

Pender County, North Carolina

Financial and Compliance Reports
Year Ended June 30, 2018

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Pender County, North Carolina

**List of Principal Officials
June 30, 2018**

Board of County 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

Finance Officer

Katherine C. Brafford

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pender County, North Carolina (the County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 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, 2018, 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 7 to the financial statements, the County adopted new accounting guidance provided in Governmental Accounting Standards Board Statement Number 75, *Accounting and Finance Reporting for Other Post-Employment Benefits*, in the year ending June 30, 2018. 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' Schedule of Changes in the Total OPEB Liability and Related Ratios, 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 February 1, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pender County's internal control over financial reporting and compliance.

RSM US LLP

Morehead City, North Carolina
February 1, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2018

As management of Pender County, we offer readers of Pender County, North Carolina's financial statements this narrative overview and analysis of the financial activities of Pender County for the fiscal year ended June 30, 2018. 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.

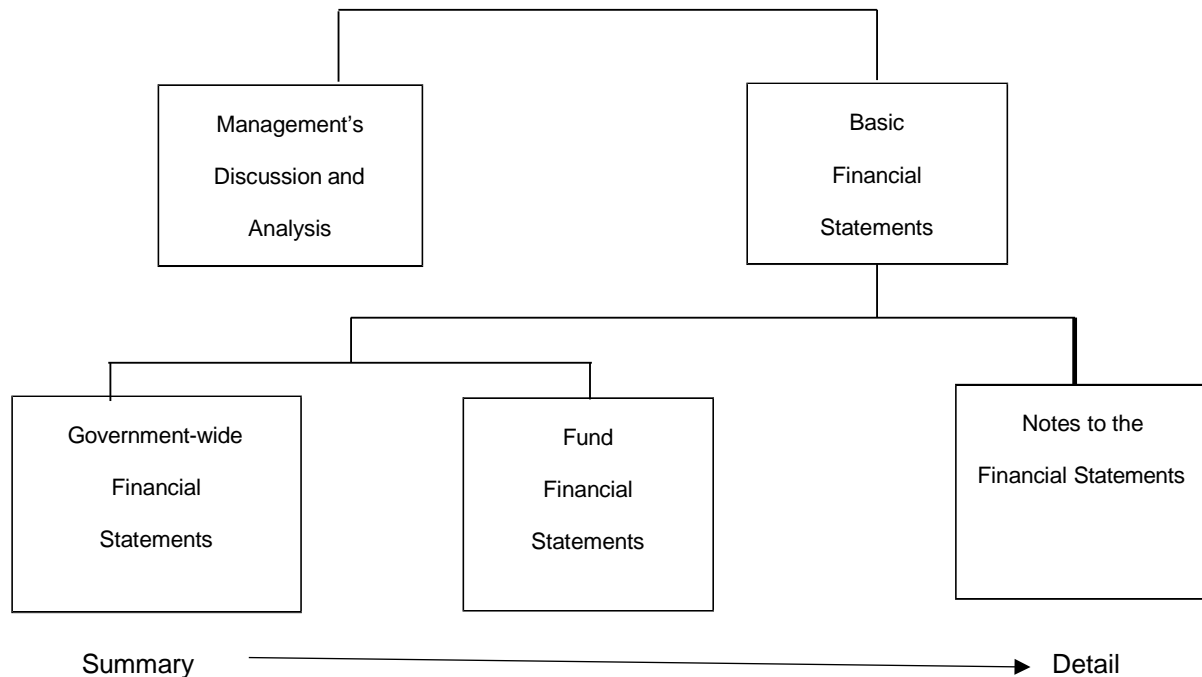
Financial Highlights

- The liabilities and deferred inflows of resources of Pender County exceeded its assets and deferred outflows of resources at the close of the fiscal year by (\$2,168,023) (net deficit).
- The government's total net position produced a deficit of (\$25,592,275) during the fiscal year. This included a deficit of (\$37,717,642) from governmental sources, and business-type funds produced an increase of \$12,125,367.
- As of the close of the current fiscal year, Pender County's governmental funds reported combined ending fund balances of \$61,207,945, a decrease of \$43,146,815 in comparison with the prior year. Approximately 50.5% of this total amount, or \$30,918,102, is available for spending at the government's discretion (unassigned fund balance). Substantially all of the decrease is due to school capital project spending.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$30,918,102 or 52.9% of total general fund expenditures for the fiscal year.
- Pender County's total long term debt decreased \$6,218,919 or 2.8% during the current fiscal year. The key factors of this decrease were due the principal payments of debt and no new debt issuances.

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net position (deficit) 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.

Fund Financial Statements

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

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

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

Proprietary Funds – Pender County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Pender

Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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 and OPEB 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 liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by (\$2,168,023) net deficit as of June 30, 2018. The County's net position decreased with a deficit of (\$25,592,275) for the fiscal year ended June 30, 2018. Net position is reported in three categories: net investment in capital assets, \$64,253,647, restricted net position of \$10,033,694, and unrestricted net position (deficit) of (\$76,455,364).

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 (\$76,455,364) at June 30, 2018. 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 \$107 million of the outstanding debt on the County's financial statements was related to assets included in the public school's financial statements.

Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 71,807,562	\$ 116,518,512	\$ 11,158,512	\$ 3,520,370	\$ 82,966,074	\$ 120,038,882
Capital assets, net	30,795,272	30,846,024	107,697,187	107,661,167	138,492,459	138,507,191
Total assets	102,602,834	147,364,536	118,855,699	111,181,537	221,458,533	258,546,073
Total deferred outflows of resources	5,347,876	7,258,956	515,697	648,230	5,863,573	7,907,186
Current and other liabilities	19,342,680	18,360,569	3,690,570	9,660,293	23,033,250	28,020,862
Long-term liabilities	133,451,878	138,076,387	71,054,149	69,366,592	204,506,027	207,442,979
Total liabilities	152,794,558	156,436,956	74,744,719	79,026,885	227,539,277	235,463,841
Total deferred inflows of resources	1,843,613	367,682	107,239	14,436	1,950,852	382,118
Net position (deficit):						
Net investment in capital assets	26,956,537	25,966,359	37,297,110	36,888,167	64,253,647	62,854,526
Restricted	9,997,476	75,444,680	36,218	41,438	10,033,694	75,486,118
Unrestricted	(83,641,474)	(103,592,185)	7,186,110	(4,141,159)	(76,455,364)	(107,733,344)
Total net position (deficit)	\$ (46,687,461)	\$ (2,181,146)	\$ 44,519,438	\$ 32,788,446	\$ (2,168,023)	\$ 30,607,300

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 98.54%, which is a slight increase over the previous year's rate of 98.18%.
- 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, 2018

Pender County Changes in Net Position (Deficit)
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,436,468	\$ 3,073,769	\$ 15,930,571	\$ 14,253,949	\$ 19,367,039	\$ 17,327,718
Operating grants and contributions	11,161,312	12,207,623	1,636,670	1,133,668	12,797,982	13,341,291
Capital grants and contributions	-	590,820	4,194,574	3,936,047	4,194,574	4,526,867
General revenues:						
Property taxes	59,242,702	57,238,946	-	-	59,242,702	57,238,946
Other taxes	14,536,690	13,652,702	-	-	14,536,690	13,652,702
Investment earnings, unrestricted	950,430	435,695	29,527	33,101	979,957	468,796
Miscellaneous, unrestricted	827,516	92,672	315,896	446,526	1,143,412	539,198
Loss on sale of asset	-	(322,511)	-	(1,554,517)	-	(1,877,028)
Total revenues	<u>90,155,118</u>	<u>86,969,716</u>	<u>22,107,238</u>	<u>18,248,774</u>	<u>112,262,356</u>	<u>105,218,490</u>
Expenses:						
General government	10,538,560	6,883,987	-	-	10,538,560	6,883,987
Public safety	20,650,769	20,304,652	-	-	20,650,769	20,304,652
Economic and physical development	3,862,105	3,301,154	-	-	3,862,105	3,301,154
Human services	15,404,461	15,844,984	-	-	15,404,461	15,844,984
Cultural and recreation	1,833,327	988,035	-	-	1,833,327	988,035
Education	60,757,181	46,343,092	-	-	60,757,181	46,343,092
Interest on long term debt	6,425,193	4,222,644	-	-	6,425,193	4,222,644
Sanitation	-	-	5,141,008	6,282,619	5,141,008	6,282,619
Water and sewer	-	-	12,024,169	10,084,685	12,024,169	10,084,685
Section 8 Housing	-	-	1,157,190	1,149,672	1,157,190	1,149,672
Country Court	-	-	60,668	78,710	60,668	78,710
Total expenses	<u>119,471,596</u>	<u>97,888,548</u>	<u>18,383,035</u>	<u>17,595,686</u>	<u>137,854,631</u>	<u>115,484,234</u>
Increase (decrease) in net position before transfers	(29,316,478)	(10,918,832)	3,724,203	653,088	(25,592,275)	(10,265,744)
Transfers	(8,401,164)	(3,120,255)	8,401,164	3,120,255	-	-
Increase (decrease) in net position after transfers	(37,717,642)	(14,039,087)	12,125,367	3,773,343	(25,592,275)	(10,265,744)
Net position, beginning	(2,181,146)	12,209,180	32,788,446	29,015,103	30,607,300	41,224,283
Restatement (Note 9)	(6,788,673)	(351,239)	(394,375)	-	(7,183,048)	(351,239)
Net position (deficit) ending	<u>\$ (46,687,461)</u>	<u>\$ (2,181,146)</u>	<u>\$ 44,519,438</u>	<u>\$ 32,788,446</u>	<u>\$ (2,168,023)</u>	<u>\$ 30,607,300</u>

Governmental activities. The County's governmental activities net position decreased by \$37,717,642 primarily due to expenses related to school construction projects.

Business-type activities: Business-type activities increased Pender County's net position by \$12,125,367, accounting for an increase in the government's net position. Key elements of this increase are as follows:

- Charges for services increased by \$1,676,622 or 11.8%.
- Capital grants were \$258,527 or 6.7% increase over the prior year.
- The General Fund transferred \$8,401,164 to fund capital projects primarily.

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 \$30,918,102, while total fund balance reached \$41,992,329. 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 42.0% of general fund expenditures, while total fund balance represents 57.0% of that same amount.

The major School Capital Projects Fund is used to track school capital outlay. At June 30, 2018, restricted fund balance was \$8,164,361.

At June 30, 2018, the governmental funds of Pender County reported a combined fund balance of \$61,207,945, a 58.7% decrease over last year. The primary reason for this decrease is related to school expenditures.

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 increased revenues by \$843,038 and decreased expenditures by \$1,938,505.

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. The County has four major proprietary funds: Resource Recovery Fund, Rocky Pt/Topsail Water & Sewer Fund, Water Treatment Plant and Water Fund, and Waste Water Treatment and Sewer Fund. Unrestricted net position of the proprietary funds at the end of the fiscal year was \$7,186,110. The total growth in net position for those funds was \$12,125,367. 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, 2018

Capital Asset and Debt Administration

Capital assets. Pender County's capital assets for its governmental and business-type activities as of June 30, 2018, totals \$138,492,459 (net of accumulated depreciation). These assets include buildings, roads and bridges, utility plants and distribution lines, land, machinery and equipment, park facilities, intangibles 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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 10,369,460	\$ 10,383,746	\$ 563,364	\$ 439,193	\$ 10,932,824	\$ 10,822,939
Buildings	15,064,845	15,515,323	102,010,902	62,884,615	117,075,747	78,399,938
Furniture, fixtures, and equipment	2,117,960	1,985,981	130,315	150,081	2,248,275	2,136,062
Other	256,643	151,430	3,171,846	3,569,211	3,428,489	3,720,641
Construction in progress	2,986,364	2,809,544	1,820,760	40,618,067	4,807,124	43,427,611
Total	30,795,272	30,846,024	107,697,187	107,661,167	138,492,459	138,507,191

Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Long-term Debt. As of June 30, 2018, Pender County had total bonded debt outstanding of \$171,161,000, 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	
	2018	2017	2018	2017	2018	2017
Limited Obligation Debt	\$ 5,756,305	\$ 6,016,305	\$ 35,763,695	\$ 36,933,695	\$ 41,520,000	\$ 42,950,000
General Obligation Bonds	101,800,000	109,415,000	47,611,000	48,300,000	\$ 149,411,000	\$ 157,715,000
Blended component unit debt*	-	-	(19,770,000)	(20,200,000)	(19,770,000)	(20,200,000)
Subtotal General Obligation Debt	101,800,000	109,415,000	27,841,000	28,100,000	129,641,000	137,515,000
Revenue bonds	-	-	4,639,000	4,721,000	4,639,000	4,721,000
Federal revolving loan	-	-	573,227	584,971	573,227	584,971
Capital leases	105,408	361,337	-	-	105,408	361,337
Installment purchases	2,333,328	2,633,328	95,122	154,025	2,428,450	2,787,353
Net pension liability (LEOSSA)	1,364,566	1,156,255	-	-	1,364,566	1,156,255
Net pension liability (LGRS)	3,664,198	5,137,529	275,800	386,696	3,939,998	5,524,225
Total other postemployment benefits	14,124,621	8,036,708	820,486	466,845	14,945,107	8,503,553
Compensated absences	1,706,384	1,623,199	106,153	99,752	1,812,537	1,722,951
Unamortized bond premiums	11,808,987	13,035,522	2,808,339	2,943,371	14,617,326	15,978,893
Total	<u>\$ 142,663,797</u>	<u>\$ 147,415,183</u>	<u>\$ 72,922,822</u>	<u>\$ 74,390,355</u>	<u>\$ 215,586,619</u>	<u>\$ 221,805,538</u>

*See Note 3, section B 6-c

Pender County's total debt decreased by \$6,218,919 (2.8%) during the past fiscal year, primarily due to scheduled payments on GO bonds.

Pender County has a credit rating by Standard and Poor's of AA and a rating of Aa2 by Moody's Investors.

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 \$403,487,787. The County does not have any unissued bonds at June 30, 2018.

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 2017 census population estimate was 60,958, up 17% from the 2010 population estimate of 52,217. The County's unemployment rate has held steady. According to the North Carolina Department of Commerce's preliminary statewide and county data for September 2018, the County's unemployment rate was 3.5%, down 0.9% from 4.4% in June 2017. Pender County remains a Tier 3 County as reflected in the 2019 County Tier Designations published by the NC Department of Commerce, indicating that the county is 1 of the 20 "least distressed" counties within the State. This designation results from the high population growth in the middle of the decade and the assessed value of Topsail Township, and is not indicative of the true county-wide economic picture.

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. In February 2018, FedEx Freight purchased a 12.5 acre parcel for its new service center and construction of that facility is currently underway. Coastal Beverage Company, Inc. closed on the purchase of approximately 40 acres in August 2018 and construction of that facility is underway as well. These two facilities together generated approximately \$1 million in land sales.

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 \$63,888,374 General Fund Budget on June 4, 2018, which was included within a total budget ordinance of \$121,914,044, adopted on the same date.

The FY 18-19 General Fund Budget increased about 8.6% as compared to the FY 17-18 Adopted Budget. There was a combination of increases and decreases over the prior year's budget that resulted in a net increase of \$5,095,957.

The FY 18-19 General Fund Budget of \$63,888,374 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 \$400,000.

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 now the 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. Discussions are underway to expand the capacity of the plant to accommodate the growth in eastern Pender County.

The installation of approximately 75 miles of new public water mains and services and a 500,000 gallon elevated water storage tank to serve the Moore's Creek and Central Pender Water & Sewer Districts was completed in June 2018. 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. The County anticipates that an additional 1,200 water customers will be served by these Districts.

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 wastewater treatment plant was built to attract new businesses and industries to the Commerce Park and surrounding areas. Because the plant was added as a benefit for competing with other areas in eastern North Carolina, it is not self-sustaining and requires subsidy from the General Fund at this time. 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.

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.

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BASIC FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pender County ABC Board
Assets				
Cash and cash equivalents	\$ 48,566,206	\$ 8,500,661	\$ 57,066,867	\$ 776,179
Accounts receivables (net)	381,280	1,991,329	2,372,609	202
Taxes receivables (net)	1,311,610	-	1,311,610	-
Accrued interest receivable	129,849	-	129,849	-
Internal balances	839,892	(839,892)	-	-
Due from other government	5,738,164	-	5,738,164	-
Notes receivable	2,341,661	-	2,341,661	-
Inventories	43,429	-	43,429	726,140
Prepaid items	9,028	-	9,028	32,779
Restricted cash and cash equivalents	12,319,330	1,506,414	13,825,744	-
Restricted net pension asset, ROD	127,113	-	127,113	-
Capital assets:				
Land and construction in progress	13,355,824	40,732,934	54,088,758	6,500
Capital assets net of depreciation/amortization	17,439,448	66,964,253	84,403,701	104,203
Total capital assets	30,795,272	107,697,187	138,492,459	110,703
Total assets	102,602,834	118,855,699	221,458,533	1,646,003
Deferred Outflows of Resources				
Deferred charge on refunding	2,346,664	300,766	2,647,430	-
Pension and OPEB deferrals	3,001,212	214,931	3,216,143	81,867
Total deferred outflows of resources	5,347,876	515,697	5,863,573	81,867
Liabilities				
Accounts payable	5,543,536	1,381,399	6,924,935	757,417
Accrued interest payable	4,349,321	321,548	4,670,869	-
Customer deposits	-	118,950	118,950	-
Unearned revenue	237,904	-	237,904	-
Long-term liabilities:				
Due within one year	9,211,919	1,868,673	11,080,592	-
Due in more than one year	133,451,878	71,054,149	204,506,027	82,955
Total liabilities	152,794,558	74,744,719	227,539,277	840,372
Deferred Inflows of Resources				
Pension and OPEB deferrals	1,843,613	107,239	1,950,852	2,348
Total deferred inflows of resources	1,843,613	107,239	1,950,852	2,348
Net position (deficit)				
Net investment in capital assets	26,956,537	37,297,110	64,253,647	110,703
Restricted for:				
Stabilization by State statute	5,879,931	-	5,879,931	-
Net pension asset, ROD	127,113	-	127,113	-
Health	3,298,557	-	3,298,557	-
Education	69,003	-	69,003	-
Public safety	524,784	-	524,784	-
Sheriff's seizures	98,088	-	98,088	-
Hud Section 8 housing	-	36,218	36,218	-
Working capital	-	-	-	203,489
Unrestricted (deficit)	(83,641,474)	7,186,110	(76,455,364)	570,958
Total net position (deficit)	\$ (46,687,461)	\$ 44,519,438	\$ (2,168,023)	\$ 885,150

See Notes to Financial Statements

Pender County, North Carolina

Statement of Activities

For the Fiscal Year Ended June 30, 2018

Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental:				
General government	\$ 10,538,560	\$ 1,397,839	\$ 151,285	\$ -
Public safety	20,650,769	1,196,726	1,712,728	-
Economic and physical development	3,862,105	83,554	-	-
Human services	15,404,461	-	9,230,534	-
Cultural and recreation	1,833,327	758,349	66,765	-
Education	60,757,181	-	-	-
Interest on long-term debt	6,425,193	-	-	-
Total governmental activities	119,471,596	3,436,468	11,161,312	-
Business-type:				
Resource Recovery Fund	5,141,008	5,952,407	178,118	-
Water Districts	6,928,001	5,882,281	-	4,194,574
Water Treatment Plant and Water Fund	3,090,499	2,285,985	307,499	-
Sewer Treatment Plant and Sewer Fund	2,005,669	1,759,881	-	-
Section 8 Housing	1,157,190	-	1,151,053	-
Country Court Apartments	60,668	50,017	-	-
Total business-type activities	18,383,035	15,930,571	1,636,670	4,194,574
Total primary government	\$ 137,854,631	\$ 19,367,039	\$ 12,797,982	\$ 4,194,574
Component units:				
Pender County ABC Board	\$ 6,861,841	\$ 6,892,547	\$ -	\$ -

General revenues:

Taxes:

Property taxes, levied for general purposes

Local option sales tax

Investment earnings, unrestricted

Miscellaneous, unrestricted

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Pender County ABC Board	
\$ (8,989,436)	\$ -	\$ (8,989,436)	\$ -	
(17,741,315)	-	(17,741,315)	-	
(3,778,551)	-	(3,778,551)	-	
(6,173,927)	-	(6,173,927)	-	
(1,008,213)	-	(1,008,213)	-	
(60,757,181)	-	(60,757,181)	-	
(6,425,193)	-	(6,425,193)	-	
(104,873,816)	-	(104,873,816)	-	
-	989,517	989,517	-	
-	3,148,854	3,148,854	-	
-	(497,015)	(497,015)	-	
-	(245,788)	(245,788)	-	
-	(6,137)	(6,137)	-	
-	(10,651)	(10,651)	-	
-	3,378,780	3,378,780	-	
(104,873,816)	3,378,780	(101,495,036)	-	
-	-	-	30,706	
59,242,702	-	59,242,702	-	
14,536,690	-	14,536,690	-	
950,430	29,527	979,957	315	
827,516	315,896	1,143,412	-	
(8,401,164)	8,401,164	-	-	
67,156,174	8,746,587	75,902,761	315	
(37,717,642)	12,125,367	(25,592,275)	31,021	
(2,181,146)	32,788,446	30,607,300	854,129	
(6,788,673)	(394,375)	(7,183,048)	-	
\$ (46,687,461)	\$ 44,519,438	\$ (2,168,023)	\$ 885,150	

Governmental Funds
Balance Sheet
June 30, 2018

	General	School Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 38,840,045	\$ 373,529	\$ 9,306,535	\$ 48,520,109
Accounts receivable	-	-	381,280	381,280
Taxes receivable	1,046,440	-	265,170	1,311,610
Due from other funds	(720)	-	-	(720)
Due from other governments	4,480,795	-	1,257,369	5,738,164
Inventory	43,429	-	-	43,429
Prepays	9,028	-	-	9,028
Restricted cash	1,448,895	10,667,597	202,838	12,319,330
Total assets	<u>\$ 45,867,912</u>	<u>\$ 11,041,126</u>	<u>\$ 11,413,192</u>	<u>\$ 68,322,230</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,483,627	\$ 2,876,765	\$ 96,767	\$ 5,457,159
Total liabilities	<u>2,483,627</u>	<u>2,876,765</u>	<u>96,767</u>	<u>5,457,159</u>
Deferred inflows of resources	<u>1,391,956</u>	<u>-</u>	<u>265,170</u>	<u>1,657,126</u>
Fund balances:				
Nonspendable:				
Inventory	43,429	-	-	43,429
Prepays	9,028	-	-	9,028
Restricted:				
Stabilization by State statute	5,879,931	-	-	5,879,931
Health Department	3,298,557	-	-	3,298,557
Public safety	-	-	524,784	524,784
Sheriff's seizures	98,088	-	-	98,088
School capital projects	-	8,164,361	69,003	8,233,364
Committed:				
Tax revaluation	936,154	-	-	936,154
Automation enhancement and preservation	409,040	-	-	409,040
School capital projects	-	-	8,352,749	8,352,749
Capital projects	-	-	2,104,719	2,104,719
Assigned:				
Subsequent years expenditures	400,000	-	-	400,000
Unassigned	30,918,102	-	-	30,918,102
Total fund balances	<u>41,992,329</u>	<u>8,164,361</u>	<u>11,051,255</u>	<u>61,207,945</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 45,867,912</u>	<u>\$ 11,041,126</u>	<u>\$ 11,413,192</u>	<u>\$ 68,322,230</u>

**Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position (Deficit)
June 30, 2018**

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

Total Fund Balance, Governmental Funds	\$ 61,207,945
Charges relating to advance refunding debt issue	2,346,664
Net pension asset, ROD	127,113
Capital assets used in governmental activities that are not financial resources and therefore are not reported in the funds	30,795,272
Pension and OPEB plan deferrals	3,001,212
Note receivable	2,341,661
Accrued interest receivable on the Statement of Net Position (Deficit)	129,849
Property taxes receivable	1,311,610
Grant revenue receivable	107,611
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 (Deficit)	800,333
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(142,663,797)
Accrued interest payable on the Statement of Net Position (Deficit)	(4,349,321)
Pension related deferrals	<u>(1,843,613)</u>
Net position (deficit) of governmental activities	<u>\$ (46,687,461)</u>

See Notes to Financial Statements

Governmental Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2018

	General	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 48,433,085	\$ -	\$ 10,958,454	\$ 59,391,539
Unrestricted Intergovernmental	10,290,255	372,388	4,273,518	14,936,161
Restricted Intergovernmental	9,722,751	-	1,272,909	10,995,660
Permits and fees	1,136,379	-	-	1,136,379
Charges for services	1,604,252	-	-	1,604,252
Interest	624,200	325,419	811	950,430
Miscellaneous	836,406	-	-	836,406
Total revenues	72,647,328	697,807	16,505,692	89,850,827
Expenditures				
General government	9,733,825	-	-	9,733,825
Public safety	9,812,528	-	11,536,436	21,348,964
Economic and physical development	4,283,522	-	404,808	4,688,330
Human services	14,103,632	-	-	14,103,632
Culture and recreation	1,544,825	-	-	1,544,825
Education	17,895,987	42,541,756	262,821	60,700,564
Debt service:				
Principal	815,929	-	7,615,000	8,430,929
Interest	256,466	97	4,080,513	4,337,076
Total expenditures	58,446,714	42,541,853	23,899,578	124,888,145
Revenues over (under) expenditures	14,200,614	(41,844,046)	(7,393,886)	(35,037,318)
Other Financing sources (uses)				
Note receivable payments	291,667	-	-	291,667
Transfers in	1,975,730	-	7,163,209	9,138,939
Transfers out	(15,235,373)	-	(2,304,730)	(17,540,103)
Total other financing sources (uses)	(12,967,976)	-	4,858,479	(8,109,497)
Net change in fund balances	1,232,638	(41,844,046)	(2,535,407)	(43,146,815)
Fund Balances				
Beginning	40,759,691	50,008,407	13,586,662	104,354,760
Ending	\$ 41,992,329	\$ 8,164,361	\$ 11,051,255	\$ 61,207,945

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, 2018**

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

Net change in fund balances - total governmental funds	\$ (43,146,815)
--	-----------------

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	1,876,935
Depreciation expense	(1,433,914)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to increase net assets	(493,773)
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Note receivable	708,333
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Pension and OPEB deferrals	1,840,341
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Decrease in deferred property taxes	(134,124)
Decrease in accrued interest receivable	(14,723)
Decrease in grant revenue	(164,053)

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	(1,298,263)
Retirement of long-term liabilities	12,910,471

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 and OPEB expense	(4,559,204)
Increase in accrued interest payable	(2,908,014)
Amortization of premium and deferred refunding charge	819,901
Pension and OPEB related deferrals	(1,708,213)

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.

(12,527)

Change in net position of governmental activities	<u>\$ (37,717,642)</u>
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See Notes to Financial Statements

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General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 46,407,000	\$ 46,632,000	\$ 48,433,085	\$ 1,801,085
Unrestricted intergovernmental	7,500,000	8,656,000	10,290,255	1,634,255
Restricted intergovernmental	12,042,336	11,292,254	9,722,751	(1,569,503)
Permits and fees	805,000	909,663	1,136,379	226,716
Charges for services	1,560,775	1,446,350	1,604,252	157,902
Interest	50,000	155,740	624,200	468,460
Miscellaneous	135,000	251,555	836,406	584,851
Total revenues	68,500,111	69,343,562	72,647,328	3,303,766
Expenditures				
General government	10,711,347	11,204,547	9,458,218	1,746,329
Public safety	10,195,315	10,391,730	9,812,528	579,202
Economic and physical development	3,766,230	4,552,539	4,283,522	269,017
Health services	21,412,230	16,909,103	14,103,632	2,805,471
Culture and recreation	1,096,757	1,667,484	1,544,825	122,659
Education, schools	17,499,311	17,910,615	17,895,987	14,628
Debt service:				
Principal	732,532	799,189	815,929	(16,740)
Interest	235,000	275,010	256,415	18,595
Total expenditures	65,648,722	63,710,217	58,171,056	5,539,161
Revenues over expenditures	2,851,389	5,633,345	14,476,272	8,842,927
Other financing sources (uses)				
Debt issuance costs	-	-	(51)	(51)
Note receivable payments	-	291,679	291,667	(12)
Transfers from other funds	-	1,975,730	1,975,730	-
Transfers to other funds	(3,271,758)	(15,718,867)	(15,360,373)	358,494
Contingency	(200,000)	19,007	-	(19,007)
Appropriated fund balance	620,369	7,799,106	-	(7,799,106)
Total other financing sources (uses)	(2,851,389)	(5,633,345)	(13,093,027)	(7,459,682)
Revenues over expenditures and other financing sources (uses)	\$ -	\$ -	1,383,245	\$ 1,383,245
Fund balance, beginning			39,729,090	
Fund balance, ending			41,112,335	
A legally budgeted Tax Reassessment Fund is consolidated into the General Fund for reporting purposes:				
Transfer from General Fund			125,000	
Contracted services			(275,607)	
Fund balance, beginning of year			1,030,601	
Fund balance, end of year			\$ 41,992,329	

See Notes to Financial Statements

Pender County, North Carolina

Proprietary Funds

Statement of Net Position

June 30, 2018

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water Treatment Plant and Water Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 780,336	\$ 4,972,259	\$ 53,632
Accounts receivable, net of allowance for doubtful accounts	523,840	708,963	10,006
Due from other governments	-	-	-
Due from other funds	-	641,867	-
Due from Districts	-	-	445,000
Restricted cash and cash equivalents	-	109,600	104,804
Total current assets	1,304,176	6,432,689	613,442
Noncurrent assets:			
Capital assets, net	3,175,374	21,595,768	32,461,060
Advance to Districts	-	-	20,794,720
Total noncurrent assets	3,175,374	21,595,768	53,255,780
Total assets	4,479,550	28,028,457	53,869,222
Deferred Outflows of Resources	31,349	369,547	35,957
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	373,078	194,589	160,159
Due to other funds	-	-	399,555
Customer deposits payable	-	109,600	-
Compensated absences liability - current	8,119	38,810	14,785
Installment notes payable - current	30,170	-	-
Due to Water Treatment Plant and Water fund	-	375,000	-
Revenue bonds payable - current	-	-	84,000
Limited obligation bonds payable - current	-	-	445,000
General obligation bonds payable - current	-	-	268,000
Total current liabilities	411,367	717,999	1,371,499
Noncurrent liabilities:			
Compensated absences liability	4,183	12,937	8,686
Other postemployment benefit liability	123,073	410,243	131,278
Net pension liability	40,191	136,525	46,203
Advance from Water Treatment Plant and Water fund	-	18,274,353	-
Installment notes payable	543,057	-	-
Revenue bonds payable	-	-	4,555,000
Limited obligation bonds payable	-	-	20,794,720
General obligation bonds payable	-	-	16,245,000
Total noncurrent liabilities	710,504	18,834,058	41,780,887
Total liabilities	1,121,871	19,552,057	43,152,386
Deferred Inflows of Resources	16,050	53,578	17,220
Net Position			
Net investment in capital assets	2,602,147	2,946,415	11,346,706
Hud Section 8 housing	-	-	-
Unrestricted	770,831	5,845,954	(611,133)
Total net position	\$ 3,372,978	\$ 8,792,369	\$ 10,735,573

See Notes to Financial Statements

Exhibit 6

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Eliminations	Total	Governmental Activities - Internal Service Fund
\$ 1,427,944	\$ 1,266,490	\$ -	\$ 8,500,661	\$ 886,709
41,835	706,026	-	1,990,670	-
-	659	-	659	-
-	37,750	-	679,617	-
-	-	(445,000)	-	-
1,282,660	9,350	-	1,506,414	-
2,752,439	2,020,275	(445,000)	12,678,021	886,709
22,516,818	27,948,167	-	107,697,187	-
-	-	(20,794,720)	-	-
22,516,818	27,948,167	(20,794,720)	107,697,187	-
25,269,257	29,968,442	(21,239,720)	120,375,208	886,709
13,427	65,417	-	515,697	-
236,378	738,743	-	1,702,947	86,376
-	1,119,954	-	1,519,509	-
-	9,350	-	118,950	-
5,900	4,766	-	72,380	-
-	6,867	-	37,037	-
-	70,000	(445,000)	-	-
-	-	-	84,000	-
750,256	-	-	1,195,256	-
-	212,000	-	480,000	-
992,534	2,161,680	(445,000)	5,210,079	86,376
663	7,304	-	33,773	-
49,230	106,662	-	820,486	-
17,252	35,629	-	275,800	-
-	2,520,367	(20,794,720)	-	-
-	88,255	-	631,312	-
-	-	-	4,555,000	-
16,543,538	-	-	37,338,258	-
-	11,154,520	-	27,399,520	-
16,610,683	13,912,737	(20,794,720)	71,054,149	-
17,603,217	16,074,417	(21,239,720)	76,264,228	86,376
6,456	13,935	-	107,239	-
6,505,684	13,896,158	-	37,297,110	-
-	36,218	-	36,218	-
1,167,327	13,131	-	7,186,110	800,333
\$ 7,673,011	\$ 13,945,507	\$ -	\$ 44,519,438	\$ 800,333

Pender County, North Carolina

Proprietary Funds

**Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018**

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water and Water Treatment Plant
Operating Revenues			
Charges for services	\$ 5,448,590	\$ 5,151,664	\$ 2,284,762
Dwelling rental	-	-	-
Miscellaneous	503,817	-	1,223
Total operating revenues	5,952,407	5,151,664	2,285,985
Operating Expenses			
Cost of services	5,087,149	4,186,013	1,385,079
Depreciation and amortization	42,824	692,998	949,846
Total operating expenses	5,129,973	4,879,011	2,334,925
Operating income (loss)	822,434	272,653	(48,940)
Nonoperating Revenues (Expenses)			
Restricted intergovernment	178,118	-	-
Interest income	-	12,061	-
Miscellaneous income	-	-	-
Loss on disposal of asset	-	(9,051)	-
Interest expense	(11,035)	(721,151)	(755,574)
Debt issuance costs	-	-	-
Total net nonoperating revenues (expenses)	167,083	(718,141)	(755,574)
Income (loss) before transfers	989,517	(445,488)	(804,514)
Transfers in	10,152	1,027,781	4,093,805
Transfers out	-	-	-
Total transfers in (out)	10,152	1,027,781	4,093,805
Change in net position	999,669	582,293	3,289,291
Net position, beginning	2,432,461	8,407,253	7,509,378
Restatement - See Note 7	(59,152)	(197,177)	(63,096)
Net position, restated	2,373,309	8,210,076	7,446,282
Net position, ending	\$ 3,372,978	\$ 8,792,369	\$ 10,735,573

See Notes to Financial Statements

Exhibit 7

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 1,735,430	\$ 719,528	\$ 15,339,974	\$ 295,584
-	46,553	46,553	-
24,451	14,553	544,044	
1,759,881	780,634	15,930,571	295,584
799,899	1,609,310	13,067,450	308,111
531,559	617,469	2,834,696	-
1,331,458	2,226,779	15,902,146	308,111
428,423	(1,446,145)	28,425	(12,527)
307,499	5,345,627	5,831,244	-
17,285	181	29,527	-
-	315,896	315,896	-
-	-	(9,051)	-
(672,562)	(309,867)	(2,470,189)	-
(1,649)	-	(1,649)	-
(349,427)	5,351,837	3,695,778	-
78,996	3,905,692	3,724,203	(12,527)
4,317,357	2,554,012	12,003,107	-
(3,598,943)	(3,000)	(3,601,943)	-
718,414	2,551,012	8,401,164	-
797,410	6,456,704	12,125,367	(12,527)
6,899,286	7,540,068	32,788,446	812,860
(23,685)	(51,265)	(394,375)	
6,875,601	7,488,803	32,394,071	
\$ 7,673,011	\$ 13,945,507	\$ 44,519,438	\$ 800,333

Pender County, North Carolina

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water and Water Treatment Plant
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 5,956,092	\$ 4,936,269	\$ 2,287,502
Payments to customers and suppliers	(5,800,751)	(3,379,933)	(974,299)
Payments to employees	(244,970)	(763,406)	(311,050)
Net cash provided by (used in) operating activities	(89,629)	792,930	1,002,153
Cash Flows From Capital and Related Financing Activities			
Acquisition & construction of capital assets	(468,256)	(18,052)	(143)
Proceeds from sale of asset	-	-	-
Grant proceeds	-	-	-
Repayment of installment notes and bonds	(30,170)	(360,000)	(309,836)
Proceeds from issuance of debt	18,426	-	-
Debt issuance costs	-	-	-
Interest paid	(11,035)	(770,357)	(837,574)
Net cash provided by (used in) capital and related financing activities	(491,035)	(1,148,409)	(1,147,553)
Cash Flows From Noncapital Financing Activities			
Due to (from) other funds	-	37,039	(3,872,879)
HUD operating grants	-	-	-
Restricted revenue	178,118	-	-
Miscellaneous revenues	-	-	-
Transfers in (out)	10,152	1,027,781	4,093,805
Net cash provided by noncapital financing activities	188,270	1,064,820	220,926
Cash Flows From Noncapital Financing Activities			
Interest on cash and cash equivalents	-	12,061	-
Net increase (decrease) in cash and cash equivalents	(392,394)	721,402	75,526
Cash and Cash Equivalents			
Beginning	1,172,730	4,360,457	82,910
Ending	\$ 780,336	\$ 5,081,859	\$ 158,436

See Notes to Financial Statements

Exhibit 8

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 1,732,403	\$ 1,156,743	\$ 16,069,009	\$ 295,584
(456,891)	(1,755,214)	(12,367,088)	(254,877)
(124,768)	(204,345)	(1,648,539)	-
1,150,744	(802,816)	2,053,382	40,707
(188,950)	(4,231,238)	(4,906,639)	-
-	-	-	-
307,499	-	307,499	-
(822,000)	(76,848)	(1,598,854)	-
-	-	18,426	-
(1,649)	-	(1,649)	-
(749,038)	(311,160)	(2,679,164)	-
(1,454,138)	(4,619,246)	(8,860,381)	-
(2,906,602)	(91,499)	(6,833,941)	-
-	1,151,053	1,151,053	-
-	4,195,724	4,373,842	-
-	314,420	314,420	-
3,218,414	13,973	8,364,125	-
311,812	5,583,671	7,369,499	-
17,285	181	29,527	-
25,703	161,790	592,027	40,707
2,684,901	1,114,050	9,415,048	846,002
\$ 2,710,604	\$ 1,275,840	\$ 10,007,075	\$ 886,709

(Continued)

Pender County, North Carolina

Proprietary Funds

Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water and Water Treatment Plant
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 822,434	\$ 272,653	\$ (48,940)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	42,824	692,998	949,846
Change in assets and liabilities:			
Accounts receivable	3,685	(311,235)	1,517
Prepaid items	-	-	-
Accounts payable and accrued expenses	(945,017)	4,071	63,844
Customer deposits payable	-	95,840	-
Compensated absences	(2,636)	2,417	7,556
OPEB	(25,463)	(24,998)	11,213
(Increase) decrease in deferred outflows of resources	21,857	71,372	17,719
Increase (decrease) in net pension liability	(21,062)	(56,514)	(15,591)
Increase (Decrease) in deferred inflows of resources	13,749	46,326	14,989
Net cash provided by (used in) operating activities	\$ (89,629)	\$ 792,930	\$ 1,002,153

See Notes to Financial Statements

Exhibit 8
(Continued)

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 428,423	\$ (1,446,145)	\$ 28,425	\$ (12,527)
531,559	617,469	2,834,696	-
(27,478)	336,849	3,338	-
-	3,967	3,967	-
236,378	(326,854)	(967,578)	53,234
-	6,493	102,333	-
1	(934)	6,404	-
(25,545)	(9,753)	(74,546)	-
1,352	20,473	132,773	-
237	(16,303)	(109,233)	-
5,817	11,922	92,803	-
\$ 1,150,744	\$ (802,816)	\$ 2,053,382	\$ 40,707

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Agency Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 30,115
Accounts Receivable	3,616
Total assets	<u>33,731</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 33,731
Total liabilities	<u>33,731</u>
Net Position	<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, North Carolina, 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 60,958. 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 2018. This District is reported as a non-major enterprise fund. Separate financial statements are not issued for the District.

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 2018. 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 bond proceeds 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 operations of the water treatment plant and the Limited Obligation Bonds issued by the County to cover the Water District General Obligation Bonds.

Waste Water Treatment and Sewer Fund: This fund is used to account for the operations of the waste water treatment plant and sewer operations.

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, 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 budgeted using the modified accrual basis of accounting.

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

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

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

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

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

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

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

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

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, 911 Emergency Telephone, Fire Service and Rescue 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.

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	\$ 936,154
General Fund	AE&P Funds	409,040
General Fund	Sheriff - Federal and State Drug Seizure	103,701
School Capital Projects Fund	Unexpended bond proceeds for schools	10,736,600
Capital Improvements Fund	Limited Obligation Bonds	133,835
Total Governmental Activities		<u>\$ 12,319,330</u>
Business-Type Activities		
Rocky Point/Topsail Water	Customer Deposits	109,600
Maple Hill	Customer Deposits	5,100
Scotts Hill	Customer Deposits	2,800
Country Court Apartments	Customer Deposits	1,450
Water Treatment Plant	USDA debt reserves	104,804
PCP Water Treatment Plant	Unexpended bond/grant proceeds	1,282,660
Total Business-Type Activities		<u>\$ 1,506,414</u>
Total Restricted Cash		<u>\$ 13,825,744</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, 2017. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

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 the lower of cost (first-in, first-out), which approximates market or net realizable value. 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.

Notes to Financial Statements

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

Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets with an estimated useful life greater than one year are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Pender County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Pender County Board of Education.

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

	Years
Buildings	50
Infrastructure	40
Other improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment	3

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

	Years
Property	15-50
Equipment	5-10
Vehicles	5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 until then. The County has several items that meet this criterion- contributions made to the pension and OPEB plans in the current fiscal year, unamortized charge on refunding, and other pension and OPEB related deferrals. 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 and OPEB 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, 2018 amounted to \$1,812,537 in total, \$1,706,384 of which represents the liability of the governmental funds and is recorded in the government-wide financial statements and \$106,153 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 \$28,525 at June 30, 2018. 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.

Net Investment in Capital Assets

The net investment in capital assets 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. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.

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.

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

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.

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 a certain percentage 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 for the governmental funds and net position (deficit) for governmental activities as reported in the government-wide statement of net position (deficit). The net adjustment of (\$112,374,576) 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)	\$ 53,954,271
Less accumulated depreciation	23,158,999
Net capital assets	<u>30,795,272</u>
Net pension asset	127,113
Pension and OPEB plan deferrals	3,001,212
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	2,346,664
Note receivable	2,341,661
Internal service assets and liabilities are included in governmental activities in the statement of net position	800,333
Accrued interest receivable	129,849
Deferred inflows of resources for taxes receivable	1,311,610
Deferred inflows of resources for grant receivable	107,611
Pension and OPEB related deferrals	(1,843,613)

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	(121,804,028)
Compensated absences	(1,706,384)
Other postemployment benefits	(14,124,621)
Net pension and total OPEB liability	(5,028,764)
Accrued interest payable	<u>(4,349,321)</u>
Total adjustment	<u><u>\$ (107,895,406)</u></u>

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 \$5,429,173 is comprised of the following:

Capital outlay expenditures recorded in the fund statements	
but capitalized as assets in the statement of activities	\$ 1,876,935
Cost of disposed capital asset not recorded in fund statements	(493,773)
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	(1,433,914)
Note receivable	708,333
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	9,657,464
Expenses reported on fund statements that are capitalized on government-wide	
statements - refunding costs and premiums	819,901
Pension and OPEB deferrals	1,840,341
Internal service fund net revenue	(12,527)
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	(83,185)
Other postemployment benefits	772,909
LGERS and LEO pensions	1,265,020
Pension expense and deferrals	(6,267,417)
Interest payable	(2,908,014)
Revenues reported in the statement of activities that do not provide	
current resources are not recorded as revenues in the fund statements:	
Decrease in grant receivable	(164,053)
Decrease in accrued interest receivable	(14,723)
Decrease in deferred taxes	(134,124)
Total adjustment	<u>\$ 5,429,173</u>

Note 2. Stewardship, Compliance, and Accountability

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

1. Budget Violations

For the fiscal year ended June 30, 2018, actual expenditures exceeded budgeted expenditures for the following funds: 911 Emergency Telephone Fund, School Special Revenue Fund, Water and Water Treatment Plant Fund, Maple Hill Water Operating Fund, Workers Compensation Fund, and Capital Improvements Fund-Capital Project Fund.

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, 2018, the County's deposits had a carrying amount of \$12,187,954 and a bank balance of \$13,750,201. Of the bank balance, \$507,893 was covered by federal depository insurance and \$13,242,308 was covered by collateral held under the Pooling Method.

At June 30, 2018, Pender County had \$4,426 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, 2018, the carrying amount of deposits for Pender County ABC Board was \$775,379 and the bank balance was \$666,038. At June 30, 2018, the Board has a concentration of credit risk in that deposits with a carrying amount of \$775,379 and bank balances of \$666,038 were on deposit in one financial institution. These exceeded the FDIC deposit limit of \$250,000 for interest bearing accounts. First Citizens Bank and Trust Company has selected the pooling method to secure public deposits.

2. Investments:

At June 30, 2018, the County's investments consisted of \$58,730,346 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. North Carolina Capital Management Trust's Government Portfolio is valued at amortized cost. The County has no policy on credit risk.

3. Receivables:

Receivables at the government-wide level at June 30, 2018, were as follows:

	Accounts Receivable	Property Taxes	Sales Tax	Due from Other Governments	Total
Governmental Activities:					
General	\$ -	\$ 1,923,563	\$ 309,895	\$ 4,170,900	\$ 6,404,358
Other Governmental	381,280	435,859	-	1,257,369	2,074,508
Total Receivables	381,280	2,359,422	309,895	5,428,269	8,478,866
Allowance for Doubtful Accounts	-	1,047,812	-	-	1,047,812
Total Governmental Activities	\$ 381,280	\$ 1,311,610	\$ 309,895	\$ 5,428,269	\$ 7,431,054
Business-type Activities					
Maple Hill Water Fund	\$ 62,379	\$ -	\$ -	\$ -	\$ 62,379
Section 8 Admin. Fund	1,476	-	-	-	1,476
Waste Water Treatment Plant and Sewer	41,835	-	-	-	41,835
Resource Recovery	738,684	-	-	-	738,684
Moore's Creek Water District	183,412	-	-	-	183,412
Central Pender Water District	442,822	-	-	-	442,822
Water Treatment Plant	10,006	-	-	-	10,006
Rocky Point Water & Sewer	1,336,374	-	-	-	1,336,374
Scott's Hill Water & Sewer	100,362	-	-	-	100,362
Total Receivables	2,917,350	-	-	-	2,917,350
Allowance for Doubtful Accounts	926,021	-	-	-	926,021
Total Business-type Activities	\$ 1,991,329	\$ -	\$ -	\$ -	\$ 1,991,329

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

Local Option Sales Tax	\$ 4,218,349
Franchise Tax	69,901
ABC Distribution	95,898
FEMA grants	107,609
DMV - Vehicle Tax	370,666
Health Grants	42,804
DSS Grants	832,937
Total	<u>\$ 5,738,164</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

3. Receivables (Continued)

Notes receivable at June 30, 2018 of \$2,341,661 consists of an interest free note of \$1,433,328 from RC Creations with a maturity date of August 31, 2025 and an interest free note of \$908,333 from Mojo Properties with a maturity date of July 1, 2027.

4. Capital Assets

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

	Capital Assets July 1, 2017	Additions	Adjustments Retirements and Transfers	Capital Assets June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,383,746	\$ 19,028	\$ (33,314)	\$ 10,369,460
Construction in progress	2,809,544	724,068	(547,248)	2,986,364
Total capital assets not being depreciated	13,193,290	743,096	(580,562)	13,355,824
Capital assets being depreciated:				
Buildings & Improvements	29,581,145	362,018	-	29,943,163
Intangibles	1,477,586	145,761	-	1,623,347
Equipment	3,822,212	790,633	(550,574)	4,062,271
Vehicles	4,575,433	382,675	11,558	4,969,666
Total capital assets being depreciated	39,456,376	1,681,087	(539,016)	40,598,447
Less accumulated depreciation for:				
Buildings & Improvements	14,065,822	813,490	(994)	14,878,318
Intangibles	1,326,156	40,548	-	1,366,704
Equipment	2,666,688	184,985	(88,259)	2,763,414
Vehicles	3,744,976	394,891	10,696	4,150,563
Total accumulated depreciation	21,803,642	\$ 1,433,914	\$ (78,557)	23,158,999
Total capital assets being depreciated, net	17,652,734			17,439,448
Governmental activity capital assets, net	\$ 30,846,024			\$ 30,795,272

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

General government	\$ 517,332
Public Safety	481,981
Human Services	180,821
Education	56,617
Economic and physical development	48,504
Cultural and recreational	148,659
Total depreciation expense	<u>\$ 1,433,914</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Business-type activities:					
Waste Water Treatment Plant and Sewer Fund					
Capital assets not being depreciated:					
Construction in progress	\$ 23,576,193	\$ -	\$ -	\$(23,576,193)	\$ -
Total capital assets not being depreciated	<u>23,576,193</u>	<u>-</u>	<u>-</u>	<u>(23,576,193)</u>	<u>-</u>
Capital assets, being depreciated:					
Buildings and improvements	256,544	-	-	22,946,230	23,202,774
Equipment	16,295	-	-	-	16,295
Intangibles	3,125,000	-	-	(3,125,000)	-
Vehicles	-	-	-	17,330	17,330
Total capital assets being depreciated	<u>3,397,839</u>	<u>-</u>	<u>-</u>	<u>19,838,560</u>	<u>23,236,399</u>
Less accumulated depreciation for:					
Buildings and improvements	171,727	527,968	-	-	699,695
Equipment	16,295	-	-	-	16,295
Intangibles	312,500	-	-	(312,500)	-
Vehicles	-	3,591	-	-	3,591
Total accumulated depreciation	<u>500,522</u>	<u>\$ 531,559</u>	<u>\$ -</u>	<u>\$ (312,500)</u>	<u>719,581</u>
Total capital assets being depreciated, net	<u>2,897,317</u>				<u>22,516,818</u>
Waste Water Treatment Plant capital assets, net	<u>\$ 26,473,510</u>				<u>\$ 22,516,818</u>

	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Business-type activities:					
Maple Hill Public Utilities Fund					
Capital assets not being depreciated:					
Land	\$ 4,930	\$ -	\$ -	\$ -	\$ 4,930
Total capital assets not being depreciated	<u>4,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,930</u>
Capital assets, being depreciated:					
Buildings and improvements	5,628,999	-	-	-	5,628,999
Total capital assets being depreciated	<u>5,628,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,628,999</u>
Less accumulated depreciation for:					
Buildings and improvements	1,183,483	140,282	-	-	1,323,765
Total accumulated depreciation	<u>1,183,483</u>	<u>\$ 140,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,323,765</u>
Total capital assets being depreciated, net	<u>4,445,516</u>				<u>4,305,234</u>
Maple Hill capital assets, net	<u>\$ 4,450,446</u>				<u>\$ 4,310,164</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Business-type activities:					
Rocky Point/Topsail Water and Sewer Fund					
Capital assets not being depreciated:					
Land	\$ 343,493	\$ -	\$ -	\$ -	\$ 343,493
Total capital assets not being depreciated	343,493	-	-	-	343,493
Capital assets, being depreciated:					
Buildings and improvements	26,288,387	-	-	-	26,288,387
Intangibles	9,485	-	-	-	9,485
Vehicles	526,524	-	-	-	526,524
Equipment	70,332	-	-	-	70,332
Total capital assets being depreciated	26,894,728	-	-	-	26,894,728
Less accumulated depreciation for:					
Buildings and improvements	4,475,976	654,603	-	-	5,130,579
Intangibles	9,485	-	-	-	9,485
Vehicles	436,356	34,755	-	(9,001)	462,110
Equipment	36,639	3,640	-	-	40,279
Total accumulated depreciation	4,958,456	\$ 692,998	\$ -	\$ (9,001)	5,642,453
Total capital assets being depreciated, net	21,936,272				21,252,275
Rocky Point/Topsail capital assets, net	\$ 22,279,765				\$ 21,595,768
Section 8 Public Utilities Fund					
Capital assets, being depreciated:					
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	15,617	-	-	-	15,617
Total accumulated depreciation	24,998	\$ -	\$ -	\$ -	24,998
Total capital assets being depreciated, net	-				-
Section 8 capital assets, net	\$ -				\$ -

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Business-type activities:					
Country Court					
Capital assets, being depreciated:					
Buildings and improvements	\$ 333,617	\$ -	\$ -	\$ -	\$ 333,617
Intangibles	1,200	-	-	-	1,200
Total capital assets being depreciated	334,817	-	-	-	334,817
Less accumulated depreciation for:					
Buildings and improvements	186,235	7,592	-	-	193,827
Intangibles	1,200	-	-	-	1,200
Total accumulated depreciation	187,435	\$ 7,592	\$ -	\$ -	195,027
Total capital assets being depreciated, net	147,382				139,790
Country Court capital assets, net	\$ 147,382				\$ 139,790
	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Business-type activities:					
Resource Recovery Fund					
Capital assets not being depreciated:					
Land	\$ 90,770	\$ -	\$ -	\$ 101,471	\$ 192,241
Construction in progress	1,504,255	313,716	-	2,789	1,820,760
Total capital assets not being depreciated	1,595,025	313,716	-	104,260	2,013,001
Capital assets, being depreciated:					
Buildings and improvements	1,833,726	-	-	(101,471)	1,732,255
Equipment	55,235	-	-	-	55,235
Total capital assets being depreciated	1,888,961	-	-	(101,471)	1,787,490
Less accumulated depreciation for:					
Buildings and improvements	682,312	42,080	-	(149,798)	574,594
Equipment	51,732	744	-	(1,953)	50,523
Total accumulated depreciation	734,044	\$ 42,824	\$ -	\$ (151,751)	625,117
Total capital assets being depreciated, net	1,154,917				1,162,373
Solid Waste capital assets, net	\$ 2,749,942				\$ 3,175,374

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Business-type activities:					
Scotts Hill Water & Sewer Public Utilities Fund					
Capital assets not being depreciated:					
Construction in progress	\$ 27,980	\$ -	\$ (27,980)	\$ -	\$ -
Total capital assets not being depreciated	27,980	-	(27,980)	-	-
Capital assets, being depreciated:					
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	498,352	77,754	-	-	576,106
Vehicles	21,376	-	-	-	21,376
Total accumulated depreciation	519,728	\$ 77,754	\$ -	\$ -	597,482
Total capital assets being depreciated, net	2,611,740				2,533,986
Scott's Hill capital assets, net	\$ 2,639,720				\$ 2,533,986
Business-type activities:					
Water Treatment Plant and Water Fund					
Capital assets, being depreciated:					
Buildings and improvements	34,352,806	-	-	-	34,352,806
Intangibles	935,082	-	-	-	935,082
Vehicles	68,691	-	-	143	68,834
Equipment	22,720	-	-	-	22,720
Total capital assets being depreciated	35,379,299	-	-	143	35,379,442
Less accumulated depreciation for:					
Buildings and improvements	1,721,440	859,548	-	-	2,580,988
Intangibles	178,373	84,865	-	-	263,238
Vehicles	57,612	3,162	-	-	60,774
Equipment	11,111	2,271	-	-	13,382
Total accumulated depreciation	1,968,536	\$ 949,846	\$ -	\$ -	2,918,382
Total capital assets being depreciated, net	33,410,763				32,461,060
Water Treatment Plant capital assets, net	\$ 33,410,763				\$ 32,461,060

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Business-type activities:					
Moore's Creek Water District					
Capital assets not being depreciated:					
Construction in progress	\$ 8,011,101	\$ 728,526	\$ -	\$ (8,739,627)	\$ -
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	8,011,101	728,526	-	(8,739,627)	-
Capital assets, being depreciated:					
Buildings and improvements	-	-	-	8,739,627	8,739,627
Total capital assets being depreciated	-	-	-	8,739,627	8,739,627
Less accumulated depreciation for:					
Buildings and improvements	-	18,208	-	-	18,208
Total accumulated depreciation	-	\$ 18,208	\$ -	\$ -	18,208
Total capital assets being depreciated, net	-				8,721,419
Moore's Creek capital assets, net	\$ 8,011,101				\$ 8,721,419
	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Business-type activities:					
Central Pender Water District					
Public Utilities Fund					
Capital assets not being depreciated:					
Land	\$ -	\$ 22,700	\$ -	\$ -	\$ 22,700
Construction in progress	7,498,538	2,282,703	-	(9,781,241)	-
Total capital assets not being depreciated	7,498,538	2,305,403	-	(9,781,241)	22,700
Capital assets, being depreciated:					
Buildings and improvements	-	-	-	9,781,241	9,781,241
Intangibles	-	-	-	3,125,000	3,125,000
Total capital assets being depreciated	-	-	-	12,906,241	12,906,241
Less accumulated depreciation for:					
Buildings and improvements	-	61,133	-	-	61,133
Intangibles	-	312,500	-	312,500	625,000
Total accumulated depreciation	-	\$ 373,633	\$ -	\$ 312,500	686,133
Total capital assets being depreciated, net	-				12,220,108
Central Pender capital assets, net	\$ 7,498,538				\$ 12,242,808
Business-type activities capital assets, net	\$ 107,661,167				\$ 107,697,187

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, 2018. At June 30, 2018, the government's commitments with contractors are as follows:

Project	Spent-to-date	Placed In Service	Remaining Commitment
Central Pender Water	9,781,241	9,781,241	426,986
Moore's Creek Water	8,739,627	8,739,627	277,762
Solid Waste Transfer Station	598,599	-	-
HVAC Repairs-Government Complex	1,211,301	-	-
Library Renovations	79,579	69,421	69,421
Total	<u>\$ 40,238,289</u>	<u>\$ 38,418,231</u>	<u>\$ 774,169</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2018, was as follows:

	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Capital assets not being depreciated:					
Land	\$ 6,500	\$ -	\$ -	\$ -	\$ 6,500
Total capital assets not being depreciated	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,500</u>
Capital assets, being depreciated:					
Buildings	17,147	-	-	-	17,147
Building addition	96,564	-	-	-	96,564
Land improvements	13,313	-	-	-	13,313
Roof replacement	29,695	-	-	-	29,695
Equipment	271,920	9,591	-	-	281,511
Vehicle	20,622	51,267	(20,622)	-	51,267
Total capital assets being depreciated	<u>449,261</u>	<u>60,858</u>	<u>(20,622)</u>	<u>-</u>	<u>489,497</u>
Less accumulated depreciation for:					
Buildings	17,147	-	-	-	17,147
Building addition	74,598	1,931	-	-	76,529
Land improvements	1,332	666	-	-	1,998
Roof replacement	28,382	-	-	-	28,382
Equipment	232,555	7,684	-	-	240,239
Vehicle	33,931	7,690	(20,622)	-	20,999
Total accumulated depreciation	<u>387,945</u>	<u>\$ 17,971</u>	<u>\$ (20,622)</u>	<u>\$ -</u>	<u>385,294</u>
ABC Board capital assets, net	<u>\$ 67,816</u>				<u>\$ 110,703</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities

1. Payables and accrued liabilities

Payables and accrued liabilities at the government-wide level at June 30, 2018, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental Activities:					
General	\$ 2,053,870	\$ 429,757	\$ 4,349,321	\$ -	\$ 6,832,948
Other Governmental	2,973,533	-	-	-	2,973,533
Internal Service	-	-	-	86,376	86,376
Total Governmental Activities	\$ 5,027,403	\$ 429,757	\$ 4,349,321	\$ 86,376	\$ 9,892,857
Business-type Activities					
Maple Hill Water Fund	\$ 23,313	\$ -	\$ 527	\$ -	\$ 23,840
Waste Water Treatment Plant and Sewer	53,530	4,814	178,034	-	236,378
Resource Recovery	359,650	10,459	2,969	-	373,078
Section 8 Administration	635	4,268	-	-	4,903
Country Court	7,174	-	23	-	7,197
Scott's Hill Water & Sewer	615	1,545	7,635	-	9,795
Water and Water Treatment Plant	94,812	9,696	55,651	-	160,159
Rocky Point Water & Sewer	102,099	26,453	59,787	6,250	194,589
Moore's Creek Water District	241,340	-	7,889	-	249,229
Central Pender Water District	434,746	-	9,033	-	443,779
Total Business-type Activities	\$ 1,317,914	\$ 57,235	\$ 321,548	\$ 6,250	\$ 1,702,947

2. Pension Plan and Other Postemployment Liabilities

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.

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, 2018, was 8.25% of compensation for law enforcement officers and 7.56% 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 \$1,208,210 for the year ended June 30, 2018. Contributions to the pension plan from the ABC Board were \$33,399 for the year ended June 30, 2018.

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

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

At June 30, 2018, the County reported a liability of \$3,939,998 for its proportionate share of LGERS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions.

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

For the year ended June 30, 2018, the County recognized pension expense of \$1,356,369. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 226,980	\$ 111,529
Changes of assumptions	562,686	-
Net difference between projected and actual earnings on pension plan investments	956,636	-
Changes in proportion and differences between County contributions and proportionate share of contributions	22,549	6,937
County contributions subsequent to the measurement date	1,208,210	-
Total	<u>\$ 2,977,061</u>	<u>\$ 118,466</u>

The County paid \$1,208,210 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 213,220
2020	1,152,021
2021	577,863
2022	(292,718)
2023	-
Thereafter	-
	<u>\$ 1,650,386</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

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

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

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

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, 2017 are summarized in the following table:

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

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 7.20%. 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 7.20 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
County's proportionate share of the net pension liability (asset)	\$ 11,827,962	\$ 3,939,998	\$ (2,643,962)
ABC Boards proportionate share of the net pension liability (asset)	\$ 249,034	\$ 82,955	\$ (55,668)

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.

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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	69
Total	<u>69</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, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.5 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 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, 2017.

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, 2018, the County reported a total pension liability of \$1,364,566. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$126,968.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,813
Changes of assumptions	79,405	22,467
Total	<u>\$ 79,405</u>	<u>\$ 24,280</u>

Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 9,710
2020	9,710
2021	9,710
2022	9,710
2023	9,710
Thereafter	6,575
	<u>\$ 55,125</u>

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.16 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
County's proportionate share of the total pension liability	\$ 1,490,452	\$ 1,364,566	\$ 1,249,682

Note 3. Detail Notes on All Funds (Continued)

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

	2018
Beginning balance January 1, 2016	\$ 1,156,255
Service cost	71,903
Interest on the total pension liability	44,631
Difference between expected and actual experience	(2,144)
Changes of assumptions or other inputs	93,921
Ending balance of the total pension liability December 31, 2017	<u>\$ 1,364,566</u>

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

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

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 \$171,509 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.

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 \$6,168 for the year ended June 30, 2018.

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

At June 30, 2018, the County reported a pension asset of \$127,113 for its proportionate share of RODSPF's net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016.

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, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2017, the County's proportion was 0.74470%, which was an increase of .01911% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$14,745. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,182	\$ 410
Changes of assumptions	21,447	-
Net difference between projected and actual earnings on pension plan investments	10,806	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	5,415
County contributions subsequent to the measurement date	6,168	-
Total	<u>\$ 40,603</u>	<u>\$ 5,825</u>

\$6,168 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 16,294
2020	8,324
2021	1,236
2022	2,755
2023	-
Thereafter	-
	<u>\$ 28,609</u>

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

Inflation	3.0 percent
Salary increases	3.5 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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, 2017 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. 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:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension asset	\$ 99,909	\$ 127,113	\$ 149,990

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

The net pension liability for LGERS and net pension asset for ROD was measured as of December 31, 2016 and the total pension liability for LGERS and net pension asset for ROD used to calculate the respective net pension liability and asset was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County's proportion of the net pension liability for LGERS and net pension asset for ROD was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
County's proportionate share of net pension liability (asset)	\$ 3,939,998	\$ (127,113)	\$ -	\$ 3,812,885
County's proportion of the net pension liability	0.25790%	0.74470%	n/a	
Total pension liability	\$ -	\$ -	\$ 1,364,566	\$ 1,364,566
Pension expense	\$ 1,356,369	\$ 14,745	\$ 126,968	\$ 1,498,082

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 226,980	\$ 2,182	\$ -	\$ 229,162
Changes of assumptions	562,686	21,447	79,405	663,538
Net difference between projected and actual earnings on pension plan investments	956,636	10,806	-	967,442
Changes in proportion and differences between County contributions and proportionate share of contributions	22,549	-	-	22,549
County contributions (LGERS, ROD)/ benefit payments and administrative costs (LEOSSA) subsequent to the measurement date	1,208,210	6,168	-	1,214,378
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 111,529	\$ 410	\$ 1,813	\$ 113,752
Changes of assumptions	-	-	22,467	22,467
Changes in proportion and differences between County contributions and proportionate share of contributions	6,937	5,415	-	12,352

g. 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.

Plan Membership. At June 30, 2017, the plan membership consisted of the following:

	<u>General Employees</u>
Inactive plan members or beneficiaries currently receiving benefit payments	17
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	366
Total	<u>383</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

Actuarial assumptions. The total OPEB liability was determined by actuarial valuations as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary Increases	3.50 to 7.75 percent, including inflation and productivity factor
Discount rate	3.56 percent
Healthcare cost trend rates	7.75 percent for 2016 decreasing to an ultimate rate of 5.00 percent by 2022

The discount rate is based on the yield of the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the total OPEB liability of the County at June 30, 2018, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
\$ 18,906,017	\$ 14,945,107	\$ 11,988,317

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower (5.75 percent decreasing to 5 percent) or 1-percentage-point higher (7.75 percent decreasing to 5 percent) than the current healthcare cost trend rate:

1% Decrease	Healthcare Cost	1% Increase
\$ 11,611,820	\$ 14,945,107	\$ 19,562,109

Changes in Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2018, the County reported a total OPEB liability of \$14,945,107. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions.

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

At June 30, 2018, the components of the total OPEB liability of the County, measured as of June 30, 2017, were as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ 8,503,553
Prior period restatement	7,259,360
Restated balance at June 30, 2016	<u>15,762,913</u>
Service Cost	859,652
Interest	472,731
Difference between expected and actual experience	(2,578)
Changes of assumptions or other inputs	(2,031,656)
Benefit payments	<u>(115,955)</u>
Net changes	<u>(817,806)</u>
Balance at June 30, 2017	<u><u>\$ 14,945,107</u></u>

For the year ended June 30, 2018, the County recognized OPEB expense of \$415,043. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (2,284)
Changes of assumptions or other inputs	-	(1,799,997)
County contributions subsequent to the measurement date	119,074	
Total	<u>\$ 119,074</u>	<u>\$ (1,802,281)</u>

\$119,074 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a decrease in the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
July 10, 1905	(231,954)
2019	(231,954)
2020	(231,954)
2021	(231,954)
2022	(231,954)
Thereafter	<u>(642,511)</u>
	<u><u>(1,802,281)</u></u>

Note 3. Detail Notes on All Funds (Continued)

h. 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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	\$ 2,647,430	\$ -
Pensions and OPEB deferrals	3,216,143	1,950,852
Taxes receivable, net (General)	-	1,046,440
Taxes receivable, net (Fire & Rescue)	-	265,170
Grant receivables	-	107,611
Less amounts recorded in full accrual	-	(1,419,221)
Total	<u>\$ 5,863,573</u>	<u>\$ 1,950,852</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, 2018, is as follows:

	Fiscal Year Ended June 30,	
	2018	2017
Unpaid claims at July 1	\$ 20,237	\$ 563,410
Incurred claims and judgements for current and prior year events where the County has retained risk of loss	769,347	301,998
Payments on claims for current and prior year events where the County has retained risk of loss	718,205	845,171
Unpaid claims at June 30	<u>\$ 71,379</u>	<u>\$ 20,237</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, 2018, 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 February 20, 2014 to lease vehicles for various county department vehicles and requires 5 annual payments of \$111,433. The final payment remaining to be paid is only \$105,408 as a result of the bank applying funds from an escrow account towards the remaining balance of this lease.

Total Capital Leases

\$ 105,408

\$ 105,408

At June 30, 2018, the County leased vehicles valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles	\$ 1,423,260	\$ 1,321,903	\$ 101,357

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Year Ending June 30	
2019	106,820
Total minimum lease payments	106,820
Less: amount representing interest	1,412
Present value of the minimum lease payments	<u>\$ 105,408</u>

b. Mortgage Notes

Pender County Housing Authority (Country Court Enterprise Fund) has two notes outstanding aggregating \$95,122 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 Maple Hill Water District, Scotts Hill Water and Sewer District and the Rocky Point-Topsail Water and Sewer District (the Districts) issued individual refunding bonds totaling \$22,330,000 for USDA Bonds being refinanced. The County then issued Limited Obligation Bonds ("LOBs") to purchase these bonds. The County (and bondholders) have a security interest in the Water District's refunding bonds.

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

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

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 Water Treatment Plant and Water Fund" in the Water District Funds, and as "Due from the Districts" in the Water Treatment Plant and 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. 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, 2018 are as follows:

Year Ending June 30	Government-Wide Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	297,512	201,062	1,387,488	1,341,550	1,685,000	1,542,612
2024-2028	1,622,432	785,826	7,727,568	5,650,537	9,350,000	6,436,363
2029-2033	1,882,919	389,632	9,127,081	3,812,419	11,010,000	4,202,051
2034-2038	828,186	46,510	6,926,814	2,016,612	7,755,000	2,063,122
2039-2043	-	-	4,770,000	798,300	4,770,000	798,300
2044	-	-	820,000	36,900	820,000	36,900
Total	\$ 5,756,305	\$ 2,369,886	\$ 35,763,695	\$ 19,605,513	\$ 41,520,000	\$ 21,975,399

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, 2018:

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.	\$ 1,400,000
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.	20,085,000
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.	22,050,000
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.	10,290,000
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.	47,975,000
Total General Obligation Bonds (Governmental Activities)	\$ 101,800,000
Serviced by Water and Sewer Districts:	
\$9,500,000 Water Treatment Plant Bonds, Water Series, 2012A to USDA Rural Development, due in annual payments ranging from \$125,000 to \$430,000, plus interest at 3.50% through June 2052.	\$ 8,975,000
\$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.	6,603,000
\$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%.	935,000
\$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.	155,000
\$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.	2,245,000
\$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.	17,370,000
\$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.	6,047,000
Total General Obligation Bonds (Business-type Activities)	\$ 47,611,000
Total General Obligation Bonds	<u>\$ 149,411,000</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

e. Installment Purchase Obligations

Serviced by General Fund:

\$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.

\$ 1,433,328

\$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.

900,000

Total Governmental Activities

\$ 2,333,328

Total Installment Purchases

\$ 2,333,328

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, 2018, are as follows:

Year Ending June 30	General Obligation Bonds		Installment Note		Mortgage Notes		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	8,455,000	5,489,905	300,000	-	6,867	969	14,252,741
2020	8,432,000	5,187,703	300,000	-	6,936	900	13,927,539
2021	8,450,000	4,810,870	300,000	-	7,005	831	13,568,706
2022	8,534,000	4,420,598	300,000	-	7,076	760	13,262,434
2023	8,583,000	4,081,583	300,000	-	7,148	688	12,972,419
2024-2028	37,899,000	15,511,754	841,661	-	36,229	2,355	54,290,999
2029-2033	25,970,000	9,388,966	-	-	23,861	762	35,383,589
2034-2038	22,245,000	5,189,529	-	-	-	-	27,434,529
2039-2043	9,180,000	2,691,087	-	-	-	-	11,871,087
2044-2048	5,912,000	1,251,103	-	-	-	-	7,163,103
2049-2053	4,672,000	435,124	-	-	-	-	5,107,124
2054-2056	1,079,000	37,949	-	-	-	-	1,116,949
Total	\$ 149,411,000	\$ 58,496,171	\$ 2,341,661	\$ -	\$ 95,122	\$ 7,265	\$ 210,351,219

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 \$4,639,000 as of June 30, 2018.

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
2019	84,000	127,573
2020	87,000	125,263
2021	89,000	122,870
2122	91,000	120,423
2023	94,000	117,920
2024-2028	510,000	549,451
2029-2033	585,000	475,201
2034-2038	669,000	390,281
2039-2043	766,000	293,151
2044-2048	876,000	181,858
2049-2052	788,000	54,919
Total	<u>\$ 4,639,000</u>	<u>\$ 2,558,910</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, 2018, is as follows:

Change in net position	\$ 11,694,004
Add back:	
Depreciation	2,209,240
Interest expense	<u>2,458,168</u>
Income available for debt service (net revenue)	16,361,412
Debt service, principal and interest paid (debt service requirement)	5,236,859
110% Debt service coverage	5,760,545
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.

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)

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 \$573,227 as of June 30, 2018.

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

Year Ending June 30	Principal	Interest
2019	30,170	9,573
2020	30,170	9,070
2021	30,170	8,565
2022	30,170	8,061
2023	30,170	7,558
2024-2028	150,850	30,230
2029-2033	150,850	17,635
2034-2037	120,677	5,037
Total	<u>\$ 573,227</u>	<u>\$ 95,729</u>

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$3,838,735 relates to assets for which the County holds title. There was no unspent restricted cash associated with the governmental activities capital assets 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, 2018:

	Balance (as restated) 7/1/2017	Additions	Retirements	Balance 6/30/2018	Current Portion of Balance
Governmental Activities					
General Obligation Bonds	\$ 109,415,000	\$ -	\$ 7,615,000	\$ 101,800,000	\$ 7,530,000
Limited Obligation Debt	6,016,305	-	260,000	5,756,305	269,744
Installment Note	2,633,328	-	300,000	2,333,328	300,000
Capital Leases	361,337	-	255,929	105,408	105,408
Unamortized Bond Premium	13,035,522	-	1,226,535	11,808,987	-
Total pension liability (LEOSSA)	1,156,255	208,311	-	1,364,566	-
Net pension liability (LGERS)	5,137,529	-	1,473,331	3,664,198	-
Total Postemployment liabilities	14,897,530	-	772,909	14,124,621	-
Compensated Absences	1,623,199	1,089,952	1,006,767	1,706,384	1,006,767
Total	<u>\$ 154,276,005</u>	<u>\$ 1,298,263</u>	<u>\$ 12,910,471</u>	<u>\$ 142,663,797</u>	<u>\$ 9,211,919</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	\$ 36,933,695	-	\$ 1,170,000	\$ 35,763,695	\$ 1,195,256
General Obligation Bonds	48,300,000	-	689,000	47,611,000	925,000
Blended component unit debt*	(20,200,000)		(430,000)	(19,770,000)	-
Subtotal General Obligation Debt	28,100,000	-	259,000	27,841,000	925,000
Revenue Bond	4,721,000	-	82,000	4,639,000	84,000
Federal Revolving Loan	584,971	18,426	30,170	573,227	30,170
Installment & Mortgage Notes	152,806	-	57,684	95,122	6,867
Unamortized Bond Premium	2,943,371	-	135,032	2,808,339	-
Net pension liability (LGERS)	386,696	-	110,896	275,800	-
Total Postemployment liabilities	865,383	-	44,897	820,486	-
Compensated Absences	99,752	65,255	58,854	106,153	58,854
Total	<u>\$ 74,787,674</u>	<u>\$ 83,681</u>	<u>\$ 1,948,533</u>	<u>\$ 72,922,822</u>	<u>\$ 2,300,147</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, 2018 approximates \$403,487,000. There are no bonds authorized but unissued at June 30, 2018.

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, 2018, include the following interfund gross receivables and payables:

	Receivables	Payables
General Fund	\$ 839,892	\$ -
Fire Service District Fund	-	-
Scotts Hill	-	678,906
Central Pender Water District	-	424,108
Moore's Creek Water District	-	16,940
Country Court	-	(37,750)
Rocky Point / Topsail Water & Sewer	-	(641,867)
Water Treatment Plant and Water Fund	-	399,555
Total	<u>\$ 839,892</u>	<u>\$ 839,892</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, 2018, can be summarized as follows:

From the General Fund to the School Special Revenue Fund to fund debt service.	\$ 6,550,961
From the General Fund to the Capital Improvements Fund to fund projects.	129,000
From the General Fund to the Rescue District Fund to provide resources.	175,000
From the General Fund to the Fire District Fund to provide resources.	50,000
From the General Fund to the Revaluation Fund to provide resources.	125,000
From the General Fund to the 911 Emergency Telephone Fund to provide resources.	58,248
From the PCP Waste Water Treatment Plant Capital Fund to General Fund to close out project.	72,813
From the General Fund to the Rocky Point/Topsail Island Water & Sewer Fund to provide resources.	27,781
From the General Fund to the Section 8 Administration Fund to provide resources.	3,321
From the General Fund to the Resource Recovery Operating Fund to provide resources.	10,152
From the General Fund to the Maple Hill Water Fund to provide resources.	19,845
From the General Fund to the Scotts Hill Water & Sewer Operating Fund to provide resources.	1,716
From the General Fund to the Water Treatment Operating and Capital Project Funds to provide resources.	4,093,805
From the General Fund to the Waste Water Treatment Operating and Capital Project Funds to provide resources.	4,317,357
	<u><u>\$ 15,634,999</u></u>

D. Net Investment in Capital Assets

	Governmental	Business-Type
Capital assets	\$ 30,795,272	\$ 108,272,227
Less: long-term debt	(3,838,735)	(68,912,044)
Less: premiums on long term debt		(2,808,339)
Add: deferred refunding charges	-	37,646
Add: unexpended bond proceeds	-	1,282,660
Net investment in capital assets	<u><u>\$ 26,956,537</u></u>	<u><u>\$ 37,872,150</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	\$ 41,992,329
Less:	
Nonspendable	52,457
Stabilization by State Statute	7,033,983
Health Department Escrow	3,298,557
Sheriff's Seizures	98,088
Tax Revaluation	936,154
Automation Enhancement and Preservation	409,040
Appropriated Fund Balance in 2018 Budget	400,000
Remaining Fund Balance	<u>\$ 29,764,050</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 \$1,507,468.

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, 2018. 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	\$ 41,992,329
Less: Restricted	(12,228,279)
Available Fund Balance	<u>\$ 29,764,050</u>
General Fund Expenditures	<u>\$ 58,446,663</u>
Available Fund Balance as % General Fund Expenditures	50.93%

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 \$399,156 to the community college operating purposes during the fiscal year ended June 30, 2018. 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, 2018. 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.

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, 2018 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, 2018. 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, 2018, 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 \$29,000 to the Council during the fiscal year ended June 30, 2018.

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 final annual system development charge in the amount of \$51,336 to the Authority during the year ended June 30, 2018.

Note 7. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Other Post-Employment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and related effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2017). As a result, beginning net position for the governmental and business-type activities decreased by \$6,788,673 and \$394,375 respectively. In the interest of timeliness, the prior year supplementary statements have not been restated.

Note 8. Recent GASB Statements

The County implemented the following GASB pronouncements in the current year:

GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (see note 7).

Notes to Financial Statements

Note 8. Recent GASB Statements (Continued)

In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objectives of this Statement is to address issues that have been raised regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Implementation of this statement did not have a material impact on the County's financial statements.

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. Implementation of this statement did not have a material impact on the County's financial statements.

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. Implementation of this statement did not have a material impact on the County's financial statements.

Note 9. Pending GASB Statements

The GASB has issued several pronouncements prior to June 30, 2018 that have effective dates applicable to future fiscal years however the impact has not yet been evaluated by the County.

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.

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 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.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This statements also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Notes to Financial Statements

Note 9. Pending GASB Statements (Continued)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for fiscal years beginning after December 15, 2018.

Note 10. Subsequent Events

The County has evaluated its subsequent events (events occurring after June 30, 2018) through February 1, 2019 which represents the date the financial statements were available to be issued. Based upon this evaluation, management determined that the following event requires disclosure in the financial statements.

Hurricane Florence impacted the County over a period of several days beginning on September 13, 2018. Hurricane Florence was a powerful Cape Verde hurricane that caused severe damage in the Carolinas, primarily due to freshwater flooding. The storm dumped historic amounts of rain on the County and damaged an estimated 5,100 buildings. Most of Pender County saw extensive flooding that drowned homes and closed numerous roads. To date, the County does not have an exact estimate of the damages to disclose, however most of these losses should be recoverable through FEMA and/or insurance.

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Required Supplemental Financial Data

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

- 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
- Schedule of Changes in the Total OPEB Liability and Related Ratios

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.25790%	0.26029%	0.25865%	0.25546%	0.25960%
County's proportionate share of the net pension liability (asset) \$	\$ 3,939,998	\$ 5,524,225	\$ 1,160,806	\$ (1,506,565)	\$ 3,129,177
County's covered payroll	\$ 16,359,704	\$ 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	24.08%	35.15%	7.53%	-10.04%	23.51%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

**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 Five Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,208,210	\$ 1,233,545	\$ 1,099,527	\$ 1,068,154	\$ 1,023,364
Contributions in relation to the contractually required contribution	<u>1,208,210</u>	<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>	<u>\$ -</u>
County's covered payroll	\$ 16,477,422	\$ 16,359,704	\$ 15,716,206	\$ 15,408,045	\$ 15,004,563
Contributions as a percentage of covered payroll	7.33%	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 Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.74470%	0.72559%	0.70577%	0.67167%	0.66000%
County's proportionate share of the net pension liability (asset) \$	\$ (127,113)	\$ (135,656)	\$ (163,555)	\$ (152,245)	\$ (140,884)
County's covered payroll	\$ 198,658	\$ 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	-63.99%	-76.78%	-94.26%	-40.44%	-37.42%
Plan fiduciary net position as a percentage of the total pension liability	153.77%	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 Five Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,168	\$ 6,270	\$ 5,928	\$ 5,648	\$ 5,484
Contributions in relation to the					
contractually required contribution	<u>6,168</u>	<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>	<u>-</u>
County's covered payroll	\$ 57,471	\$ 198,658	\$ 176,691	\$ 173,510	\$ 376,502
Contributions as a percentage of					
covered payroll	10.73%	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 Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,156,255	\$ 1,080,043
Service cost	71,903	69,071
Interest on the total pension liability	44,631	38,558
Difference between expected and actual experience	(2,144)	-
Changes of assumptions or other inputs	93,921	(31,417)
Ending balance of the total pension liability	<u>\$ 1,364,566</u>	<u>\$ 1,156,255</u>

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

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 Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Years Ended June 30, 2018 and 2017

	2018	2017
Total pension liability	\$ 1,364,566	\$ 1,156,255
Covered payroll	3,206,779	2,782,922
Total pension liability as a percentage of covered payroll	42.55%	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.

On the prior measurement date, December 31, 2016, the Municipal Bond Index Rate was 3.86%. Since the prior measurement date, the Municipal Bond Index Rate has decreased to 3.16% as of the measurement date, December 31, 2017.

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 the Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2018*

	2018
Total OPEB Liability	
Service Cost	\$ 859,652
Interest	472,731
Changes of benefit terms	-
Differences between expected and actual experience	(2,578)
Changes of assumptions	(2,031,656)
Benefit payments	(115,955)
Net change in total OPEB liability	(817,806)
Total OPEB liability - beginning	8,503,553
Prior period restatement	7,259,360
Total OPEB liability - beginning, restated	15,762,913
Total OPEB liability - ending	<u>\$ 14,945,107</u>
 Covered employee payroll	 \$ 14,340,852
Total OPEB liability as a percentage of covered-employee payroll	104.21%

*Plan measurement date is the reporting date. Employer measurement date is one year prior to reporting date.

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.

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, 2018
(Page 1 of 3)

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues			
Ad valorem taxes	\$ 46,632,000	\$ 48,433,085	\$ 1,801,085
Unrestricted intergovernmental	8,656,000	10,290,255	1,634,255
Restricted intergovernmental	11,292,254	9,722,751	(1,569,503)
Permits and fees	909,663	1,136,379	226,716
Charges for services	1,446,350	1,604,252	157,902
Interest	155,740	624,200	468,460
Miscellaneous	251,555	836,406	584,851
Total revenues	69,343,562	72,647,328	3,303,766
Expenditures			
General government:			
Governing body	216,257	204,092	12,165
County manager	432,496	418,477	14,019
Human resources	283,905	251,812	32,093
Board of Elections	294,067	263,291	30,776
Finance	668,520	511,601	156,919
Information systems	1,715,536	1,528,852	186,684
Tax administrator	1,685,862	919,243	766,619
Tax collections	717,192	699,497	17,695
AE&P fund	40,000	10,162	29,838
Register of deeds	385,148	381,590	3,558
Public buildings	2,825,763	2,452,349	373,414
Vehicle maintenance	569,230	506,208	63,022
Inspections	256,829	243,154	13,675
Court facilities	18,865	18,864	1
County attorney	90,030	65,331	24,699
Non-departmental	1,004,847	983,695	21,152
Total general government	11,204,547	9,458,218	1,746,329
Public safety:			
Sheriff	6,449,665	6,406,873	42,792
Jail	2,745,107	2,356,199	388,908
Animal control	287,459	281,601	5,858
Emergency management	512,755	477,008	35,747
Forest resources	210,000	184,916	25,084
Sheriff seizure	111,744	40,351	71,393
Medical examiner	75,000	65,580	9,420
Total public safety	10,391,730	9,812,528	579,202

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, 2018
(Page 2 of 3)**

Economic and physical development:

Extension service	\$ 1,259,027	\$ 1,155,569	103,458
Planning	1,197,523	1,024,845	172,678
Tourism office	164,324	162,193	2,131
Option 4 payments	575,000	606,647	(31,647)
Outside agencies	1,356,665	1,334,268	22,397
Total economic and physical development	4,552,539	4,283,522	269,017

Human services:

Health department	6,415,165	5,707,284	707,881
Public assistance	10,115,225	8,027,708	2,087,517
Mosquito control	11,700	11,846	(146)
Veterans	180,013	169,476	10,537
Mental health	20,000	20,840	(840)
EDTAP transportation	167,000	166,478	522
Total health services	16,909,103	14,103,632	2,805,471

Culture and recreation

Recreation	585,466	516,502	68,964
Shooting range	134,663	106,256	28,407
Libraries	833,764	808,538	25,226
Youth alternatives	113,591	113,529	62
Total culture and recreation	1,667,484	1,544,825	122,659

Education, schools

Local current expense	14,952,460	14,952,460	-
Capital outlay	1,892,000	1,892,000	-
School resource officer	411,304	396,676	14,628
Community college	654,851	654,851	-
Total education	17,910,615	17,895,987	14,628

Debt service:

Principal	799,189	815,929	(16,740)
Interest	275,010	256,415	18,595
Total debt service	1,074,199	1,072,344	1,855

Total expenditures	63,710,217	58,171,056	5,539,161
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Revenues over expenditures	5,633,345	14,476,272	8,842,927
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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, 2018

(Page 3 of 3)

Other financing sources (uses)

Loan receivables payments	\$ 291,679	\$ 291,667	\$ (12)
Debt issuance costs	-	(51)	(51)

Transfers in (out):

911 Emergency Telephone Systems Fund	(73,721)	(58,248)	15,473
School Special Revenue Fund	(6,550,961)	(6,550,961)	-
Revaluation Fund	(125,000)	(125,000)	-
Fire Service District Fund	(50,000)	(50,000)	-
Rescue District Fund	(175,000)	(175,000)	-
Capital Improvement Fund	1,975,730	1,975,730	-
Enterprise Funds	(8,744,185)	(8,401,164)	343,021
Contingency	19,007	-	(19,007)
Appropriated fund balance	7,799,106	-	(7,799,106)
Total other financing sources (uses)	<u>(5,633,345)</u>	<u>(13,093,027)</u>	<u>(7,459,682)</u>

Revenues over expenditures

and other financing sources (uses)	<u>\$ -</u>	1,383,245	<u>\$ 1,383,245</u>
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Fund balance, beginning	<u>39,729,090</u>
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Fund balance, ending	<u>\$ 41,112,335</u>
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Revaluation Fund
Statement of Revenue, Expenses and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures	<u>1,280,600</u>	<u>275,607</u>	<u>1,004,993</u>
Revenues over expenditures	<u>(1,280,600)</u>	<u>(275,607)</u>	<u>1,004,993</u>
Other financing sources			
Transfer from General Fund	125,000	125,000	-
Appropriated fund balance	<u>1,155,600</u>	<u>-</u>	<u>(1,155,600)</u>
Total other financing sources (uses)	1,280,600	125,000	(1,155,600)
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	(150,607)	<u>\$ (150,607)</u>
Fund balances			
Beginning		1,030,601	
Ending		<u>\$ 879,994</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, 2018

	Project	Actual			Variance
	Authorization	Prior	Current	Total	Positive
		Years	Year	to Date	(Negative)
Revenues					
Unrestricted intergovernmental	\$ -	\$ -	\$ 372,388	\$ 372,388	\$ 372,388
Interest income	-	231,878	325,419	557,297	557,297
Total revenues	-	231,878	697,807	929,685	929,685
Expenditures					
Intergovernmental:					
Schools:					
Burgaw Middle	2,903,397	2,555,566	347,831	2,903,397	-
Pender High School	2,225,062	1,769,037	456,025	2,225,062	-
Penderlea School	25,445,364	5,334,812	15,078,064	20,412,876	5,032,488
West Pender Middle School	2,246,522	1,973,005	273,518	2,246,523	(1)
Cape Fear E/M	8,485,271	7,657,502	827,769	8,485,271	-
SC K-12	38,580,880	13,515,302	25,558,549	39,073,851	(492,971)
Bond closing costs	785,701	629,877	97	629,974	155,727
Total expenditures	80,672,197	33,435,101	42,541,853	75,976,954	4,695,243
Revenues under expenditures	(80,672,197)	(33,203,223)	(41,844,046)	(75,047,269)	5,624,928
Other financing sources					
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)	-
Reserves	(2,639,748)	-	-	-	2,639,748
Premium on debt issued	8,311,945	8,211,630	-	8,211,630	(100,315)
Bond proceeds	75,000,000	75,000,000	-	75,000,000	-
	80,672,197	83,211,630	-	83,211,630	2,539,433
Revenues and other financing sources over (under) expenditures	\$ -	\$ 50,008,407	(41,844,046)	\$ 8,164,361	\$ 8,164,361
Fund balances					
Beginning			50,008,407		
Ending			\$ 8,164,361		

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NON-MAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet
Non-major Governmental Funds
June 30, 2018

	Government Fund Types		
	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds
Assets			
Cash and cash equivalents	\$ 7,709,903	\$ 1,665,635	\$ 9,375,538
Taxes receivable (net)	265,170	-	265,170
Accounts receivable	-	381,280	381,280
Due from other governments	1,257,369	-	1,257,369
Restricted cash	-	133,835	133,835
Total assets	\$ 9,232,442	\$ 2,180,750	\$ 11,413,192
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	20,736	76,031	96,767
Due to other funds	-	-	-
Total liabilities	20,736	76,031	96,767
Deferred inflows of resources	265,170	-	265,170
Fund balances:			
Restricted:			
Public safety	524,784	-	524,784
School capital projects	69,003	-	69,003
Committed:			
School capital projects	8,352,749	-	8,352,749
Capital outlay and improvements	-	2,104,719	2,104,719
Total fund balances	8,946,536	2,104,719	11,051,255
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,232,442	\$ 2,180,750	\$ 11,413,192

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2018**

	Government Funds		
	Special Revenue Funds	Capital Projects Funds	Total Non-major Governmental Funds
Revenues			
Ad valorem taxes	\$ 10,958,454	\$ -	\$ 10,958,454
Unrestricted intergovernmental	4,273,518	-	4,273,518
Restricted intergovernmental	634,078	638,831	1,272,909
Investment earnings	811	-	811
Total revenues	15,866,861	638,831	16,505,692
Expenditures			
Current:			
Public safety	11,536,436	-	11,536,436
Education	262,821	-	262,821
Capital outlay	-	404,808	404,808
Debt service payment	7,615,000	-	7,615,000
Interest expense	4,080,513	-	4,080,513
Total expenditures	23,494,770	404,808	23,899,578
Revenues over (under) expenditures	(7,627,909)	234,023	(7,393,886)
Other financing sources (uses)			
Transfers in	6,834,209	329,000	7,163,209
Transfers out	-	(2,304,730)	(2,304,730)
Total other financing sources (uses)	6,834,209	(1,975,730)	4,858,479
Net change in fund balance	(793,700)	(1,741,707)	(2,535,407)
Fund balances			
Beginning	9,740,236	3,846,426	13,586,662
Ending	\$ 8,946,536	\$ 2,104,719	\$ 11,051,255

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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, 2018**

	Fire Service District Fund	Rescue District Fund	911 Emergency Telephone Fund	School Special Revenue Fund	Totals
Assets					
Cash and cash equivalents	\$ 26,374	\$ 364,877	\$ 4,976	\$ 7,313,676	\$ 7,709,903
Taxes receivable (net)	63,542	201,628	-	-	265,170
Due from other governments	15,410	100,594	33,289	1,108,076	1,257,369
Total assets	\$ 105,326	\$ 667,099	\$ 38,265	\$ 8,421,752	\$ 9,232,442
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 20	\$ 29	\$ 20,687	\$ -	\$ 20,736
Total liabilities	20	29	20,687	-	20,736
Deferred inflows of resources	63,542	201,628	-	-	265,170
Fund balances:					
Restricted:					
Public safety	41,764	465,442	17,578	-	524,784
Education	-	-	-	69,003	69,003
Committed:					
Education	-	-	-	8,352,749	8,352,749
Total fund balances	41,764	465,442	17,578	8,421,752	8,946,536
Total liabilities, deferred inflows of resources, and fund balances	\$ 105,326	\$ 667,099	\$ 38,265	\$ 8,421,752	\$ 9,232,442

Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2018

	Fire Service District Fund	Rescue District Fund	911 Emergency Telephone Fund	School Special Revenue Fund	Totals
Revenues					
Ad valorem taxes	\$ 1,526,872	\$ 9,431,582	\$ -	\$ -	\$ 10,958,454
Unrestricted intergovernmental	-	-	399,471	3,874,047	4,273,518
Restricted intergovernmental	-	-	-	634,078	634,078
Investment earnings	-	-	-	811	811
Total revenues	1,526,872	9,431,582	399,471	4,508,936	15,866,861
Expenditures					
Public safety	1,535,525	9,533,558	467,353	-	11,536,436
Education	-	-	-	262,821	262,821
Debt service payments	-	-	-	7,615,000	7,615,000
Interest expense	-	-	-	4,080,513	4,080,513
Total expenditures	1,535,525	9,533,558	467,353	11,958,334	23,494,770
Revenues over (under) expenditures	(8,653)	(101,976)	(67,882)	(7,449,398)	(7,627,909)
Other financing (uses)					
Transfers from (to):					
Transfers from General Fund	50,000	175,000	58,248	6,550,961	6,834,209
Total other financing uses	50,000	175,000	58,248	6,550,961	6,834,209
Revenues and other financing sources over (under) expenditures and other financing uses	41,347	73,024	(9,634)	(898,437)	(793,700)
Fund balances					
Beginning	417	392,418	27,212	9,320,189	9,740,236
Ending	\$ 41,764	\$ 465,442	\$ 17,578	\$ 8,421,752	\$ 8,946,536

Fire Service District Fund
Statement of Revenue, Expenses and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 1,487,235	\$ 1,526,872	\$ 39,637
Total revenues	<u>1,487,235</u>	<u>1,526,872</u>	<u>39,637</u>
Expenditures			
Public safety:			
Fire Districts:			
Pender Central	305,014	292,245	12,769
Maple Hill	100,000	65,664	34,336
Rocky Point	476,757	482,345	(5,588)
Shiloh	135,753	136,855	(1,102)
Penderlea	225,059	226,874	(1,815)
Atkinson	146,677	148,366	(1,689)
Northeast Pender	169,009	170,413	(1,404)
Penderlea - Dublin Area	12,757	12,763	(6)
Total expenditures	<u>1,571,026</u>	<u>1,535,525</u>	<u>35,501</u>
Revenues (under) expenditures	<u>(83,791)</u>	<u>(8,653)</u>	<u>75,138</u>
Other financing sources (uses)			
Transfer from General Fund	83,791	50,000	(33,791)
Total other financing sources (uses)	<u>83,791</u>	<u>50,000</u>	<u>(33,791)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>41,347</u>	<u>\$ 41,347</u>
Fund balances			
Beginning		417	
Ending		<u>\$ 41,764</u>	

Rescue District Fund
Statement of Revenue, Expenses and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Rescue district taxes:			
Pender county EMS taxes	\$ 8,966,151	\$ 9,431,582	\$ 465,431
Total revenues	<u>8,966,151</u>	<u>9,431,582</u>	<u>465,431</u>
Expenditures			
Public safety:			
Pender volunteer EMS & rescue	6,439,776	6,439,776	-
Fire Districts:			
Sloop Point	1,495,617	1,495,617	-
Maple Hill	175,000	175,000	-
Long Creek	368,700	368,700	-
Hampstead	822,051	822,051	-
Scotts Hill	232,415	232,414	1
Total expenditures	<u>9,533,559</u>	<u>9,533,558</u>	<u>1</u>
Revenues under expenditures	<u>(567,408)</u>	<u>(101,976)</u>	<u>465,432</u>
Other financing sources			
Transfer from General Fund	175,000	175,000	-
Appropriated fund balance	392,408	-	(392,408)
Total other financing sources	<u>567,408</u>	<u>175,000</u>	<u>(392,408)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>73,024</u>	<u>\$ 73,024</u>
Fund balances			
Beginning		392,418	
Ending		<u>\$ 465,442</u>	

911 Emergency Telephone Systems
Statement of Revenue, Expenses and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Unrestricted intergovernmental	\$ 399,470	\$ 399,471	\$ 1
Total revenues	<u>399,470</u>	<u>399,471</u>	<u>1</u>
Expenditures			
Implemental functions	83,674	83,674	-
Travel	1,000	400	600
Training	5,234	4,615	619
Telephone	11,927	13,019	(1,092)
Supplies & materials	3,900	2,485	1,415
Contracted services	135,687	135,688	(1)
Telecommunication service	154,148	154,148	-
Computer expense	35,941	45,538	(9,597)
Capital outlay	27,787	27,786	1
Other equipment	195	-	195
Total expenditures	<u>459,493</u>	<u>467,353</u>	<u>(7,860)</u>
Revenues over (under) expenditures	<u>(60,023)</u>	<u>(67,882)</u>	<u>(7,859)</u>
Other financing sources (uses)			
Contingency	(13,698)	-	13,698
Transfer from General Fund	73,721	58,248	(15,473)
Total other financing sources (uses)	<u>60,023</u>	<u>58,248</u>	<u>(1,775)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(9,634)</u>	<u>\$ (9,634)</u>
Fund balances			
Beginning		<u>27,212</u>	
Ending		<u>\$ 17,578</u>	

School Special Revenue Fund
Statement of Revenue, Expenses and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Other taxes - sales	\$ 3,275,000	\$ 3,874,047	\$ 599,047
Lottery funds	500,000	634,078	134,078
Investment earnings	-	811	811
Total revenues	<u>3,775,000</u>	<u>4,508,936</u>	<u>733,936</u>
Expenditures			
Option 4 redistribution	250,000	262,821	(12,821)
Debt service payment	7,615,000	7,615,000	-
Interest expense	4,080,514	4,080,513	1
Total expenditures	<u>11,945,514</u>	<u>11,958,334</u>	<u>(12,820)</u>
Revenue over (under) expenditures	(8,170,514)	(7,449,398)	721,116
Other financing sources (uses)			
Transfer from General fund	6,550,961	6,550,961	-
Fund balance appropriated	1,619,553	-	(1,619,553)
Total other financing sources (uses)	<u>8,170,514</u>	<u>6,550,961</u>	<u>(1,619,553)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ (898,437)</u>	<u>\$ (898,437)</u>
Fund balances			
Beginning		<u>9,320,189</u>	
Ending		<u>\$ 8,421,752</u>	

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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, 2018

	Capital Improvements Fund	Capital Facilities Reserve Fund	Totals
Assets			
Cash and investments	\$ 1,566,487	\$ 99,148	\$ 1,665,635
Restricted cash	133,835	-	133,835
Accounts receivable	381,280	-	381,280
Total assets	\$ 2,081,602	\$ 99,148	\$ 2,180,750
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 76,031	\$ -	\$ 76,031
Total liabilities	76,031	-	76,031
Fund balances:			
Committed:			
Capital outlay and improvements	2,005,571	99,148	2,104,719
Total fund balances	2,005,571	99,148	2,104,719
Total liabilities and fund balances	\$ 2,081,602	\$ 99,148	\$ 2,180,750

Non-major Capital Projects Fund
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2018

	Capital Improvements Fund	Capital Facilities Reserve Fund	Totals
Revenues			
Restricted intergovernmental	\$ 638,831	\$ -	\$ 638,831
Total revenues	<u>638,831</u>	<u>-</u>	<u>638,831</u>
Expenditures			
Capital outlay	404,808	-	404,808
Total expenditures	<u>404,808</u>	<u>-</u>	<u>404,808</u>
Revenues over (under) expenditures	<u>234,023</u>	<u>-</u>	<u>234,023</u>
Other financing sources (uses)			
Transfers from (to):			
General Fund	(2,304,730)	-	(2,304,730)
General Fund	329,000	-	329,000
Total other financing sources (uses)	<u>(1,975,730)</u>	<u>-</u>	<u>(1,975,730)</u>
Revenues and other financing sources over (under) expenditures	<u>(1,741,707)</u>	<u>-</u>	<u>(1,741,707)</u>
Fund balances			
Beginning	3,747,278	99,148	3,846,426
Ending	<u>\$ 2,005,571</u>	<u>\$ 99,148</u>	<u>\$ 2,104,719</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, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Emergency Management Grant	\$ 2,099,254	\$ 265,908	\$ 571,546	\$ 837,454	\$ (1,261,800)
Community development	122,500	123,000	520	123,520	1,020
Mallard Bay Dredging	-	-	56,765	56,765	56,765
Coastal Management Grant	7,500	-	-	-	(7,500)
NC Wildlife Grant	10,000	-	10,000	10,000	-
Total revenues	2,239,254	388,908	638,831	1,027,739	(1,211,515)
Expenditures					
Capital Outlay:					
HVAC installation	1,202,395	1,153,514	57,787	1,211,301	(8,906)
Pender Memorial park	222,795	4,875	8,910	13,785	209,010
Hampstead sidewalk project	200,000	-	-	-	200,000
Hampstead Kiwanis park	273,569	223,301	505	223,806	49,763
Jail renovations	1,520,423	93,727	-	93,727	1,426,696
Comprehensive land use	42,500	19,250	23,250	42,500	-
Library	149,000	-	79,579	79,579	69,421
Renovation Probation	175,000	143,820	-	143,820	31,180
FEMA Grants	3,099,254	623,810	234,777	858,587	2,240,667
Total expenditures	6,884,936	2,262,297	404,808	2,667,105	4,217,831
Revenues under expenditures	(4,645,682)	(1,873,389)	234,023	(1,639,366)	3,006,316
Other financing sources (uses)					
Loan proceeds	2,303,341	2,253,974	-	2,253,974	(49,367)
Premium on LOB's	96,836	496,140	-	496,140	399,304
Bond issuance cost	(22,782)	(41,331)	-	(41,331)	(18,549)
Appropriated fund balance	1,318,887	-	-	-	(1,318,887)
Transfers to General Fund	(1,327,818)	-	(2,304,730)	(2,304,730)	(976,912)
Transfers from General Fund	2,277,218	2,911,884	329,000	3,240,884	963,666
Total other financing sources (uses)	4,645,682	5,620,667	(1,975,730)	3,644,937	(1,000,745)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 3,747,278	(1,741,707)	\$ 2,005,571	\$ 2,005,571
Fund balances					
Beginning			3,747,278		
Ending			<u>\$ 2,005,571</u>		

Capital Improvements Fund - Capital Facilities Reserve - Capital Project Fund

Statement of Revenue, Expenses and

Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-	-
Revenues under expenditures	-	-	-	-	-
Other financing sources (uses)					
Transfers to Capital Improvements Fund	-	(1,900,000)	-	(1,900,000)	(1,900,000)
Transfers from General Fund	-	1,999,148	-	1,999,148	1,999,148
Total other financing sources (uses)	-	99,148	-	99,148	99,148
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 99,148</u>	<u>-</u>	<u>\$ 99,148</u>	<u>\$ 99,148</u>
Fund balances					
Beginning			99,148		
Ending			<u>\$99,148</u>		

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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, 2018

	Budget	Actual	Variance, Positive (Negative)
Operating Revenues			
Landfill fees	\$ 1,249,838	\$ 1,268,744	\$ 18,906
User fees	4,200,000	4,179,836	(20,164)
Recycling	5,500	10	(5,490)
Miscellaneous	38,000	230,354	192,354
Total operating revenues	5,493,338	5,678,944	185,606
Operating Expenditures			
Salaries and employee benefits	303,983	242,334	61,649
Contracted services	154,952	135,300	19,652
Other operating expenditures	5,309,071	4,720,434	588,637
Principal	38,000	30,170	7,830
Interest	13,984	11,035	2,949
Capital outlay	63,364	-	63,364
Total operating expenditures	5,883,354	5,139,273	744,081
Operating revenues under operating expenditures	(390,016)	539,671	929,687
Non-Operating Revenues			
White goods	10,000	50,724	40,724
Scrap tire	60,000	79,417	19,417
Reimbursement from schools	300,000	321,288	21,288
Total non-operating revenues	370,000	451,429	81,429
Revenues over (under) expenditures	(20,016)	991,100	1,011,116
Other Financing Sources (Uses)			
Transfers in (out):			
General Fund	10,152	10,152	-
Hampstead Transfer Station	(284,566)	(284,566)	-
Appropriated fund balance	294,430	-	(294,430)
Total other financing sources (uses)	20,016	(274,414)	(294,430)
Revenues under expenditures and other financing uses	\$ -	\$ 716,686	\$ 716,686
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 716,686	
OPEB expense		11,602	
Pension expense		(683)	
Principal payments		30,170	
Capital Project Fund transfer in from Resource Recovery Fund		284,566	
Revenue from Capital Project Fund		152	
Depreciation		(42,824)	
Change in net position, full accrual basis		\$ 999,669	

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, 2018

	Total Project Estimates	Actual			Variance Positive Negative
		Prior Years	Current Year	Total to Date	
Revenues					
Miscellaneous revenues	\$ -	\$ -	\$ 152	\$ 152	\$ 152
Total revenues	-	-	152	152	152
Expenditures					
Contracted services	40,900	17,165	-	17,165	23,735
Capital outlay	628,820	522,956	2,800	525,756	103,064
Total expenditures	669,720	540,121	2,800	542,921	126,799
Revenues over (under) expenditures	(669,720)	(540,121)	(2,648)	(542,769)	126,951
Other Financing Sources (Uses)					
Transfers from General Fund	13,394	13,394	-	13,394	-
CWSRF loan proceeds	669,720	584,971	18,426	603,397	(66,323)
Debt issuance costs	(13,394)	(12,868)	-	(12,868)	526
Total other financing sources (uses)	669,720	585,497	18,426	603,923	(65,797)
Revenues under expenditures and other financing sources (uses)	\$ -	\$ 45,376	\$ 15,778	\$ 61,154	\$ 61,154

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, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Development fees	\$ 600,000	\$ -	\$ (600,000)
Total revenues	600,000	-	(600,000)
Expenditures			
Capital outlay	1,235,021	310,916	924,105
Total expenditures	1,235,021	310,916	924,105
Revenues over expenditures	(635,021)	(310,916)	(1,524,105)
Other Financing Sources (Uses)			
Transfers from Resource Recovery Fund	635,021	284,566	(350,455)
Total other financing sources (uses)	635,021	284,566	(350,455)
Revenues over expenditures and other financing sources (uses)	\$ -	\$ (26,350)	\$ (26,350)

**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, 2018**

	Budget	Actual	Variance, Positive (Negative)
Revenues			
School fees - sewer	\$ 40,000	\$ 26,265	\$ (13,735)
Commercial sewer fees	77,000	81,135	4,135
Water fees	3,925,000	4,570,253	645,253
Connections fees - water	150,000	217,683	67,683
Other fees	72,559	256,328	183,769
Investment income	-	12,061	12,061
Total operating revenues	4,264,559	5,163,725	899,166
Expenditures			
Sewer operations:			
Salaries and employee benefits	73,378	(162,405)	235,783
Contracted services	12,500	12,500	-
Other operating expenditures	74,685	85,164	(10,479)
Capital outlay	65,000	(90,102)	155,102
Total	225,563	(154,843)	380,406
Water Operations:			
Salaries and employee benefits	737,161	938,348	(201,187)
Contracted services	276,050	188,294	87,756
Water purchases	2,490,975	2,515,725	(24,750)
Other operating expenditures	689,525	672,423	17,102
Debt service payments:			
Principal	360,000	360,000	-
Interest	761,225	770,357	(9,132)
Total	5,314,936	5,445,147	(130,211)
Revenues over (under) expenditures	(1,275,940)	(126,579)	1,149,361
Other Financing Sources (Uses)			
Transfers in (out):			
General Fund	27,781	27,781	-
Rocky Point Water Fund - Phase IV	463	463	-
Rocky Point Water Fund - Phase V	1,019,700	1,019,700	-
Water/Waste Water Capacity Fees Fund	1,000,000	1,000,000	-
Rocky Point Water Fund - Phase III	(735)	(735)	-
Rocky Point Water Fund - Phase III	(599)	-	599
Fund balance reserve	(1,020,163)	-	1,020,163
Appropriate fund balance	249,493	-	(249,493)
Total other financing sources	1,275,940	2,047,209	771,269
Revenues, other sources, and appropriated fund balance over expenditures	\$ -	\$ 1,920,630	\$ 1,920,630
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 1,920,630	
OPEB expense		(21,206)	
Pension expense		(4,860)	
Principal payments		360,000	
Premium amortization		49,206	
Loss on disposal of asset		(9,051)	
Capital Project Fund transfer from Rocky Point/Topsail Water & Sewer Fund		735	
Capital Project Fund transfer to Rocky Point/Topsail Water & Sewer Fund		(463)	
Capital Project Fund transfer to Rocky Point/Topsail Water & Sewer Fund		(1,019,700)	
Depreciation		(692,998)	
Change in net position, full accrual basis		\$ 582,293	

Exhibit E-2a

		Actual			
	Project	Prior	Current	Completed	Variance
	Authorizations	Years	Year	Total to Date	Positive Negative
Revenues					
USDA Rural Development - grant	\$ 3,680,500	\$ 3,680,500	\$ -	\$ 3,680,500	\$ -
Investment income	2,627	46,651	-	46,651	44,024
Sales tax refund	181,949	168,212	-	168,212	(13,737)
Total revenue	3,865,076	3,895,363	-	3,895,363	30,287
Expenditures					
Contracted services	845,107	421,175	-	421,175	423,932
Construction	7,636,830	5,464,244	-	5,464,244	2,172,586
Interest	527,701	842,694	-	842,694	(314,993)
Contingency	27,420	350	-	350	27,070
Reserve for arbitrage	8,700	8,700	-	8,700	-
Other	-	1,004	-	1,004	(1,004)
Total expenditures	9,045,758	6,738,167	-	6,738,167	2,307,591
Revenues under expenditures	(5,180,682)	(2,842,804)	-	(2,842,804)	2,337,878
Other Financing Sources (Uses)					
USDA Rural Development - loan	5,723,000	5,723,000	-	5,723,000	-
Premium on debt issued	-	57,876	-	57,876	(57,876)
Donations	53,000	53,000	-	53,000	-
Transfers in (out):					
Rocky Point Phase IV	(341,015)	(341,015)	-	(341,015)	-
Rocky Point Water & Sewer	(340,803)	(340,803)	-	(340,803)	-
Rocky Point Water & Sewer	86,500	86,500	735	87,235	(735)
Total other financing sources (uses)	5,180,682	5,238,558	735	5,239,293	(58,611)
Revenues and other financing sources over expenditures and other financing sources	\$ -	\$ 2,395,754	\$ 735	\$ 2,396,489	\$ 2,396,489

Capital project closed at June 30, 2018

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

Exhibit E-2b

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Completed Total to Date	Variance Positive Negative
Revenues					
USDA Rural Development Grant	\$ 1,094,000	\$ 174,900	\$ -	\$ 174,900	\$ (919,100)
Connection fees	30,000	-	-	-	(30,000)
Investment income	-	79,048	-	79,048	79,048
Total revenues	1,124,000	253,948	-	253,948	(870,052)
Expenditures					
Postage	4,000	1,168	-	1,168	2,832
Supplies and materials	1,650	1,309	-	1,309	341
Contracted services	371,296	238,951	-	238,951	132,345
Capital outlay	2,162,000	1,893,203	-	1,893,203	268,797
Interest	140,000	90,076	-	90,076	49,924
Contingency	92,804	2,550	-	2,550	90,254
Total expenditures	2,771,750	2,227,257	-	2,227,257	544,493
Revenues under expenditures	(1,647,750)	(1,973,309)	-	(1,973,309)	(325,559)
Other Financing Sources (Uses)					
USDA Rural Development - loan	1,187,985	1,529,000	-	1,529,000	341,015
Premium on debt issued	-	2,150	-	2,150	2,150
Transfer to Rocky Point Water & Sewer	-	-	(463)	(463)	(463)
Transfer from Rocky Point Water & Sewer	459,765	431,865	-	431,865	(27,900)
Total other financing sources	1,647,750	1,963,015	(463)	1,962,552	314,802
Revenues and other financing sources over expenditures and other financing sources	\$ -	\$ (10,294)	\$ (463)	\$ (10,757)	\$ (10,757)

Capital project closed at June 30, 2018

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

Exhibit E-2c

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2018

	Total Project Estimates	Actual		Completed Total to Date	Variance Positive Negative
		Prior Years	Current Year		
Revenues					
Investment income	\$ 95,374	\$ 551,738	\$ -	\$ 551,738	\$ 456,364
Total revenue	95,374	551,738	-	551,738	456,364
Expenditures					
Capital outlay	8,951,152	8,336,582	-	8,336,582	614,570
Contracted services	602,561	604,933	-	604,933	(2,372)
Interest	920,548	920,549	-	920,549	(1)
Reserve for arbitrage	95,874	94,895	-	94,895	979
Contingency	6,550	6,550	-	6,550	-
Total expenditures	10,576,685	9,963,509	-	9,963,509	613,176
Revenues under expenditures	(10,481,311)	(9,411,771)	-	(9,411,771)	1,069,540
Other Financing Sources (Uses)					
USDA Rural Development - loan	10,625,000	10,625,000	-	10,625,000	-
Premium on debt issued	-	14,944	-	14,944	(14,944)
Transfer to Rocky Point Water & Sewer	(143,689)	(143,689)	(1,019,700)	(1,163,389)	1,019,700
Total other financing sources (uses)	10,481,311	10,496,255	(1,019,700)	9,476,555	1,004,756
Revenues over (under) expenditures and other financing sources	\$ -	\$ 1,084,484	\$ (1,019,700)	\$ 64,784	\$ 64,784

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, 2018

	Budget	Actual	Variance, Positive (Negative)
Revenues			
Water fees	\$ 2,382,462	\$ 2,243,429	\$ (139,033)
Other fees	-	42,556	42,556
Payment from district	1,295,775	1,295,647	(128)
Total operating revenues	3,678,237	3,581,632	(96,605)
Expenditures			
Salaries and employee benefits	349,923	254,996	94,927
Contract services	214,334	84,728	129,606
Water purchases	150,000	135,496	14,504
Operating expenditures	552,755	881,763	(329,008)
Capital outlay	44,621	(144)	44,765
Debt service payments:			
Principal	822,336	821,836	500
Interest	1,575,984	1,621,221	(45,237)
Total operating expenditures	3,709,953	3,799,896	(89,943)
Revenues over (under) expenditures	(31,716)	(218,264)	(186,548)
Other Financing Sources (Uses)			
Transfers in (out):			
General fund	11,564	11,564	-
Appropriated fund balance	20,152	-	(20,152)
Total other financing sources	31,716	11,564	(20,152)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (206,700)	\$ (206,700)
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual to full accrual;		\$ (206,700)	
Depreciation		(949,846)	
Payment from district		(1,295,647)	
Interest payment on debt from district		865,647	
Capital Project Fund transfer from General Fund		4,082,241	
Principal payments		821,836	
Pension expense		(2,242)	
OPEB expense		(25,998)	
Change in net position, full accrual basis		\$ 3,289,291	

Pender County, North Carolina
Water Treatment Capital Project Fund

Exhibit E-3a

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2018

	Actual			Variance
	Project Authorization	Prior Years	Current Year	Positive Negative
Revenues				
USDA Rural Development - grant	\$ 7,594,000	\$ 7,594,000	\$ -	\$ 7,594,000
Investment income	4,100	53,000	-	53,000
Sales tax refund	215,009	-	-	(215,009)
Total revenue	7,813,109	7,647,000	-	7,647,000
Expenditures				
Contracted services	2,664,079	2,824,414	-	2,824,414
Capital outlay	28,756,000	29,261,965	-	29,261,965
Water treatment plant	4,125,455	836,006	-	836,006
Reserve for arbitrage	4,100	2,935	-	2,935
Interest	1,541,686	1,417,061	-	1,417,061
Total expenditures	37,091,320	34,342,381	-	34,342,381
Revenues over (under) expenditures	(29,278,211)	(26,695,381)	-	(26,695,381)
Other Financing Sources (Uses)				
USDA loan proceeds	17,500,000	17,500,000	-	17,500,000
USDA revenue bonds	4,955,000	4,955,000	-	4,955,000
Transfer from Capacity Fee Fund	502,000	502,000	-	502,000
Transfer from General Fund	-	-	4,082,241	4,082,241
Loan from General Fund	6,321,211	1,177,624	-	1,177,624
Total other financing sources (uses)	29,278,211	24,134,624	4,082,241	28,216,865
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (2,560,757)	\$ 4,082,241	\$ 1,521,484

Capital project closed at end of June 30, 2018

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, 2018

	Budget	Actual	Variance, Positive (Negative)
Revenues			
Water and sewer capacity fees	\$ 1,000,000	\$ -	\$ (1,000,000)
Water fees	-	(1,660)	(1,660)
Sewer fees	50,000	216,209	166,209
Total operating revenues	1,050,000	214,549	(835,451)
Expenditures			
Salaries and employee benefits	91,792	91,790	2
Contracted services	183,784	43,109	140,675
Operating expenditures	171,786	157,096	14,690
Debt service payments:			
Principal	735,500	740,000	(4,500)
Interest	752,745	749,038	3,707
Total operating expenditures	1,935,607	1,781,033	154,574
Revenues over (under) expenditures	(885,607)	(1,566,484)	(680,877)
Other Financing Sources (Uses)			
Appropriated fund balance	195,108	-	(195,108)
Transfers in (out):			
To Maple Hill Sewer Capital Project Fund	(26,130)	(26,130)	-
To Rocky Point Fund	(1,000,000)	-	1,000,000
From General Fund	1,716,629	1,716,629	-
Total other financing sources	885,607	1,690,499	804,892
Revenues under expenditures and other financing sources (uses)	\$ -	124,015	\$ 124,015
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual to full accrual:		124,015	
Depreciation		(531,559)	
Gold Leaf Grant		80,000	
EDA and Rural Center Grant Exhibit-4b		227,499	
Water and Wastewater capacity fees capital project fund		1,520,881	
Capital Project Fund transfer from General Fund		2,600,728	
Capital Project Fund transfer to General Fund		(72,813)	
Capital asset transfer to Central Pender Water District		(2,500,000)	
Other revenue capital project fund		24,451	
Investment income capital project fund		17,285	
Premium amortization		76,476	
Non-capitalized expenditures in capital project fund		(476,303)	
Capital Project Fund transfer to Rocky Point		(1,000,000)	
Long term debt repayments		740,000	
Debt issuance costs		(272)	
OPEB expense		(31,118)	
Pension expense		(1,860)	
Change in net position, full accrual basis		\$ 797,410	

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, 2018

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive Negative
Revenues					
Gold Leaf	\$ 400,000	\$ 320,000	\$ 80,000	\$ 400,000	\$ -
Rural Center Grant	500,000	500,000	-	500,000	-
EDA Grant	2,275,000	2,047,501	227,499	2,275,000	-
CDBG	750,000	750,000	-	750,000	-
Other revenue	-	338,607	24,451	363,058	363,058
Investment income	-	30,794	17,285	48,079	48,079
Total revenue	3,925,000	3,986,902	349,235	4,336,137	411,137
Expenditures					
Construction	23,569,253	23,573,626	354,910	23,928,536	(359,283)
Bond Issuance Cost	-	129,356	1,377	130,733	(130,733)
Total expenditures	23,569,253	23,702,982	356,287	24,059,269	(490,016)
Revenues over (under) expenditures	(19,644,253)	(19,716,080)	(7,052)	(19,723,132)	(78,879)
Other Financing Sources (Uses)					
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)
Transfers in (out):					
Transfer to General Fund	-	-	(72,813)	(72,813)	(72,813)
Total other financing sources	19,644,253	19,771,044	(72,813)	19,698,231	53,978
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 54,964	\$ (79,865)	\$ (24,901)	\$ (24,901)

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, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water and sewer capacity fees	\$ 1,000,000	\$ 1,520,881	\$ 520,881
Total revenue	1,000,000	1,520,881	520,881
Expenditures			
Total expenditures	-	-	-
Revenues over expenditures	1,000,000	1,520,881	520,881
Other Financing Sources (Uses)			
Transfers out:			
Rocky Point Fund	(1,000,000)	(1,000,000)	-
Total other financing sources (uses)	(1,000,000)	(1,000,000)	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 520,881	\$ 520,881

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, 2018**

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund	Scotts Hill Water & Sewer
Assets				
Current assets:				
Cash and cash equivalents	\$ 58,027	\$ 127,706	\$ 46,665	\$ 644,116
Accounts receivable, net of allowance for doubtful accounts	35,179	1,476	-	46,269
Due from other governments	-	-	659	-
Due from other funds	37,039	-	711	-
Restricted cash	5,100	-	1,450	2,800
Total current assets	135,345	129,182	49,485	693,185
Noncurrent Assets:				
Capital assets, net	4,310,164	-	139,790	2,533,986
Total noncurrent assets	4,310,164	-	139,790	2,533,986
Total assets	4,445,509	129,182	189,275	3,227,171
Deferred Outflows of Resources	13,430	12,995	-	38,992
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	23,313	4,903	7,174	2,160
Due from other funds	-	-	-	678,906
Accrued interest payable	527	-	23	7,635
Customer deposits payable	5,100	-	1,450	2,800
Compensated absences liability - current	732	2,648	555	831
Installment notes payable-current	-	-	6,867	-
Due to Water Treatment Plant and and Water fund	10,000	-	-	60,000
General obligation bonds payable - current	-	-	-	-
Total current liabilities	39,672	7,551	16,069	752,332
Noncurrent liabilities:				
Compensated absences liability	2,195	3,810	-	1,299
Other postemployment benefit liability	41,024	49,229	-	16,409
Net pension liability	13,421	16,679	-	5,529
Installment notes payable	-	-	88,255	-
Advance from Water Treatment Plant and Water fund	165,358	-	-	2,355,009
General obligation bonds payable	-	-	-	-
Total noncurrent liabilities	221,998	69,718	88,255	2,378,246
Total liabilities	261,670	77,269	104,324	3,130,578
Deferred Inflows of Resources	5,352	6,438	-	2,145
Net Position				
Net investment in capital assets	4,134,806	-	44,668	118,977
Restricted by HUD Section 8	-	36,218	-	-
Unrestricted	57,111	22,252	40,283	14,463
Total net position	\$ 4,191,917	\$ 58,470	\$ 84,951	\$ 133,440

Exhibit E-5

Moore's Creek Water District	Central Pender Water District	Total Non-Major
\$ 63,220	\$ 326,756	\$ 1,266,490
180,313	442,789	706,026
-	-	659
-	-	37,750
-	-	9,350
243,533	769,545	2,020,275
8,721,419	12,242,808	27,948,167
8,721,419	12,242,808	27,948,167
8,964,952	13,012,353	29,968,442
-	-	65,417
241,340	434,746	713,636
16,940	424,108	1,119,954
7,889	9,033	25,107
-	-	9,350
-	-	4,766
-	-	6,867
-	-	70,000
99,000	113,000	212,000
365,169	980,887	2,161,680
-	-	7,304
-	-	106,662
-	-	35,629
-	-	88,255
-	-	2,520,367
5,199,261	5,955,259	11,154,520
5,199,261	5,955,259	13,912,737
5,564,430	6,936,146	16,074,417
-	-	13,935
3,423,158	6,174,549	13,896,158
-	-	36,218
(22,636)	(98,342)	13,131
\$ 3,400,522	\$ 6,076,207	\$ 13,945,507

Pender County, North Carolina

Proprietary Funds

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018**

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund
Operating Revenues			
Charges for services	\$ 218,887	\$ -	\$ -
Dwelling rental	-	-	46,553
Other operating revenues	6,550	-	3,464
Total operating revenues	225,437	-	50,017
Operating expenses			
Salaries and benefits	34,844	80,064	-
Housing assistance payments	-	1,062,071	-
Operating expenses	67,707	15,055	-
Contracted services	53,192	-	7,217
Housing administration	-	-	44,873
Water purchases	56,365	-	-
Depreciation	140,282	-	7,592
Total operating expenses	352,390	1,157,190	59,682
Operating income (loss)	(126,953)	(1,157,190)	(9,665)
Nonoperating revenues (expenses)			
Interest income	-	-	181
Restricted intergovernmental	-	1,151,053	-
Miscellaneous revenues	-	8,059	-
Fraud recovery	-	11,961	-
Interest expense	(6,220)	-	(986)
Total net nonoperating revenues (expenses)	(6,220)	1,171,073	(805)
Income (loss) before transfers	(133,173)	13,883	(10,470)
Transfers in	45,975	3,321	3,000
Transfers out	-	-	(3,000)
Total transfers in (out)	45,975	3,321	-
Change in net position	(87,198)	17,204	(10,470)
Net position, beginning	4,298,832	64,927	95,421
Restatement	(19,717)	(23,661)	-
Net position, restated	4,279,115	41,266	95,421
Net position, ending	\$ 4,191,917	\$ 58,470	\$ 84,951

Exhibit E-6

Scotts Hill Water & Sewer	Moore's Creek Water District	Central Pender Water District	Total Non-Major
\$ 301,604	\$ 169,667	\$ 29,370	\$ 719,528
-	-	-	46,553
2,189	-	2,350	14,553
303,793	169,667	31,720	780,634
37,929	-	-	152,837
-	-	-	1,062,071
38,988	13,502	16,518	151,770
5,839	6,427	3,739	76,414
-	-	-	44,873
64,980	-	-	121,345
77,754	18,208	373,633	617,469
225,490	38,137	393,890	2,226,779
78,303	131,530	(362,170)	(1,446,145)
-	-	-	181
-	1,314,681	2,879,893	5,345,627
-	119,486	176,390	303,935
-	-	-	11,961
(92,289)	(98,110)	(112,262)	(309,867)
(92,289)	1,336,057	2,944,021	5,351,837
(13,986)	1,467,587	2,581,851	3,905,692
1,716	-	2,500,000	2,554,012
-	-	-	(3,000)
1,716	-	2,500,000	2,551,012
(12,270)	1,467,587	5,081,851	6,456,704
153,597	1,932,935	994,356	7,540,068
(7,887)	-	-	(51,265)
145,710	1,932,935	994,356	7,488,803
\$ 133,440	\$ 3,400,522	\$ 6,076,207	\$ 13,945,507

Pender County, North Carolina

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund	Scotts Hill Water & Sewer
Cash Flows from operating activities				
Receipts from customers and users	\$ 217,088	\$ -	\$ 49,371	\$ 349,600
Payments to customers and suppliers	(166,495)	(1,075,878)	(51,570)	(81,740)
Payments to employees	(29,370)	(101,047)	-	(73,928)
Net cash provided by (used in) operating activities	21,223	(1,176,925)	(2,199)	193,932
Cash Flows From Capital and Related Financing Activities				
Acquisition & construction of capital assets	-	-	-	-
Repayment of debt	(10,000)	-	(6,848)	(60,000)
Proceeds from bond anticipation notes and premiums	-	-	-	-
Interest paid	(6,243)	-	(991)	(92,435)
Net cash provided by (used in) capital and related financing activities	(16,243)	-	(7,839)	(152,435)
Cash Flows from Noncapital Financing Activities				
Due to (from) other funds	-	-	(518)	-
HUD operating grants	-	1,151,053	-	-
Rural development grants	-	-	-	-
Miscellaneous revenues	-	18,544	-	-
Transfers in (out)	8,936	3,321	-	1,716
Net cash provided by (used in) noncapital financing activities	8,936	1,172,918	(518)	1,716
Cash Flows from Investing Activities				
Interest income	-	-	181	-
Net decrease in cash and cash equivalents	13,916	(4,007)	(10,375)	43,213
Cash and Cash Equivalents				
Beginning	49,211	131,713	58,490	603,703
Ending	\$ 63,127	\$ 127,706	\$ 48,115	\$ 646,916
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (126,953)	(1,157,190)	(9,665)	78,303
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	140,282	-	7,592	77,754
Change in assets and liabilities:				
Accounts receivable	(4,056)	1,476	(46)	178
Prepaid items	-	-	-	3,967
Accounts payable and accrued expenses	10,769	1,248	387	87
Customer deposits payable	4,293	-	(600)	2,800
Compensated absences	(3,422)	1,753	133	602
OPEB	53	(36,347)	-	26,541
Decrease in deferred outflows of resources	7,047	11,262	-	2,164
Increase (decrease) in net pension liability	(11,390)	(4,526)	-	(387)
Increase in deferred inflows of resources	4,600	5,399	-	1,923
Net cash provided by (used in) operating activities	\$ 21,223	\$ (1,176,925)	\$ (2,199)	\$ 193,932

Exhibit E-7

Moore's Creek Water District	Central Pender Water District	Total Non-Major
\$ 508,964	\$ 31,720	\$ 1,156,743
(359,274)	(20,257)	(1,755,214)
-	-	(204,345)
149,690	11,463	(802,816)
(909,435)	(3,321,803)	(4,231,238)
-	-	(76,848)
-	-	-
(98,110)	(113,381)	(311,160)
(1,007,545)	(3,435,184)	(4,619,246)
(515,727)	424,746	(91,499)
-	-	1,151,053
1,314,681	2,881,043	4,195,724
119,486	176,390	314,420
-	-	13,973
918,440	3,482,179	5,583,671
-	-	181
60,585	58,458	161,790
2,635	268,298	1,114,050
\$ 63,220	\$ 326,756	\$ 1,275,840
131,530	(362,170)	(1,446,145)
18,208	373,633	617,469
339,297	-	336,849
-	-	3,967
(339,345)	-	(326,854)
-	-	6,493
-	-	(934)
-	-	(9,753)
-	-	20,473
-	-	(16,303)
-	-	11,922
\$ 149,690	\$ 11,463	\$ (802,816)

**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, 2018**

	Budget	Actual	Variance, Positive (Negative)
Operating Revenues			
Water fees	\$ 135,000	\$ 161,945	\$ 26,945
Sewer fees	60,500	56,942	(3,558)
Other fees	2,500	6,550	4,050
Total operating revenues	198,000	225,437	27,437
Operating Expenditures			
Water:			
Salaries and employee benefits	7,971	8,633	(662)
Contract services	52,500	47,131	5,369
Capital outlay	-	20,792	(20,792)
Water purchases	54,000	56,365	(2,365)
Operating expenditures	24,244	19,311	4,933
Debt service payments:			
Principal	10,000	10,000	-
Interest	6,913	6,913	-
Total water operating expenditures	155,628	169,145	(13,517)
Sewer:			
Salaries and employee benefits	23,480	25,233	(1,753)
Contract services	7,427	6,061	1,366
Operating expenditures	31,310	27,604	3,706
Total sewer operating expenditures	62,217	58,898	3,319
Operating revenues over operating expenditures			
operating expenditures	\$ (19,845)	\$ (2,606)	\$ 17,239
Other Financing Sources (Uses)			
Transfers in (out):			
General fund	19,845	19,845	-
Total other financing sources (uses)	19,845	19,845	-
Revenues, other financing sources (uses)			
over (under) expenditures	\$ -	\$ 17,239	\$ 17,239
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 17,239	
Premium amortization		693	
Principal payments		10,000	
Depreciation		(140,282)	
Capital Project Fund transfer from Sewer Fund		26,130	
Pension expense		(302)	
OPEB expense		(676)	
Change in net position, full accrual basis		\$ (87,198)	

Pender County, North Carolina
Maple Hill Sewer Capital Project Fund

Exhibit E-8a

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Completed Total to Date	Variance Positive Negative
Revenues					
Connection fees	\$ 42,750	\$ 42,659	\$ -	\$ 42,659	\$ (91)
Grant revenue	2,000	2,000	-	2,000	-
Clean Water Trust Fund	2,774,614	2,893,180	-	2,893,180	118,566
Miscellaneous	1,463,000	1,463,000	-	1,463,000	-
Total revenue	4,282,364	4,400,839	-	4,400,839	118,475
Expenditures					
Contracted services	419,864	57,867	-	57,867	361,997
Operating	77,811	524,009	-	524,009	(446,198)
Capital outlay	3,589,689	3,616,610	-	3,616,610	(26,921)
Other	195,000	228,483	-	228,483	(33,483)
Total expenditures	4,282,364	4,426,969	-	4,426,969	(144,605)
Revenues under expenditures	-	(26,130)	-	(26,130)	(26,130)
Other Financing Sources (Uses)					
Transfer from sewer fund	-	-	26,130	26,130	26,130
Total other financing sources (uses)	-	-	26,130	26,130	26,130
Revenues over) expenditures and other financing sources (uses)	\$ -	\$ (26,130)	\$ 26,130	\$ -	\$ -

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, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental-HUD	\$ 1,158,126	\$ 1,151,053	\$ (7,073)
Miscellaneous revenues	13,953	8,059	(5,894)
Fraud recovery	9,000	11,961	2,961
Total revenue	1,181,079	1,171,073	(10,006)
Expenditures			
Salaries and benefits	117,664	103,819	13,845
Housing assistance payments	1,063,050	1,062,071	979
Contracted services	7,200	-	7,200
Operating expenditures	18,228	15,055	3,173
Total expenditures	1,206,142	1,180,945	25,197
Revenues over (under) expenditures	(25,063)	(9,872)	15,191
Other Financing Sources (Uses)			
Transfers in (out):			
General Fund	9,867	3,321	(6,546)
Appropriated fund balance	15,196	-	(15,196)
Total other financing sources (uses)	25,063	3,321	(21,742)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (6,551)	\$ (6,551)

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

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	\$ (6,551)
Pension expense	94
OPEB expense	23,661
Change in net position, full accrual basis	\$ 17,204

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, 2018

	Final Budget	Actual	Variance Postive (Negative)
Revenues			
Dwelling rentals	\$ 60,096	\$ 46,553	\$ (13,543)
Miscellaneous revenues	2,600	3,464	864
Interest income	160	181	21
Total revenue	62,856	50,198	(12,658)
Expenditures			
Administration and tenant services	48,345	44,873	3,472
Contracted services	6,675	7,217	(542)
FMHA debt service payments	7,836	7,834	2
Total expenditures	62,856	59,924	2,932
Revenues over (under) expenditures	-	(9,726)	(9,726)
Other Financing Sources (Uses)			
Transfers in (out):			
Reserve Fund	(3,000)	(3,000)	-
Reserve Fund	3,000	3,000	-
Total other financing sources (uses)	-	-	-
Revenues over (under) expenditures and other financing sources	\$ -	\$ (9,726)	\$ (9,726)
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		(9,726)	
Depreciation		(7,592)	
Principal payments		6,848	
Change in net position, full accrual basis		\$ (10,470)	

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, 2018

	Final Budget	Actual	Variance Postive (Negative)
Operating revenues			
Water fees	\$ 269,400	\$ 299,904	\$ 30,504
Connection fees	-	1,700	1,700
Miscellaneous fees	1,049	2,189	1,140
Total revenue	270,449	303,793	33,344
Operating expenditures			
Salaries and benefits	31,906	30,463	1,443
Operating expenditures	14,082	11,008	3,074
Contracted services	10,839	5,839	5,000
Water purchases	65,000	64,980	20
Total expenditures	121,827	112,290	9,537
Non-operating expenditures			
Interest expense	97,638	97,494	144
Principal payments	60,000	60,000	-
Total non-operating expenditures	157,638	157,494	144
Revenues over expenditures	\$ (9,016)	\$ 34,009	\$ 43,025
Other financing sources (uses):			
Transfers in (out):			
General Fund	1,716	1,716	-
Scotts Hill Water & Sewer Capital Project Fund	515,800	515,800	-
Appropriated fund balance	7,300	-	7,300
Fund balance reserve	(515,800)	-	(515,800)
Total other financing sources (uses)	9,016	517,516	(508,500)
Revenues over expenditures and other financing sources	\$ -	\$ 551,525	\$ 551,525
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		551,525	
Depreciation		(77,754)	
Non capitalized items		(27,980)	
Transfer out from Scott's Hill Water & Sewer Capital Project Fund		(515,800)	
Bond premium and refunding amortization, net		5,205	
Principal payments		60,000	
Pension expense		(518)	
OPEB expense		(6,948)	
Change in net position, full accrual basis		\$ (12,270)	

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, 2018

		Actual		
	Project Authorization	Prior Years	Current Year	Total and Completed Project
Revenues				
Connection fees	\$ 84,000	\$ 105,560	\$ -	\$ 105,560
Investment income	-	8,623	-	8,623
Total revenue	84,000	114,183	-	114,183
Expenditures				
Administrative and legal fees	15,000	5,800	-	5,800
Capital outlay	2,355,000	1,846,863	(27,980)	1,818,883
Contracted services	272,000	257,407	-	257,407
Capitalized interest	131,000	27,091	-	27,091
Contingency	227,000	175,900	-	175,900
Total expenditures	3,000,000	2,313,061	(27,980)	2,285,081
Revenues over (under) expenditures	(2,916,000)	(2,198,878)	27,980	(2,170,898)
Other financing sources (uses):				
Transfer to Operating Fund	-	-	(515,800)	(515,800)
USDA Rural Development Loan	2,916,000	2,711,000	-	2,711,000
Total other financing sources (uses)	2,916,000	2,711,000	(515,800)	2,195,200
Revenues over expenditures	\$ -	\$ 4,909,878	\$ (543,780)	\$ 4,366,098

Capital project closed at June 30, 2018

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, 2018

	Final Budget	Actual	Variance Postive (Negative)
Operating revenue			
Water fees	\$ 309,991	\$ 159,727	\$ (150,264)
Miscellaneous	-	11,500	11,500
Total revenue	309,991	171,227	(138,764)
Operating expenditures			
Operating expense	33,060	13,502	19,558
Salaries and benefits	44,412	-	44,412
Capital outlay	50,000	-	50,000
Contracted services	18,500	6,427	12,073
Water purchases	65,000	-	65,000
Interest	99,019	99,019	-
Total expenditures	309,991	118,948	191,043
Revenues over expenditures	\$ -	\$ 52,279	\$ 52,279
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 52,279	
Rural development grant		1,314,681	
Depreciation		(18,208)	
Bond premium		909	
Miscellaneous revenues		119,486	
Connection fees		(1,560)	
Change in net position, full accrual basis		\$ 1,467,587	

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, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Connection fees	\$ 78,100	\$ 28,914	\$ (1,560)	\$ 27,354	\$ (50,746)
Rural Development Grant	3,467,432	1,888,109	1,314,681	3,202,790	(264,642)
Miscellaneous revenues	-	-	119,486	119,486	119,486
Interest income	-	8,657	-	8,657	8,657
Total revenue	3,545,532	1,925,680	1,432,607	3,358,287	(187,245)
Expenditures					
Construction	8,826,532	8,011,101	728,526	8,739,627	86,905
Total expenditures	8,826,532	8,011,101	728,526	8,739,627	86,905
Revenues over (under) expenditures	(5,281,000)	(6,085,421)	704,081	(5,381,340)	(100,340)
Other financing sources (uses):					
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)	\$ -	\$ (786,251)	\$ 704,081	\$ (82,170)	\$ (82,170)

**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, 2018**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water fees	\$ 319,338	\$ 29,370	\$ (289,968)
Miscellaneous revenue	-	2,350	2,350
Total revenue	319,338	31,720	(287,618)
Expenditures			
Salaries and benefits	38,931	-	38,931
Operating expenditures	35,500	16,518	18,982
Contracted services	18,500	3,739	14,761
Capital outlay	50,000	-	50,000
Water purchases	63,025	-	63,025
Interest	113,382	113,381	1
Total expenditures	319,338	133,638	185,700
Revenues over (under) expenditures	\$ -	\$ (101,918)	\$ (101,918)
Reconciliation of modified accrual basis with full accrual basis:			
Revenues over (under) expenditures and other financing sources, modified accrual basis, above		\$ (101,918)	
Depreciation		(373,633)	
Rural development grant		2,879,893	
Bond premium		1,119	
Transfer in of capital asset from Waste Water Treatment Plant Operating Fund		2,500,000	
Other income		176,511	
Connection fees		(121)	
Change in net position, full accrual basis		\$ 5,081,851	

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, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Connection fees	\$ 81,700	\$ 22,717	\$ (121)	\$ 22,596	\$ (59,104)
Rural Development Grant	3,910,091	967,467	2,879,893	3,847,360	(62,731)
Other income	-	-	176,511	176,511	176,511
Interest income	-	13,155	-	13,155	13,155
Total revenue	3,991,791	1,003,339	3,056,283	4,059,622	67,831
Expenditures					
Construction	9,497,211	7,351,162	2,326,480	9,677,642	(180,431)
Contingency	326,309	21,075	(21,075)	-	326,309
Interest	215,271	126,299	-	126,299	88,972
Total expenditures	10,038,791	7,498,536	2,305,405	9,803,941	234,850
Revenues over (under) expenditures	(6,047,000)	(6,495,197)	750,878	(5,744,319)	302,681
Other financing sources (uses):					
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)	\$ -	\$ (425,819)	\$ 750,878	\$ 325,059	\$ 325,059

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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, 2018

	Employee Health Insurance Fund	Workers Compensation Fund	Totals
Assets			
Cash and cash equivalents	\$ 262,058	\$ 624,651	\$ 886,709
Total assets	<u>262,058</u>	<u>624,651</u>	<u>886,709</u>
Liabilities			
Accounts payable and accrued liabilities	14,997	71,379	86,376
Total liabilities	<u>14,997</u>	<u>71,379</u>	<u>86,376</u>
Net Position			
Unrestricted	247,061	553,272	800,333
Total net position	<u>\$ 247,061</u>	<u>\$ 553,272</u>	<u>\$ 800,333</u>

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, 2018

Exhibit F-1a

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Charges for services			
Total operating revenues	<u>\$ 292,000</u>	<u>\$ 295,584</u>	<u>\$ 3,584</u>
Operating expenses			
Claims paid	298,600	240,477	58,123
Total operating expenses	<u>298,600</u>	<u>240,477</u>	<u>58,123</u>
Revenues over (under) expenditures	<u>(6,600)</u>	<u>55,107</u>	<u>61,707</u>
Other financing sources (uses)			
Transfers in (out)	-	-	-
Appropriated fund balance	6,600	-	(6,600)
Total other financing sources (uses)	<u>6,600</u>	<u>-</u>	<u>(6,600)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>-</u>	<u>55,107</u>	<u>55,107</u>
Net position			
Beginning		191,954	
Ending		<u>\$ 247,061</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, 2018

Exhibit F-1b

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Charges for services			
Total operating revenues	\$ -	\$ -	\$ -
Operating expenses			
Claims paid	50,000	67,634	(17,634)
Total operating expenses	50,000	67,634	(17,634)
Revenues under expenditures	(50,000)	(67,634)	(17,634)
Other financing sources (uses)			
Transfers in (out)	-	-	-
Appropriated fund balance	50,000	-	(50,000)
Total other financing sources (uses)	50,000	-	(50,000)
Revenues over (under) expenditures and other financing sources (uses)	-	(67,634)	(67,634)
Net position			
Beginning		620,906	
Ending		\$ 553,272	

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, 2018

	Agency						Totals
	Ad Valorem and DMV Collections	Four H Fund	Extension Education	Sea Oats Travel	Pesticide Recycling Grant	Tourism Development Authority	June 30, 2018
Assets							
Cash and cash equivalents	\$ 4,706	\$ 1,112	\$ 9,696	\$ -	\$ 1,558	\$ 13,043	\$ 30,115
Accounts receivable	3,616	-	-	-	-	-	3,616
Total assets	<u>\$ 8,322</u>	<u>\$ 1,112</u>	<u>\$ 9,696</u>	<u>\$ -</u>	<u>\$ 1,558</u>	<u>\$ 13,043</u>	<u>\$ 33,731</u>
Liabilities							
Intergovernmental payables	\$ 8,322	\$ 1,112	\$ 9,696	\$ -	\$ 1,558	\$ 13,043	\$ 33,731
Total liabilities	<u>\$ 8,322</u>	<u>\$ 1,112</u>	<u>\$ 9,696</u>	<u>\$ -</u>	<u>\$ 1,558</u>	<u>\$ 13,043</u>	<u>\$ 33,731</u>

Agency Funds
Combining Statement of Changes In Assets And Liabilities
For the Fiscal Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Ad Valorem and Vehicle Tax:				
Assets:				
Cash and cash equivalents	\$ 4,726	\$ -	\$ 20	\$ 4,706
Accounts receivable	6,144	-	2,528	3,616
	<u>\$ 10,870</u>	<u>\$ -</u>	<u>\$ 2,548</u>	<u>\$ 8,322</u>
Liabilities:				
Intergovernmental payable	<u>\$ 10,870</u>	<u>\$ -</u>	<u>\$ 2,548</u>	<u>\$ 8,322</u>
Four H Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 1,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,112</u>
Liabilities:				
Intergovernmental payable	<u>\$ 1,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,112</u>
Extension Education:				
Assets:				
Cash and cash equivalents	<u>\$ 17,890</u>	<u>\$ -</u>	<u>\$ 8,194</u>	<u>\$ 9,696</u>
Liabilities:				
Intergovernmental payable	<u>\$ 17,890</u>	<u>\$ -</u>	<u>\$ 8,194</u>	<u>\$ 9,696</u>
Sea Oats Travel:				
Assets:				
Cash and cash equivalents	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ 313</u>	<u>\$ -</u>
Liabilities:				
Intergovernmental payable	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ 313</u>	<u>\$ -</u>
Pesticide Recycling Grant:				
Assets:				
Cash and cash equivalents	<u>\$ 1,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,558</u>
Liabilities:				
Intergovernmental payable	<u>\$ 1,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,558</u>
Tourism Development Authority				
Assets:				
Cash and cash equivalents	\$ 14,779	\$ -	\$ 1,736	\$ 13,043
Accounts receivable	2,774	-	2,774	-
	<u>\$ 17,553</u>	<u>\$ -</u>	<u>\$ 4,510</u>	<u>\$ 13,043</u>
Liabilities:				
Intergovernmental payable	<u>\$ 17,553</u>	<u>\$ -</u>	<u>\$ 4,510</u>	<u>\$ 13,043</u>
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 40,378	\$ -	\$ 10,263	\$ 30,115
Accounts receivable	8,918	-	5,302	3,616
	<u>\$ 49,296</u>	<u>\$ -</u>	<u>\$ 15,565</u>	<u>\$ 33,731</u>
Liabilities:				
Intergovernmental payable	<u>\$ 49,296</u>	<u>\$ -</u>	<u>\$ 15,565</u>	<u>\$ 33,731</u>

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OTHER SCHEDULES

This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
 - Analysis of Current Tax Levy
 - 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, 2018

Year	Uncollected Balance 06/30/2017	Additions	Collections And Credits	Uncollected Balance 06/30/2018
2017-18	\$ -	\$ 44,088,564	\$ 43,388,071	\$ 700,493
2016-17	852,187	-	506,518	345,669
2015-16	324,563	-	122,917	201,646
2014-15	172,297	-	72,471	99,826
2013-14	139,594	-	24,254	115,340
2012-13	131,032	-	21,010	110,022
2011-12	98,005	-	12,145	85,860
2010-11	105,389	-	10,967	94,422
2009-10	95,685	-	6,071	89,614
2008-09	84,950	-	3,809	81,141
2007-08	83,725	-	83,725	-
Totals	<u>\$ 2,087,427</u>	<u>\$ 44,088,564</u>	<u>\$ 44,251,958</u>	<u>\$ 1,924,033</u>

Less allowance for uncollectible accounts:

General Fund

877,593

Ad valorem taxes receivable - net:

General Fund

\$ 1,046,440

Reconcilement with revenues:

Ad valorem taxes - General Fund

48,433,085

Reconciling items:

Motor Vehicle Taxes (DMV)

(4,047,199)

Penalties and Interest

(285,569)

Discounts, Releases, Refunds

151,641

Total Collections and Credits

\$ 44,251,958

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

Exhibit H-2

For the Fiscal Year Ended June 30, 2018

	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	\$ 6,422,840,876	0.685	\$ 43,996,460	\$ 43,996,460	\$ -
Vehicle taxes collected by DMV	590,831,971	0.685	4,047,199	-	4,047,199
Total	<u>7,013,672,847</u>		<u>48,043,659</u>	<u>43,996,460</u>	<u>4,047,199</u>
Discoveries:					
Current year taxes	<u>7,996,350</u>	0.685	<u>188,086</u>	<u>188,086</u>	<u>-</u>
Total	<u>7,996,350</u>		<u>188,086</u>	<u>188,086</u>	<u>-</u>
Abatements					
Current year taxes	<u>(9,221,318)</u>		<u>(95,982)</u>	<u>(95,982)</u>	<u>-</u>
Total	<u>(9,221,318)</u>		<u>(95,982)</u>	<u>(95,982)</u>	<u>-</u>
Total For Year	<u>\$ 7,012,447,879</u>		<u>\$ 48,135,763</u>	<u>\$ 44,088,564</u>	<u>\$ 4,047,199</u>
Net levy			48,135,763	44,088,564	4,047,199
Uncollected taxes at June 30, 2018			<u>700,493</u>	<u>700,493</u>	<u>-</u>
Current year's taxes collected			<u>\$ 47,435,270</u>	<u>\$ 43,388,071</u>	<u>\$ 4,047,199</u>
Current levy collection percentage			<u>98.54%</u>	<u>98.41%</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, 2018

Secondary Market Disclosures:

Assessed Valuation	
Assessment Ratio	100%
Real Property	\$ 6,147,098,856
Personal Property	135,815,369
Public Service Companies	<u>136,798,423</u>
Total Assessed Valuation	6,419,712,648
Tax Rate per \$100	<u>0.685</u>
Levy (includes discoveries, releases and abatements)	<u><u>\$ 43,975,032</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>9,696,461</u>
Total	<u><u>\$ 9,696,461</u></u>

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

Exhibit H-3

For the Fiscal Year Ended June 30, 2018

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2017 Assessed Valuation</u>	<u>% of Total Valuation</u>
Duke Energy Progress Inc	Utilities	\$ 52,230,922	0.81%
Red Mountain Timber Co. LLC	Timber Production	49,765,678	0.77%
Four County EMC	Utilities	37,045,675	0.58%
RC Creation Holdings LLC	Manufacturing	21,575,415	0.34%
LL Building Products Inc	Retail	18,446,027	0.29%
Jones Onslow EMC	Utilities	13,856,687	0.22%
Wal Mart Real Estate Business Trust	Retail	13,764,899	0.21%
Weingarten Investments Inc	Real Estate	11,637,418	0.18%
TC&I Timber Co LLC	Timber Production	10,937,444	0.17%
Lowe's Home Centers Inc	Retail	10,261,512	0.16%
Totals		<u><u>\$ 239,521,677</u></u>	<u><u>3.73%</u></u>

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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 *Government Auditing Standards***

RSM US LLP

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, 2018, 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*. Our report includes an emphasis of a matter paragraph because of the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we 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 deficiencies described in findings 2018-001, 2018-002, 2018-004, and 2018-005 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in finding 2018-003 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-004.

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

Morehead City, North Carolina
February 1, 2019



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, 2018. 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, 2018.

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, material weaknesses may exist that have not been identified.

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

RSM US LLP

Morehead City, North Carolina
February 1, 2019



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

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 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, 2018. 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, 2018.

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 material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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

Morehead City, North Carolina
February 1, 2019

PENDER COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018**

Section I. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material 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?	<u> X </u> Yes	<u> </u> No
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Federal Awards

Internal control over major federal programs:

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

Type of auditor's report issued on compliance for the major federal programs:	<u> Unmodified </u>
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No
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Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
1571 Administrative Costs - Crosscutting Requirements:	
Supplemental Nutrition Assistance Program Cluster	10.561
Medical Assistance	93.778
Temporary Assistance for Needy Families	93.558
Children's Health Insurance Program	93.767
IV-D Child Support	93.563
USDA - Water and Waste Disposal	
Systems for Rural Communities	10.760
Section 8 Housing Choice Vouchers	14.871

Dollar threshold used to distinguish between Type A and Type B Programs	<u> \$ 750,000 </u>
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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(Continued)

PENDER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2018

State Awards

Internal control over major state programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> 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

<u> </u> Yes	<u> X </u> No
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Identification of major State programs:

<u>Program Name</u>	<u>Grant Number</u>
Public School Building Capital Fund	N/A
State Aid to Libraries	N/A
Aging Cluster - State only	N/A

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

1571 Administrative Costs - Crosscutting Requirements:	
Medical Assistance	93.778
Children's Health Insurance Program	93.767
Temporary Assistance for Needy Families - State	N/A

PENDER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2018

Section II. Financial Statement Findings

Finding: 2018-001

Material Weakness in Internal Control – Year-End Closeout

Criteria: Year-end closeout procedures should be performed timely and accurately to facilitate the timely preparation of the financial statements to meet established North Carolina Local Government Commission requirements.

Condition: In performing our audit, it was noted that Pender County finance department experienced significant delays in the year-end accounting and reporting process, including providing over 120 journal entries, some of which were received five months after the reporting date. In addition, basic footnote schedules were not prepared appropriately or timely to facilitate meeting the required reporting deadline.

Effect: The year-end reporting process is too long, affecting the ability of staff to perform their daily duties in a timely and effective manner. The County will not meet the required reporting deadline.

Cause: Insufficient time and task management as well as sufficient supervisory review controls around the year- end closeout.

Recommendation: We recommend the County establish effective policies and controls around the year-end close process. Additionally, we recommend the County consider engaging with a consulting firm to assist in the design and development of the procedures as well as with the physical closeout until such time sufficient procedures and controls are in place to facilitate the County performing the function on their own.

Views of Responsible Officials: Management concurs with the finding. See management's corrective action plan.

Finding: 2018-002

Material Weakness in Internal Control – Recording of Capital Assets

Criteria: Capitalized assets should be recorded in the financial system with appropriate estimated useful lives noted.

Condition: While performing audit procedures over fixed assets, it was discovered that a \$3,118,288 asset was not recorded in Pender County's trial balance and was not reflected in the supporting financial schedule.

Effect: Assets were understated and expenses were overstated by \$3,118,288.

Cause: Insufficient review of the capital assets subsidiary ledger and capital outlay general ledger accounts.

Recommendation: We recommend the County adhere to their prescribed policies of periodic and year-end review of the capital assets subsidiary ledger and capital outlay accounts to ensure all capitalized assets are properly recorded and classified in the financial system.

View of Responsible Officials: Management concurs with the finding. 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, 2018**

Section II. Financial Statement Findings (Continued)

Finding: 2018-003

Significant Deficiency – Personnel File Maintenance

Criteria: Personnel files should be maintained with the appropriate documentation, including the most up-to-date pay rate and benefit elections for each employee.

Condition: During our audit we identified multiple personnel files that were inadequately maintained and did not correspond to payroll status. Files were missing sufficient documentation to serve as evidence of authorization for benefits or the most recent authorization was not in the personnel record.

Effect: Inadequate document maintenance to provide evidence for appropriate payroll for employees.

Cause: Insufficient evidence and documentation maintenance policies as well as review of employee files.

Recommendation: We recommend that personnel files be reviewed for all existing employees and that proper supporting documentation be maintained and updated appropriately.

Views of Responsible Officials: Management concurs with the finding. See management's corrective action plan.

Finding: 2018-004

Material Noncompliance and Material Weakness in Internal Control – Budget Violations

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: For the fiscal year ended June 30, 2018, actual expenditures exceeded budgeted expenditures for the following funds: 911 Emergency Telephone Fund, School Special Revenue Fund, Water and Water Treatment Plant Fund, Maple Hill Water Operating Fund, and Workers Compensation Fund.

Effect: Moneys were spent that had not been appropriated.

Cause: Insufficient review of expenditures by the Finance Officer or designee to ensure sufficient budgetary appropriations exists prior to approval.

Recommendation: We recommend the County strengthen their "pre-Audit Certification process" and the Finance Officer or designee review all expenditures against the departmental budget in detail to ensure sufficient appropriations exist prior to the approval of the expenditure and or disbursement.

Views of Responsible Officials: Management concurs with the finding. 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, 2018

Section II. Financial Statement Findings (Continued)

Finding: 2018-005

Material Weakness – Review of Capital Projects

Criteria: Capital projects that are complete and placed in service should be transferred out of construction in progress and appropriately depreciated based on their estimated useful lives.

Condition: During our audit we identified that three plants, Waste Water Treatment Plant, Moore's Creek Water District and Central Pender Water District, totaling \$38,348,810 that were completed and placed into service during the fiscal year however had not been properly transferred out of construction in progress and appropriately depreciated.

Effect: Depreciable assets were understated and non-depreciable assets were overstated in the Waste Water Treatment Plant, Moore's Creek Water District and Central Pender Water District funds by \$19,827,942, \$8,739,627 and \$9,781,241, respectively. Additionally, depreciation expense and accumulated depreciation were understated in the Waste Water Treatment Plant, Moore's Creek Water District and Central Pender Water District by \$495,699, \$18,208 and \$61,133, respectively.

Cause: Insufficient review of open capital projects at year-end.

Recommendation: We recommend that the County adhere to their prescribed policies of periodic and year-end review of capital assets and capital projects to ensure all applicable capital projects have been properly recorded and classified in the system.

Views of Responsible Officials: Management concurs with the finding. See management's corrective action plan.

Section III. Federal Award Findings and Questioned Costs

No matters to report.

Section IV. State Award Findings and Questioned Costs

No matters to report.

**Board of Commissioners**

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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, 2018**

Section II. Financial Statement Findings

Name of contact person: Randell Woodruff, County Manager

Proposed completion date: January 31, 2018

Finding: 2018-001

Corrective Action: Each employee in the finance office will be given an assignment to complete as part of the close out process prior to the auditor's deadline to assure no further journal entries are needed.

Finding: 2018-002

Corrective Action: Assets will be entered throughout the year on the asset system to allow for a more thorough review at year-end. This will allow more time for balancing and corrections before the auditor's deadline.

Finding: 2018-003

Corrective Action: The human resources department has taken great measures to ensure employees acknowledge the benefits and rate for each of their elective benefit deductions. In August of 2018, the department began implementing a benefits platform. Employees will log onto employee self-services and choose the health benefit they would like to enroll in. The semi-monthly deduction rate will be listed based on their selection. The deduction will automatically go into the payroll system based on their selection. This deduction will have come directly from the employee's selections and can be viewed at any time with date/time stamp audit. The department expects to go live in March 2019 with this platform. While the department is waiting on the benefits platform, an electronic survey for 2019 open enrollment and new hires was built. Each employee selects their plan and deduction amount. It is very similar to the benefits platform will be utilized in March. The information is stored electronically and the employees acknowledge the selection and amount.

Finding: 2018-004

Corrective Action: Updated procedures will be put in place and training will be performed for departments to assure a budget is in place before purchasing or requisitioning items/services. A general ledger report showing expenses will be reviewed several times each month to assure no expense line items are over budget.

(Continued)



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County Manager
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County Attorney
Carl W. "Trey" Thurman

**Pender County, North Carolina
Corrective Action Plan (Continued)
For the Fiscal Year Ended June 30, 2018**

Finding: 2018-005

Corrective Action: A periodic review and annual follow-up will be conducted between finance and all departments that have projects. The conversation and review will include progress updates and communication when a project is finalized to assure the assets are brought from the project fund into the asset system and depreciated appropriately.

Section III. Federal Award Findings and Questioned Costs

None noted.

Section III. State Award Findings and Questioned Costs

None noted.

George R. Brown, Jr.
Chairman

Randell Woodruff
County Manager

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Carl W. "Trey" Thurman

PENDER COUNTY, NORTH CAROLINA**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS****For the Fiscal Year Ended June 30, 2018**

Finding:	2017-001
Status:	Numerous capital project funds were closed out during the fiscal year ended June 30, 2018. There are very few remaining to be closed, and most of these were still experiencing activity in June 2018 and were, therefore, not ready to be closed.
Finding:	2017-030
Status:	Staff inquired of Management and Department Directors as to any potential unpaid obligations that they were aware of and were not made aware of any. The unpaid obligation at the end of FY 2017 was reported; the case was settled during fiscal year 2018 and the liability adjusted accordingly.
Finding:	2017-002
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-003
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.

(Continued)

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PENDER COUNTY, NORTH CAROLINA**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
For the Fiscal Year Ended June 30, 2018**

Finding:	2017-004
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-005
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-006
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-007
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.

(Continued)

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PENDER COUNTY, NORTH CAROLINA**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
For the Fiscal Year Ended June 30, 2018**

Finding:	2017-008
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-009
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-010
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-011
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.

(Continued)

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PENDER COUNTY, NORTH CAROLINA**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
For the Fiscal Year Ended June 30, 2018**

Finding:	2017-012
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-013
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-014
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-015
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.

(Continued)

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PENDER COUNTY, NORTH CAROLINA**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
For the Fiscal Year Ended June 30, 2018**

Finding:	2017-016
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-017
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-018
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-019
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.

(Continued)

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PENDER COUNTY, NORTH CAROLINA**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
For the Fiscal Year Ended June 30, 2018**

Finding:	2017-020
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-021
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-022
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-023
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.

(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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
For the Fiscal Year Ended June 30, 2018**

Finding:	2017-024
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-025
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-026
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.
Finding:	2017-027
Status:	County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.

(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


SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
For the Fiscal Year Ended June 30, 2018

Finding: 2017-028

Status: County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.

Finding: 2017-029

Status: County provided training to inform staff of policy and program requirements as a unit and individually. Training was held on 7/28/17, 8/23/17, 4/26/18 and 8/21/18. A Recert Income/Resource Verification sheet was created for use. Second party review sheet was updated by the State. Monthly second party reviews were increased beyond the State recommended. All cases have been updated and corrected in NC FAST.


George R. Brown, Jr.
Chairman


Randell Woodruff
County Manager

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>	<u>Local Expenditures</u>
Federal Awards:						
<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 Admin.	10.561		\$ 423,133	\$ -	\$ -	\$ 423,133
Food Stamp Fraud Admin.	10.561		54,067	-	-	54,067
Supplemental Nutrition Assistance Program Cluster			<u>477,200</u>	<u>-</u>	<u>-</u>	<u>477,200</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		282,862	-	-	-
Direct Program						
Administered by County Engineering Department						
Rural Utilities Service Grant						
Direct Grant	10.760		4,194,574	-	-	-
Total U.S. Dept. of Agriculture			<u>4,954,636</u>	<u>-</u>	<u>-</u>	<u>477,200</u>
<u>U.S. Dept. of Health & 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	77,788	4,576	-	-
In Home Support Services - Admin		NC-16	-	214,618	-	-
Congregate Meals	93.045	NC-16	49,110	2,891	-	-
Home Delivered Services	93.045	NC-16	85,958	5,061	-	-
Total Aging Cluster			<u>212,856</u>	<u>227,146</u>	<u>-</u>	<u>-</u>

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>	<u>Local Expenditures</u>
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		45,119	33,843	-	-
Immunization	93.268		12,750	-	-	-
Preventative Health and Health Service Block Grant	93.758		39,984	-	-	-
Sexually Transmitted Disease Control	93.977		692	-	-	-
HPP and PHEP Aligned Coop Agreement	93.074		36,466	-	-	-
Cancer Prevention and Control Programs	93.752		5,100	-	-	-
Family Planning Services	93.217		31,312	-	-	-
CDC - Tuberculosis	93.116		25,723	-	-	-
Total Division of Public Health			203,136	33,843	-	-
Division of Social Services:						
Administration:						
Adult Care Home Case Management	93.778		13,021	4,525	-	8,495
MAC	93.778		6,285	-	-	6,285
Adoption/Foster Care	93.659		41,897	25,872	-	-
Refugee Assistance Admin	93.566		501	-	-	-
State County Special Assistance	93.778		-	-	-	17,730
IV-D Administration	93.563		315,193	-	-	162,372
IV-D Offset Fees ESC	93.563		9	(1)	-	6
IV-D Offset Fees Federal	93.563		1,449	2	-	745
AFDC Payment & Penalties	93.560		(84)	(23)	-	(23)
Low Income Energy Assistance:						
Administration	93.568		40,084	-	-	-
Direct Benefit Payments	93.568		244,428	-	-	-
Crisis Intervention Program	93.568		177,695	-	-	-
Temporary Assistance for Needy Families Cluster:						
Temporary Assistance for Needy Families - Admin	93.558		63,962	-	-	129,537
Temporary Assistance for Needy Families - Services - Admin	93.558		353,936	-	-	261,859
Total TANF Cluster			417,898	-	-	391,396
Administration for Children and Families						
Foster Care and Adoption Cluster (Note 4)						
IV-E Admin Foster Care	93.658		(298)	-	-	(298)
IV-E Foster Care/Off TRN	93.658		196,555	-	-	196,555
IV-E Admin County Paid	93.658		23,683	11,841	-	11,841
IV-E CPS	93.658		40,842	19,806	-	21,036
IV-E FC & Extended Reg	93.658		30,331	7,313	-	7,313
IV-E Adoption/Off TRN	93.659		-	-	-	4,350
IV-E Adopt & Vendo & GUA	93.659		-	-	-	40,179
IV-E Adoption	93.659		25,871	-	-	41,955
Extended FC Max Non IV-E	93.659		-	17,794	-	-
Total Foster Care and Adoption Cluster (Note 4)			316,984	56,754	-	322,931

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>	<u>Local Expenditures</u>
Passed-through N.C. Dept of Health and Human Services:						
Permanency Planning	93.645		\$ 53,489	\$ -	\$ -	\$ 17,830
Independent Living Transitional	93.674		285	-	-	-
Links	93.674		17,275	4,319	-	-
Total Division of Social Services			<u>1,646,409</u>	<u>91,448</u>	<u>-</u>	<u>927,767</u>
Division of Aging and Adult Services:						
SSBG - State In Home Services	93.667		248	-	-	35
SSBG - In-Home Services Over 60	93.667		6,265	-	-	895
SSBG - Other Services and Training	93.667		91,440	-	-	30,480
SSBG - Adult Protective Services	93.667		21,895	-	-	7,298
Total Division of Aging and Adult Services			<u>119,848</u>	<u>-</u>	<u>-</u>	<u>38,708</u>
Division of Child Development:						
Subsidized Child Care (Note 5)						
Child Care Development Fund Cluster:						
Division of Social Services:						
Child Care Development Fund-Administration	93.596		84,782	-	-	-
Division of Child Development:						
Child Care and Development Fund -- Discretionary	93.575		47,026	-	-	-
Child Care and Development Fund -- Mandatory	93.596		6,230	-	-	-
Child Care and Development Fund -- Match	93.596		34,461	17,066	-	-
Total Child Care Development Fund Cluster			<u>172,499</u>	<u>17,066</u>	<u>-</u>	<u>-</u>
Temporary Assistance for Needy Families (TANF)	93.558		5,039	-	-	-
State Appropriations	-		-	14,083	-	-
TANF-MOE	-		-	7,119	-	-
Total Subsidized Child Care (Note 5)			<u>177,538</u>	<u>38,268</u>	<u>-</u>	<u>-</u>
Passed-through N.C. Dept of Health and Human Services:						
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778		1,420,954	-	-	476,112
Medical Transportation	93.778		94,088	-	-	94,088
Total Medical Assistance Program			<u>1,515,042</u>	<u>-</u>	<u>-</u>	<u>570,200</u>
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767		51,840	15	-	-
Total State Children's Insurance Program - N.C. Health Choice			<u>51,840</u>	<u>15</u>	<u>-</u>	<u>-</u>
Total U.S. Dept. of Health and Human Services			<u>3,926,669</u>	<u>390,720</u>	<u>-</u>	<u>1,536,675</u>

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

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>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		\$ 18,426	\$ -	\$ -	\$ -
			<u>18,426</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		571,546	-	-	-
EMG Performance Grant	97.042		38,642	-	-	-
Total U. S. Department of Homeland Security			<u>610,188</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Commerce</u>						
Direct Program						
Economic Development Administration Grant	11.300		227,499	-	-	-
<u>U.S. Dept. of Housing and Urban Development</u>						
Direct Program						
Lower Income Housing Assistance Program -						
Section 8 Housing Voucher Program	14.871		1,040,094	-	-	-
Section 8 Housing Voucher Program Admin Fees	14.871		110,959	-	-	-
Total U.S. Dept. of Housing and Urban Development			<u>1,151,053</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Federal Awards			<u>10,888,471</u>	<u>390,720</u>	<u>-</u>	<u>2,013,875</u>
State Awards:						
<u>N.C. Dept. of Cultural and Natural Resources</u>						
Division of State Library						
State Aid to Public Libraries			-	111,173	-	-
Total N.C. Dept. of Cultural and Natural Resources			<u>-</u>	<u>111,173</u>	<u>-</u>	<u>-</u>
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
White Goods Management Program			-	38,065	-	-
Scrap Tire Program			-	79,417	-	-
Solid Waste Disposal Tax			-	43,207	-	-
Electronics Management			-	4,770	-	-
Total N.C. Dept. of Environmental and Natural Resources			<u>-</u>	<u>165,459</u>	<u>-</u>	<u>-</u>

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>	<u>Local Expenditures</u>
<u>N.C. Dept. of Health and Human Services</u>						
Division of Social Services						
CP&L Energy Assistance			\$ -	\$ 320	\$ -	\$ -
SC/SA Domiciliary Care			-	-	-	296,020
County Fund Programs			-	-	-	1,026,170
St Child Welfare/CPS/CS			-	38,873	-	-
CWS - Adoption			-	-	-	19,530
AFDC Incentive Program Integrity			-	12	-	-
Work First Non Reimbursable			-	-	-	727,969
Foster Home			-	110,144	-	110,144
SFHF Maximization			-	171,717	-	171,717
DCD Smart Start			-	(68)	-	-
SAA/SAD HB 1030			-	-	-	17,986
Total Division of Social Service			-	320,998	-	2,369,536
Division of Public Health						
General Aid to Counties			-	77,111	-	-
Public Health Nursing			-	800	-	-
Child Health			-	15,185	-	-
Maternal Health (HMHC)			-	4,587	-	-
HMHC Family Planning			-	5,578	-	-
Food and Lodging			-	17,924	-	-
Mosquito and Tick Suppression			-	2,000	-	-
Women's Health Service Fund			-	7,756	-	-
School Health Center			-	91,104	-	-
School Nurse Funding Initiative			-	150,000	150,000	-
General Communicable Disease Control			-	9,999	-	-
HIV STD SSBG Aid			-	500	-	-
Gonorrhea Partner Services			-	1,005	-	-
STD Drugs			-	201	-	-
TB Control			-	6,493	-	-
Breast and Cervical Cancer Program			-	5,100	-	-
Total Division of Public Health			-	395,343	150,000	-
Division of Child Development						
Non-Allocating County Cost			-	-	-	354,329
Total N. C. Department of Health and Human Services			-	716,341	150,000	2,723,865
<u>N.C. Dept. of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds			-	634,078	-	-
Total N.C. Dept. of Public Instruction			-	634,078	-	-

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

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			-	113,591	-	-
<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			-	166,478	-	-
<u>Golden Leaf Foundation</u>						
Economic Catalyst Grant Program			-	80,000	-	-
<u>N.C. Wildlife Resources Commission</u>						
Partners for Green Growth			-	10,000	-	-
Total State Awards			-	1,997,120	150,000	2,723,865
Total Federal and State Awards			\$10,888,471	\$2,387,840	\$150,000	\$4,737,740

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, 2018

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, 2018. 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, fund balances 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.

Note 3: Indirect Cost Rate

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.

Note 4: 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 Grantor's Number</u>	<u>Federal Expenditure</u>	<u>State Expenditure</u>
School Nurse Grant	-	-	-	150,000

Pender County had the following loan balance outstanding at June 30, 2018 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, 2018 consist of:

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

Note 5: 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.