	8,036,708	-
Compensated Absences	1,586,485	950,000	913,286	1,623,199	913,286
Total	<u>\$ 91,582,801</u>	<u>\$ 63,604,362</u>	<u>\$ 7,771,980</u>	<u>\$ 147,415,183</u>	<u>\$ 9,338,796</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	\$ 38,054,195	-	\$ 1,120,500	\$ 36,933,695	\$ 1,165,500
Blended component unit debt*	(20,585,000)	-	(385,000)	(20,200,000)	-
Subtotal Limited Obligation Debt	17,469,195	-	735,500	16,733,695	1,165,500
General Obligation Bonds	37,607,000	11,328,000	635,000	48,300,000	689,000
Revenue Bond	4,801,000	-	80,000	4,721,000	82,000
Bond Anticipation Notes	11,328,000	-	11,328,000	-	-
Federal Revolving Loan	-	584,971	-	584,971	29,249
Installment & Mortgage Notes	261,272	-	107,247	154,025	57,634
Unamortized Bond Premium	3,076,375	-	133,004	2,943,371	2,943,371
Net pension liability (LGERS)	81,256	305,440	-	386,696	-
Other Postemployment Benefits	415,420	51,425	-	466,845	-
Compensated Absences	82,743	57,009	40,000	99,752	57,009
Total	<u>\$ 75,122,261</u>	<u>\$ 12,326,845</u>	<u>\$ 13,058,751</u>	<u>\$ 74,390,355</u>	<u>\$ 5,023,763</u>

\*See Note 3 section B 6-c.

**Pender County, North Carolina**

**Notes to Financial Statements**

---

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

**j. Other**

The County's legal debt margin at June 30, 2017 approximates \$380,160,000. There are no bonds authorized but unissued at June 30, 2017.

**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, 2017, include the following interfund gross receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 7,711,090	\$ -
Fire Service District Fund	-	-
Rescue District Fund	-	-
Vehicle Replacement Fund	-	-
Country Court	-	(613)
PCP Waste Water Treatment Plant	-	-
Resource Recovery Fun	-	-
Moore's Creek Water District	-	532,667
Central Pender Water District	-	-
Rocky Point / Topsail Water & Sewer	-	(678,906)
Scott's Hill Water & Sewer	-	678,906
Water Treatment Plant and Water Fund	-	4,272,434
Waste Water Treatment Plant and Sewer Fund	-	2,906,602
Total	<u>\$ 7,711,090</u>	<u>\$ 7,711,090</u>

**Pender County, North Carolina**

**Notes to Financial Statements**

---

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

Interfund Transfers:

Interfund transfers and transfers from component unit during the year ended June 30, 2017, 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.	\$ 6,057,326
From the General Fund to the Capital Project Fund to fund projects.	215,000
From the General Fund to the Rescue District Fund to provide resources.	150,000
From the General Fund to the Fire District Fund to provide resources.	31,560
From the General Fund to the Revaluation Fund to provide resources.	396,350
From the General Fund to the PCP Wastewater Treatment Park Fund to provide resources.	1,859,255
From the General Fund to the Resource Recovery Project Fund to provide resources.	1,261,000
	<u><u>\$ 9,970,491</u></u>

**D. Net Investment in Capital Assets**

	Governmental	Business-Type
Capital assets	\$ 30,846,024	\$ 107,661,167
Less: long-term debt	(4,879,665)	(73,123,508)
Add: unexpended bond proceeds	-	2,350,508
Net investment in capital assets	<u><u>\$ 25,966,359</u></u>	<u><u>\$ 36,888,167</u></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 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.

## Pender County, North Carolina

### Notes to Financial Statements

---

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

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	\$ 40,759,691
Less:	
Nonspendable	52,457
Stabilization by State Statute	13,002,253
Health Department Escrow	2,566,291
Sheriff's Seizures	127,493
Tax Revaluation	1,030,601
Automation Enhancement and Preservation	380,455
Appropriated Fund Balance in 2016 Budget	<u>155,369</u>
Remaining Fund Balance	<u>\$ 23,444,772</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 \$721,793.

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, 2017. 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	\$ 40,759,691
Less: Restricted	<u>(17,306,830)</u>
Available Fund Balance	<u>\$ 23,452,861</u>
General Fund Expenditures	<u>\$ 55,437,341</u>
Available Fund Balance as % General Fund Expenditures	42.31%

#### 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, 2017. 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, 2017. 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.

## Pender County, North Carolina

### 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 Trillium Health Resources (the "Center"). The counties appoint three, seven and five members, respectively, to the fifteen member board of the Center. The County has ongoing responsibility for the Center because the Center's continued existence depends on the participating governments' continued funding. The County provided \$75,000 to the Center during the year ended June 30, 2017 for its ongoing operations. None of the participating governments has an equity interest in the Center; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2017. Complete copies of the Center's financial statements may be obtained from the Center at 3809 Shipyard Boulevard, Wilmington, North Carolina 28403.

#### 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, 2017, 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 \$26,282 to the Council during the fiscal year ended June 30, 2017.

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 \$100,213 to the Authority during the year ended June 30, 2017. The balance due to the Authority at June 30, 2017 is \$51,336.

#### 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)	\$ 269,214	\$ -
Medicaid	46,247,952	24,723,335
Health Choice	1,336,017	9,220
Women, Infants and Children (WIC)	760,175	-
Adoption Assistance	170,408	179,843
Energy Assistance	200,308	-
Adult Assistance - SC/SA Domiciliary Care	-	331,262
Total	<u>\$ 48,984,074</u>	<u>\$ 25,243,660</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.

As of June 30, 2017, there is a matter related to a disputed charge of approximately \$295,000 from the State of North Carolina Department of Public Safety that has not yet been resolved.

As of June 30, 2017, there is a matter related to a dispute involving a construction contract that is unresolved and the amount of any outcome is unknown at the current time.

**Note 9. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, the net position for the governmental activities decreased \$351,239. The County also implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* for the Healthcare Benefits Plan. The implementation of this statement had no effect on net position.

**Note 10. Pronouncements Issued, Not Yet Effective**

The GASB has issued several pronouncements prior to June 30, 2017 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.

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 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 November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. This Statement is effective for fiscal years beginning after June 15, 2018.

**Notes to Financial Statements**

---

**Note 10. Pronouncements Issued, Not Yet Effective (Continued)**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2017.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after December 15, 2019.

**Note 11. Subsequent Events**

The County has evaluated its subsequent events (events occurring after June 30, 2017) through January 15, 2018 which represents the date the financial statements were available to be issued.

## **Required Supplemental Financial Data**

---

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

---

- Schedule of 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
  
- Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll – Law Enforcement Officers' Special Separation Allowance



**Pender County, North Carolina  
Schedule of Funding Progress  
Other Postemployment Benefits**

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 )
12/31/2012	-	8,112,003	8,112,003	0.00%	13,978,699	58.0%
12/31/2014	-	10,014,665	10,014,665	0.00%	14,667,853	68.3%
6/30/2016	-	10,180,910	10,180,910	0.00%	14,340,852	71.0%

**Pender County, North Carolina  
Schedule of Employer Contributions  
Other Postemployment Benefits**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	877,664	6.00%
2016	1,030,710	8.50%
2017	990,855	7.70%

Notes to the Required Schedules:

Valuation Date	June 30, 2016
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	7.75 – 5.00%
Post-Medicare Trend Rate	5.75 – 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 Four Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.26029%	0.25865%	0.25546%	0.25960%
County's proportionate share of the net pension liability (asset) \$	\$ 5,524,225	\$ 1,160,806	\$ (1,506,565)	\$ 3,129,177
County's covered payroll	\$ 15,716,206	\$ 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	35.15%	7.53%	-10.04%	23.51%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the County will present information for those years for which information is available.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,233,545	\$ 1,099,527	\$ 1,068,154	\$ 1,023,364
Contributions in relation to the contractually required contribution	<u>1,233,545</u>	<u>1,099,527</u>	<u>1,068,154</u>	<u>1,023,364</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 16,359,704	\$ 15,716,206	\$ 15,408,045	\$ 15,004,563
Contributions as a percentage of covered payroll	7.54%	7.00%	6.93%	6.82%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the County will present information for those years for which information is available.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.72559%	0.70577%	0.67167%	0.66000%
County's proportionate share of the net pension liability (asset) \$	\$ (135,656)	\$ (163,555)	\$ (152,245)	\$ (140,884)
County's covered payroll	\$ 176,691	\$ 173,510	\$ 376,502	\$ 376,510
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-76.78%	-94.26%	-40.44%	-37.42%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the County will present information for those years for which information is available.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,270	\$ 5,928	\$ 5,648	\$ 5,484
Contributions in relation to the contractually required contribution	<u>6,270</u>	<u>5,928</u>	<u>5,648</u>	<u>5,484</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
County's covered payroll	\$ 198,658	\$ 176,691	\$ 173,510	\$ 376,502
Contributions as a percentage of covered payroll	3.16%	3.36%	3.26%	1.46%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the County will present information for those years for which information is available.

**Pender County, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**For the Year Ended June 30, 2017**

	<b>2017</b>
Beginning balance	\$ 1,080,043
Service cost	69,071
Interest on the total pension liability	38,558
Changes of assumptions or other inputs	(31,417)
Ending balance of the total pension liability	\$ 1,156,255

The amounts presented for each fiscal year were determined as of the prior December 31.

**Pender County, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**For the Year Ended June 30, 2017**

	<b>2017</b>
Total pension liability	\$ 1,156,255
Covered payroll	2,782,922
Total pension liability as a percentage of covered payroll	41.55%

Notes to the schedules:

Pender County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 nor does the Plan provide pay related benefits.

December 31, 2016 Measurement Date: The Municipal Bond Index Rate increased from 3.57% to 3.86%.



(This Page Was Intentionally Left Blank)

## MAJOR GOVERNMENTAL FUNDS

---

- General Fund
  - School Capital Project Fund
-

## **GENERAL FUND**

---

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.

---

**General Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2017  
(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	\$ 45,384,680	\$ 46,905,658	\$ 1,520,978
Unrestricted intergovernmental	7,195,000	9,638,804	2,443,804
Restricted intergovernmental	11,119,659	11,224,794	105,135
Permits and fees	797,000	1,038,058	241,058
Charges for services	1,349,400	1,613,745	264,345
Interest	50,000	204,229	154,229
Miscellaneous	127,522	832,536	705,014
Total revenues	<u>66,023,261</u>	<u>71,457,824</u>	<u>5,434,563</u>
<b>Expenditures</b>			
General government:			
Governing body	187,372	167,304	20,068
County manager	296,518	280,476	16,042
Human resources	241,291	180,665	60,626
Board of Elections	312,209	286,617	25,592
Finance	490,695	475,922	14,773
Information systems	1,513,341	1,317,620	195,721
Tax administrator	1,411,173	621,172	790,001
Tax collections	650,296	633,210	17,086
AE&P fund	58,200	14,093	44,107
Register of deeds	315,661	298,562	17,099
Public buildings	2,211,144	1,759,857	451,287
Vehicle maintenance	504,424	493,634	10,790
Court facilities	20,500	15,609	4,891
County attorney	111,400	86,337	25,063
Non-departmental	1,063,662	939,406	124,256
Total general government	<u>9,387,886</u>	<u>7,570,484</u>	<u>1,817,402</u>
Public safety:			
Sheriff	5,728,262	5,644,977	83,285
Jail	2,554,867	2,325,544	229,323
Animal control	263,874	260,847	3,027
Emergency management	889,978	830,037	59,941
Forest resources	210,000	172,611	37,389
Sheriff seizure	185,000	151,912	33,088
Medical examiner	80,000	87,215	(7,215)
Total public safety	<u>9,911,981</u>	<u>9,473,143</u>	<u>438,838</u>

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, 2017  
(Page 2 of 3)**

Economic and physical development:			
Extension service	\$ 243,000	\$ 133,231	109,769
Planning	1,229,382	1,139,718	89,664
Tourism office	163,162	159,657	3,505
Option 4 payments	550,000	569,444	(19,444)
Outside agencies	1,278,941	1,299,239	(20,298)
Total economic and physical development	<u>3,464,485</u>	<u>3,301,289</u>	<u>163,196</u>
Human services:			
Health department	5,710,161	4,997,192	712,969
Public assistance	10,181,625	9,424,153	757,472
Mosquito control	267,504	241,985	25,519
Veterans	147,221	146,472	749
Mental health	20,000	19,707	293
EDTAP transportation	166,479	173,826	(7,347)
Total health services	<u>16,492,990</u>	<u>15,003,335</u>	<u>1,489,655</u>
Culture and recreation			
Recreation	639,963	579,931	60,032
Libraries	818,383	797,436	20,947
Youth alternatives	244,332	234,952	9,380
Total culture and recreation	<u>1,702,678</u>	<u>1,612,319</u>	<u>90,359</u>
Education, schools			
Local current expense	14,154,466	14,154,466	-
Capital outlay	1,692,000	1,692,000	-
School resource officer	411,457	405,973	5,484
Community college	722,186	722,186	-
Total education	<u>16,980,109</u>	<u>16,974,625</u>	<u>5,484</u>
Debt service:			
Principal	1,215,658	1,209,647	6,011
Interest	292,365	292,499	(134)
Total debt service	<u>1,508,023</u>	<u>1,502,146</u>	<u>5,877</u>
Total expenditures	<u>59,448,152</u>	<u>55,437,341</u>	<u>4,010,811</u>
Revenues over expenditures	<u>6,575,109</u>	<u>16,020,483</u>	<u>9,445,374</u>

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, 2017  
 (Page 3 of 3)**

<b>Other financing sources (uses)</b>			
Loan proceeds	\$ -	\$ 1,000,000	\$ 1,000,000
Loan receivables payments	200,012	200,012	-
Transfers in (out):			
911 Emergency Telephone Systems Fund	(110,000)	-	110,000
School Special Revenue Fund	(6,057,326)	(6,057,326)	-
Non-major governmental funds	(34,388)	-	34,388
School Capital Project Fund	(190,000)	(215,000)	(25,000)
Revaluation Fund	(396,350)	(396,350)	-
Fire Service District Fund	(35,231)	(31,560)	3,671
Rescue District Fund	(150,000)	(150,000)	-
Enterprise Funds	(3,120,255)	(3,120,255)	-
Appropriated fund balance	3,068,461	-	(3,068,461)
Reserves	249,968	-	(249,968)
Total other financing sources (uses)	<u>(6,575,109)</u>	<u>(8,770,479)</u>	<u>(2,195,370)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	7,250,004	<u>\$ 7,250,004</u>
Fund balance, beginning		<u>32,479,092</u>	
Fund balance, ending		<u>\$ 39,729,096</u>	

**Revaluation Fund  
Statement of Revenue, Expenses and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2017**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>	\$ -	\$ -	\$ -
<b>Expenditures</b>	396,350	-	396,350
<b>Revenues over expenditures</b>	(396,350)	-	396,350
<b>Other financing sources</b>			
Transfer from General Fund	396,350	396,350	-
<b>Revenues and other financing sources over expenditures</b>	<u>\$ -</u>	396,350	<u>\$ 396,350</u>
<b>Fund balances</b>			
Beginning		634,251	
Ending		<u>\$ 1,030,601</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, 2017**

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
<b>Revenues</b>					
Interest income	\$ -	\$ 702	\$ 231,176	\$ 231,878	\$ 231,878
<b>Total revenues</b>	-	702	231,176	231,878	231,878
<b>Expenditures</b>					
Intergovernmental:					
Schools:					
Burgaw Middle	3,000,000	-	2,555,566	2,555,566	444,434
Pender High School	6,000,000	-	1,769,037	1,769,037	4,230,963
Penderlea School	21,500,000	-	5,334,812	5,334,812	16,165,188
West Pender Middle School	2,500,000	-	1,973,005	1,973,005	526,995
Cape Fear E/M	7,000,000	-	7,657,502	7,657,502	(657,502)
SC K-12	35,000,000	3,750,548	9,764,754	13,515,302	21,484,698
Bond closing costs	8,311,945	124,121	505,756	629,877	7,682,068
<b>Total expenditures</b>	<b>83,311,945</b>	<b>3,874,669</b>	<b>29,560,432</b>	<b>33,435,101</b>	<b>49,876,844</b>
<b>Revenues under expenditures</b>	<b>(83,311,945)</b>	<b>(3,873,967)</b>	<b>(29,329,256)</b>	<b>(33,203,223)</b>	<b>50,108,722</b>
<b>Other financing sources</b>					
Transfers from (to):					
General Fund	5,875,000	5,875,000	-	5,875,000	-
General Fund	(5,875,000)	(5,875,000)	-	(5,875,000)	-
Premium on debt issued	8,311,945	2,436,071	5,775,559	8,211,630	(100,315)
Bond proceeds	75,000,000	24,500,000	50,500,000	75,000,000	-
	83,311,945	26,936,071	56,275,559	83,211,630	(100,315)
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 23,062,104</b>	<b>26,946,303</b>	<b>\$ 50,008,407</b>	<b>\$ 50,008,407</b>
<b>Fund balances</b>					
Beginning			23,062,104		
Ending			<u>\$ 50,008,407</u>		



(This Page Was Intentionally Left Blank)

---

**NON-MAJOR GOVERNMENTAL FUNDS**

---

**Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2017**

	<b>Government Fund Types</b>		
	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total Non-major Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,579,740	\$ 3,555,606	\$ 12,135,346
Taxes receivable (net)	281,522	-	281,522
Due from other governments	1,169,896	-	1,169,896
Restricted cash	68,194	393,216	461,410
<b>Total assets</b>	<b>\$ 10,099,352</b>	<b>\$ 3,948,822</b>	<b>\$ 14,048,174</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	69,505	102,396	171,901
Due to other funds	8,089	-	8,089
<b>Total liabilities</b>	<b>77,594</b>	<b>102,396</b>	<b>179,990</b>
Deferred inflows of resources	281,522	-	281,522
Fund balances:			
Restricted:			
Public safety	420,047	-	420,047
School capital projects	9,320,189	-	9,320,189
Committed:			
Capital outlay and improvements	-	3,846,426	3,846,426
<b>Total fund balances</b>	<b>9,740,236</b>	<b>3,846,426</b>	<b>13,586,662</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 10,099,352</b>	<b>\$ 3,948,822</b>	<b>\$ 14,048,174</b>

**Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Non-major Governmental Funds  
For the Fiscal Year Ended June 30, 2017**

	Government Funds		
	Special Revenue Funds	Capital Projects Funds	Total Non-major Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 9,931,079	\$ -	\$ 9,931,079
Unrestricted intergovernmental	4,013,898	-	4,013,898
Restricted intergovernmental	616,918	834,822	1,451,740
Investment earnings	290	-	290
<b>Total revenues</b>	<b>14,562,185</b>	<b>834,822</b>	<b>15,397,007</b>
<b>Expenditures</b>			
Current:			
Public safety	10,232,882	-	10,232,882
Education	264,193	-	264,193
Capital outlay	-	2,377,686	2,377,686
Debt service payment	5,345,000	-	5,345,000
Interest expense	2,423,696	-	2,423,696
Bond issuance cost	-	218	218
<b>Total expenditures</b>	<b>18,265,771</b>	<b>2,377,904</b>	<b>20,643,675</b>
<b>Revenues over (under) expenditures</b>	<b>(3,703,586)</b>	<b>(1,543,082)</b>	<b>(5,246,668)</b>
<b>Other financing sources (uses)</b>			
Transfers in	6,298,573	215,000	6,513,573
Transfers out	(74,228)	-	(74,228)
<b>Total other financing sources (uses)</b>	<b>6,224,345</b>	<b>215,000</b>	<b>6,439,345</b>
<b>Net change in fund balance</b>	<b>2,520,759</b>	<b>(1,328,082)</b>	<b>1,192,677</b>
<b>Fund balances</b>			
Beginning	7,219,477	5,174,508	12,393,985
Ending	<b>\$ 9,740,236</b>	<b>\$ 3,846,426</b>	<b>\$ 13,586,662</b>

(This Page Was Intentionally Left Blank)

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

---

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.

---

**Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2017**

	<b>Fire Service District Fund</b>	<b>Rescue District Fund</b>	<b>911 Emergency Telephone Fund</b>	<b>School Special Revenue Fund</b>	<b>Totals</b>
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 319,170	\$ 4,945	\$ 8,255,625	\$ 8,579,740
Taxes receivable (net)	72,120	209,402	-	-	281,522
Due from other governments	70,011	74,446	29,069	996,370	1,169,896
Restricted cash and equivalents	-	-	-	68,194	68,194
<b>Total assets</b>	<b>\$ 142,131</b>	<b>\$ 603,018</b>	<b>\$ 34,014</b>	<b>\$ 9,320,189</b>	<b>\$ 10,099,352</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 61,505	\$ 1,198	\$ 6,802	\$ -	\$ 69,505
Due from other funds	8,089	-	-	-	8,089
<b>Total liabilities</b>	<b>69,594</b>	<b>1,198</b>	<b>6,802</b>	<b>-</b>	<b>77,594</b>
Deferred inflows of resources	72,120	209,402	-	-	281,522
Fund balances:					
Restricted:					
Public safety	417	392,418	27,212	-	420,047
Education	-	-	-	9,320,189	9,320,189
<b>Total fund balances</b>	<b>417</b>	<b>392,418</b>	<b>27,212</b>	<b>9,320,189</b>	<b>9,740,236</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 142,131</b>	<b>\$ 603,018</b>	<b>\$ 34,014</b>	<b>\$ 9,320,189</b>	<b>\$ 10,099,352</b>

**Non-Major Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2017**

	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	\$ 1,491,806	\$ 8,439,273	\$ -	\$ -	\$ -	\$ -	\$ 9,931,079
Unrestricted intergovernmental	-	-	447,231	-	-	3,566,667	4,013,898
Restricted intergovernmental	-	-	-	-	-	616,918	616,918
Investment earnings	-	-	-	-	-	290	290
<b>Total revenues</b>	<b>1,491,806</b>	<b>8,439,273</b>	<b>447,231</b>	<b>-</b>	<b>-</b>	<b>4,183,875</b>	<b>14,562,185</b>
<b>Expenditures</b>							
Public safety	1,523,195	8,285,441	424,246	-	-	-	10,232,882
Education	-	-	-	-	-	264,193	264,193
Debt service payments	-	-	-	-	-	5,345,000	5,345,000
Interest expense	-	-	-	-	-	2,423,696	2,423,696
<b>Total expenditures</b>	<b>1,523,195</b>	<b>8,285,441</b>	<b>424,246</b>	<b>-</b>	<b>-</b>	<b>8,032,889</b>	<b>18,265,771</b>
<b>Revenues over (under) expenditures</b>	<b>(31,389)</b>	<b>153,832</b>	<b>22,985</b>	<b>-</b>	<b>-</b>	<b>(3,849,014)</b>	<b>(3,703,586)</b>
<b>Other financing (uses)</b>							
Transfers from (to):							
Transfers from General Fund	31,560	150,000	-	-	-	6,057,326	6,238,886
Transfers to General Fund	-	-	-	(14,441)	(100)	-	(14,541)
Transfers to Rescue District Fund	(59,687)	-	-	-	-	-	(59,687)
Transfers from Fire Service District Fund	-	59,687	-	-	-	-	59,687
<b>Total other financing uses</b>	<b>(28,127)</b>	<b>209,687</b>	<b>-</b>	<b>(14,441)</b>	<b>(100)</b>	<b>6,057,326</b>	<b>6,224,345</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(59,516)</b>	<b>363,519</b>	<b>22,985</b>	<b>(14,441)</b>	<b>(100)</b>	<b>2,208,312</b>	<b>2,520,759</b>
<b>Fund balances</b>							
Beginning	59,933	28,899	4,227	14,441	100	7,111,877	7,219,477
Ending	\$ 417	\$ 392,418	\$ 27,212	\$ -	\$ -	\$ 9,320,189	\$ 9,740,236



**Fire Service District Fund  
Statement of Revenue, Expenses and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Ad valorem taxes	\$ 1,526,594	\$ 1,491,806	\$ (34,788)
<b>Total revenues</b>	<u>1,526,594</u>	<u>1,491,806</u>	<u>(34,788)</u>
<b>Expenditures</b>			
Public safety:			
Fire Districts:			
Pender Central	325,160	315,405	9,755
Maple Hill	100,000	98,429	1,571
Rocky Point	487,742	478,907	8,835
Shiloh	140,863	137,961	2,902
Penderlea	166,823	161,079	5,744
Atkinson	153,204	147,574	5,630
Northeast Pender	175,985	171,553	4,432
Penderlea - Dublin Area	12,048	12,287	(239)
<b>Total expenditures</b>	<u>1,561,825</u>	<u>1,523,195</u>	<u>38,630</u>
<b>Revenues (under) expenditures</b>	<u>(35,231)</u>	<u>(31,389)</u>	<u>3,842</u>
<b>Other financing sources (uses)</b>			
Contingency	59,687	-	(59,687)
Transfer to Rescue District Fund	(59,687)	(59,687)	-
Transfer from General Fund	35,231	31,560	(3,671)
<b>Total other financing sources (uses)</b>	<u>35,231</u>	<u>(28,127)</u>	<u>(63,358)</u>
 <b>Revenues and other financing sources over expenditures</b>	 <u>\$ -</u>	 <u>(59,516)</u>	 <u>\$ (59,516)</u>
<b>Fund balances</b>			
Beginning		59,933	
Ending		<u>\$ 417</u>	

**Rescue District Fund  
Statement of Revenue, Expenses and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2017**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes:			
Rescue district taxes:			
Pender county EMS taxes	\$ 8,053,508	\$ 8,439,273	\$ 385,765
<b>Total revenues</b>	<u>8,053,508</u>	<u>8,439,273</u>	<u>385,765</u>
<b>Expenditures</b>			
Public safety:			
Pender volunteer EMS & rescue	5,394,632	5,394,632	-
Fire Districts:			
Sloop Point	1,392,336	1,391,242	1,094
Maple Hill	150,000	150,000	-
Long Creek	358,060	358,060	-
Hampstead	763,432	757,893	5,539
Scotts Hill	233,625	233,614	11
<b>Total expenditures</b>	<u>8,292,085</u>	<u>8,285,441</u>	<u>6,644</u>
<b>Revenues under expenditures</b>	<u>(238,577)</u>	<u>153,832</u>	<u>392,409</u>
<b>Other financing sources</b>			
Contingency	28,890	-	(28,890)
Transfer from General Fund	150,000	150,000	-
Transfer from Fire Service District Fund	59,687	59,687	-
<b>Total other financing sources</b>	<u>238,577</u>	<u>209,687</u>	<u>(28,890)</u>
<b>Revenues and other financing sources over expenditures</b>	<u>\$ -</u>	<u>363,519</u>	<u>\$ 363,519</u>
<b>Fund balances</b>			
Beginning		<u>28,899</u>	
Ending		<u>\$ 392,418</u>	

**911 Emergency Telephone Systems**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Unrestricted intergovernmental	\$ 350,901	\$ 447,231	\$ 96,330
<b>Total revenues</b>	<b>350,901</b>	<b>447,231</b>	<b>96,330</b>
<b>Expenditures</b>			
Implemental functions	102,849	80,655	22,194
Travel	2,000	801	1,199
Training	4,000	1,632	2,368
Telephone	28,000	20,486	7,514
Supplies & materials	29,000	25,033	3,967
Contracted services	243,626	239,085	4,541
Telecommunication service	135,600	54,248	81,352
Other equipment	2,500	2,305	195
<b>Total expenditures</b>	<b>547,575</b>	<b>424,246</b>	<b>123,329</b>
<b>Revenues over (under) expenditures</b>	<b>(196,674)</b>	<b>22,985</b>	<b>219,659</b>
<b>Other financing sources (uses)</b>			
Contingency	86,674	-	(86,674)
Transfer from General Fund	110,000	-	(110,000)
<b>Total other financing sources (uses)</b>	<b>196,674</b>	<b>-</b>	<b>(196,674)</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>22,985</b>	<b>\$ 22,985</b>
<b>Fund balances</b>			
Beginning		4,227	
Ending		<u>\$ 27,212</u>	

**School Special Revenue Fund  
Statement of Revenue, Expenses and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2017**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Other taxes - sales	\$ 3,175,000	\$ 3,566,667	\$ 391,667
Lottery funds	500,000	616,918	116,918
Investment earnings	-	290	290
Total revenues	<u>3,675,000</u>	<u>4,183,875</u>	<u>508,875</u>
<b>Expenditures</b>			
Option 4 redistribution	250,000	264,193	(14,193)
Debt service payment	5,345,000	5,345,000	-
Interest expense	5,137,326	2,423,696	2,713,630
Total expenditures	<u>10,732,326</u>	<u>8,032,889</u>	<u>2,699,437</u>
Revenue over (under) expenditures	(7,057,326)	(3,849,014)	3,208,312
<b>Other financing sources (uses)</b>			
Transfer from General fund	6,057,326	6,057,326	-
Fund balance appropriated	1,000,000	-	(1,000,000)
Total other financing sources (uses)	<u>7,057,326</u>	<u>6,057,326</u>	<u>(1,000,000)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,208,312</u>	<u>\$ 2,208,312</u>
<b>Fund balances</b>			
Beginning		7,111,877	
Ending		<u>\$ 9,320,189</u>	

(This Page Was Intentionally Left Blank)

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

---

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.

---

**Non-Major Capital Projects Fund  
Combining Balance Sheet  
June 30, 2017**

	<b>Capital Improvements Fund</b>	<b>Capital Facilities Reserve Fund</b>	<b>Totals</b>
<b>Assets</b>			
Cash and investments	\$ 3,456,458	\$ 99,148	\$ 3,555,606
Restricted cash	393,216	-	393,216
<b>Total assets</b>	<b>\$ 3,849,674</b>	<b>\$ 99,148</b>	<b>\$ 3,948,822</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 102,396	\$ -	\$ 102,396
<b>Total liabilities</b>	<b>102,396</b>	<b>-</b>	<b>102,396</b>
Fund balances:			
Committed:			
Capital outlay and improvements	3,747,278	99,148	3,846,426
<b>Total fund balances</b>	<b>3,747,278</b>	<b>99,148</b>	<b>3,846,426</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,849,674</b>	<b>\$ 99,148</b>	<b>\$ 3,948,822</b>

**Non-major Capital Projects Fund  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2017**

	<b>Capital Improvements Fund</b>	<b>Capital Facilities Reserve Fund</b>	<b>Totals</b>
<b>Revenues</b>			
Interest income	\$ -	\$ -	\$ -
Restricted intergovernmental	834,822	-	834,822
<b>Total revenues</b>	<u>834,822</u>	<u>-</u>	<u>834,822</u>
<b>Expenditures</b>			
Capital outlay	2,377,686	-	2,377,686
Education	-	-	-
Bond issuance cost	218	-	218
<b>Total expenditures</b>	<u>2,377,904</u>	<u>-</u>	<u>2,377,904</u>
<b>Revenues over (under) expenditures</b>	<u>(1,543,082)</u>	<u>-</u>	<u>(1,543,082)</u>
<b>Other financing sources (uses)</b>			
Transfers from (to):			
General Fund	215,000	-	215,000
<b>Total other financing sources (uses)</b>	<u>215,000</u>	<u>-</u>	<u>215,000</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>(1,328,082)</u>	<u>-</u>	<u>(1,328,082)</u>
<b>Fund balances</b>			
Beginning	5,075,360	\$ 99,148	5,174,508
Ending	<u>\$ 3,747,278</u>	<u>\$ 99,148</u>	<u>\$ 3,846,426</u>



**Capital Improvements Fund - Capital Project Fund**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2017**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues</b>					
Recreation Grant	\$ 550,000	\$ 162,844	\$ 534,230	\$ 697,074	\$ 147,074
Emergency Management Grant	-	21,906	244,002	265,908	265,908
Community development	10,000	112,500	10,500	123,000	113,000
Jail Renovation	1,520,423	1,520,423	-	1,520,423	-
HVAC Installation	-	-	46,090	46,090	46,090
<b>Total revenues</b>	<b>2,080,423</b>	<b>1,817,673</b>	<b>834,822</b>	<b>2,652,495</b>	<b>572,072</b>
<b>Expenditures</b>					
Capital Outlay:					
Parks & recreation	550,000	15,743	534,230	549,973	27
Hampstead annex	5,627,703	5,640,667	-	5,640,667	(12,964)
HVAC installation	1,222,952	58,678	1,094,836	1,153,514	69,438
Pender Memorial Park	102,795	2,795	2,080	4,875	97,920
Hampstead Kiwanis park	282,500	20,698	202,603	223,301	59,199
Jail renovations	1,520,423	93,727	-	93,727	1,426,696
Comprehensive land use	35,000	-	19,250	19,250	15,750
Library	140,000	-	-	-	140,000
Renovation Probation	177,225	143,820	-	143,820	33,405
FEMA Grants	2,099,254	99,123	524,687	623,810	1,475,444
<b>Total expenditures</b>	<b>11,757,852</b>	<b>6,075,251</b>	<b>2,377,686</b>	<b>8,452,937</b>	<b>3,304,915</b>
<b>Revenues under expenditures</b>	<b>(9,677,429)</b>	<b>(4,257,578)</b>	<b>(1,542,864)</b>	<b>(5,800,442)</b>	<b>3,876,987</b>
<b>Other financing sources (uses)</b>					
Loan proceeds	8,318,372	6,181,027	-	6,181,027	(2,137,345)
Premium on LOB's	158,870	496,140	-	496,140	337,270
Bond issuance cost	-	(41,113)	(218)	(41,331)	(41,331)
Transfers to General Fund	(966,681)	-	-	-	966,681
Transfers from General Fund	2,166,868	2,696,884	215,000	2,911,884	745,016
<b>Total other financing sources (uses)</b>	<b>9,677,429</b>	<b>9,332,938</b>	<b>214,782</b>	<b>9,547,220</b>	<b>(129,709)</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 5,075,360</b>	<b>(1,328,082)</b>	<b>\$ 3,747,278</b>	<b>\$ 3,747,278</b>
<b>Fund balances</b>					
Beginning			5,075,360		
Ending			<u>\$ 3,747,278</u>		

## **PROPRIETARY FUNDS**

---

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.

---

## MAJOR ENTERPRISE FUNDS

---

- 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 and Water Treatment Plant: This fund is used to account for the Limited Obligation Bonds issued by the County to cover the Water District General Obligation Bonds and to account for the construction of the Water Treatment Plant.
  - Waste Water Treatment and Sewer: This fund is used to account for the construction and operations of the waste water treatment plant and sewer.
-

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, 2017**

	Budget	Actual	Variance, Positive (Negative)
<b>Operating Revenues</b>			
Landfill fees	\$ 1,100,000	\$ 1,322,520	\$ 222,520
User fees	4,182,500	4,079,718	(102,782)
Recycling	8,349	14,130	5,781
Miscellaneous	43,226	99,308	56,082
Total operating revenues	<u>5,334,075</u>	<u>5,515,676</u>	<u>181,601</u>
<b>Operating Expenditures</b>			
Salaries and employee benefits	250,046	230,950	19,096
Contracted services	105,000	90,081	14,919
Other operating expenditures	6,312,303	5,886,401	425,902
Interest	-	5,917	(5,917)
Capital outlay	8,660	4,767	3,893
Total operating expenditures	<u>6,676,009</u>	<u>6,218,116</u>	<u>457,893</u>
Operating revenues under operating expenditures	<u>(1,341,934)</u>	<u>(702,440)</u>	<u>639,494</u>
<b>Non-Operating Revenues</b>			
White goods	5,500	22,783	17,283
Scrap tire	60,000	79,060	19,060
Reimbursement from schools	300,000	315,481	15,481
Total non-operating revenues	<u>365,500</u>	<u>417,324</u>	<u>51,824</u>
Revenues over (under) expenditures	<u>(976,434)</u>	<u>(285,116)</u>	<u>691,318</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out):			
General Fund	1,261,000	1,261,000	-
Water/Wastewater Capacity Fees Fund	(284,566)	967,379	1,251,945
Total other financing sources (uses)	<u>976,434</u>	<u>2,228,379</u>	<u>1,251,945</u>
Revenues under expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,943,263</u>	<u>\$ 1,943,263</u>
<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		\$ 1,943,263	
OPEB expense		(9,771)	
Pension expense		(3,524)	
Depreciation		(45,291)	
Change in net position, full accrual basis		<u>\$ 1,884,677</u>	

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, 2017

	Total Project Estimates	Actual		Total to Date	Variance Positive Negative
		Prior Years	Current Year		
<b>Revenues</b>					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Contracted services	40,900	3,682	13,483	17,165	23,735
Capital outlay	628,820	17,341	505,615	522,956	105,864
Total expenditures	669,720	21,023	519,098	540,121	129,599
Revenues over (under) expenditures	(669,720)	(21,023)	(519,098)	(540,121)	129,599
<b>Other Financing Sources (Uses)</b>					
Transfers from General Fund	13,394	13,394	-	13,394	-
CWSRF loan proceeds	669,720	-	584,971	584,971	(84,749)
Debt issuance costs	(13,394)	(12,868)	-	(12,868)	526
Total other financing sources (uses)	669,720	526	584,971	585,497	(84,223)
Revenues under expenditures and other financing sources (uses)	\$ -	\$ (20,497)	\$ 65,873	\$ 45,376	\$ 45,376

Pender County, North Carolina  
Hampstead Transfer Station Capital Project Fund

Exhibit E-1b

Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Development fees	\$ -	\$ -	\$ -
Total revenues	-	-	-
<b>Expenditures</b>			
Capital outlay	1,235,021	911,245	323,776
Total expenditures	1,235,021	911,245	323,776
Revenues over expenditures	(1,235,021)	(911,245)	(323,776)
<b>Other Financing Sources (Uses)</b>			
Transfers from Sewer Fund	284,566	-	(284,566)
Fund balance appropriated	950,455	-	(950,455)
Total other financing sources (uses)	1,235,021	-	(1,235,021)
Revenues over expenditures and other financing sources (uses)	\$ -	\$ (911,245)	\$ (911,245)

**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, 2017**

	Budget	Actual	Variance, Positive (Negative)
<b>Revenues</b>			
School fees - sewer	\$ 45,000	\$ 29,871	\$ (15,129)
Commercial sewer fees	73,791	134,231	60,440
Water fees	3,596,000	3,983,199	387,199
Connections fees - water	160,000	159,354	(646)
Other fees	45,000	91,191	46,191
Investment income	-	4,306	4,306
Total operating revenues	<u>3,919,791</u>	<u>4,402,152</u>	<u>482,361</u>
<b>Expenditures</b>			
Sewer operations:			
Salaries and employee benefits	37,756	58,772	(21,016)
Contracted services	12,500	12,014	486
Other operating expenditures	79,787	178,376	(98,589)
Capital outlay	112,988	111,546	1,442
Total	<u>243,031</u>	<u>360,708</u>	<u>(117,677)</u>
Water Operations:			
Salaries and employee benefits	662,452	596,302	66,150
Contracted services	417,274	303,653	113,621
Water purchases	2,565,198	2,567,309	(2,111)
Other operating expenditures	903,844	488,672	415,172
Debt service payments:			
Principal	320,000	320,000	-
Interest	774,026	784,774	(10,748)
Total	<u>5,642,794</u>	<u>5,060,710</u>	<u>582,084</u>
Revenues over (under) expenditures	<u>(1,966,034)</u>	<u>(1,019,266)</u>	<u>946,768</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out):			
Water/Sewer Capacity Fees Fund	1,675,772	1,300,000	(375,772)
Appropriate fund balance	290,262	-	(290,262)
Total other financing sources	<u>1,966,034</u>	<u>1,300,000</u>	<u>(666,034)</u>
Revenues, other sources, and appropriated fund balance over expenditures	<u>\$ -</u>	<u>\$ 280,734</u>	<u>\$ 280,734</u>
<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		\$ 280,734	
OPEB expense		(26,227)	
Pension expense		(10,707)	
Principal payments		320,000	
Premium amortization		49,206	
Capital outlay		100,774	
Depreciation		(692,647)	
Change in net position, full accrual basis		<u>\$ 21,133</u>	

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

**Exhibit E-3**

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017**

	Budget	Actual	Variance, Positive (Negative)
<b>Revenues</b>			
Water fees	\$ 2,267,484	\$ 2,305,007	\$ 37,523
Other fees	-	230	230
Payment from district	-	740,000	740,000
Total operating revenues	<u>2,267,484</u>	<u>3,045,237</u>	<u>777,753</u>
<b>Expenditures</b>			
Salaries and employee benefits	339,950	216,695	123,255
Contract services	75,000	53,172	21,828
Operating expenditures	679,142	620,798	58,344
Capital outlay	20,000	17,330	2,670
Debt service payments:			
Principal	431,190	806,690	(375,500)
Interest	723,021	1,085,876	(362,855)
Total operating expenditures	<u>2,268,303</u>	<u>2,800,561</u>	<u>(532,258)</u>
Revenues over (under) expenditures	<u>(819)</u>	<u>244,676</u>	<u>245,495</u>
<b>Other Financing Sources (Uses)</b>			
Appropriated fund balance	819	-	(819)
Total other financing sources	<u>819</u>	<u>-</u>	<u>(819)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 244,676</u>	<u>\$ 244,676</u>
<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;		\$ 244,676	
Depreciation		(958,033)	
Payment from district		(740,000)	
Interest payment on debt from district		365,000	
Principal payments		806,690	
Pension expense		(1,248)	
OPEB expense		(6,685)	
Change in net position, full accrual basis		<u>\$ (289,600)</u>	



**Pender County, North Carolina  
Waste Water Treatment and Sewer**

**Exhibit E-4**

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2017**

	Budget	Actual	Variance, Positive (Negative)
<b>Revenues</b>			
Fees	\$ 50,000	\$ 22,208	\$ (27,792)
Total operating revenues	50,000	22,208	(27,792)
<b>Expenditures</b>			
Salaries and employee benefits	62,990	58,639	4,351
Contracted services	514,236	295,388	218,848
Operating expenditures	151,546	101,647	49,899
Capital outlay	67,000	25,063	41,937
Debt service payments:			
Principal	735,500	735,500	-
Interest	789,219	785,332	3,887
Total operating expenditures	2,320,491	2,001,569	318,922
Revenues over (under) expenditures	(2,270,491)	(1,979,361)	291,130
<b>Other Financing Sources (Uses)</b>			
Appropriated fund balance	411,236	-	(411,236)
From General Fund	1,859,255	1,859,255	
Total other financing sources	2,270,491	1,859,255	(411,236)
Revenues under expenditures and other financing sources (uses)	\$ -	(120,106)	\$ (120,106)
<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;		(120,106)	
Depreciation		(10,063)	
		(1,554,517)	
EDA and Rural Center Grant Exhibit-4b		1,080,471	
Water and Wastewater capacity fees capital project fund		1,086,804	
Other revenue capital project fund		338,607	
Investment income capital project fund		13,204	
Premium amortization		76,476	
Transfers to Rocky Point		(1,300,000)	
Transfers to Resource Recovery Fund		(967,379)	
Long term debt repayments		735,500	
Debt issuance costs		(507)	
Pension expense		(1,833)	
Change in net position, full accrual basis		\$ (623,343)	

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

Exhibit E-4a

Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2017

	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)
New Hanover County	192,510	-	-	-	192,510
Burgaw sewer project	2,043,133	2,005,440	-	2,005,440	37,693
Construction	19,082,310	6,052,252	-	6,052,252	13,030,058
Capital outlay	1,097,950	361,287	100,795	462,082	635,868
Transfer expenses to other projects	-	(6,492,845)	-	(6,492,845)	6,492,845
Total expenditures	22,415,903	2,005,440	100,795	2,106,235	20,309,668
Revenues over (under) expenditures	(22,415,903)	(2,005,440)	(100,795)	(2,106,235)	20,309,668
<b>Other financing sources (uses):</b>					
Transfer to Capital Improvement Fund	(142,425)	(126,900)	-	(126,900)	269,325
Loan from General fund	22,558,328	2,893,239	-	2,893,239	19,665,089
Total other financing sources	22,415,903	2,766,339	-	2,766,339	19,934,414
Revenues under expenditures and other financing sources (uses)	\$ -	\$ 760,899	\$ (100,795)	\$ 660,104	\$ 660,104

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

Exhibit E-4b

Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		Total to Date	Variance Positive Negative
		Prior Years	Current Year		
<b>Revenues</b>					
Gold Leaf	\$ 400,000	\$ 320,000	\$ -	\$ 320,000	\$ (80,000)
Rural Center Grant	500,000	-	500,000	500,000	-
EDA Grant	2,275,000	1,467,030	580,471	2,047,501	(227,499)
CDBG	750,000	750,000	-	750,000	-
Other revenue	-	-	338,607	338,607	338,607
Investment income	-	17,590	13,204	30,794	30,794
Total revenue	3,925,000	2,554,620	1,432,282	3,986,902	61,902
<b>Expenditures</b>					
Construction	23,569,253	20,390,121	3,183,505	23,573,626	(4,373)
Bond Issuance Cost	-	126,789	2,567	129,356	(129,356)
Total expenditures	23,569,253	20,516,910	3,186,072	23,702,982	(133,729)
Revenues over (under) expenditures	(19,644,253)	(17,962,290)	-	(19,716,080)	(71,827)
<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)	\$ -	\$ 1,808,754	\$ (1,753,790)	\$ 54,964	\$ 54,964

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

**Exhibit E-4c**

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017**

	Final Budget	Actual	Variance Postive (Negative)
<b>Revenues</b>			
Water and sewer capacity fees	\$ 1,100,000	\$ 1,086,804	\$ (13,196)
Total revenue	<u>1,100,000</u>	<u>1,086,804</u>	<u>(13,196)</u>
<b>Expenditures</b>			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures			
<b>Other Financing Sources (Uses)</b>			
Transfers out:			
Rocky Point Fund	(1,675,772)	(1,300,000)	375,772
Fund balance appropriated	<u>575,772</u>	<u>-</u>	<u>(575,772)</u>
Total other financing sources (uses)	<u>(1,100,000)</u>	<u>(1,300,000)</u>	<u>(200,000)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (213,196)</u>	<u>\$ (213,196)</u>

(This Page Was Intentionally Left Blank)

## NON-MAJOR ENTERPRISE FUNDS

---

- Maple Hill Water Fund: This fund is used to account for the operations of the Maple Hill Water District.
  - 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.
  - Scotts Hill Water and Sewer Fund: This fund is used to account for the operations of the Scott's Hill Water and Sewer District.
  - 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, 2017

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund	Scotts Hill Water & Sewer
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 48,403	\$ 131,713	\$ 58,490	\$ 603,703
Accounts receivable, net of allowance for doubtful accounts	31,123	-	-	46,447
Due from other governments	-	-	613	-
Due from other funds	-	-	193	-
Prepaid expenses	-	-	-	3,967
Restricted cash	808	-	-	-
Total current assets	80,334	131,713	59,296	654,117
Noncurrent Assets:				
Capital assets, net	4,450,446	-	147,382	2,639,720
Total noncurrent assets	4,450,446	-	147,382	2,639,720
Total assets	4,530,780	131,713	206,678	3,293,837
<b>Deferred Outflows of Resources</b>				
	20,477	24,017	-	41,156
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	12,544	3,655	6,787	2,073
Due from other funds	-	-	-	678,906
Accrued interest payable	550	-	28	7,781
Customer deposits payable	807	-	2,050	-
Compensated absences liability - current	1,619	1,945	422	611
Installment notes payable-current	-	-	6,777	-
General obligation bonds payable - current	10,000	-	-	55,000
Total current liabilities	25,520	5,600	16,064	744,371
Noncurrent liabilities:				
Compensated absences liability	4,730	2,760	-	917
Other postemployment benefit liability	25,251	53,755	-	3,422
Net pension liability	20,031	27,649	-	5,916
Installment notes payable	-	-	95,193	-
General obligation bonds payable	176,141	-	-	2,426,548
Total noncurrent liabilities	226,153	84,164	95,193	2,436,803
Total liabilities	251,673	89,764	111,257	3,181,174
<b>Deferred Inflows of Resources</b>				
	752	1,039	-	222
<b>Net Position</b>				
Net investment in capital assets	4,267,382	-	45,412	194,190
Restricted by HUD Section 8	-	41,438	-	-
Unrestricted	31,450	23,489	50,009	(40,593)
Total net position	\$ 4,298,832	\$ 64,927	\$ 95,421	\$ 153,597

**Exhibit E-5**

<b>Moore's Creek Water District</b>	<b>Central Pender Water District</b>	<b>Total Non-Major</b>
\$ 585	\$ 268,298	\$ 1,111,192
339,610	443,939	861,119
-	-	613
-	-	193
-	-	3,967
2,050	-	2,858
<u>342,245</u>	<u>712,237</u>	<u>1,979,942</u>
8,011,101	7,498,538	22,747,187
<u>8,011,101</u>	<u>7,498,538</u>	<u>22,747,187</u>
<u>8,353,346</u>	<u>8,210,775</u>	<u>24,727,129</u>
-	-	85,650
580,685	1,138,008	1,743,752
532,667	-	1,211,573
7,889	9,033	25,281
-	-	2,857
-	-	4,597
-	-	6,777
-	-	65,000
<u>1,121,241</u>	<u>1,147,041</u>	<u>3,059,837</u>
-	-	8,407
-	-	82,428
-	-	53,596
-	-	95,193
5,299,170	6,069,378	13,971,237
<u>5,299,170</u>	<u>6,069,378</u>	<u>14,210,861</u>
<u>6,420,411</u>	<u>7,216,419</u>	<u>17,270,698</u>
-	-	2,013
2,711,931	1,429,160	8,648,075
-	-	41,438
(778,996)	(434,804)	(1,149,445)
<u>\$ 1,932,935</u>	<u>\$ 994,356</u>	<u>\$ 7,540,068</u>



Pender County, North Carolina

Proprietary Funds

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

For the Fiscal Year Ended June 30, 2017

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund	Scotts Hill Water & Sewer
<b>Operating Revenues</b>				
Charges for services	\$ 193,645	\$ -	\$ -	\$ 291,386
Dwelling rental	-	-	54,988	-
Other operating revenues	5,700	-	15,390	6,395
Total operating revenues	199,345	-	70,378	297,781
<b>Operating expenses</b>				
Salaries and benefits	74,631	106,856	-	22,259
Housing assistance payments	-	1,026,859	-	-
Operating expenses	50,742	14,656	-	7,604
Contracted services	9,581	-	13,074	1,625
Housing administration	-	-	57,001	-
Water purchases	50,023	-	-	52,000
Depreciation	140,283	1,301	7,590	79,177
Total operating expenses	325,260	1,149,672	77,665	162,665
Operating income (loss)	(125,915)	(1,149,672)	(7,287)	135,116
<b>Nonoperating revenues (expenses)</b>				
Interest income	-	-	191	-
Restricted intergovernmental	-	1,133,668	-	-
Miscellaneous revenues	-	15,019	-	-
Fraud recovery	-	14,183	-	-
Interest expense	(6,627)	-	(1,045)	(94,670)
Total net nonoperating revenues (expenses)	(6,627)	1,162,870	(854)	(94,670)
Income (loss) before transfers	(132,542)	13,198	(8,141)	40,446
Transfers in	-	-	10,000	-
Transfers out	-	-	(10,000)	-
Total transfers in (out)	-	-	-	-
Change in net position	(132,542)	13,198	(8,141)	40,446
Net position, beginning	4,431,374	51,729	103,562	113,151
Net position, ending	\$ 4,298,832	\$ 64,927	\$ 95,421	\$ 153,597

**Exhibit E-6**

<b>Moore's Creek Water District</b>	<b>Central Pender Water District</b>	<b>Total Non-Major</b>
\$ 14,100	\$ -	\$ 499,131
-	-	54,988
-	50	27,535
<u>14,100</u>	<u>50</u>	<u>581,654</u>
-	-	203,746
-	-	1,026,859
216	473	73,691
-	-	24,280
-	-	57,001
-	-	102,023
-	-	228,351
<u>216</u>	<u>473</u>	<u>1,715,951</u>
<u>13,884</u>	<u>(423)</u>	<u>(1,134,297)</u>
5,668	9,732	15,591
1,888,109	967,467	3,989,244
-	-	15,019
-	-	14,183
(7,889)	(9,033)	(119,264)
<u>1,885,888</u>	<u>968,166</u>	<u>3,914,773</u>
<u>1,899,772</u>	<u>967,743</u>	<u>2,780,476</u>
-	-	10,000
-	-	(10,000)
<u>-</u>	<u>-</u>	<u>-</u>
<u>1,899,772</u>	<u>967,743</u>	<u>2,780,476</u>
<u>33,163</u>	<u>26,613</u>	<u>4,759,592</u>
<u>\$ 1,932,935</u>	<u>\$ 994,356</u>	<u>\$ 7,540,068</u>

Pender County, North Carolina

**Proprietary Funds  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2017**

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund	Scotts Hill Water & Sewer
<b>Cash Flows from operating activities</b>				
Receipts from customers and users	\$ 199,497	\$ -	\$ 69,974	\$ 298,476
Payments to customers and suppliers	(96,696)	(1,044,478)	(87,035)	(62,401)
Payments to employees	(70,854)	(102,894)	-	(20,826)
Net cash provided by (used in) operating activities	31,947	(1,147,372)	(17,061)	215,249
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition & construction of capital assets	-	-	-	-
Repayment of debt	(10,000)	-	(6,791)	(55,000)
Proceeds from bond anticipation notes and premiums	-	-	-	-
Interest paid	(7,410)	-	(1,055)	(99,835)
Net cash provided by (used in) capital and related financing activities	(17,410)	-	(7,846)	(154,835)
<b>Cash Flows from Noncapital Financing Activities</b>				
Due to (from) other funds	-	-	-	-
HUD operating grants	-	1,133,668	-	-
Rural development grants	-	-	-	-
Miscellaneous revenues	-	29,202	-	-
Transfers in (out)	-	-	(94)	-
Net cash provided by (used in) noncapital financing activities	-	1,162,870	(94)	-
<b>Cash Flows from Investing Activities</b>				
Interest income	-	-	191	-
Net decrease in cash and cash equivalents	14,537	15,498	(24,810)	60,414
<b>Cash and Cash Equivalents</b>				
Beginning	34,674	116,215	83,300	543,289
Ending	\$ 49,211	\$ 131,713	\$ 58,490	\$ 603,703
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (125,915)	(1,149,672)	(7,287)	135,116
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	140,283	1,301	7,590	79,177
Change in assets and liabilities:				
Accounts receivable	255	-	(354)	695
Prepaid items	-	-	-	(1,519)
Accounts payable and accrued expenses	12,399	(2,961)	(17,384)	(347)
Customer deposits payable	(103)	-	(50)	-
Compensated absences	1,619	(1,945)	424	-
OPEB	2,571	5,656	-	2,195
Increase in deferred outflows of resources	(12,685)	(19,005)	-	(3,943)
Increase in net pension liability	15,310	21,514	-	4,313
Decrease in deferred inflows of resources	(1,787)	(2,260)	-	(438)
Net cash provided by (used in) operating activities	\$ 31,947	\$(1,147,372)	\$ (17,061)	\$ 215,249

**Exhibit E-7**

<b>Moore's Creek Water District</b>	<b>Central Pender Water District</b>	<b>Total Non-Major</b>
\$ 16,350	\$ 50	\$ 584,347
(216)	(473)	(1,291,299)
-	-	(194,574)
<u>16,134</u>	<u>(423)</u>	<u>(901,526)</u>
(7,089,007)	(5,783,248)	(12,872,255)
(5,281,000)	(6,047,000)	(11,399,791)
5,281,000	6,047,000	11,328,000
-	-	(108,300)
<u>(7,089,007)</u>	<u>(5,783,248)</u>	<u>(13,052,346)</u>
219,182	(554,092)	(334,910)
-	-	1,133,668
1,548,499	523,528	2,072,027
-	-	29,202
-	-	(94)
<u>1,767,681</u>	<u>(30,564)</u>	<u>2,899,893</u>
5,668	9,732	15,591
(5,299,524)	(5,804,503)	(11,038,388)
5,302,159	6,072,801	12,152,438
<u>\$ 2,635</u>	<u>\$ 268,298</u>	<u>\$ 1,114,050</u>
13,884	(423)	(1,134,297)
-	-	228,351
-	-	-
2,250	-	2,846
-	-	(1,519)
-	-	(8,293)
-	-	(153)
-	-	98
-	-	10,422
-	-	(35,633)
-	-	41,137
-	-	(4,485)
<u>\$ 16,134</u>	<u>\$ (423)</u>	<u>\$ (901,526)</u>

Pender County, North Carolina  
Maple Hill Water Operating Fund

Exhibit E-8

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017**

	Budget	Actual	Variance, Positive (Negative)
<b>Operating Revenues</b>			
Water fees	\$ 130,239	\$ 142,603	\$ 12,364
Sewer fees	55,013	51,042	(3,971)
Other fees	2,100	5,700	3,600
Total operating revenues	<u>187,352</u>	<u>199,345</u>	<u>11,993</u>
<b>Operating Expenditures</b>			
Water:			
Salaries and employee benefits	51,135	51,095	40
Contract services	2,500	2,581	(81)
Water purchases	39,000	50,023	(11,023)
Operating expenditures	22,391	20,319	2,072
Debt service payments:			
Principal	10,000	-	10,000
Interest	7,313	7,410	(97)
Total water operating expenditures	<u>132,339</u>	<u>131,428</u>	<u>911</u>
Sewer:			
Salaries and employee benefits	19,800	20,240	(440)
Contract services	7,000	7,000	-
Operating expenditures	28,213	30,423	(2,210)
Total sewer operating expenditures	<u>55,013</u>	<u>57,663</u>	<u>(2,650)</u>
Operating revenues over operating expenditures			
operating expenditures	<u>\$ -</u>	<u>\$ 10,254</u>	<u>\$ 10,254</u>
<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		\$ 10,254	
Premium amortization		783	
Depreciation		(140,283)	
Pension expense		(725)	
OPEB expense		(2,571)	
Change in net position, full accrual basis		<u>\$ (132,542)</u>	

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

**Exhibit E-9**

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Restricted intergovernmental-HUD	\$ 1,103,834	\$ 1,133,668	\$ 29,834
Miscellaneous revenues	14,199	15,019	820
Fraud recovery	9,822	14,183	4,361
Total revenue	<u>1,127,855</u>	<u>1,162,870</u>	<u>35,015</u>
<b>Expenditures</b>			
Salaries and benefits	120,046	100,951	19,095
Housing assistance payments	999,006	1,026,859	(27,853)
Operating expenditures	22,953	14,656	8,297
Total expenditures	<u>1,142,005</u>	<u>1,142,466</u>	<u>(461)</u>
Revenues over (under) expenditures	<u>(14,150)</u>	<u>20,404</u>	<u>34,554</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out):			
General Fund	14,150	-	(14,150)
Total other financing sources (uses)	<u>14,150</u>	<u>-</u>	<u>(14,150)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 20,404</u>	<u>\$ 20,404</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	\$ 20,404
Depreciation	(1,301)
Pension expense	(249)
OPEB expense	(5,656)
Change in net position, full accrual basis	<u>\$ 13,198</u>

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

**Exhibit E-10**

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Dwelling rentals	\$ 58,656	\$ 54,988	\$ (3,668)
Miscellaneous revenues	260	15,390	15,130
Interest income	220	191	(29)
Total revenue	<u>59,136</u>	<u>70,569</u>	<u>11,433</u>
<b>Expenditures</b>			
Administration and tenant services	39,050	57,001	(17,951)
Contracted services	9,250	13,074	(3,824)
FMHA debt service payments	7,836	7,836	-
Total expenditures	<u>56,136</u>	<u>77,911</u>	<u>(21,775)</u>
Revenues over (under) expenditures	<u>3,000</u>	<u>(7,342)</u>	<u>(10,342)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out):			
General Fund	(3,000)	(10,000)	(7,000)
Reserve Fund	-	10,000	10,000
Total other financing sources (uses)	<u>(3,000)</u>	<u>-</u>	<u>3,000</u>
Revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ (7,342)</u>	<u>\$ (7,342)</u>
<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		(7,342)	
Depreciation		(7,590)	
Principal payments		<u>6,791</u>	
Change in net position, full accrual basis		<u>\$ (8,141)</u>	

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

**Exhibit E-11**

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017**

	Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues</b>			
Water fees	\$ 246,248	\$ 288,106	\$ 41,858
Connection fees	-	3,280	3,280
Miscellaneous fees	2,000	6,395	4,395
Total revenue	<u>248,248</u>	<u>297,781</u>	<u>49,533</u>
<b>Operating expenditures</b>			
Salaries and benefits	19,812	21,437	(1,625)
Operating expenditures	19,023	7,604	11,419
Contracted services	2,500	1,625	875
Water purchases	52,075	52,000	75
Total expenditures	<u>93,410</u>	<u>82,666</u>	<u>10,744</u>
<b>Non-operating expenditures</b>			
Interest expense	99,838	99,875	(37)
Principal payments	55,000	55,000	-
Total non-operating expenditures	<u>154,838</u>	<u>154,875</u>	<u>(37)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 60,240</u>	<u>\$ 60,240</u>
<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		60,240	
Depreciation		(79,177)	
Bond premium and refunding amortization, net		5,205	
Principal payments		55,000	
Pension expense		(308)	
OPEB expense		(514)	
Change in net position, full accrual basis		<u>\$ 40,446</u>	



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

Exhibit E-11a

**Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2017**

	Project Authorization	Actual		Total and Completed Project
		Prior Years	Current Year	
<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	-	2,313,071
Revenues over (under) expenditures	(2,916,000)	(2,198,878)	-	(2,198,888)
<b>Other financing sources:</b>				
USDA Rural Development Loan	2,916,000	2,711,000	-	2,711,000
Revenues over expenditures	\$ -	\$ 4,909,878	\$ -	\$ 4,909,888

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

**Exhibit E-12**

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017**

	Final Budget	Actual	Variance Postive (Negative)
<b>Operating revenue</b>			
Water fees	\$ -	\$ 15,285	\$ 15,285
Miscellaneous	-	75	75
Total revenue	-	15,360	15,360
<b>Operating expenditures</b>			
Operating expense	-	216	(216)
Interest	-	7,889	(7,889)
Total expenditures	-	8,105	(8,105)
Revenues over expenditures	<u>\$ -</u>	<u>\$ 7,255</u>	<u>\$ 7,255</u>
<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		\$ 7,255	
Rural development grant		1,888,109	
Interest income		5,668	
Connection fees		<u>(1,260)</u>	
Change in net position, full accrual basis		<u>\$ 1,899,772</u>	

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

Exhibit E-12a

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2017**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
<b>Revenues</b>					
Connection fees	\$ 78,100	\$ 30,174	\$ (1,260)	\$ 28,914	\$ (49,186)
Rural Development Grant	3,467,432	-	1,888,109	1,888,109	(1,579,323)
Interest income	-	2,989	5,668	8,657	8,657
Total revenue	3,545,532	33,163	1,892,517	1,925,680	(1,619,852)
<b>Expenditures</b>					
Construction	8,826,532	906,577	7,104,524	8,011,101	815,431
Total expenditures	8,826,532	906,577	7,104,524	8,011,101	815,431
Revenues over (under) expenditures	(5,281,000)	(873,414)	(5,212,007)	(6,085,421)	(804,421)
<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
Bond proceeds	-	-	5,281,000	5,281,000	5,281,000
Principal payment	-	-	(5,281,000)	(5,281,000)	(5,281,000)
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)	\$ -	\$ 4,425,756	\$ (5,212,007)	\$ (786,251)	\$ (786,251)

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

**Exhibit E-13**

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Miscellaneous revenue	\$ -	\$ 50	\$ 50
Total revenue	<u>-</u>	<u>50</u>	<u>50</u>
<b>Expenditures</b>			
Interest	-	9,033	(9,033)
Total expenditures	<u>-</u>	<u>9,033</u>	<u>(9,033)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (8,983)</u>	<u>\$ (8,983)</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Revenues over (under) expenditures and other financing sources, modified accrual basis, above		\$ (8,983)	
Rural development grant		967,467	
Interest income		9,732	
Connection fees		<u>(473)</u>	
Change in net position, full accrual basis		<u>\$ 967,743</u>	

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

Exhibit E-13a

**Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2017**

	Project Authorization	Actual		Total to Date	Variance Positive Negative
		Prior Years	Current Year		
<b>Revenues</b>					
Connection fees	\$ 81,700	\$ 23,190	\$ (473)	\$ 22,717	\$ (58,983)
Rural Development Grant	3,910,091	-	967,467	967,467	(2,942,624)
Interest income	-	3,423	9,732	13,155	13,155
Total revenue	3,991,791	26,613	976,726	1,003,339	(2,988,452)
<b>Expenditures</b>					
Construction	9,497,211	977,722	6,373,440	7,351,162	2,146,049
Contingency	326,309	-	21,075	21,075	305,234
Interest	215,271	-	126,299	126,299	88,972
Total expenditures	10,038,791	977,722	6,520,814	7,498,536	2,540,255
Revenues over (under) expenditures	(6,047,000)	(951,109)	(5,544,088)	(6,495,197)	(448,197)
<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
Bond proceeds	-	-	6,047,000	6,047,000	6,047,000
Principal payments	-	-	(6,047,000)	(6,047,000)	(6,047,000)
Total other financing sources (uses)	6,047,000	6,069,378	-	6,069,378	22,378
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 5,118,269	\$ (5,544,088)	\$ (425,819)	\$ (425,819)

## **INTERNAL SERVICE FUNDS**

---

- Self-Insured Internal Service Fund: Accounts for the funds contributed by both the County and its employees to provide health and dental insurance benefits for eligible employees.
-

Pender County, North Carolina  
Self-Insured Internal Service Fund

Exhibit F-1

Combining Balance Sheet  
June 30, 2017

	Employee Health Insurance Fund	Workers Compensation Fund	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 204,859	\$ 641,143	\$ 846,002
<b>Total assets</b>	<b>204,859</b>	<b>641,143</b>	<b>846,002</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	12,905	20,237	33,142
<b>Total liabilities</b>	<b>12,905</b>	<b>20,237</b>	<b>33,142</b>
<b>Net Position</b>			
Unrestricted	191,954	620,906	812,860
<b>Total net position</b>	<b>\$ 191,954</b>	<b>\$ 620,906</b>	<b>\$ 812,860</b>

**Pender County, North Carolina  
Self-Insured Internal Service Fund  
Employee Health Insurance Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2017**

**Exhibit F-1a**

	Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues</b>			
Charges for services			
<b>Total operating revenues</b>	\$ 267,435	\$ 272,197	\$ 4,762
<b>Operating expenses</b>			
Claims paid	386,435	207,573	178,862
<b>Total operating expenses</b>	386,435	207,573	178,862
<b>Revenues over (under) expenditures</b>	(119,000)	64,624	183,624
<b>Other financing sources (uses)</b>			
Transfers in (out)	-	-	-
Appropriated fund balance	119,000	-	(119,000)
<b>Total other financing sources (uses)</b>	119,000	-	(119,000)
<b>Revenues over (under) expenditures and other financing sources (uses)</b>	<u>-</u>	<u>64,624</u>	<u>64,624</u>
Net position			
Beginning		127,330	
Ending		<u>\$ 191,954</u>	



Pender County, North Carolina  
 Self-Insured Internal Service Fund  
 Workers Compensation Fund  
 Statement of Revenues, Expenses, and Changes in Net Position  
 Year Ended June 30, 2017

Exhibit F-1b

	Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues</b>			
Charges for services			
<b>Total operating revenues</b>	\$ -	\$ -	\$ -
<b>Operating expenses</b>			
Claims paid	350,000	(251,068)	601,068
<b>Total operating expenses</b>	350,000	(251,068)	601,068
<b>Revenues under expenditures</b>	(350,000)	251,068	601,068
<b>Other financing sources (uses)</b>			
Transfers in (out)	-	-	-
Appropriated fund balance	350,000	-	(350,000)
<b>Total other financing sources (uses)</b>	350,000	-	(350,000)
Revenues over (under) expenditures and other financing sources (uses)	-	251,068	251,068
Net position			
Beginning		369,838	
Ending		\$ 620,906	

## **AGENCY FUNDS**

---

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

---

**Combining Balance Sheet  
All Agency Funds  
June 30, 2017**

	Agency						Totals
	Ad Valorem and DMV Collections	Four H Fund	Extension Education	Sea Oats Travel	Pesticide Recycling Grant	Tourism Development Authority	June 30, 2017
<b>Assets</b>							
Cash and cash equivalents	\$ 4,726	\$ 1,112	\$ 17,890	\$ 313	\$ 1,558	\$ 14,779	\$ 40,378
Accounts receivable	6,144	-	-	-	-	1,387	7,531
Total assets	<u>\$ 10,870</u>	<u>\$ 1,112</u>	<u>\$ 17,890</u>	<u>\$ 313</u>	<u>\$ 1,558</u>	<u>\$ 16,166</u>	<u>\$ 47,909</u>
<b>Liabilities</b>							
Intergovernmental payables	\$ 10,870	\$ 1,112	\$ 17,890	\$ 313	\$ 1,558	\$ 16,166	\$ 47,909
Total liabilities	<u>\$ 10,870</u>	<u>\$ 1,112</u>	<u>\$ 17,890</u>	<u>\$ 313</u>	<u>\$ 1,558</u>	<u>\$ 16,166</u>	<u>\$ 47,909</u>

**Agency Funds**  
**Combining Statement of Changes In Assets And Liabilities**  
**For the Fiscal Year Ended June 30, 2017**

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<b>Ad Valorem and Vehicle Tax:</b>				
Assets:				
Cash and cash equivalents	\$ 4,867	\$ -	\$ 141	\$ 4,726
Accounts receivable	4,579	1,565	-	6,144
	<u>\$ 9,446</u>	<u>\$ 1,565</u>	<u>\$ 141</u>	<u>\$ 10,870</u>
Liabilities:				
Intergovernmental payable	<u>\$ 9,446</u>	<u>\$ 1,565</u>	<u>\$ 141</u>	<u>\$ 10,870</u>
<b>Four H Fund:</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,112	\$ -	\$ 1,112
Liabilities:				
Intergovernmental payable	<u>\$ -</u>	<u>\$ 1,112</u>	<u>\$ -</u>	<u>\$ 1,112</u>
<b>Extension Education:</b>				
Assets:				
Cash and cash equivalents	\$ 18,788	\$ -	\$ 898	\$ 17,890
Accounts receivable	138	-	138	-
	<u>\$ 18,926</u>	<u>\$ -</u>	<u>\$ 1,036</u>	<u>\$ 17,890</u>
Liabilities:				
Intergovernmental payable	<u>\$ 18,926</u>	<u>\$ -</u>	<u>\$ 1,036</u>	<u>\$ 17,890</u>
<b>Sea Oats Travel:</b>				
Assets:				
Cash and cash equivalents	\$ 313	\$ -	\$ -	\$ 313
Liabilities:				
Intergovernmental payable	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313</u>
<b>Pesticide Recycling Grant:</b>				
Assets:				
Cash and cash equivalents	\$ 1,558	\$ -	\$ -	\$ 1,558
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	\$ 18,245	\$ -	\$ 3,466	\$ 14,779
Accounts receivable	-	1,387	-	1,387
	<u>\$ 18,245</u>	<u>\$ 1,387</u>	<u>\$ 3,466</u>	<u>\$ 16,166</u>
Liabilities:				
Intergovernmental payable	<u>\$ 18,245</u>	<u>\$ 1,387</u>	<u>\$ 3,466</u>	<u>\$ 16,166</u>
<b>Totals - All Agency Funds:</b>				
Assets:				
Cash and cash equivalents	\$ 43,771	\$ 1,112	\$ 4,505	\$ 40,378
Accounts receivable	4,717	2,952	138	\$ 7,531
	<u>\$ 48,488</u>	<u>\$ 4,064</u>	<u>\$ 4,643</u>	<u>\$ 47,909</u>
Liabilities:				
Intergovernmental payable	<u>\$ 48,488</u>	<u>\$ 4,064</u>	<u>\$ 4,643</u>	<u>\$ 47,909</u>

(This Page Was Intentionally Left Blank)

## **OTHER SCHEDULES**

---

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 H-1**

**For the Fiscal Year Ended June 30, 2017**

Year	Uncollected Balance 06/30/2016	Additions	Collections And Credits	Uncollected Balance 06/30/2017
2016-17	\$ -	\$ 46,827,108	\$ 45,974,921	\$ 852,187
2015-16	809,476	-	484,913	324,563
2014-15	252,233	-	79,936	172,297
2013-14	188,277	-	48,683	139,594
2012-13	158,918	-	27,886	131,032
2011-12	121,510	-	23,505	98,005
2010-11	126,064	-	20,675	105,389
2009-10	103,422	-	7,737	95,685
2008-09	91,169	-	6,218	84,951
2007-08	92,412	-	8,686	83,726
2006-07	145,729	-	145,729	-
Totals	\$ 2,089,210	\$ 46,827,108	\$ 46,828,889	\$ 2,087,429
Less allowance for uncollectible accounts:				
General Fund				923,225
Ad valorem taxes receivable - net:				
General Fund				\$ 1,164,204
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				46,905,658
Reconciling items:				
Penalties and Interest				(285,231)
Discounts, Releases, Refunds				208,462
Total Collections and Credits				\$ 46,828,889

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

Exhibit H-2

For the Fiscal Year Ended June 30, 2017

	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	\$ 6,269,510,511	0.685	\$ 42,946,147	\$ 42,946,147	\$ -
Vehicle taxes collected by DMV	567,788,613	0.685	3,889,352	-	3,889,352
Penalties			-	-	-
Total	<u>6,837,299,124</u>		<u>46,835,499</u>	<u>42,946,147</u>	<u>3,889,352</u>
Discoveries:					
Current year taxes	7,996,350	0.685	54,775	54,775	-
Penalties	-		-	-	-
Total	<u>7,996,350</u>		<u>54,775</u>	<u>54,775</u>	<u>-</u>
Abatements					
Current year taxes	(9,221,318)		(63,166)	(63,166)	-
Penalties	-		-	-	-
Total	<u>(9,221,318)</u>		<u>(63,166)</u>	<u>(63,166)</u>	<u>-</u>
Total For Year	<u>\$ 6,836,074,156</u>		<u>\$ 46,827,108</u>	<u>\$ 42,937,756</u>	<u>\$ 3,889,352</u>
Net levy			46,827,108	42,937,756	3,889,352
Uncollected taxes at June 30, 2017			852,187	852,187	-
Current year's taxes collected			<u>\$ 45,974,921</u>	<u>\$ 42,085,569</u>	<u>\$ 3,889,352</u>
Current levy collection percentage			<u>98.18%</u>	<u>98.02%</u>	<u>100.00%</u>



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

**Exhibit H-2a**

**For the Fiscal Year Ended June 30, 2017**

---

**Secondary Market Disclosures:**

Assessed Valuation		
Assessment Ratio		100%
Real Property	\$	5,929,394,605
Personal Property		205,566,845
Public Service Companies		<u>131,491,685</u>
Total Assessed Valuation		<u>6,266,453,135</u>
Tax Rate per \$100		0.685
Levy (includes discoveries, releases and abatements)	\$	<u><u>42,925,204</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>8,903,853</u>
Total	\$	<u><u>8,903,853</u></u>

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

**Exhibit H-3**

**For the Fiscal Year Ended June 30, 2017**

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2016 Assessed Valuation</u>	<u>% of Total Valuation</u>
Red Mountain Timber Co LLC	Timber Production	\$ 49,768,958	0.79%
Duke Energy Progress Inc	Utilities	47,913,458	0.76%
Four County EMC	Utilities	37,266,403	0.59%
RC Creation Holdings LLC	Manufacturing	22,687,381	0.36%
LL Building Products Inc	Retail	17,964,331	0.29%
Wal Mart Real Estate Business Trust	Retail	14,359,324	0.23%
Jones Onslow EMC	Utilities	13,250,967	0.21%
Weingarten Investments Inc	Real Estate	11,637,418	0.19%
Lowe's Home Centers Inc	Retail	11,535,590	0.18%
TC&I Timber Co LLC	Timber Production	10,937,444	0.17%
<b>Totals</b>		<b>\$ 237,321,274</b>	<b>3.79%</b>

(This Page Was Intentionally Left Blank)

---

## **COMPLIANCE SECTION**

---



RSM US LLP

**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, 2017, 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 15, 2018. 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*.

**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 have not been 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 a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in finding 2017-030 in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in finding 2017-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

### **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 response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Pender County's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 15, 2018



**Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With 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 for Each 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 each of Pender County's major federal programs for the year ended June 30, 2017. Pender County's major federal programs are 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*, the 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 each of Pender County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 each major federal program. However, our audit does not provide a legal determination of Pender County's compliance.

## **Opinion on Each 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 each of its major federal programs for the year ended June 30, 2017.

## **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 2017-002 through 2017-015. Our opinion on each major federal program is not modified with respect to these matters.

Pender County's response 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 response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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



However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as findings 2017-002 through 2017-015 that we consider to be significant deficiencies.

Pender County's response 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 response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*RSM US LLP*

New Bern, North Carolina  
January 15, 2018

**Report on Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With the Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditor's Report**

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

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

We have audited Pender County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017. Pender County's major State programs are 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*, applicable sections of the Uniform Guidance or the State Single Audit Implementation Act.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

**Opinion on Each Major State 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 each of its major State programs for the year ended June 30, 2017

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2017-016 through 2017-029. Our opinion on each major State program is not modified with respect to these matters.

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

## 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 each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 findings 2017-016 through 2017-029 that we consider to be significant deficiencies.

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

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

*RSM US LLP*

New Bern, North Carolina  
January 15, 2018

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2017**

**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?	<u>    X    </u> Yes	<u>          </u> No
Significant deficiency(ies) identified?	<u>    X    </u> Yes	<u>          </u> None Reported

Noncompliance material to financial statements noted?            Yes     X     No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u>          </u> Yes	<u>    X    </u> No
Significant deficiency(ies) identified?	<u>    X    </u> Yes	<u>          </u> None Reported

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance	93.778
USDA - Water and Waste Disposal Systems for Rural Communities	10.760

Dollar threshold used to distinguish between Type A and Type B Programs \$ 2,119,101

Auditee qualified as low-risk auditee?            Yes     X     No

(Continued)

PENDER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2017

---

State Awards

Internal control over major state programs:

Material weakness(es) identified? \_\_\_\_\_ Yes                        X     No

Significant deficiency(ies) identified?                        X     Yes                    \_\_\_\_\_ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act                        X     Yes                    \_\_\_\_\_ No

Identification of major State programs:

<u>Program Name</u>	<u>Grant Number</u>
Public School Building Capital Fund	N/A
NC Department of Commerce - Economic Infrastructure Program	N/A

Note: Certain major State programs are tested with their federal components and are listed as major federal programs as follows:

Medical Assistance (State Portion)	N/A
------------------------------------	-----

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2017**

---

**Section II. Financial Statement Findings**

**Significant Deficiency – Fund Close-Outs**

**Finding: 2017-001**

**Criteria:** Per accounting principles generally accepted in the United States of America, once a capital project is completed, the related capital project fund should be closed in a timely manner.

**Condition:** Per review of the trial balance during the audit, we noted various open funds that needed to be closed out because 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.

**Cause:** The volume of funds needing to be closed, the time required to obtain information to perform the close-out appropriately, and the many other responsibilities of the Finance Director, resulted in a lack of time to complete all close-outs necessary.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-002. It is noted that several capital project funds were closed out during the fiscal year ending June 30, 2017, however there are a number of capital projects remaining to be closed.

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

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

**Material Weakness – Netting of actual liability and expected recovery of costs**

**Finding: 2017-030**

**Criteria:** Under accounting principles generally accepted in the United States of America, an entity owes its vendors, and should report a liability, for goods or services received and accepted prior to the end of a reporting period.

**Condition:** Pursuant to a construction contract, the County had received and approved certain work related to the contract, deeming the project substantially complete by June 30, 2017. Due to issues with timeliness of completion by the contractor, that caused the County to incur substantial additional costs, the County did not recognize or pay liabilities for certain amounts previously billed by the contractor, in anticipation that applicable contract provisions would allow the County to recoup for damages incurred due to timeliness of performance by the contractor.

**Effect:** Project fund liabilities were understated by approximately \$674,000 in anticipation that the contractor would owe the County a similar amount under certain performance provisions of the contract.

**Cause:** The actual liability for goods or services received pursuant to the contract was "netted" against the expected recovery of additional incurred costs under the contract provisions.

**Recommendation:** We recommend that management delineate between amounts actually owed and recoveries that might occur. Actual liabilities for goods and services received should be recognized for financial statement purposes, but possible recoveries should not be recognized until recovery is assured and the amount known.

**View of Responsible Officials:** See management's corrective action plan.

PENDER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2017

---

**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

Testing of Medical Assistance identified questioned costs which are detailed individually below in Findings: 2017-002 through 2017-015. When the total known questioned costs of \$13,473 are projected to the entire population of benefit payments, the likely total questioned costs are \$752,701.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-002**

**Criteria:** Per the NC DHHS, Division of Medical Assistance (DMA) requirements, the County Department of Social Services (DSS) is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition:** Of the 81 case files sampled, we noted 49 instances in which liquid assets per case supporting documentation did not reconcile to NCFAST determination.

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

**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 Officials:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-003**

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

**Condition:** Of the 81 case files sampled, we noted 24 instances in which no appropriate supporting documentation for vehicles and personal property existed in the case file and/or NCFAST.

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

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

(Continued)

PENDER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2017

---

**Section III. Federal Award Findings and Questioned Costs (Continued)**

**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 Officials:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-004**

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

**Condition:** Of the 81 case files sampled, we noted 9 instances in which real property per case supporting documentation did not reconcile to the NCFAST determination.

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

**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 Officials:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-005**

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

**Condition:** Of the 81 files sampled, we noted 4 instances in which an AVS (asset verification system) search was not performed.

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

**Cause:** Administrative oversight.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-007.

**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 Officials:** 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, 2017

---

**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-006**

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

**Condition:** Of the 81 files sampled, we noted 17 instances in which vehicles and personal property per case supporting documentation did not reconcile to the NCFAST determination.

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

**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 Officials:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-007**

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

**Condition:** Of the 81 files sampled, we noted 2 instances where the bank account balance was not verified.

**Effect:** Ineligible applicant receiving benefits.

**Cause:** Administrative oversight.

**Questioned costs:** \$11,620

**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 Officials:** 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, 2017

---

**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-008**

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

**Condition:** Of the 81 files sampled, we noted 15 instances in which there was no appropriate supporting documentation for real property found in the case file.

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

**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 Officials:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-009**

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

**Condition:** Of the 81 files sampled, we noted 50 instances in which the budget was calculated incorrectly due to either one or both of the following noted in the NCFAST budget determination: incorrect total countable resources and/or incorrect earned/unearned/total income.

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

**Cause:** Administrative oversight.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-005.

**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 Officials:** 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, 2017

---

**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Significant Deficiency and Noncompliance – Eligibility**

**Finding: 2017-010**

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

**Condition:** Of the 81 files sampled, we noted one instance where the DSS Agency was notified that a client moved out North Carolina, however the case did not terminate in NCFAST timely.

**Effect:** Ineligible applicant receiving benefits.

**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 Officials:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-011**

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

**Condition:** Of the 81 files sampled, we noted one instance where the DSS Agency did not perform a required exparte recertification review within the allotted timeframe. Once the review was completed, the termination of the case within NCFAST was not performed timely.

**Effect:** Ineligible applicant receiving benefits.

**Cause:** Administrative oversight.

**Questioned costs:** \$680

**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 Officials:** 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, 2017

---

**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Significant Deficiency and Noncompliance – Eligibility**

**Finding: 2017-012**

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

**Condition:** Of the 81 files sampled, we noted 2 instances in where the AVS (asset verification system) search was completed, however the results were not entered into NCFAST.

**Effect:** Ineligible applicant receiving benefits.

**Cause:** Administrative oversight.

**Questioned costs:** \$1,069

**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 Officials:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – Eligibility**

**Finding: 2017-013**

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

**Condition:** Of the 81 files sampled, we noted one instance where the bank account balance was not verified.

**Effect:** Ineligible applicant receiving benefits.

**Cause:** Administrative oversight.

**Questioned costs:** \$104

**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 Officials:** 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, 2017

---

**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-014**

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

**Condition:** Of the 81 files sampled, we noted one instance where an incorrect amount was utilized in the budget resulting in eligibility for the client, when in fact, the client was over the income limit.

**Effect:** Ineligible applicant receiving benefits.

**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 Officials:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2017-015**

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

**Condition:** Of the 81 files sampled, we noted one instance where the DSS Agency did not perform a required exparte recertification review within the allotted timeframe.

**Effect:** Ineligible applicant receiving benefits.

**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 Officials:** 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, 2017

---

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

**Finding: 2017-016**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-002

**Finding: 2017-017**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-003

**Finding: 2017-018**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-004

**Finding: 2017-019**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-005

**Finding: 2017-020**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-006

**Finding: 2017-021**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-007

**Finding: 2017-022**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-008

**Finding: 2017-023**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-009

**Finding: 2017-024**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-010

**Finding: 2017-025**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-011

**Finding: 2017-026**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-012

(Continued)

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2017**

---

**Section IV. State Award Findings and Questioned Costs (Continued)**

**Finding: 2017-027**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-013

**Finding: 2017-028**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-014

**Finding: 2017-029**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-015



**Board of Commissioners**  
George R. Brown, Jr., Chairman  
Archibald "Fred" McCoy, Vice Chairman  
Jaqueline A. (Jackie) Newton  
David A. Piepmeyer  
J. David Williams, Jr.

**County Manager**  
Randell K. Woodruff

**County Attorney**  
Carl W. "Trey" Thurman

**Pender County, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2017**

**Section II. Financial Statement Findings**

**Name of contact person:** Katherine C. Brafford, Finance Officer

**Proposed completion date:** January 31, 2018

**Finding:** 2017-001

County Finance staff will review the applicable remaining funds (and/or projects) and work on getting them closed out. Approximately 29 funds and/or projects were closed during FY 2017. The County hopes to close the remaining ones before the end of FY 2018.

**Corrective Action:**

**Finding:** 2017-030

Prior to the end of each fiscal year, the Finance Director will inquire of the County Manager, the Assistant County Manager and all Department Directors as to any potential unpaid obligations that they are aware of, and then record an accrual for any potential liability which might exist as a result of those pending obligations.

**Corrective Action:**

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

**Name of contact person:** Katherine C. Brafford, Finance Officer

**Proposed completion date:** January 31, 2018

**Finding:** 2017-002

County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.

**Corrective Action:**

**Finding:** 2017-003

County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.

**Corrective Action:**

(Continued)





**Board of Commissioners**  
George R. Brown, Jr., Chairman  
Archibald "Fred" McCoy, Vice Chairman  
Jaqueline A. (Jackie) Newton  
David A. Piepmeyer  
J. David Williams, Jr.

**County Manager**  
Randell K. Woodruff

**County Attorney**  
Carl W. "Trey" Thurman

**Pender County, North Carolina  
Corrective Action Plan (Continued)  
For the Fiscal Year Ended June 30, 2017**

- Finding:** **2017-004**  
County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.
- Corrective Action:**
- Finding:** **2017-005**  
County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.
- Corrective Action:**
- Finding:** **2017-006**  
County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.
- Corrective Action:**
- Finding:** **2017-007**  
County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.
- Corrective Action:**

(Continued)



**Board of Commissioners**  
George R. Brown, Jr., Chairman  
Archibald "Fred" McCoy, Vice Chairman  
Jaqueline A. (Jackie) Newton  
David A. Piepmeyer  
J. David Williams, Jr.

**County Manager**  
Randell K. Woodruff

**County Attorney**  
Carl W. "Trey" Thurman

**Pender County, North Carolina  
Corrective Action Plan (Continued)  
For the Fiscal Year Ended June 30, 2017**

**Finding: 2017-008**

County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.

**Finding: 2017-009**

County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.

**Finding: 2017-010**

County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.

**Finding: 2017-011**

County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.

(Continued)



**Board of Commissioners**

George R. Brown, Jr., Chairman  
Archibald "Fred" McCoy, Vice Chairman  
Jaqueline A. (Jackie) Newton  
David A. Piepmeyer  
J. David Williams, Jr.

**County Manager**  
Randell K. Woodruff

**County Attorney**  
Carl W. "Trey" Thurman

**Pender County, North Carolina  
Corrective Action Plan (Continued)  
For the Fiscal Year Ended June 30, 2017**

**Finding: 2017-012**

County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.

**Finding: 2017-013**

County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.

**Finding: 2017-014**

County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Refresher training on budgeting will be provided to staff. Monthly second party reviews will be increased beyond the State recommended.

**Finding: 2017-015**

County will continue to provide training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17 and 8/23/17 on area cited. A resource sheet and base document form has been instituted for use. Second party review sheet has been updated to reflect additional items to review. Monthly second party reviews will be increased beyond the State recommended.

(Continued)



**Board of Commissioners**  
George R. Brown, Jr., Chairman  
Archibald "Fred" McCoy, Vice Chairman  
Jaqueline A. (Jackie) Newton  
David A. Piepmeyer  
J. David Williams, Jr.

**County Manager**  
Randell K. Woodruff

**County Attorney**  
Carl W. "Trey" Thurman

**Pender County, North Carolina  
Corrective Action Plan (Continued)  
For the Fiscal Year Ended June 30, 2017**

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

**Name of contact person:** Katherine C. Brafford, Finance Officer

**Proposed completion date:** January 31, 2018

**Finding: 2017-016**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-002

**Finding: 2017-017**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-003

**Finding: 2017-018**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-004

**Finding: 2017-019**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-005

**Finding: 2017-020**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-006

**Finding: 2017-021**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-007

(Continued)



**Board of Commissioners**  
George R. Brown, Jr., Chairman  
Archibald "Fred" McCoy, Vice Chairman  
Jaqueline A. (Jackie) Newton  
David A. Piepmeyer  
J. David Williams, Jr.

**County Manager**  
Randell K. Woodruff

**County Attorney**  
Carl W. "Trey" Thurman

**Pender County, North Carolina  
Corrective Action Plan (Continued)  
For the Fiscal Year Ended June 30, 2017**

**Finding: 2017-022**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-008

**Finding: 2017-023**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-009

**Finding: 2017-024**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-010

**Finding: 2017-025**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-011

**Finding: 2017-026**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-012

**Finding: 2017-027**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-013

**Finding: 2017-028**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-014

**Finding: 2017-029**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-015

(Continued)



**Board of Commissioners**  
George R. Brown, Jr., Chairman  
Archibald "Fred" McCoy, Vice Chairman  
Jaqueline A. (Jackie) Newton  
David A. Piepmeyer  
J. David Williams, Jr.

**County Manager**  
Randell K. Woodruff

**County Attorney**  
Carl W. "Trey" Thurman

**Pender County, North Carolina  
Corrective Action Plan (Continued)  
For the Fiscal Year Ended June 30, 2017**

*Katherine C. Brafford*

**Katherine C. Brafford**

**Finance Director**

*Wesley Stewart*

**Wesley Stewart**

**DSS Director**

*Randell Woodruff*

**Randell Woodruff**

**County Manager**

**PENDER COUNTY, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2017**

---

**Finding: 2016-001**

Status: Corrected.

**Finding: 2016-002**

Status: Several capital project funds were closed out during the fiscal year ended June 30, 2017. There are a number of capital projects remaining to be closed, however management indicated that this is in progress.

**Finding: 2016-003**

Status: Corrected.

**Finding: 2016-004**

Status: Pender County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

(Continued)

PENDER COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)  
For the Fiscal Year Ended June 30, 2017

---

**Finding: 2016-005**

Status: Pender County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

**Finding: 2016-006**

Status: Pender County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

**Finding: 2016-007**

Status: Pender County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

(Continued)



**PENDER COUNTY, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)  
For the Fiscal Year Ended June 30, 2017**

---

**Finding: 2016-008**

Status: Pender County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

**Finding: 2016-009**

Status: Pender County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

**Finding: 2016-010**

Status: Pender County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

(Continued)

**PENDER COUNTY, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)  
For the Fiscal Year Ended June 30, 2017**

---

**Finding: 2016-011**

**Status:** Pender County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

**Finding: 2016-012**

**Status:** Pender County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

**Finding: 2016-013**

**Status:** Corrected.

**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & 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 Assistance Program Cluster						
State Administrative Matching Grants for the						
Supplemental Nutrition Assistance Program	10.561		\$ 430,248	\$ -	\$ -	\$ 430,248
Food Stamp County Incentive	10.561		-	-	-	-
Food Stamp Fraud Admin.	10.561		46,855	-	-	46,855
Supplemental Nutrition Assistance Program Cluster			<u>477,103</u>	<u>-</u>	<u>-</u>	<u>477,103</u>
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for						
Women, Infants, & Children (WIC)	10.557		266,797	-	-	-
Direct Benefit Payments:						
Special Supplemental Nutrition Program for						
Women, Infants, & Children (WIC)	10.557		760,175	-	-	-
Total Special Supplemental Nutrition Program			<u>1,026,972</u>	<u>-</u>	<u>-</u>	<u>-</u>
for Women, Infants, & Children (WIC)						
Direct Program						
Administered by County Engineering Department						
Rural Utilities Service Grant						
Direct Loan	10.760		11,328,000	-	-	-
Direct Grant	10.760		2,855,576	-	-	-
Rural Utilities Service Grant			<u>14,183,576</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Dept. of Agriculture			<u>15,687,651</u>	<u>-</u>	<u>-</u>	<u>477,103</u>
<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	NC-16	61,923	3,643	65,566	-
Congregate Meals	93.045	NC-16	51,944	3,056	55,000	-
Home Delivered Services	93.045	NC-16	77,444	4,556	82,000	-
Total Aging Cluster			<u>191,311</u>	<u>11,255</u>	<u>202,566</u>	<u>-</u>

**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
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		62,993	47,250	-	-
Immunization	93.268		5,277	-	-	-
Preventative Health and Health Service Block Grant	93.758		26,708	-	-	-
Sexually Transmitted Disease Control	93.977		869	-	-	-
HIV Preventive Activities	93.940		3,000	-	-	-
HPP and PHEP Aligned Coop Agreement	93.074		42,566	-	-	-
PPHF Capacity Building Assistance	93.539		7,473	-	-	-
Cancer Prevention and Control Programs	93.752		6,375	-	-	-
Family Planning Services	93.217		31,229	-	-	-
CDC - Tuberculosis	93.116		29,120	-	-	-
Total Division of Public Health			221,600	47,250	-	-
Division of Social Services:						
Administration:						
Adult Care Home Case Management	93.778		12,618	5,751	-	6,867
MAC	93.778		8,067	-	-	8,067
Family Preservation	93.556		22,903	-	-	-
Adoption/Foster Care	93.659		62,473	25,308	-	37,990
Refugee Assistance Admin	93.566		928	-	-	-
Refugee Assistance Payments	93.566		(1)	-	-	-
State County Special Assistance	93.778		41,794	-	-	13,931
IV-D Administration	93.563		242,465	-	-	124,906
IV-D Offset Fees ESC	93.563		21	1	-	10
IV-D Offset Fees Federal	93.563		1,296	(5)	-	673
AFDC Payment & Penalties	93.560		(428)	(117)	-	(117)
Low Income Energy Assistance:						
Administration						
Administration	93.568		33,561	-	-	-
Direct Benefit Payments	93.568		200,308	-	-	-
Crisis Intervention Program	93.568		146,774	-	-	-
Temporary Assistance for Needy Families Cluster:						
Temporary Assistance for Needy Families - Admin	93.558		43,335	-	-	107,099
Temporary Assistance for Needy Families - Services	93.558		331,030	-	-	324,509
TANF Payments & Penalties	93.558		269,214	-	-	-
Total TANF Cluster			643,579	-	-	431,608
Administration for Children and Families						
Foster Care and Adoption Cluster (Note 4)						
IV-E Admin Foster Care	93.658		314	-	-	314
IV-E Foster Care	93.658		(4,451)	(1,138)	-	(1,138)
IV-E Foster Care/Off TRN	93.658		24,606	-	-	24,606
IV-E Foster Care In Excess	93.658		59,563	14,926	-	14,926
IV-E Admin County Paid	93.658		41,494	20,747	-	20,747
IV-E CPS	93.658		36,844	17,364	-	19,481
IV-E Adoption/Off TRN	93.659		3,829	-	-	3,829
IV-E Adoption Subsidy & Vendor	93.659		170,408	42,509	-	42,509
IV-E Adoption	93.659		53	-	-	55
Extended FC Max Non IV-E	93.659		-	9,469	-	-
Total Foster Care and Adoption Cluster (Note 4)			332,660	103,877	-	125,329

**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Passed-through N.C. Dept of Health and Human Services:						
Permanency Planning	93.645		\$ (16,923)	\$ -	\$ -	\$ (5,641)
Independent Living Transitional	93.674		2,794	-	-	-
Links	93.674		16,488	4,122	-	-
Total Division of Social Services			<u>1,751,377</u>	<u>138,937</u>	<u>-</u>	<u>743,623</u>
Division of Aging and Adult Services:						
SSBG - State In Home Services	93.667		984	-	-	141
SSBG - In-Home Services Over 60	93.667		5,237	-	-	748
SSBG - Other Services and Training	93.667		141,456	11,692	-	51,049
SSBG - Adult Protective Services	93.667		14,358	-	-	4,786
Total Division of Aging and Adult Services			<u>162,035</u>	<u>11,692</u>	<u>-</u>	<u>56,724</u>
Division of Child Development:						
Subsidized Child Care (Note 4)						
Child Care Development Fund Cluster:						
Division of Social Services:						
Child Care Development Fund-Administration	93.596		57,337	-	-	-
Division of Child Development:						
Child Care and Development Fund -- Discretionary	93.575		497,785	-	-	-
Child Care and Development Fund -- Mandatory	93.596		175,440	-	-	-
Child Care and Development Fund -- Match	93.596		320,703	127,067	-	-
Total Child Care Development Fund Cluster			<u>1,051,265</u>	<u>127,067</u>	<u>-</u>	<u>-</u>
Temporary Assistance for Needy Families (TANF)	93.558		142,402	-	-	-
Foster Care Title IV-E	93.658		17,826	8,889	-	-
Smart Start	-		-	314	-	-
State Appropriations	-		-	54,909	-	-
TANF-MOE	-		-	180,337	-	-
Total Subsidized Child Care (Note 4)			<u>1,211,493</u>	<u>371,516</u>	<u>-</u>	<u>-</u>
Passed-through N.C. Dept of Health and Human Services:						
Division of Medical Assistance:						
Direct Benefit Payments:						
Medical Assistance Program	93.778		46,247,952	24,723,335	-	-
Health Choice Expenditures	93.767		1,336,017	9,220	-	-
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778		1,236,313	-	-	414,206
Medical Transportation	93.778		91,147	-	-	91,147
Total Medical Assistance Program			<u>48,911,429</u>	<u>24,732,555</u>	<u>-</u>	<u>505,353</u>
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767		51,895	55	-	78
Total State Children's Insurance Program - N.C. Health Choice			<u>51,895</u>	<u>55</u>	<u>-</u>	<u>78</u>
Total U.S. Dept. of Health and Human Services			<u>52,501,140</u>	<u>25,313,260</u>	<u>202,566</u>	<u>1,305,778</u>

**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

<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>U.S. Environmental Protection Agency (EPA)</u>						
Passed-through N.C. Dept. of Environmental Quality:						
Division of Water Infrastructure						
Clean Water State Revolving Fund (SRF)	66.458		\$ 584,971	\$ -	\$ -	\$ -
			<u>584,971</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Dept. of Public Safety:						
Division of Emergency Management						
Disaster Grants - Public Assistance						
(Presidentially Declared Disasters)						
	97.036		222,824	-	-	-
EMG Performance Grant	97.042		38,584	-	-	-
Total U. S. Department of Homeland Security			<u>261,408</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Commerce</u>						
Direct Program						
Economic Development Administration Grant	11.300		580,471	-	-	-
<u>U.S. Dept. of Housing and Urban Development</u>						
Direct Program						
Lower Income Housing Assistance Program -						
Section 8 Housing Voucher Program						
	14.871		1,017,727	-	-	-
Total U.S. Dept. of Housing and Urban Development			<u>1,017,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Federal Awards</b>			<b><u>70,633,368</u></b>	<b><u>25,313,260</u></b>	<b><u>202,566</u></b>	<b><u>1,782,881</u></b>
<b>State Awards:</b>						
<u>N.C. Dept. of Cultural and Natural Resources</u>						
Division of State Library						
State Aid to Public Libraries						
			-	106,500	-	-
Total N.C. Dept. of Cultural and Natural Resources			<u>-</u>	<u>106,500</u>	<u>-</u>	<u>-</u>
<u>N.C. Dept. of Commerce</u>						
Rural Economic Development						
			-	500,000	-	-
Total N.C. Dept. of Commerce			<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
White Goods Management Program						
			-	22,783	-	-
Scrap Tire Program						
			-	79,060	-	-
Solid Waste Disposal Tax						
			-	42,322	-	-
Electronics Management						
			-	4,320	-	-
Total N.C. Dept. of Environmental and Natural Resources			<u>-</u>	<u>148,485</u>	<u>-</u>	<u>-</u>

**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
<u>N.C. Dept. of Health and Human Services</u>						
Division of Social Services						
CP&L Energy Assistance			\$ -	\$ 3,855	\$ -	\$ -
SC/SA Domiciliary Care			-	331,262	-	331,262
County Fund Programs			-	-	-	1,406,134
St Child Welfare/CPS/CS			-	34,896	-	-
CWS - Adoption			-	137,334	-	21,073
AFDC Incentive Program Integrity			-	55	-	-
CSE Disaster			-	-	-	12,693
Work First Non Reimbursable			-	-	-	623,305
Foster Home			-	64,311	-	64,310
SFHF Maximization			-	101,144	-	101,144
DCD Smart Start			-	68	-	-
SAA/SAD HB 1030			-	15,470	-	13,634
Cape Fear Council of Governments						
Division of Aging and Adult Services						
In Home Support Services		NC-16	-	224,034	224,034	-
Total Division of Social Service			-	912,429	224,034	2,573,555
Division of Public Health						
General Aid to Counties			-	77,085	-	-
Child Health			-	1,790	-	-
Maternal Health (HMHC)			-	4,587	-	-
HMHC Family Planning			-	5,578	-	-
Food and Lodging			-	15,412	-	-
Women's Health Service Fund			-	9,933	-	-
School Health Center			-	91,104	-	-
School Nurse Grant			-	147,000	147,000	-
General Communicable Disease Control			-	9,999	-	-
HIV STD State			-	100	-	-
HIV STD SSBG Aid			-	400	-	-
Sexually Transmitted Diseases			-	1,005	-	-
TB Medical Service			-	1,034	-	-
Tuberculosis			-	5,459	-	-
Breast and Cervical Cancer Program			-	5,355	-	-
Total Division of Public Health			-	375,841	147,000	-
Division of Child Development						
Non-Allocating County Cost			-	-	-	346,489
Total N. C. Department of Health and Human Services			-	1,288,270	371,034	2,920,044
<u>N.C. Dept. of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds			-	616,918	-	-
Total N.C. Dept. of Public Instruction			-	616,918	-	-

**Pender County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
<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			<u>-</u>	<u>113,591</u>	<u>-</u>	<u>-</u>
<u>N.C. Dept. of Transportation</u>						
ROAP Elderly and Disabled Transportation Assistance		DOT-16CL	-	82,079	-	-
ROAP EDTAP		DOT-16CL	-	69,774	-	-
ROAP Employment		DOT-16CL	-	14,625	-	-
Total NC Department of Transportation			<u>-</u>	<u>166,478</u>	<u>-</u>	<u>-</u>
<b>Total State Awards</b>			<u>-</u>	<b><u>2,940,242</u></b>	<b><u>371,034</u></b>	<b><u>2,920,044</u></b>
<b>Total Federal and State Awards</b>			<b><u>\$70,633,368</u></b>	<b><u>\$28,253,502</u></b>	<b><u>\$573,600</u></b>	<b><u>\$4,702,925</u></b>

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, 2017**

**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, 2017. 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 Schedule 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 \$13,299,310 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>	<u>CFDA Number</u>	<u>Pass-through</u>		
		<u>Grantor's Number</u>	<u>Federal Expenditure</u>	<u>State Expenditure</u>
Aging Cluster:				
Special Programs for the Aging - Title III B	93.044	-	\$ 61,923	\$ 3,643
Access	93.045	-	51,944	3,056
Congregate Meals	93.045	-	77,444	4,556
In Home Support Services	-	-	-	224,034
School Nurse Grant	-	-	-	147,000

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

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through</u>	
		<u>Grantor's Number</u>	<u>Amount Outstanding</u>
Rural Utilities Service Grant	10.760	-	\$ 11,328,000
Economic Development Administration Grant	11.300	-	\$ 580,471

**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.