

Pender County, North Carolina

Financial and Compliance Reports
Year Ended June 30, 2019

(This Page Was Intentionally Left Blank)

Pender County, North Carolina

**List of Principal Officials
June 30, 2019**

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

Margaret Blue

Financial Section

Independent Auditor's Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 15
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17 - 18
Fund Financial Statements	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	23
Statement of Net Position – Proprietary Funds	24 - 25
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	26 - 27
Statement of Cash Flows – Proprietary Funds	28 - 31
Statement of Fiduciary Net Position – Fiduciary Funds	32
Notes to Financial Statements	33 - 83
Required Supplementary Information (Unaudited):	
Schedule of Proportionate Share of Net Pension Liability (Asset) Local Governmental Employees' Retirement System	84
Schedule County of Contributions Local Governmental Employees' Retirement System	85
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) Register of Deeds' Supplemental Pension Fund	86
Schedule of Schedule of Contributions to Register of Deeds' Supplemental Pension Fund	87
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance	88
Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll – Law Enforcement Officers' Special Separation Allowance	89
Schedule of Changes in the Total OPEB Liability and Related Ratios	90
Other Supplementary Information:	
Budgetary Schedules of Major Governmental Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	91 - 93
Statement of Revenue, Expenses and Changes in Fund Balances – Budget and Actual – Revaluation Fund	94
Statement of Revenue, Expenses and Changes in Fund Balances – Budget and Actual – School Special Revenue Fund	95
Combining Schedules of Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	97
Combining Balance Sheet – Nonmajor Special Revenue Funds	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	99
Special Revenue Funds:	
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Fire Service District Fund	100
Rescue Districts Fund	101
911 Emergency Telephone Systems	102

Capital Project Funds:

Combining Balance Sheet – Non-Major Capital Projects Fund	103
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Capital Projects Fund	104
Statement of Revenue, Expenses and Changes in Fund Balances – Budget and Actual: Capital Improvements Fund – Capital Project Fund	105
Statement of Revenue, Expenses and Changes in Fund Balances – Budget and Actual: Capital Improvements Fund – Capital Facilities Reserve– Capital Project Fund	106
Statement of Revenue, Expenses and Changes in Fund Balances – Budget and Actual: School Capital Project Fund	107

Proprietary Funds

Enterprise Funds (Major):

Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP):	
Resource Recovery Operating Fund	108
Solid Waste Capital Project Fund	109
Hampstead Transfer Station Capital Project Fund	110
Rocky Point/Topsail Water and Sewer Fund	111
Rocky Point/Topsail Water and Sewer Fund – Phase V Capital Project Fund	112
Water and Water Treatment Plant	113
Waste Water Treatment and Sewer	114
PCP Wastewater Treatment Plant Capital Project Fund	115
Water/Waste Water Capacity Fees Fund	116

Enterprise Funds (Non-Major):

Combining Statement of Net Position – Proprietary Funds	117 - 118
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	119 - 120
Statement of Cash Flows – Proprietary Funds	121 - 122
Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP):	
Maple Hill Water Operating Fund	123
Section 8 Administration Fund	124
Country Court Apartments Fund	125
Scotts Hill Water & Sewer District Operating Fund	126
Moore's Creek Water District Distribution Fund	127
Moore's Creek Water District Fund and Capital Project	128
Central Pender Water District Fund	129
Central Pender Water District Capital Project Fund	130

Internal Service Funds:

Combining Balance Sheet – Self-Insured Internal Service Fund	131
Statement of Revenues, Expenses, and Changes in Net Position Self-Insured Internal Service Fund – Employee Health Insurance Fund	132
Statement of Revenues, Expenses, and Changes in Net Position Self-Insured Internal Service Fund – Workers Compensation Fund	133

Agency Funds:

Combining Balance Sheet – All Agency Funds	134
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	135

Other Supplementary Data:

Schedule of Ad Valorem Taxes Receivable – General Fund	136
Analysis of Current Tax Levy	137 - 138
Ten Largest Taxpayers	139

Compliance Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	140 - 141
Report on Compliance 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.....	142 – 144
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.....	145 - 147
Schedule of Findings and Questioned Costs.....	148 - 153
Corrective Action Plan	154 - 155
Summary Schedule of Prior Audit Findings	156
Schedule of Expenditures of Federal and State Awards	157 - 162
Notes to Schedule of Expenditures of Federal and State Awards	163

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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 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 the 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 Supplementary 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 Supplementary 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 June 5, 2020, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

RSM US LLP

Morehead City, North Carolina
June 5, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

**Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2019**

As management of Pender County (the 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, 2019. 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.

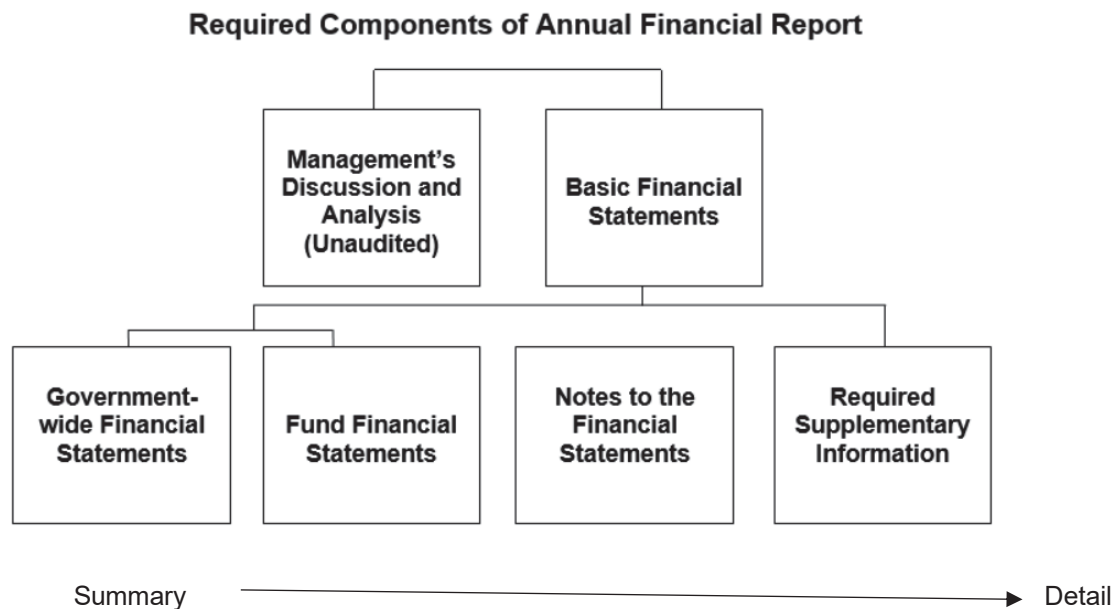
Financial Highlights

- 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 (\$4,289,632) (net deficit).
- The government's total net position produced a deficit of (\$2,121,609) during the fiscal year. This included a deficit of (\$4,217,209) from governmental sources, and business-type funds produced an increase of \$2,095,600.
- As of the close of the current fiscal year, Pender County's governmental funds reported combined ending fund balances of \$48,859,399, a decrease of \$12,348,546 in comparison with the prior year. Approximately 55.7% of this total amount, or \$27,237,327, 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 \$27,237,327 or 33.68% of total general fund expenditures for the fiscal year.
- Pender County's total long term debt decreased \$10,650,259 or 4.9% 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 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 (\$4,217,209) net deficit as of June 30, 2019. The County's net position decreased with a deficit of (\$2,121,609) for the fiscal year ended June 30, 2019. Net position is reported in three categories: net investment in capital assets, \$64,345,382, restricted net position of \$18,695,780, and unrestricted net position (deficit) of (\$87,330,794).

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 (\$87,330,794) at June 30, 2019. 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 \$94.3 million of the outstanding debt on the County's financial statements was related to assets included in the public school's financial statements.

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

Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2019

Pender County's Net Position (Deficit)

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 57,045,635	\$ 71,807,562	\$ 14,235,758	\$ 11,158,512	\$ 71,281,393	\$ 82,966,074
Capital assets, net	30,222,095	30,795,272	104,633,940	107,697,187	134,856,035	138,492,459
Total assets	87,267,730	102,602,834	118,869,698	118,855,699	206,137,428	221,458,533
Total deferred outflows of resources	6,800,430	5,347,876	798,006	515,697	7,598,436	5,863,573
Current and other liabilities	15,053,634	19,342,680	3,504,622	3,690,570	18,558,256	23,033,250
Long-term liabilities	125,687,975	133,451,878	69,209,401	71,054,149	194,897,376	204,506,027
Total liabilities	140,741,609	152,794,558	72,714,023	74,744,719	213,455,632	227,539,277
Total deferred inflows of resources	4,231,221	1,843,613	338,643	107,239	4,569,864	1,950,852
Net position (deficit):						
Net investment in capital assets	29,211,842	26,956,537	35,133,540	37,297,110	64,345,382	64,253,647
Restricted	18,695,780	9,997,476	-	36,218	18,695,780	10,033,694
Unrestricted deficit	(98,812,292)	(83,641,474)	11,481,498	7,186,110	(87,330,794)	(76,455,364)
Total net position (deficit)	\$ (50,904,670)	\$ (46,687,461)	\$ 46,615,038	\$ 44,519,438	\$ (4,289,632)	\$ (2,168,023)

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 98.05%.
- 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, 2019

Pender County Changes in Net Position (Deficit)

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 5,180,033	\$ 3,436,468	\$ 15,950,602	\$ 15,930,571	\$ 21,130,635	\$ 19,367,039
Operating grants and contributions	13,501,787	11,161,312	1,300,594	1,636,670	14,802,381	12,797,982
Capital grants and contributions	-	-	179,745	4,194,574	179,745	4,194,574
General revenues:						
Property taxes	60,788,056	59,242,702	-	-	60,788,056	59,242,702
Other taxes	14,923,035	14,536,690	-	-	14,923,035	14,536,690
Investment earnings, unrestricted	1,174,124	950,430	59,432	29,527	1,233,556	979,957
Miscellaneous, unrestricted	2,662,119	827,516	938,603	315,896	3,600,722	1,143,412
Total revenues	<u>98,229,154</u>	<u>90,155,118</u>	<u>18,428,976</u>	<u>22,107,238</u>	<u>116,658,130</u>	<u>112,262,356</u>
Expenses:						
General government	11,934,558	10,538,560	-	-	11,934,558	10,538,560
Public safety	35,323,067	20,650,769	-	-	35,323,067	20,650,769
Economic and physical development	4,231,485	3,862,105	-	-	4,231,485	3,862,105
Human services	14,163,455	15,404,461	-	-	14,163,455	15,404,461
Cultural and recreation	1,915,749	1,833,327	-	-	1,915,749	1,833,327
Education	32,465,325	60,757,181	-	-	32,465,325	60,757,181
Interest on long term debt	695,976	6,425,193	-	-	695,976	6,425,193
Sanitation	-	-	5,464,100	5,141,008	5,464,100	5,141,008
Water and sewer	-	-	11,183,283	12,024,169	11,183,283	12,024,169
Section 8 Housing	-	-	1,366,407	1,157,190	1,366,407	1,157,190
Country Court	-	-	36,334	60,668	36,334	60,668
Total expenses	<u>100,729,615</u>	<u>119,471,596</u>	<u>18,050,124</u>	<u>18,383,035</u>	<u>118,779,739</u>	<u>137,854,631</u>
Increase (decrease) in net position before transfers	(2,500,461)	(29,316,478)	378,852	3,724,203	(2,121,609)	(25,592,275)
Transfers	<u>(1,716,748)</u>	<u>(8,401,164)</u>	<u>1,716,748</u>	<u>8,401,164</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position after transfers	(4,217,209)	(37,717,642)	2,095,600	12,125,367	(2,121,609)	(25,592,275)
Net position, beginning	(46,687,461)	(2,181,146)	44,519,438	32,788,446	(2,168,023)	30,607,300
Restatement (Note 9)	<u>-</u>	<u>(6,788,673)</u>	<u>-</u>	<u>(394,375)</u>	<u>-</u>	<u>(7,183,048)</u>
Net position (deficit) ending	<u>\$ (50,904,670)</u>	<u>\$ (46,687,461)</u>	<u>\$ 46,615,038</u>	<u>\$ 44,519,438</u>	<u>\$ (4,289,632)</u>	<u>\$ (2,168,023)</u>

Governmental activities. The County's governmental activities net position decreased by \$4,217,209 primarily due to expenses related to school construction projects.

Business-type activities: Business-type activities increased Pender County's net position by \$2,095,600, accounting for an increase in the government's net position. Key elements of this increase are as follows:

- Miscellaneous revenues increased by \$622,707 or 197% due to insurance proceeds from Hurricane Florence.
- Closely monitoring expenditures for major operations of each fund.

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 \$27,237,327, while total fund balance reached \$43,025,327. 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 33.7% of general fund expenditures, while total fund balance represents 53.2% of that same amount.

The major School Capital Projects Fund is used to track school capital outlay. At June 30, 2019, restricted fund balance was \$2,470,803.

At June 30, 2019, the governmental funds of Pender County reported a combined fund balance of \$48,859,399, a 20.2% 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 \$17,951,844 and increased expenditures by \$19,473,565.

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 \$11,481,498. The total growth in net position for those funds was \$2,095,600. Other factors concerning the finances of these funds have already been addressed in the discussion of Pender County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Pender County's capital assets for its governmental and business-type activities as of June 30, 2019, totals \$134,856,035 (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.
- Completion of construction of enterprise water and wastewater projects.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 10,544,045	\$ 10,369,460	\$ 558,434	\$ 563,364	\$ 11,102,479	\$ 10,932,824
Buildings	15,804,709	15,064,845	101,171,374	102,010,902	116,976,083	117,075,747
Furniture, vehicles, and equipment	2,286,338	2,117,960	128,661	130,315	2,414,999	2,248,275
Other	148,782	256,643	2,775,471	3,171,846	2,924,253	3,428,489
Construction in progress	1,438,221	2,986,364	-	1,820,760	1,438,221	4,807,124
Total	30,222,095	30,795,272	104,633,940	107,697,187	134,856,035	138,492,459

Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2019

Long-term Debt. As of June 30, 2019, Pender County had total bonded debt outstanding of \$182,724,690, 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	
	2019	2018	2019	2018	2019	2018
Limited Obligation Debt	\$ 5,486,561	\$ 5,756,305	\$ 34,568,439	\$ 35,763,695	\$ 40,055,000	\$ 41,520,000
General Obligation Bonds	94,270,000	101,800,000	46,686,000	47,611,000	\$ 140,956,000	\$ 149,411,000
Blended component unit debt*	-	-	(19,325,000)	(19,770,000)	(19,325,000)	(19,770,000)
Subtotal General Obligation Debt	94,270,000	101,800,000	27,361,000	27,841,000	121,631,000	129,641,000
Revenue bonds	-	-	4,555,000	4,639,000	4,555,000	4,639,000
Federal revolving loan	-	-	543,057	573,227	543,057	573,227
Capital leases	-	105,408	-	-	-	105,408
Installment purchases	2,033,328	2,333,328	88,795	95,122	2,122,123	2,428,450
Net pension liability (LEOSSA)	1,389,357	1,364,566	-	-	1,389,357	1,364,566
Net pension liability (LGRS)	5,517,072	3,664,198	367,522	275,800	5,884,594	3,939,998
Total other postemployment benefits	12,262,264	14,124,621	824,464	820,486	13,086,728	14,945,107
Compensated absences	1,742,239	1,706,384	108,752	106,153	1,850,991	1,812,537
Unamortized bond premiums	11,145,203	11,808,987	2,673,307	2,808,339	13,818,510	14,617,326
Total	<u>\$ 133,846,024</u>	<u>\$ 142,663,797</u>	<u>\$ 71,090,336</u>	<u>\$ 72,922,822</u>	<u>\$ 204,936,360</u>	<u>\$ 215,586,619</u>

*See Note 3, section B 6-c

Pender County's total debt decreased by \$10,650,259 (4.9%) 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 \$399,049,000. The County does not have any unissued bonds at June 30, 2019.

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. Pender County remains a Tier 3 County as reflected in the 2020 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 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.

In September 2018, Hurricane Florence had significant impacts on all aspects of the local economy and citizens of Pender County. From sheltering and debris operations to continued housing concerns there have been significant resources expended and efforts made to recover and repair the damage left by the storm. Management has worked endlessly with recovery agencies and public assistance programs to restore to pre-storm conditions as much as possible as well as provide citizens with as much information and access to resources for recovery.

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, 2020

Governmental Activities: The County Commissioners approved a \$68,327,419 General Fund Budget on June 17, 2019, which was included within a total budget ordinance of \$115,148,269, adopted on the same date, with a tax rate of \$.645 per 100 of assessed valuation, which is \$.04 less than the previous fiscal year. The initial appropriation from the Fund Balance of the General Fund was \$250,000.

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.

(This Page Was Intentionally Left Blank)

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pender County ABC Board
Assets				
Cash and cash equivalents	\$ 36,957,933	\$ 13,443,445	\$ 50,401,378	\$ 771,241
Accounts receivables (net)	124,753	1,812,767	1,937,520	331
Taxes receivables (net)	1,458,767	-	1,458,767	-
Accrued interest receivable	142,556	-	142,556	-
Internal balances	1,276,003	(1,276,003)	-	-
Due from other governments	8,477,238	659	8,477,897	-
Notes receivable	2,041,661	-	2,041,661	-
Prepaid items	-	-	-	98,230
Inventories	9,586	-	9,586	843,904
Restricted cash and cash equivalents	6,437,754	254,890	6,692,644	-
Restricted net pension asset, Register of Deeds	119,384	-	119,384	-
Capital assets:				
Land and construction in progress	11,982,266	-	11,982,266	8,250
Capital assets net of depreciation/amortization	18,239,829	104,633,940	122,873,769	87,825
Total capital assets	30,222,095	104,633,940	134,856,035	96,075
Total assets	87,267,730	118,869,698	206,137,428	1,809,781
Deferred Outflows of Resources				
Deferred charge on refunding	2,034,702	289,199	2,323,901	-
Pension and OPEB deferrals	4,765,728	508,807	5,274,535	119,218
Total deferred outflows of resources	6,800,430	798,006	7,598,436	119,218
Liabilities				
Accounts payable	5,372,827	1,118,087	6,490,914	876,885
Accrued interest payable	1,284,553	378,050	1,662,603	-
Customer deposits	-	127,550	127,550	-
Unearned revenue	238,205	-	238,205	-
Long-term liabilities:				
Due within one year	8,158,049	1,880,935	10,038,984	-
Due in more than one year	125,687,975	69,209,401	194,897,376	133,088
Total liabilities	140,741,609	72,714,023	213,455,632	1,009,973
Deferred Inflows of Resources				
Pension and OPEB deferrals	4,231,221	338,643	4,569,864	689
Total deferred inflows of resources	4,231,221	338,643	4,569,864	689
Net position (deficit)				
Investment in capital assets net of related debt	29,211,842	35,133,540	64,345,382	96,075
Restricted for:				
Stabilization by State statute	12,111,616	-	12,111,616	-
Net pension asset, ROD	119,384	-	119,384	-
Health	3,802,787	-	3,802,787	-
Capital projects	1,413,521	-	1,413,521	-
Public safety	403,213	-	403,213	-
Sheriff's seizures	103,701	-	103,701	-
Tax revaluation	306,081	-	306,081	-
Automation enhancement and preservation	435,477	-	435,477	-
Working capital	-	-	-	223,945
Unrestricted (deficit)	(98,812,292)	11,481,498	(87,330,794)	598,317
Total net position (deficit)	\$ (50,904,670)	\$ 46,615,038	\$ (4,289,632)	\$ 918,337

See Notes to Financial Statements

Pender County, North Carolina

Statement of Activities

For the Fiscal Year Ended June 30, 2019

		Program Revenues		
Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental:				
General government	\$ 11,934,558	\$ 2,960,774	\$ 36,903	\$ -
Public safety	35,323,067	2,090,683	5,440,895	-
Economic and physical development	4,231,485	-	-	-
Human services	14,163,455	-	7,669,249	-
Cultural and recreation	1,915,749	128,576	354,740	-
Education	32,465,325		-	-
Interest on long-term debt	695,976	-	-	-
Total governmental activities	100,729,615	5,180,033	13,501,787	-
Business-type:				
Resource Recovery Fund	5,464,100	6,163,926	49,760	-
Water Districts	6,553,411	6,224,719	-	179,745
Water Treatment Plant and Water Fund	2,850,845	1,524,537	-	-
Sewer Treatment Plant and Sewer Fund	1,779,027	2,027,546	-	-
Section 8 Housing	1,366,407	-	1,250,834	-
Country Court Apartments	36,334	9,874	-	-
Total business-type activities	18,050,124	15,950,602	1,300,594	179,745
Total primary government	\$ 118,779,739	\$ 21,130,635	\$ 14,802,381	\$ 179,745
Component unit:				
Pender County ABC Board	\$ 7,531,446	\$ 7,564,308	\$ -	\$ -

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

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	
\$ (8,936,881)	\$ -	\$ (8,936,881)	\$ -	
(27,791,489)	-	(27,791,489)	-	
(4,231,485)	-	(4,231,485)	-	
(6,494,206)	-	(6,494,206)	-	
(1,432,433)	-	(1,432,433)	-	
(32,465,325)	-	(32,465,325)	-	
(695,976)	-	(695,976)	-	
(82,047,795)	-	(82,047,795)	-	
-	749,586	749,586	-	
-	(148,947)	(148,947)	-	
-	(1,326,308)	(1,326,308)	-	
-	248,519	248,519	-	
-	(115,573)	(115,573)	-	
-	(26,460)	(26,460)	-	
-	(619,183)	(619,183)	-	
(82,047,795)	(619,183)	(82,666,978)	-	
-	-	-	32,862	
60,788,056	-	60,788,056	-	
14,923,035	-	14,923,035	-	
1,174,124	59,432	1,233,556	324	
2,662,119	938,603	3,600,722	-	
(1,716,748)	1,716,748	-	-	
77,830,586	2,714,783	80,545,369	324	
(4,217,209)	2,095,600	(2,121,609)	33,186	
(46,687,461)	44,519,438	(2,168,023)	885,151	
\$ (50,904,670)	\$ 46,615,038	\$ (4,289,632)	\$ 918,337	

Governmental Funds
Balance Sheet
June 30, 2019

	General	Public School Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 32,532,332	\$ 1,239,555	\$ 2,312,904	\$ 36,084,791
Accounts receivable, net	-	-	124,753	124,753
Taxes receivable, net	1,162,524	-	296,243	1,458,767
Due from other governments	6,827,539	1,231,248	418,451	8,477,238
Due from other funds	1,276,003	-	-	1,276,003
Inventory	9,586	-	-	9,586
Loans receivable	2,041,661	-	-	2,041,661
Restricted cash	4,648,046	-	1,789,708	6,437,754
Total assets	<u>\$ 48,497,691</u>	<u>\$ 2,470,803</u>	<u>\$ 4,942,059</u>	<u>\$ 55,910,553</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,071,635	\$ -	\$ 1,282,547	\$ 5,354,182
Total liabilities	<u>4,071,635</u>	<u>-</u>	<u>1,282,547</u>	<u>5,354,182</u>
Deferred inflows of resources	<u>1,400,729</u>	<u>-</u>	<u>296,243</u>	<u>1,696,972</u>
Fund balances:				
Nonspendable:				
Inventory	9,586	-	-	9,586
Restricted:				
Stabilization by State statute	10,880,368	1,231,248	-	12,111,616
Health Department	3,802,787	-	-	3,802,787
Public safety	-	-	403,213	403,213
Sheriff's seizures	103,701	-	-	103,701
Capital projects	-	-	1,413,521	1,413,521
Tax revaluation	306,081	-	-	306,081
Automation enhancement and preservation	435,477	-	-	435,477
Committed:				
School capital projects	-	1,239,555	1,412,700	2,652,255
Assigned:				
Subsequent years expenditures	250,000	-	-	250,000
Unassigned	27,237,327	-	133,835	27,371,162
Total fund balances	<u>43,025,327</u>	<u>2,470,803</u>	<u>3,363,269</u>	<u>48,859,399</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 48,497,691</u>	<u>\$ 2,470,803</u>	<u>\$ 4,942,059</u>	<u>\$ 55,910,553</u>

See Notes to Financial Statements

**Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position (Deficit)
June 30, 2019**

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

Total Fund Balance, Governmental Funds	\$ 48,859,399
Charges relating to advance refunding debt issue	2,034,702
Net pension asset, ROD	119,384
Capital assets used in governmental activities that are not financial resources and therefore are not reported in the funds	30,222,095
Pension and OPEB plan deferred outflows	4,765,728
Accrued interest receivable on the Statement of Net Position (Deficit)	142,556
Property taxes receivable	1,458,767
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)	854,497
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(133,846,024)
Accrued interest payable on the Statement of Net Position (Deficit)	(1,284,553)
Pension and OPEB deferred inflows	<u>(4,231,221)</u>
Net position (deficit) of governmental activities	<u>\$ (50,904,670)</u>

See Notes to Financial Statements

Governmental Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019

	General	Public School Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 49,290,068	\$ -	\$ 11,338,124	\$ 60,628,192
Unrestricted Intergovernmental	11,401,658	4,350,394	697,871	16,449,923
Restricted Intergovernmental	13,363,693	-	138,094	13,501,787
Permits and fees	1,313,960	-	-	1,313,960
Charges for services	2,339,185	-	-	2,339,185
Interest	1,101,673	1,472	70,979	1,174,124
Miscellaneous	737,029	-	-	737,029
Total revenues	79,547,266	4,351,866	12,245,068	96,144,200
Expenditures				
General government	11,209,350	-	-	11,209,350
Public safety	24,313,878	-	12,608,265	36,922,143
Economic and physical development	3,376,566	-	785,457	4,162,023
Human services	13,975,273	-	-	13,975,273
Culture and recreation	1,763,750	-	-	1,763,750
Education	25,299,439	283,393	6,822,640	32,405,472
Debt service:				
Principal	675,152	7,530,000	-	8,205,152
Interest	258,878	3,853,688	-	4,112,566
Total expenditures	80,872,286	11,667,081	20,216,362	112,755,729
Revenues over (under) expenditures	(1,325,020)	(7,315,215)	(7,971,294)	(16,611,529)
Other Financing sources (uses)				
Board of Education	4,014,660	-	-	4,014,660
Sale of surplus property	766,036	-	-	766,036
Insurance proceeds	1,199,035	-	-	1,199,035
Transfers in	4,937,244	6,301,510	639,847	11,878,601
Transfers to Enterprise Funds	(1,716,748)			(1,716,748)
Transfers out	(6,842,209)	(4,937,244)	(99,148)	(11,878,601)
Total other financing sources (uses)	2,358,018	1,364,266	540,699	4,262,983
Net change in fund balances	1,032,998	(5,950,949)	(7,430,595)	(12,348,546)
Fund Balances				
Beginning	41,992,329	8,421,752	10,793,864	61,207,945
Ending	\$ 43,025,327	\$ 2,470,803	\$ 3,363,269	\$ 48,859,399

**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, 2019**

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

Net change in fund balances - total governmental funds	\$ (12,348,546)
--	-----------------

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.	982,679
--	---------

Increase in purchased capital assets, net of decrease in construction in progress	
Depreciation expense	(1,515,875)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to increase net assets	(39,981)
--	----------

Pension and OPEB deferred outflows	1,764,516
------------------------------------	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Increase in deferred property taxes	144,157
Increase in accrued interest receivable	12,707
Increase in grant revenue	2,699

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	(2,013,891)
Retirement of long-term liabilities	10,167,880

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	(1,792,916)
Decrease in accrued interest payable	3,064,768
Amortization of deferred refunding costs	(311,962)
Pension and OPEB related deferred inflows	(2,387,608)

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.

54,164

Change in net position of governmental activities	<u>\$ (4,217,209)</u>
---	-----------------------

See Notes to Financial Statements

(This Page Was Intentionally Left Blank)

General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 48,448,000	\$ 48,523,028	\$ 49,290,068	\$ 767,040
Unrestricted intergovernmental	9,745,000	9,767,202	11,401,658	1,634,456
Restricted intergovernmental	7,874,330	26,466,345	13,363,693	(13,102,652)
Permits and fees	875,000	957,000	1,313,960	356,960
Charges for services	3,026,707	2,269,156	2,339,185	70,029
Interest	498,850	436,000	1,101,673	665,673
Miscellaneous	51,300	52,300	737,029	684,729
Total revenues	70,519,187	88,471,031	79,547,266	(8,923,765)
Expenditures				
General government	11,576,686	12,589,555	10,510,437	2,079,118
Public safety	10,852,479	29,097,369	24,313,878	4,783,491
Economic and physical development	3,390,646	3,138,889	3,376,566	(237,677)
Human services	21,070,709	16,043,425	13,975,273	2,068,152
Culture and recreation	1,436,654	2,000,257	1,763,750	236,507
Education, schools	20,406,565	25,337,809	25,299,439	38,370
Debt service:				
Principal	679,822	679,822	675,152	4,670
Interest	258,783	258,783	258,827	(44)
Total expenditures	69,672,344	89,145,909	80,173,322	8,972,587
Revenues over expenditures	846,843	(674,878)	(626,056)	48,822
Other financing sources (uses)				
Debt issuance costs			(51)	(51)
Note receivable payments	300,000	300,000	-	(300,000)
Sale of surplus property	1,200,000	1,200,000	766,036	(433,964)
Insurance proceeds	-	881,571	1,199,035	317,464
Board of Education	-	-	4,014,660	4,014,660
Transfers from other funds	5,642,897	3,583,994	4,937,244	1,353,250
Transfers to other funds	(6,977,209)	(6,700,154)	(6,967,209)	(267,055)
Transfers to Enterprise Funds	(1,662,672)	(778,959)	(1,716,748)	(937,789)
Contingency	(100,674)	52,964	-	(52,964)
Appropriated fund balance	750,815	2,135,462	-	(2,135,462)
Total other financing sources (uses)	(846,843)	674,878	2,232,967	1,558,089
Revenues over expenditures and other financing sources (uses)	\$ -	\$ -	1,606,911	\$ 1,606,911
Fund balance, beginning			41,112,335	
Fund balance, ending			42,719,246	
A legally budgeted Tax Reassessment Fund is consolidated into the General Fund for reporting purposes:				
Transfer from General Fund			125,000	
Contracted services			(698,913)	
Fund balance, beginning of year			879,994	
Fund balance, end of year			\$ 43,025,327	

See Notes to Financial Statements

Pender County, North Carolina

Proprietary Funds

Statement of Net Position

June 30, 2019

	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	\$ 2,368,870	\$ 5,479,876	\$ -
Accounts receivable, net of allowance for doubtful accounts	641,514	854,525	21,281
Due from other governments	-	-	-
Due from other funds	-	678,906	-
Due from Districts	-	-	450,000
Restricted cash and cash equivalents	-	108,450	128,140
Total current assets	3,010,384	7,121,757	599,421
Noncurrent assets:			
Capital assets, net	3,087,031	20,916,430	31,511,957
Advance to Districts	-	-	18,875,000
Total noncurrent assets	3,087,031	20,916,430	50,386,957
Total assets	6,097,415	28,038,187	50,986,378
Deferred Outflows of Resources			
	167,658	384,270	96,835
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	803,034	200,285	208,045
Due to other funds	-	-	1,050,906
Customer deposits payable	-	108,450	-
Compensated absences liability - current	2,795	4,314	5,386
Installment notes payable - current	30,170	-	-
Due to Water Treatment Plant and Water fund	-	390,000	-
Revenue bonds payable - current	-	-	87,000
Limited obligation bonds payable - current	-	-	460,000
General obligation bonds payable - current	-	-	278,000
Total current liabilities	835,999	703,049	2,089,337
Noncurrent liabilities:			
Compensated absences liability	-	39,773	16,158
Other postemployment benefit liability	189,627	305,051	148,404
Net pension liability	86,341	146,419	69,060
Advance from Water Treatment Plant and Water fund	-	17,835,146	-
Installment notes payable	512,887	-	-
Revenue bonds payable	-	-	4,468,000
Limited obligation bonds payable	-	-	15,785,000
General obligation bonds payable	-	-	19,047,000
Total noncurrent liabilities	788,855	18,326,389	39,533,622
Total liabilities	1,624,854	19,029,438	41,622,959
Deferred Inflows of Resources			
	65,617	162,330	48,322
Net Position			
Net investment in capital assets	2,543,974	2,944,284	10,711,957
Hud Section 8 housing	-	-	-
Unrestricted	2,030,628	6,286,405	(1,300,025)
Total net position	\$ 4,574,602	\$ 9,230,689	\$ 9,411,932

See Notes to Financial Statements

Exhibit 6

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Eliminations	Total	Governmental Activities - Internal Service Fund
\$ 4,621,578	\$ 973,121	\$ -	\$ 13,443,445	\$ 873,142
67,947	227,500	-	1,812,767	-
-	659	-	659	-
-	831	-	679,737	-
-	-	(450,000)	-	-
-	18,300	-	254,890	-
4,689,525	1,220,411	(450,000)	16,191,498	873,142
21,700,907	27,417,615	-	104,633,940	-
-	-	(18,875,000)	-	-
21,700,907	27,417,615	(18,875,000)	104,633,940	-
26,390,432	28,638,026	(19,325,000)	120,825,438	873,142
46,267	102,976	-	798,006	-
205,836	78,937	-	1,496,137	18,645
-	904,834	-	1,955,740	-
-	19,100	-	127,550	-
6,345	3,736	-	22,576	-
-	6,867	-	37,037	-
-	60,000	(450,000)	-	-
-	-	-	87,000	-
772,322	-	-	1,232,322	-
-	224,000	-	502,000	-
984,503	1,297,474	(450,000)	5,460,362	18,645
19,036	11,209	-	86,176	-
65,957	115,425	-	824,464	-
22,774	42,928	-	367,522	-
-	2,443,045	(18,875,000)	1,403,191	-
-	81,928	-	594,815	-
-	-	-	4,468,000	-
15,694,740	-	-	31,479,740	-
-	10,938,493	-	29,985,493	-
15,802,507	13,633,028	(18,875,000)	69,209,401	-
16,787,010	14,930,502	(19,325,000)	74,669,763	18,645
21,431	40,943	-	338,643	-
5,233,845	13,699,480	-	35,133,540	-
-	-	-	-	-
4,394,413	70,077	-	11,481,498	854,497
\$ 9,628,258	\$ 13,769,557	\$ -	\$ 46,615,038	\$ 854,497

Pender County, North Carolina

Proprietary Funds

**Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2019**

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water and Water Treatment Plant
Operating Revenues			
Charges for services	\$ 6,088,385	\$ 5,163,659	\$ 1,524,537
Dwelling rental	-	-	-
Miscellaneous	75,541	126,826	-
Total operating revenues	6,163,926	5,290,485	1,524,537
Operating Expenses			
Cost of services	5,366,184	3,508,523	1,137,597
Depreciation and amortization	88,343	679,338	949,102
Total operating expenses	5,454,527	4,187,861	2,086,699
Operating income (loss)	709,399	1,102,624	(562,162)
Nonoperating Revenues (Expenses)			
Restricted intergovernment	49,760	-	-
Interest income	-	21,870	2,667
Miscellaneous income	442,743	-	-
Insurance proceeds	-	-	-
Interest expense	(9,573)	(710,281)	(764,146)
Debt issuance costs	-	-	-
Total net nonoperating revenues (expenses)	482,930	(688,411)	(761,479)
Income (loss) before transfers	1,192,329	414,213	(1,323,641)
Transfers in	9,295	24,107	-
Transfers out	-	-	-
Total transfers in (out)	9,295	24,107	-
Change in net position	1,201,624	438,320	(1,323,641)
Net position, beginning	3,372,978	8,792,369	10,735,573
Net position, ending	\$ 4,574,602	\$ 9,230,689	\$ 9,411,932

See Notes to Financial Statements

Exhibit 7

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 2,027,546	\$ 921,358	\$ 15,725,485	\$ 315,740
-	9,836	9,836	-
-	12,914	215,281	
2,027,546	944,108	15,950,602	315,740
328,463	1,732,796	12,073,563	261,576
817,288	1,016,709	3,550,780	-
1,145,751	2,749,505	15,624,343	261,576
881,795	(1,805,397)	326,259	54,164
-	1,430,579	1,480,339	-
32,597	2,298	59,432	-
-	134,435	577,178	-
-	361,425	361,425	-
(631,627)	(308,505)	(2,424,132)	-
(1,649)	-	(1,649)	-
(600,679)	1,620,232	52,593	-
281,116	(185,165)	378,852	54,164
1,674,131	16,215	1,723,748	-
-	(7,000)	(7,000)	-
1,674,131	9,215	1,716,748	-
1,955,247	(175,950)	2,095,600	54,164
7,673,011	13,945,507	44,519,438	800,333
\$ 9,628,258	\$ 13,769,557	\$ 46,615,038	\$ 854,497

Pender County, North Carolina

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2019

	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	\$ 6,046,252	\$ 5,144,114	\$ 1,513,262
Payments to customers and suppliers	(4,355,448)	(2,884,079)	(1,081,430)
Payments to employees	(564,323)	(628,019)	-
Net cash provided by (used in) operating activities	1,126,481	1,632,016	431,832
Cash Flows From Capital and Related Financing Activities			
Acquisition & construction of capital assets	-	-	-
Grant proceeds	48,760	-	-
Repayment of installment notes and bonds	(30,172)	(375,000)	(352,000)
Debt issuance costs	-	-	-
Interest paid	(9,573)	(759,487)	(764,146)
Net cash provided by (used in) capital and related financing activities	9,015	(1,134,487)	(1,116,146)
Cash Flows From Noncapital Financing Activities			
Due to (from) other funds	-	(37,039)	651,351
HUD operating grants	-	-	-
Restricted revenue	-	-	-
Miscellaneous revenues	443,743	-	-
Transfers in (out)	9,295	24,107	-
Net cash provided by noncapital financing activities	453,038	(12,932)	651,351
Cash Flows From Noncapital Financing Activities			
Interest on cash and cash equivalents	-	21,870	2,667
Net increase (decrease) in cash and cash equivalents	1,588,534	506,467	(30,296)
Cash and Cash Equivalents			
Beginning	780,336	5,081,859	158,436
Ending	\$ 2,368,870	\$ 5,588,326	\$ 128,140

See Notes to Financial Statements

Exhibit 8

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 2,001,434	\$ 1,427,159	\$ 16,132,221	\$ 315,740
(240,865)	(1,518,349)	(10,080,171)	(277,360)
(94,938)	(219,404)	(1,506,684)	-
1,665,631	(310,594)	4,545,366	38,380
(1,377)	(1,126,254)	(1,127,631)	-
-	-	48,760	-
(750,256)	(288,327)	(1,795,755)	-
(1,649)	-	(1,649)	-
(708,103)	(316,520)	(2,557,829)	-
(1,461,385)	(1,731,101)	(5,434,104)	-
-	(161,141)	453,171	-
-	1,248,239	1,248,239	-
-	179,745	179,745	-
-	495,860	939,603	-
1,674,131	(7,725)	1,699,808	-
1,674,131	1,754,978	4,520,566	-
32,597	2,298	59,432	-
1,910,974	(284,419)	3,691,260	38,380
2,710,604	1,275,840	10,007,075	886,709
\$ 4,621,578	\$ 991,421	\$ 13,698,335	\$ 925,089

(Continued)

Pender County, North Carolina

Proprietary Funds

Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2019

	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)	\$ 709,399	\$ 1,102,624	\$ (562,162)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	88,343	679,338	949,102
Change in assets and liabilities:			
Accounts receivable	(117,674)	(145,562)	(11,275)
Accounts payable and accrued expenses	429,957	5,594	47,887
Customer deposits payable	-	(1,150)	-
Compensated absences	(9,507)	(7,660)	(1,927)
OPEB	66,554	(105,091)	17,126
(Increase) decrease in deferred outflows of resources	(136,577)	(14,723)	(60,878)
Increase (decrease) in net pension liability	46,150	9,894	22,857
Increase (Decrease) in deferred inflows of resources	49,836	108,752	31,102
Net cash provided by (used in) operating activities	<u>\$ 1,126,481</u>	<u>\$ 1,632,016</u>	<u>\$ 431,832</u>

See Notes to Financial Statements

Exhibit 8
(Continued)

	Total		Governmental
Waste Water	Aggregate		Activities -
Treatment	Nonmajor		Internal
Plant and Sewer	Funds	Total	Service Fund
<hr/>			
\$ 881,795	\$ (1,805,397)	\$ 326,259	\$ 54,164
817,288	1,016,709	3,550,780	-
(26,112)	481,101	180,478	-
(30,542)	(11,909)	440,987	(15,784)
-	1,950	800	-
18,818	2,875	2,599	-
16,727	12,186	7,502	-
(32,840)	(38,893)	(283,911)	-
5,522	7,199	91,622	-
14,975	23,585	228,250	-
<hr/>			
\$ 1,665,631	\$ (310,594)	\$ 4,545,366	\$ 38,380
<hr/>			

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2019

	Agency Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 27,655
Accounts Receivable	142
Total assets	<u>27,797</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 27,797
Total liabilities	<u>27,797</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 62,000. 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 Special Revenue Fund: This fund is used to track debt service for public school bonds.

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; 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, Capital Improvements Fund, Capital Facilities Reserve Fund and School Capital Projects 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 North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported 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	Health Department	\$ 3,802,787
General Fund	AE&P Funds	435,477
General Fund	Sheriff - Federal and State Drug Seizure	103,701
General Fund	Tax revaluation	306,081
School Capital Projects Fund	Unexpended bond proceeds for schools	1,655,873
Capital Improvements Fund	Limited Obligation Bonds	133,835
Total Governmental Activities		<u>\$ 6,437,754</u>

Business-Type Activities

Rocky Point/Topsail Water	Customer Deposits	108,450
Maple Hill	Customer Deposits	5,200
Scotts Hill	Customer Deposits	3,200
Country Court Apartments	Customer Deposits	300
Water Treatment Plant	USDA debt reserves	128,140
Moore's Creek Water District	Customer Deposits	9,600
Total Business-Type Activities		<u>\$ 254,890</u>

Total Restricted Cash	<u><u>\$ 6,692,644</u></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, 2018. 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.

Pender County, North Carolina

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, 2019 amounted to \$1,850,991 in total, \$1,742,239 of which represents the liability of the governmental funds and is recorded in the government-wide financial statements and \$108,752 is recorded in the Enterprise Funds. The 75% remaining unused sick leave accumulated at the time of retirement may also be used in the determination of length of service for retirement benefit purposes. Since no termination payment is involved, no accrual for this part of the sick leave is provided by the County.

ABC Board employees may accumulated up to 240 hours earned vacation, and such leave is fully vested when earned. Accumulated earned vacation amounted to approximately \$26,242 at June 30, 2019. 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 – North Carolina G.S.159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

Restricted for Automation and Preservation – portion of fund balance that will be used for automation enhancement 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 School Capital Projects – 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.

Notes to Financial Statements

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

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.

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 (\$99,764,069) consists of the following:

Pender County, North Carolina

Notes to Financial Statements

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

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

Total capital assets on government-wide statement in governmental activities	\$ 52,945,619
Less accumulated depreciation	22,723,524
Net capital assets	<u>30,222,095</u>
Net pension asset	119,384
Pension and OPEB plan deferrals	4,765,728
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	2,034,702
Internal service assets and liabilities are included in governmental activities in the statement of net position	854,497
Accrued interest receivable	142,556
Deferred inflows of resources for taxes receivable	1,458,767
Pension and OPEB related deferrals	(4,231,221)

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	(112,935,092)
Compensated absences	(1,742,239)
Other postemployment benefits (OPEB)	(12,262,264)
Net pension and total pension liabilities	(6,906,429)
Accrued interest payable	<u>(1,284,553)</u>
Total adjustment	<u>\$ (99,764,069)</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 \$8,131,337 is comprised of the following:

Capital outlay expenditures recorded in the fund statements	
but capitalized as assets in the statement of activities	\$ 982,679
Cost of disposed capital asset not recorded in fund statements	(39,981)
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	(1,515,875)
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	8,205,152
Expenses reported on fund statements that are capitalized on government-wide statements - refunding costs	(311,962)
Debt premium	663,784
Pension and OPEB deferrals	1,764,516
Internal service fund net revenue	54,164
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures	
Compensated absences	(35,855)
Other postemployment benefits	1,862,357
LGERS and LEO pensions	(1,877,665)
Pension and OPEB expense and deferrals	(4,844,308)
Interest payable	3,064,768
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in grant receivable	2,699
Increase in accrued interest receivable	12,707
Increase in deferred taxes	144,157
Total adjustment	<u><u>\$ 8,131,337</u></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, 2019, actual expenditures exceeded budgeted expenditures for the following funds: Revaluation Fund, Fire Service District Fund, School Capital Project Fund, Section 8 Administration Fund, and Employee Health Insurance Fund.

2. Deficit Fund Balance of Individual Funds not appropriated in subsequent year's budget ordinance.

For the fiscal year ended June 30, 2019, the Fire Service District Fund had a deficit in ending fund balance. The County plans to fund the Fire Service District Fund with transfers from the General 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, 2019, the County's deposits had a carrying amount of \$10,357,852 and a bank balance of \$11,029,694. Of the bank balance, \$507,893 was covered by federal depository insurance and \$10,521,801 was covered by collateral held under the Pooling Method.

At June 30, 2019, Pender County had \$4,407 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, 2019, the carrying amount of deposits for Pender County ABC Board was \$770,442 and the bank balance was \$666,869. At June 30, 2019, the Board has a concentration of credit risk in that deposits with a carrying amount of \$770,442 and bank balances of \$666,869 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, 2019, the County's investments consisted of \$46,759,418 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 fair value. The County has no policy on credit risk. Since the County investments have a maturity of less than 3 months, they are considered to be cash and cash equivalents.

3. Receivables:

Receivables at the government-wide level at June 30, 2019, were as follows:

	Accounts Receivable	Property Taxes	Sales Tax	Due from Other Governments	Total
Governmental Activities:					
General	\$ -	\$ 1,991,383	\$ 658,875	\$ 6,168,664	\$ 8,818,922
Other Governmental	124,753	461,232	-	1,649,699	2,235,684
Total Receivables	124,753	2,452,615	658,875	7,818,363	11,054,606
Allowance for Doubtful Accounts	-	993,848	-	-	993,848
Total Governmental Activities	\$ 124,753	\$ 1,458,767	\$ 658,875	\$ 7,818,363	\$ 10,060,758
Business-type Activities					
Maple Hill Water Fund	\$ 68,399	\$ -	\$ -	\$ -	\$ 68,399
Section 8 Admin. Fund	4,051	-	-	-	4,051
Country Court	-	-	-	659	659
Waste Water Treatment Plant and Sewer	74,606	-	-	-	74,606
Resource Recovery	875,062	-	-	-	875,062
Moore's Creek Water District	134,687	-	-	-	134,687
Central Pender Water District	39,554	-	-	-	39,554
Water Treatment Plant	21,281	-	-	-	21,281
Rocky Point Water & Sewer	1,535,941	-	-	-	1,535,941
Scott's Hill Water & Sewer	116,879	-	-	-	116,879
Total Receivables	2,870,460	-	-	659	2,871,119
Allowance for Doubtful Accounts	1,057,693	-	-	-	1,057,693
Total Business-type Activities	\$ 1,812,767	\$ -	\$ -	\$ 659	\$ 1,813,426

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

Local Option Sales Tax	\$ 5,642,439
Franchise Tax	61,043
ABC Distribution	95,898
FEMA grants	1,376,356
DMV - Vehicle Tax	402,960
Health Grants	6,251
DSS Grants	892,291
Total	<u>\$ 8,477,238</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, 2019 of \$2,041,661 consists of an interest free note of \$1,233,328 from RC Creations with a maturity date of August 31, 2025 and an interest free note of \$808,333 from Mojo Properties with a maturity date of July 1, 2027.

4. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Capital Assets July 1, 2018	Additions	Adjustments Retirements and Transfers	Capital Assets June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,369,460	\$ 174,585	\$ -	\$ 10,544,045
Construction in progress	2,986,364	565,198	(2,113,341)	1,438,221
Total capital assets not being depreciated	13,355,824	739,783	(2,113,341)	11,982,266
Capital assets being depreciated:				
Buildings and Improvements	29,943,163	1,660,033	(69,807)	31,533,389
Intangibles	1,623,347	-	(221,146)	1,402,201
Equipment	4,062,271	88,092	(1,201,536)	2,948,827
Vehicles	4,969,666	608,112	(498,842)	5,078,936
Total capital assets being depreciated	40,598,447	2,356,237	(1,991,331)	40,963,353
Less accumulated depreciation for:				
Buildings & Improvements	14,878,318	920,169	(69,807)	15,728,680
Intangibles	1,366,704	43,865	(157,150)	1,253,419
Equipment	2,763,414	197,884	(1,256,804)	1,704,494
Vehicles	4,150,563	353,957	(467,589)	4,036,931
Total accumulated depreciation	23,158,999	\$ 1,515,875	\$ (1,951,350)	22,723,524
Total capital assets being depreciated, net	17,439,448			18,239,829
Governmental activity capital assets, net	\$ 30,795,272			\$ 30,222,095

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

General government	\$ 546,902
Public Safety	509,531
Human Services	180,821
Education	59,853
Economic and physical development	51,276
Cultural and recreational	167,492
Total depreciation expense	<u>\$ 1,515,875</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Business-type activities:					
Waste Water Treatment Plant and Sewer Fund					
Capital assets not being depreciated:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 23,202,774	\$ 1,377	\$ -	\$ -	\$ 23,204,151
Equipment	16,295	-	-	-	16,295
Vehicles	17,330	-	-	-	17,330
Total capital assets being depreciated	23,236,399	1,377	-	-	23,237,776
Less accumulated depreciation for:					
Buildings and improvements	699,695	813,822	-	-	1,513,517
Equipment	16,295	-	-	-	16,295
Vehicles	3,591	3,466	-	-	7,057
Total accumulated depreciation	719,581	\$ 817,288	\$ -	\$ -	1,536,869
Total capital assets being depreciated, net	22,516,818				21,700,907
Waste Water Treatment Plant capital assets, net	\$ 22,516,818				\$ 21,700,907

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Business-type activities:					
Maple Hill Public Utilities Fund					
Capital assets not being depreciated:					
Land	\$ 4,930	\$ -	\$ -	\$ (4,930)	\$ -
Total capital assets not being depreciated	4,930	-	-	(4,930)	-
Capital assets, being depreciated:					
Buildings and improvements	5,628,999	-	-	4,930	5,633,929
Total capital assets being depreciated	5,628,999	-	-	4,930	5,633,929
Less accumulated depreciation for:					
Buildings and improvements	1,323,765	140,283	-	-	1,464,048
Total accumulated depreciation	1,323,765	\$ 140,283	\$ -	\$ -	1,464,048
Total capital assets being depreciated, net	4,305,234				4,169,881
Maple Hill capital assets, net	\$ 4,310,164				\$ 4,169,881

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
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	-	-	41,080	567,604
Equipment	70,332	-	-	-	70,332
Total capital assets being depreciated	26,894,728	-	-	41,080	26,935,808
Less accumulated depreciation for:					
Buildings and improvements	5,130,579	654,603	-	-	5,785,182
Intangibles	9,485	-	-	-	9,485
Vehicles	462,110	21,093	-	41,080	524,283
Equipment	40,279	3,642	-	-	43,921
Total accumulated depreciation	5,642,453	\$ 679,338	\$ -	\$ 41,080	6,362,871
Total capital assets being depreciated, net	21,252,275				20,572,937
Rocky Point/Topsail capital assets, net	\$ 21,595,768				\$ 20,916,430

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Business-type activities:					
Section 8 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, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Business-type activities:					
Country Court					
Capital assets, being depreciated:					
Buildings and improvements	\$ 333,617	\$ 384,000	\$ -	\$ -	\$ 717,617
Intangibles	1,200	-	-	-	1,200
Total capital assets being depreciated	334,817	384,000	-	-	718,817
Less accumulated depreciation for:					
Buildings and improvements	193,827	8,230	-	-	202,057
Intangibles	1,200	-	-	-	1,200
Total accumulated depreciation	195,027	\$ 8,230	\$ -	\$ -	203,257
Total capital assets being depreciated, net	139,790				515,560
Country Court capital assets, net	\$ 139,790				\$ 515,560

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Business-type activities:					
Resource Recovery Fund					
Capital assets not being depreciated:					
Land	\$ 192,241	\$ -	\$ -	\$ -	\$ 192,241
Construction in progress	1,820,760	-	-	(1,820,760)	-
Total capital assets not being depreciated	2,013,001	-	-	(1,820,760)	192,241
Capital assets, being depreciated:					
Buildings and improvements	1,732,255	-	-	1,820,760	3,553,015
Equipment	55,235	-	-	-	55,235
Total capital assets being depreciated	1,787,490	-	-	1,820,760	3,608,250
Less accumulated depreciation for:					
Buildings and improvements	574,594	87,599	-	-	662,193
Equipment	50,523	744	-	-	51,267
Total accumulated depreciation	625,117	\$ 88,343	\$ -	\$ -	713,460
Total capital assets being depreciated, net	1,162,373				2,894,790
Solid Waste capital assets, net	\$ 3,175,374				\$ 3,087,031

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Business-type activities:					
Scotts Hill Water & Sewer Public Utilities Fund					
Capital assets not being depreciated:					
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	576,106	77,752	-	-	653,858
Vehicles	21,376	-	-	-	21,376
Total accumulated depreciation	597,482	77,752	-	-	675,234
Total capital assets being depreciated, net	2,533,986				2,456,234
Scott's Hill capital assets, net	\$ 2,533,986				\$ 2,456,234

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
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	68,834	-	-	-	68,834
Equipment	22,720	-	-	-	22,720
Total capital assets being depreciated	35,379,442	-	-	-	35,379,442
Less accumulated depreciation for:					
Buildings and improvements	2,580,988	859,548	-	-	3,440,536
Intangibles	263,238	84,865	-	-	348,103
Vehicles	60,774	2,418	-	-	63,192
Equipment	13,382	2,272	-	-	15,654
Total accumulated depreciation	2,918,382	\$ 949,103	\$ -	\$ -	3,867,485
Total capital assets being depreciated, net	32,461,060				31,511,957
Water Treatment Plant capital assets, net	\$ 32,461,060				\$ 31,511,957

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Business-type activities:					
Moore's Creek Water District					
Capital assets, being depreciated:					
Buildings and improvements	\$ 8,739,627	\$ 57,838	\$ -	\$ -	\$ 8,797,465
Vehicles		38,790			38,790
Total capital assets being depreciated	8,739,627	96,628	-	-	8,836,255
Less accumulated depreciation for:					
Buildings and improvements	18,208	222,189	-	-	240,397
Vehicles	-	5,819	-	-	5,819
Total accumulated depreciation	18,208	\$ 228,008	\$ -	\$ -	246,216
Total capital assets being depreciated, net	8,721,419				8,590,039
Moore's Creek capital assets, net	\$ 8,721,419				\$ 8,590,039
	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Business-type activities:					
Central Pender Water District					
Public Utilities Fund					
Capital assets not being depreciated:					
Land	\$ 22,700	\$ -	\$ -	\$ -	\$ 22,700
Total capital assets not being depreciated	22,700	-	-	-	22,700
Capital assets, being depreciated:					
Buildings and improvements	9,781,241	5,530	-	-	9,786,771
Intangibles	3,125,000	-	-	-	3,125,000
Total capital assets being depreciated	12,906,241	5,530	-	-	12,911,771
Less accumulated depreciation for:					
Buildings and improvements	61,133	249,937	-	-	311,070
Intangibles	625,000	312,500	-	-	937,500
Total accumulated depreciation	686,133	\$ 562,437	\$ -	\$ -	1,248,570
Total capital assets being depreciated, net	12,220,108				11,663,201
Central Pender capital assets, net	\$ 12,242,808				\$ 11,685,901
Business-type activities capital assets, net	\$ 107,697,187				\$ 104,633,940

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

Construction Commitments

The government has no active construction projects as of June 30, 2019.

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Capital assets not being depreciated:					
Land	\$ 6,500	\$ 1,750	\$ -	\$ -	\$ 8,250
Total capital assets not being depreciated	6,500	1,750	-	-	8,250
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	281,511	-	(83,114)	-	198,397
Vehicle	51,267	-	-	-	51,267
Total capital assets being depreciated	489,497	-	(83,114)	-	406,383
Less accumulated depreciation for:					
Buildings	17,147	-	-	-	17,147
Building addition	76,530	1,931	-	-	78,461
Land improvements	2,663	666	-	-	3,329
Roof replacement	29,695	-	-	-	29,695
Equipment	251,569	3,528	(83,114)	-	171,983
Vehicle	7,690	10,253	-	-	17,943
Total accumulated depreciation	385,294	\$ 16,378	\$ (83,114)	\$ -	318,558
ABC Board capital assets, net	\$ 110,703				\$ 96,075

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, 2019, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental Activities:					
General	\$ 3,542,551	\$ 529,084	\$ 1,284,553	\$ -	\$ 5,356,188
Other Governmental	1,282,547	-	-	-	1,282,547
Internal Service	-	-	-	18,645	18,645
Total Governmental Activities	<u>\$ 4,825,098</u>	<u>\$ 529,084</u>	<u>\$ 1,284,553</u>	<u>\$ 18,645</u>	<u>\$ 6,657,380</u>
Business-type Activities					
Maple Hill Water Fund	\$ 4,963	\$ 2,253	\$ 502	\$ -	\$ 7,718
Waste Water Treatment Plant and Sewer	31,856	3,466	170,514	-	205,836
Resource Recovery	784,867	15,198	2,969	-	803,034
Section 8 Administration	5,112	4,683	-	-	9,795
Country Court	31,146	-	23	-	31,169
Scott's Hill Water & Sewer	4,409	881	7,471	-	12,761
Water and Water Treatment Plant	73,879	12,884	121,282	-	208,045
Rocky Point Water & Sewer	119,069	22,487	58,729	-	200,285
Moore's Creek Water District	901	-	7,720	-	8,621
Central Pender Water District	33	-	8,840	-	8,873
Total Business-type Activities	<u>\$ 1,056,235</u>	<u>\$ 61,852</u>	<u>\$ 378,050</u>	<u>\$ -</u>	<u>\$ 1,496,137</u>

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, 2019, was 8.50% of compensation for law enforcement officers and 7.82% 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 \$1,524,690 for the year ended June 30, 2019. Contributions to the pension plan from the ABC Board were \$33,890 for the year ended June 30, 2019.

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, 2019, the County reported a liability of \$5,884,594 for its proportionate share of LGERS' net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions.

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

For the year ended June 30, 2019, the County recognized pension expense of \$1,521,333. At June 30, 2019, 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	\$ 907,853	\$ 30,463
Changes of assumptions	1,561,544	-
Net difference between projected and actual earnings on pension plan investments	807,780	-
Changes in proportion and differences between County contributions and proportionate share of contributions	35,145	-
County contributions subsequent to the measurement date	1,524,690	-
Total	<u>\$ 4,837,012</u>	<u>\$ 30,463</u>

The County paid \$1,524,690 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 1,583,147
2020	1,030,652
2021	193,275
2022	474,785
2023	-
Thereafter	-
	<u>\$ 3,281,859</u>

The proportionate share of the pension liability between the funds has changed from the previous actuarial valuation. As a result, the individual funds have additional deferred inflows or outflows based on the change. The deferred inflows or outflows will be recognized into pension expense within the funds as follows:

	Original Fund Allocation	Change in Fund Allocation	Total Deferred Outflows
Deferred Outflows Reconciliation - LGERS			
Governmental activities	\$ 4,535,582	\$ -	\$ 4,535,582
PCP Wastewater Treatment Plant Fund	18,678	444	19,122
Water Treatment Plant Operating Fund	56,641	-	56,641
Scotts Hill Water and Sewer Fund	4,317	444	4,761
Resource Recovery Operating Fund	70,814	-	70,814
Section 8 Administration Fund	17,784	478	18,262
Rocky Point/Topsail Water and Sewer Fund	120,088	8,509	128,597
Maple Hill Water Fund	13,108	600	13,708
	<u>\$ 4,837,012</u>	<u>\$ 10,475</u>	<u>\$ 4,847,487</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Original Fund Allocation	Change in Fund Allocation	Total Deferred Inflows
Deferred Inflows Reconciliation - LGERS			
Governmental activities	\$ 28,560	\$ 6,572	\$ 35,132
PCP Wastewater Treatment Plant Fund	118	-	118
Water Treatment Plant Operating Fund	358	9	367
Scotts Hill Water and Sewer Fund	27	-	27
Resource Recovery Operating Fund	447	3,894	4,341
Section 8 Administration Fund	112	-	112
Rocky Point/Topsail Water and Sewer Fund	758	-	758
Maple Hill Water Fund	83	-	83
	<u>\$ 30,463</u>	<u>\$ 10,475</u>	<u>\$ 40,938</u>

Amounts reported as Deferred Outflows of Resources and Deferred of Resources related to change in fund allocations for LGERS will be recognized in LGERS expenses in the funds as follows:

	Deferred Outflows/(Inflows) of Resources Years ended June 30,				
	2019	2020	2021	2022	Total
Governmental activities	\$ (1,643)	\$ (1,643)	\$ (1,643)	\$ (1,643)	\$ (6,572)
PCP Wastewater Treatment Plant Fund	111	111	111	111	444
Water Treatment Plant Operating Fund	(2)	(2)	(2)	(3)	(9)
Scotts Hill Water and Sewer Fund	111	111	111	111	444
Resource Recovery Operating Fund	(974)	(974)	(974)	(972)	(3,894)
Section 8 Administration Fund	120	120	120	118	478
Rocky Point/Topsail Water and Sewer Fund	2,127	2,127	2,127	2,128	8,509
Maple Hill Water Fund	150	150	150	150	600
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017, 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 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table 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, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

Note 3. Detail Notes on All Funds (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 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 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 14,135,305	\$ 5,884,594	\$ (1,009,829)
ABC Boards proportionate share of the net pension liability (asset)	\$ 319,690	\$ 133,088	\$ (22,839)

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, 2018, 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, 2017 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	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018.

Mortality rates are based on the MP-2015 Mortality tables with adjustments for mortality improvements based on Scale AA.

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, 2019, the County reported a total pension liability of \$1,389,357. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$119,726.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 36,970
Changes of assumptions	64,889	65,980
Contributions made subsequent to the measurement date	22,740	-
Total	<u>\$ 87,629</u>	<u>\$ 102,950</u>

The County paid \$22,740 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 total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ (5,951)
2021	(5,951)
2022	(5,951)
2023	(5,951)
2024	(9,086)
Thereafter	(5,171)
	<u>\$ (38,061)</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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
County's proportionate share of the total pension liability	\$ 1,510,801	\$ 1,389,357	\$ 1,278,086

Note 3. Detail Notes on All Funds (Continued)

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

	2019
Beginning balance December 31, 2017	\$ 1,364,566
Service cost	82,584
Interest on the total pension liability	43,093
Difference between expected and actual experience	(42,146)
Changes of assumptions or other inputs	(56,991)
Benefit payments	(1,749)
Ending balance of the total pension liability December 31, 2018	<u>\$ 1,389,357</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, 2017 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 \$26,239 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 \$5,908 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported a pension asset of \$119,384 for its proportionate share of RODSPF's the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017.

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, 2018 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, 2018, the County's proportion was 0.72079%, which was a decrease of .02391% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$20,831. At June 30, 2019, 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	\$ 1,052	\$ 5,449
Changes of assumptions	5,615	-
Net difference between projected and actual earnings on pension plan investments	19,029	-
Changes in proportion and differences between County contributions and proportionate share of contributions	3,449	2,018
County contributions subsequent to the measurement date	5,908	-
Total	<u>\$ 35,053</u>	<u>\$ 7,467</u>

\$5,908 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 9,956
2021	3,159
2022	5,608
2023	2,955
2024	-
Thereafter	-
	<u>\$ 21,678</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017, 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, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

Note 3. Detail Notes on All Funds (Continued)

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, 2019 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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 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	\$ 94,128	\$ 119,384	\$ 140,684

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, 2017 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 LEOSA was measured as of June 30, 2018, with an actuarial valuation date of December 31, 2017. 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)	\$ 5,884,594	\$ (119,384)	\$ -	\$ 5,765,210
County's proportion of the net pension liability	0.24805%	0.72079%	n/a	
Total pension liability	\$ -	\$ -	\$ 1,389,357	\$ 1,389,357
Pension expense	\$ 1,521,333	\$ 20,831	\$ 119,726	\$ 1,661,890

At June 30, 2019, 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	\$ 907,853	\$ 1,052	\$ -	\$ 908,905
Changes of assumptions	1,561,544	5,615	64,889	1,632,048
Net difference between projected and actual earnings on pension plan investments	807,780	19,029	-	826,809
Changes in proportion and differences between County contributions and proportionate share of contributions	45,620	3,449	-	49,069
County contributions (LGERS, ROD) and administrative costs (LEOSSA) subsequent to the measurement date	1,524,690	5,908	22,740	1,553,338
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 40,938	\$ 5,449	\$ 36,970	\$ 83,357
Changes of assumptions	-	-	65,980	65,980
Changes in proportion and differences between County contributions and proportionate share of contributions	-	2,018	-	2,018

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, 2019, the plan membership consisted of the following:

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	General Employees
Inactive plan members or beneficiaries currently receiving benefit payments	23
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	376
Total	399

Actuarial assumptions. The total OPEB liability was determined by actuarial valuations as of June 30, 2018 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	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

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, 2019, 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 (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
\$ 16,379,346	\$ 13,086,728	\$ 10,609,014

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
\$ 10,394,097	\$ 13,086,728	\$ 16,750,274

Changes in Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2019, the County reported a total OPEB liability of \$13,086,728. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions.

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

Reconciliation for deferred outflows and deferred inflows for OPEB due to changes in fund allocations:

At June 30, 2019, the components of the total OPEB liability of the County, measured as of June 30, 2018, were as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 14,945,107
Service Cost	735,867
Interest	529,945
Difference between expected and actual experience	(1,781,711)
Changes of assumptions or other inputs	(1,223,407)
Benefit payments	<u>(119,073)</u>
Net changes	<u>(1,858,379)</u>
Balance at June 30, 2018	<u><u>\$ 13,086,728</u></u>

For the year ended June 30, 2019, the County recognized OPEB expense of \$687,247. At June 30, 2019, 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	\$ -	\$ 1,578,198
Changes of assumptions or other inputs	-	2,650,635
County contributions subsequent to the measurement date	114,690	
Total	<u><u>\$ 114,690</u></u>	<u><u>\$ 4,228,833</u></u>

\$114,690 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, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	(578,565)
2021	(578,565)
2022	(578,565)
2023	(578,565)
2024	(578,565)
Thereafter	<u>(1,336,008)</u>
	<u><u>(4,228,833)</u></u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

The proportionate share of the OPEB liability between the funds has changed from the previous actuarial valuation. As a result, the individual funds have additional deferred inflows or outflows based on the change. The deferred inflows or outflows will be recognized into OPEB expense within the funds as follows:

	Original Fund Allocation	Change in Fund Allocation	Total Deferred Outflows
Deferred Outflows Reconciliation - LGERS			
Governmental activities	\$ 107,464	\$ -	\$ 107,464
PCP Wastewater Treatment Plant Fund	578	26,568	27,146
Water Treatment Plant Operating Fund	1,301	38,893	40,194
Scotts Hill Water and Sewer Fund	217	12,052	12,269
Resource Recovery Operating Fund	1,662	95,182	96,844
Section 8 Administration Fund	506	16,981	17,487
Rocky Point/Topsail Water and Sewer Fund	2,673	-	2,673
Maple Hill Water Fund	289	-	289
	<u>\$ 114,690</u>	<u>\$ 189,676</u>	<u>\$ 304,366</u>

	Original Fund Allocation	Change in Fund Allocation	Total Deferred Inflows
Deferred Inflows Reconciliation - LGERS			
Governmental activities	\$ 3,962,417	\$ 123,255	\$ 4,085,672
PCP Wastewater Treatment Plant Fund	21,313	-	21,313
Water Treatment Plant Operating Fund	47,955	-	47,955
Scotts Hill Water and Sewer Fund	7,992	-	7,992
Resource Recovery Operating Fund	61,276	-	61,276
Section 8 Administration Fund	18,649	-	18,649
Rocky Point/Topsail Water and Sewer Fund	98,574	62,998	161,572
Maple Hill Water Fund	10,657	3,423	14,080
	<u>\$ 4,228,833</u>	<u>\$ 189,676</u>	<u>\$ 4,418,509</u>

Amounts reported as Deferred Outflows of Resources and Deferred of Resources related to change in fund allocations for OPEB will be recognized in OPEB expenses in the funds as follows:

	Deferred Outflows/(Inflows) of Resources Years ended June 30,						
	2020	2021	2022	2023	2024	Thereafter	Total
Governmental activities	\$ 16,071	\$ 16,071	\$ 16,071	\$ 16,071	\$ 16,071	\$ 42,900	\$ 123,255
PCP Wastewater Treatment Plant Fund	(3,464)	(3,464)	(3,464)	(3,464)	(3,464)	(9,248)	(26,568)
Water Treatment Plant Operating Fund	(5,071)	(5,071)	(5,071)	(5,071)	(5,071)	(13,538)	(38,893)
Scotts Hill Water and Sewer Fund	(1,571)	(1,571)	(1,571)	(1,571)	(1,571)	(4,197)	(12,052)
Resource Recovery Operating Fund	(12,410)	(12,410)	(12,410)	(12,410)	(12,410)	(33,132)	(95,182)
Section 8 Administration Fund	(2,214)	(2,214)	(2,214)	(2,214)	(2,214)	(5,911)	(16,981)
Rocky Point/Topsail Water and Sewer Fund	8,213	8,213	8,213	8,213	8,213	21,933	62,998
Maple Hill Water Fund	446	446	446	446	446	1,193	3,423
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

h. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	\$ 2,323,901	\$ -
Pensions and OPEB deferrals	5,274,535	4,569,864
Taxes receivable, net (General)	-	1,162,524
Taxes receivable, net (Fire & Rescue)	-	293,243
Grant receivables	-	3,000
Less amounts recorded in full accrual	-	(1,458,767)
Total	<u>\$ 7,598,436</u>	<u>\$ 4,569,864</u>

i. 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.

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, 2019, is as follows:

	Fiscal Year Ended June 30,	
	2019	2018
Unpaid claims at July 1	\$ 71,379	\$ 20,237
Incurred claims and judgements for current and prior year events where the County has retained risk of loss	60,984	769,347
Payments on claims for current and prior year events where the County has retained risk of loss	113,931	718,205
Unpaid claims at June 30	<u>\$ 18,432</u>	<u>\$ 71,379</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, 2019, 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.

Note 3. Detail Notes on All Funds (Continued)

6. Long-Term Obligations

a. Mortgage Notes

Pender County Housing Authority (Country Court Enterprise Fund) has two notes outstanding aggregating \$88,795 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%.

b. 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.

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.

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

The minimum payments for the Limited Obligation Bonds as of June 30, 2019 are as follows:

Year Ending June 30	Government-Wide Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	308,090	186,186	1,441,910	1,272,177	1,750,000	1,458,363
2025-2028	1,314,342	599,640	8,018,644	5,282,105	9,332,986	5,881,745
2029-2033	1,882,919	389,632	9,396,834	3,449,563	11,279,753	3,839,195
2034-2038	828,186	46,510	5,949,075	1,727,272	6,777,261	1,773,782
2039-2043	-	-	4,565,000	583,650	4,565,000	583,650
Total	\$ 5,486,561	\$ 2,112,561	\$ 34,568,439	\$ 18,036,924	\$ 40,055,000	\$ 20,149,485

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

c. 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, 2019:

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.	\$ 925,000
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.	17,565,000
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.	20,825,000
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.	9,505,000
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.	45,450,000
Total General Obligation Bonds (Governmental Activities)	\$ 94,270,000
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.	\$ 8,832,000
\$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.	6,495,000
\$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%.	918,000
\$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.	145,000
\$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.	2,185,000
\$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.	16,995,000
\$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.	5,182,000
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.	5,934,000
Total General Obligation Bonds (Business-type Activities)	\$ 46,686,000
Total General Obligation Bonds	<u>\$ 140,956,000</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

d. 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.

\$ 1,233,328

\$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.

800,000

Total Governmental Activities

\$ 2,033,328

Total Installment Purchases

\$ 2,033,328

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, 2019, are as follows:

Year Ending	General Obligation Bonds		Installment Note		Mortgage Notes		
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	8,432,000	5,187,703	300,000	-	6,980	856	13,927,539
2021	8,450,000	4,810,870	300,000	-	7,050	786	13,568,706
2022	8,534,000	4,420,598	300,000	-	7,121	715	13,262,434
2023	8,583,000	4,081,583	300,000	-	7,193	643	12,972,419
2024	8,574,000	3,758,068	300,000	-	7,265	571	12,639,904
2025-2029	34,444,000	13,970,720	533,328	-	34,867	1,763	48,984,678
2029-2033	26,195,000	8,539,951	-	-	18,319	309	34,753,579
2034-2038	18,759,000	4,501,096	-	-	-	-	23,260,096
2039-2043	9,103,000	2,348,908	-	-	-	-	11,451,908
2044-2048	5,240,000	1,065,478	-	-	-	-	6,305,478
2049-2053	3,965,000	303,574	-	-	-	-	4,268,574
2054-2056	677,000	17,717	-	-	-	-	694,717
Total	\$ 140,956,000	\$ 53,006,266	\$ 2,033,328	\$ -	\$ 88,795	\$ 5,643	\$ 196,090,032

e. 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 \$4,555,000 as of June 30, 2019.

The County has pledged future water customer revenues, net of specified operating expenses, to repay the bonds.

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	Principal	Interest
June 30		
2020	87,000	125,263
2021	89,000	122,870
2022	91,000	120,423
2123	94,000	117,920
2024	96,000	115,335
2025-2029	525,000	535,426
2030-2034	601,000	459,114
2035-2039	687,000	371,883
2040-2044	787,000	272,086
2050-2049	899,000	157,768
2049-2052	599,000	33,249
Total	<u>\$ 4,555,000</u>	<u>\$ 2,431,337</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, 2019, is as follows:

Change in net position	\$ 513,096
Add back:	
Depreciation	3,454,207
Interest expense	<u>1,722,453</u>
Income available for debt service (net revenue)	5,689,756
Debt service, principal and interest paid (debt service requirement)	3,481,709
110% Debt service coverage	3,829,880
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.

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

f. Federal Revolving Loan

The \$584,971 Federal Revolving Loan from NC DENR, due in annual payments of \$30,170, plus interest at 1.67% through May 2037, has a balance of \$543,057 as of June 30, 2019.

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

Year Ending June 30	Principal	Interest
2020	30,170	9,070
2021	30,170	8,565
2022	30,170	8,061
2023	30,170	7,558
2024	30,170	7,054
2025-2029	150,850	27,711
2030-2034	150,850	15,115
2035-2037	90,507	3,023
Total	<u>\$ 543,057</u>	<u>\$ 86,157</u>

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$3,106,783 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, 2019:

	Balance 7/1/2018	Additions	Retirements	6/30/2019	Current Portion of Balance
Governmental Activities					
General Obligation Bonds	\$ 101,800,000	\$ -	\$ 7,530,000	\$ 94,270,000	\$ 7,480,000
Limited Obligation Debt	5,756,305	-	269,744	5,486,561	277,678
Installment Note	2,333,328	-	300,000	2,033,328	300,000
Capital Leases	105,408	-	105,408	-	-
Unamortized Bond Premium	11,808,987	-	663,784	11,145,203	-
Total pension liability (LEOSSA)	1,364,566	24,791	-	1,389,357	-
Net pension liability (LGERS)	3,664,198	1,852,874	-	5,517,072	-
Total Postemployment liabilities	14,124,621	-	1,862,357	12,262,264	-
Compensated Absences	1,706,384	136,226	100,371	1,742,239	100,371
Total	<u>\$ 142,663,797</u>	<u>\$ 2,013,891</u>	<u>\$ 10,831,664</u>	<u>\$ 133,846,024</u>	<u>\$ 8,158,049</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	\$ 35,763,695	-	\$ 1,195,256	\$ 34,568,439	\$ 1,232,322
General Obligation Bonds	47,611,000	-	925,000	46,686,000	952,000
Blended component unit debt*	(19,770,000)		(445,000)	(19,325,000)	(450,000)
Subtotal General Obligation Debt	27,841,000	-	480,000	27,361,000	663,784
Revenue Bond	4,639,000	-	84,000	4,555,000	87,000
Federal Revolving Loan	573,227	-	30,170	543,057	30,170
Installment & Mortgage Notes	95,122	-	6,327	88,795	6,867
Unamortized Bond Premium	2,808,339	-	135,032	2,673,307	
Net pension liability (LGERS)	275,800	91,722	-	367,522	-
Total Postemployment liabilities	820,486	3,978	-	824,464	-
Compensated Absences	106,153	25,175	22,576	108,752	22,576
Total	<u>\$ 72,922,822</u>	<u>\$ 120,875</u>	<u>\$ 1,953,361</u>	<u>\$ 71,090,336</u>	<u>\$ 2,042,719</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

k. Other

The County's legal debt margin at June 30, 2019 approximates \$399,049,000. There are no bonds authorized but unissued at June 30, 2019.

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, 2019, include the following interfund gross receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 1,276,003	\$ -
Scotts Hill	-	678,906
Central Pender Water District	-	225,928
Country Court	-	(831)
Rocky Point / Topsail Water & Sewer	-	(678,906)
Water Treatment Plant and Water Fund	-	1,050,906
Total	<u>\$ 1,276,003</u>	<u>\$ 1,276,003</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, 2019, can be summarized as follows:

From the General Fund to the School Special Revenue Fund to fund debt service.	\$ 6,301,510
From the School Special Revenue Fund to General Fund to provide resources	4,937,244
From the General Fund to the Capital Improvements Fund to fund projects.	90,000
From the General Fund to the Rescue District Fund to provide resources.	415,553
From the General Fund to the Fire District Fund to provide resources.	35,146
From the General Fund to the Revaluation Fund to provide resources.	125,000
From the Capital Facilities CP Fund to the Capital Improvements CP Fund to close out fund	99,148
From the General Fund to the Resource Recovery Fund to provide resources.	9,295
From the General Fund to the Rocky Point/Topsail Island Water & Sewer Fund to provide resources.	24,107
From the General Fund to the Section 8 Administration Fund to provide resources.	3,219
From the General Fund to the Maple Hill Water Fund to provide resources.	2,513
From the General Fund to the Country Court Apartments Fund to provide resources.	336
From the General Fund to the Moore's Creek Water District to provide resources.	1,242
From the General Fund to the Central Pender Water District to provide resources.	1,242
From the General Fund to the Scotts Hill Water & Sewer Operating Fund to provide resources.	663
From the General Fund to the Waste Water Treatment Operating and Capital Project Funds to provide resources.	1,674,131
	<u><u>\$ 13,720,349</u></u>

D. Net Investment in Capital Assets

	Governmental	Business-Type
Capital assets	\$ 30,222,095	\$ 104,633,940
Less: long-term debt	(1,010,253)	(66,116,291)
Less: premiums on long term debt		(2,673,307)
Add: deferred refunding charges	-	289,198
Add: unexpended bond proceeds	-	-
Net investment in capital assets	<u><u>\$ 29,211,842</u></u>	<u><u>\$ 36,133,540</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	\$ 43,025,327
Less:	
Nonspendable	9,586
Stabilization by State Statute	10,880,368
Health Department Escrow	3,802,787
Sheriff's Seizures	103,701
Tax Revaluation	306,081
Automation Enhancement and Preservation	435,477
Appropriated Fund Balance in 2018 Budget	250,000
Remaining Fund Balance	<u>\$ 27,237,327</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 \$735,165.

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, 2019. 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	\$ 43,025,327
Less: Restricted	(15,788,000)
Available Fund Balance	<u>\$ 27,237,327</u>
General Fund Expenditures	<u>\$ 80,872,286</u>
Available Fund Balance as % General Fund Expenditures	33.68%

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 \$638,101 to the community college operating purposes and \$91,000 for capital expenses during the fiscal year ended June 30, 2019. 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, 2019. 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, 2019 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, 2019. 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, 2019, 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 \$29,479 to the Council during the fiscal year ended June 30, 2019.

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 did not contribute to the Authority during the year ended June 30, 2019.

Note 7. Pending GASB Statements

The GASB has issued several pronouncements prior to June 30, 2019 that have effective dates applicable to future fiscal years however the impact has not yet been evaluated by the County.

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, 2019.

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 June 15, 2021.

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

Note 7. Pending GASB Statements (Continued)

prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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, 2019.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2021.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2021.

In January 2020, GASB issued Statement No. 95. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Note 8. Subsequent Events

The County has evaluated its subsequent events (events occurring after June 30, 2019) through June 5, 2020 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.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the COVID-19 include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus outbreak and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the County operates, resulting in an economic downturn that could affect revenues. The extent to which the coronavirus outbreak impacts the County's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus outbreak and actions taken to contain it or its impact, among others.

Maple Hill Water District was approved for a loan for \$156,000 for the Onslow Water and Sewer Authority connect project in August 2019.

Required Supplementary 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 Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.24805%	0.25790%	0.26029%	0.25865%	0.25546%	0.25960%
County's proportionate share of the net pension liability (asset) \$	\$ 5,884,594	\$ 3,939,998	\$ 5,524,225	\$ 1,160,806	\$ (1,506,565)	\$ 3,129,177
County's covered payroll	\$ 16,477,422	\$ 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	35.71%	24.08%	35.15%	7.53%	-10.04%	23.51%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,524,690	\$ 1,208,210	\$ 1,233,545	\$ 1,099,527	\$ 1,068,154	\$ 1,023,364
Contributions in relation to the contractually required contribution	1,524,690	1,208,210	1,233,545	1,099,527	1,068,154	1,023,364
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 19,210,323	\$ 16,477,422	\$ 16,359,704	\$ 15,716,206	\$ 15,408,045	\$ 15,004,563
Contributions as a percentage of covered payroll	7.94%	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 Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.72079%	0.74470%	0.72559%	0.70577%	0.67167%	0.66000%
County's proportionate share of the net pension liability (asset) \$	\$ (119,384)	\$ (127,113)	\$ (135,656)	\$ (163,555)	\$ (152,245)	\$ (140,884)
County's covered payroll	\$ 57,471	\$ 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	-207.73%	-63.99%	-76.78%	-94.26%	-40.44%	-37.42%
Plan fiduciary net position as a percentage of the total pension liability	153.31%	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.

Schedule of County Contributions
Registers of Deeds' Supplemental Pension Fund
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,908	\$ 6,168	\$ 6,270	\$ 5,928	\$ 5,648	\$ 5,484
Contributions in relation to the contractually required contribution	<u>5,908</u>	<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>	<u>\$ -</u>
County's covered payroll	\$ 79,007	\$ 57,471	\$ 198,658	\$ 176,691	\$ 173,510	\$ 376,502
Contributions as a percentage of covered payroll	7.48%	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
Last Three Fiscal Years

	2019	2018	2017
Beginning balance	\$ 1,364,566	\$ 1,156,255	\$ 1,080,043
Service cost	82,584	71,903	69,071
Interest on the total pension liability	43,093	44,631	38,558
Difference between expected and actual experience	(42,146)	(2,144)	-
Changes of assumptions or other inputs	(56,991)	93,921	(31,417)
Benefit payments	(1,749)	-	-
Ending balance of the total pension liability	<u>\$ 1,389,357</u>	<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
Last Three Fiscal Years

	2019	2018	2017
Total pension liability	\$ 1,389,357	\$ 1,364,566	\$ 1,156,255
Covered payroll	3,315,521	3,206,779	2,782,922
Total pension liability as a percentage of covered payroll	41.90%	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
Last Two Fiscal Years*

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 735,867	\$ 859,652
Interest	529,945	472,731
Changes of benefit terms	-	-
Differences between expected and actual experience	(1,781,711)	(2,578)
Changes of assumptions	(1,223,407)	(2,031,656)
Benefit payments	<u>(119,073)</u>	<u>(115,955)</u>
Net change in total OPEB liability	(1,858,379)	(817,806)
Total OPEB liability - beginning	14,945,107	8,503,553
Prior period restatement	<u>-</u>	<u>7,259,360</u>
Total OPEB liability - beginning, restated	<u>14,945,107</u>	<u>15,762,913</u>
Total OPEB liability - ending	<u><u>\$ 13,086,728</u></u>	<u><u>\$ 14,945,107</u></u>
 Covered employee payroll	 \$ 16,341,735	 \$ 14,340,852
	80.08%	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.

General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019
(Page 1 of 3)

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues			
Ad valorem taxes	\$ 48,523,028	\$ 49,290,068	\$ 767,040
Unrestricted intergovernmental	9,767,202	11,401,658	1,634,456
Restricted intergovernmental	26,466,345	13,363,693	(13,102,652)
Permits and fees	957,000	1,313,960	356,960
Charges for services	2,269,156	2,339,185	70,029
Interest	436,000	1,101,673	665,673
Miscellaneous	52,300	737,029	684,729
Total revenues	<u>88,471,031</u>	<u>79,547,266</u>	<u>(8,923,765)</u>
Expenditures			
General government:			
Governing body	223,096	204,627	18,469
County manager	459,915	428,762	31,153
Human resources	292,484	277,928	14,556
Board of Elections	301,212	261,329	39,883
Finance	712,167	709,442	2,725
Information systems	1,549,061	1,500,855	48,206
Tax administrator	944,959	913,016	31,943
Tax collections	747,787	746,831	956
AE&P fund	40,000	10,466	29,534
Register of deeds	1,006,251	992,613	13,638
Public buildings	2,765,621	1,681,295	1,084,326
Vehicle maintenance	710,102	631,364	78,738
Inspections	825,816	605,778	220,038
Court facilities	29,500	11,806	17,694
County attorney	90,630	63,394	27,236
Non-departmental	1,890,954	1,470,931	420,023
Total general government	<u>12,589,555</u>	<u>10,510,437</u>	<u>2,079,118</u>
Public safety:			
Sheriff	7,216,022	7,213,508	2,514
Jail	2,567,407	2,566,576	831
Animal control	292,291	292,092	199
Emergency management	18,671,649	13,935,868	4,735,781
Forest resources	210,000	210,000	-
Sheriff seizure	80,000	41,959	38,041
Medical examiner	60,000	53,875	6,125
Total public safety	<u>29,097,369</u>	<u>24,313,878</u>	<u>4,783,491</u>
			Continued

Pender County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2019

(Page 2 of 3)

Economic and physical development:			
Extension service	\$ 155,203	\$ 148,632	\$ 6,571
Planning	732,825	720,762	12,063
Tourism office	182,063	176,603	5,460
Option 4 payments	575,000	662,498	(87,498)
Outside agencies	1,493,798	1,668,071	(174,273)
Total economic and physical development	<u>3,138,889</u>	<u>3,376,566</u>	<u>(237,677)</u>
Human services:			
Health department	6,204,079	5,422,201	781,878
Public assistance	9,458,904	8,183,314	1,275,590
Veterans	187,240	181,599	5,641
Mental health	26,202	22,125	4,077
EDTAP transportation	167,000	166,034	966
Total health services	<u>16,043,425</u>	<u>13,975,273</u>	<u>2,068,152</u>
Culture and recreation			
Parks	461,750	366,082	95,668
Recreation	367,114	293,732	73,382
Shooting range	188,033	114,252	73,781
Libraries	867,079	873,196	(6,117)
Youth alternatives	116,281	116,488	(207)
Total culture and recreation	<u>2,000,257</u>	<u>1,763,750</u>	<u>236,507</u>
Education, schools			
Local current expense	22,441,624	22,441,624	-
Capital outlay	2,167,084	2,128,714	38,370
Community college	729,101	729,101	-
Total education	<u>25,337,809</u>	<u>25,299,439</u>	<u>38,370</u>
Debt service:			
Principal	679,822	675,152	4,670
Interest	258,783	258,827	(44)
Total debt service	<u>938,605</u>	<u>933,979</u>	<u>4,626</u>
Total expenditures	<u>89,145,909</u>	<u>80,173,322</u>	<u>8,972,587</u>
Revenues over expenditures	<u>(674,878)</u>	<u>(626,056)</u>	<u>48,822</u>
			Continued

Pender County, North Carolina

**General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019
(Page 3 of 3)**

Other financing sources (uses)			
Loan receivables payments	\$ 300,000	\$ -	\$ (300,000)
Debt issuance costs	-	(51)	(51)
Sale of surplus property	1,200,000	766,036	(433,964)
Insurance proceeds	881,571	1,199,035	317,464
Board of Education	-	4,014,660	4,014,660
Transfers in (out):			
Transfers from ther funds	3,583,994	4,937,244	1,353,250
Transfers to other funds	(6,700,154)	(6,967,209)	-
Enterprise Funds	(778,959)	(1,716,748)	(937,789)
Contingency	52,964	-	(52,964)
Appropriated fund balance	2,135,462	-	(2,135,462)
Total other financing sources (uses)	<u>674,878</u>	<u>2,232,967</u>	<u>1,825,144</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	1,606,911	<u>\$ 1,873,966</u>
Fund balance, beginning		<u>41,112,335</u>	
Fund balance, ending		<u>\$ 42,719,246</u>	

Revaluation Fund
Statement of Revenue, Expenses and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures	<u>125,000</u>	<u>698,913</u>	<u>(573,913)</u>
Revenues over expenditures	<u>(125,000)</u>	<u>(698,913)</u>	<u>(573,913)</u>
Other financing sources			
Transfer from General Fund	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total other financing sources (uses)	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>(573,913)</u>	<u>\$ (573,913)</u>
Fund balances			
Beginning		<u>879,994</u>	
Ending		<u>\$ 306,081</u>	

School Special Revenue Fund
Statement of Revenue, Expenses and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Other taxes - sales	\$ 3,525,000	\$ 4,350,394	\$ 825,394
Lottery funds	500,000	-	(500,000)
Investment earnings	-	1,472	1,472
Total revenues	<u>4,025,000</u>	<u>4,351,866</u>	<u>326,866</u>
Expenditures			
Option 4 redistribution	250,000	283,393	(33,393)
Debt service payment	7,530,000	7,530,000	-
Interest expense	3,853,688	3,853,688	-
Total expenditures	<u>11,633,688</u>	<u>11,667,081</u>	<u>(33,393)</u>
Revenue over (under) expenditures	(7,608,688)	(7,315,215)	293,473
Other financing sources (uses)			
Transfer from General fund	6,301,510	6,301,510	-
Transfer to General Fund	(4,937,244)	(4,937,244)	-
Fund balance appropriated	6,244,422	-	(6,244,422)
Total other financing sources (uses)	<u>7,608,688</u>	<u>1,364,266</u>	<u>(6,244,422)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	(5,950,949)	<u>\$ (5,950,949)</u>
Fund balances			
Beginning		8,421,752	
Ending		<u>\$ 2,470,803</u>	

NON-MAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet
Non-major Governmental Funds
June 30, 2019

	Government Fund Types		
	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds
Assets			
Cash and cash equivalents	\$ 545,997	\$ 1,766,907	\$ 2,312,904
Accounts receivable	-	124,753	124,753
Taxes receivable (net)	296,243	-	296,243
Due from other governments	418,451	-	418,451
Restricted cash	-	1,789,708	1,789,708
Total assets	\$ 1,260,691	\$ 3,681,368	\$ 4,942,059
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 561,235	\$ 721,312	\$ 1,282,547
Total liabilities	561,235	721,312	1,282,547
Deferred inflows of resources	296,243	-	296,243
Fund balances:			
Restricted:			
Public safety	403,213	-	403,213
Committed:			
School capital projects	-	1,412,700	1,412,700
Capital outlay and improvements	-	1,547,356	1,547,356
Total fund balances	403,213	2,960,056	3,363,269
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,260,691	\$ 3,681,368	\$ 4,942,059

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2019**

	Government Funds		
	Special Revenue Funds	Capital Projects Funds	Total Non-major Governmental Funds
Revenues			
Ad valorem taxes	\$ 11,338,124	\$ -	\$ 11,338,124
Unrestricted intergovernmental	697,871	-	697,871
Restricted intergovernmental	-	138,094	138,094
Investment earnings	-	70,979	70,979
Total revenues	12,035,995	209,073	12,245,068
Expenditures			
Current:			
Public safety	12,608,265	-	12,608,265
Economic and physical development	-	785,457	785,457
Education	-	6,822,640	6,822,640
Total expenditures	12,608,265	7,608,097	20,216,362
Revenues over (under) expenditures	(572,270)	(7,399,024)	(7,971,294)
Other financing sources (uses)			
Transfers in	450,699	189,148	639,847
Transfers out	-	(99,148)	(99,148)
Total other financing sources (uses)	450,699	90,000	540,699
Net change in fund balance	(121,571)	(7,309,024)	(7,430,595)
Fund balances			
Beginning	524,784	10,269,080	10,793,864
Ending	\$ 403,213	\$ 2,960,056	\$ 3,363,269

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, 2019

	Fire Service District Fund	Rescue District Fund	911 Emergency Telephone Fund	Totals
Assets				
Cash and cash equivalents	\$ 144,073	\$ 306,486	\$ 95,438	\$ 545,997
Taxes receivable (net)	71,373	224,870	-	296,243
Due from other governments	43,051	82,142	293,258	418,451
Total assets	\$ 258,497	\$ 613,498	\$ 388,696	\$ 1,260,691
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 287,197	\$ 268,391	\$ 5,647	\$ 561,235
Total liabilities	287,197	268,391	5,647	561,235
Deferred inflows of resources	71,373	224,870	-	296,243
Fund balances:				
Restricted:				
Public safety	-	120,237	383,049	503,286
Unrestricted	(100,073)	-	-	(100,073)
Total fund balances	(100,073)	120,237	383,049	403,213
Total liabilities, deferred inflows of resources, and fund balances	\$ 258,497	\$ 613,498	\$ 388,696	\$ 1,260,691

Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019

	Fire Service District Fund	Rescue District Fund	911 Emergency Telephone Fund	Totals
Revenues				
Ad valorem taxes	\$ 1,684,137	\$ 9,653,987	\$ -	\$ 11,338,124
Unrestricted intergovernmental	-	-	697,871	697,871
Investment earnings	-	-	-	-
Total revenues	1,684,137	9,653,987	697,871	12,035,995
Expenditures				
Public safety	1,861,120	10,414,745	332,400	12,608,265
Education	-	-	-	-
Debt service payments	-	-	-	-
Interest expense	-	-	-	-
Total expenditures	1,861,120	10,414,745	332,400	12,608,265
Revenues over (under) expenditures	(176,983)	(760,758)	365,471	(572,270)
Other financing (uses)				
Transfers from (to):				
Transfers from General Fund	35,146	415,553	-	450,699
Transfers to General Fund	-	-	-	-
Total other financing uses	35,146	415,553	-	450,699
Revenues and other financing sources over (under) expenditures and other financing uses	(141,837)	(345,205)	365,471	(121,571)
Fund balances				
Beginning	41,764	465,442	17,578	524,784
Ending	\$ (100,073)	\$ 120,237	\$ 383,049	\$ 403,213

Fire Service District Fund
Statement of Revenue, Expenses and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 1,720,501	\$ 1,684,137	\$ (36,364)
Total revenues	<u>1,720,501</u>	<u>1,684,137</u>	<u>(36,364)</u>
Expenditures			
Public safety:			
Fire Districts:			
Pender Central	320,088	313,790	6,298
Maple Hill	100,000	68,632	31,368
Rocky Point	507,198	505,138	2,060
Shiloh	148,946	148,563	383
Penderlea	264,533	206,995	57,538
Atkinson	157,673	159,845	(2,172)
Northeast Pender	243,638	250,206	(6,568)
Scotts Hill	-	10,945	(10,945)
Long Creek	-	41,791	(41,791)
Hampstead	-	70,428	(70,428)
Sloop Point	-	71,051	(71,051)
Penderlea - Dublin Area	13,571	13,736	(165)
Total expenditures	<u>1,755,647</u>	<u>1,861,120</u>	<u>(105,473)</u>
Revenues (under) expenditures	<u>(35,146)</u>	<u>(176,983)</u>	<u>(141,837)</u>
Other financing sources (uses)			
Transfer from General Fund	35,146	35,146	-
Total other financing sources (uses)	<u>35,146</u>	<u>35,146</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(141,837)</u>	<u>\$ (141,837)</u>
Fund balances			
Beginning		41,764	
Ending		<u>\$ (100,073)</u>	

Rescue District Fund
Statement of Revenue, Expenses and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Rescue district taxes:			
Pender County EMS taxes	\$ 9,712,933	\$ 9,653,987	\$ (58,946)
Total revenues	9,712,933	9,653,987	(58,946)
Expenditures			
Public safety:			
Pender volunteer EMS & rescue	7,138,364	7,091,097	47,267
Fire Districts:			
Sloop Point	1,554,227	1,479,227	75,000
Maple Hill	175,000	175,000	-
Long Creek	383,150	333,150	50,000
Penderlea	313,638	313,638	-
Hampstead	863,358	798,358	65,000
Scotts Hill	239,276	224,275	15,001
Total expenditures	10,667,013	10,414,745	252,268
Revenues under expenditures	(954,080)	(760,758)	193,322
Other financing sources			
Transfer from General Fund	415,553	415,553	-
Appropriated fund balance	465,442	-	(465,442)
Transfer from Fire Service Fund	73,085	-	(73,085)
Total other financing sources	954,080	415,553	(538,527)
Revenues and other financing sources over expenditures	\$ -	(345,205)	\$ (345,205)
Fund balances			
Beginning		465,442	
Ending		<u>\$ 120,237</u>	

911 Emergency Telephone Systems
Statement of Revenue, Expenses and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Unrestricted intergovernmental	\$ 766,373	\$ 697,871	\$ (68,502)
Total revenues	<u>766,373</u>	<u>697,871</u>	<u>(68,502)</u>
Expenditures			
Travel	37	37	-
Training	4,000	3,224	776
Telephone	18,963	17,822	1,141
Supplies & materials	15,000	927	14,073
Contracted services	177,413	148,383	29,030
Telecommunication service	155,000	150,522	4,478
Computer expense	2,700	2,700	-
Capital outlay	383,410	1,250	382,160
Other equipment	9,850	7,535	2,315
Total expenditures	<u>766,373</u>	<u>332,400</u>	<u>433,973</u>
Revenues over (under) expenditures	<u>-</u>	<u>365,471</u>	<u>365,471</u>
Revenues over expenditures	<u>\$ -</u>	<u>365,471</u>	<u>\$ 365,471</u>
Fund balances			
Beginning		17,578	
Ending		<u>\$ 383,049</u>	

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, 2019

	Capital Improvements Fund	Capital Facilities Reserve Fund	School Capital Projects Fund	Totals
Assets				
Cash and investments	\$ 1,392,761	\$ -	\$ 374,146	\$ 1,766,907
Restricted cash	133,835	-	1,655,873	1,789,708
Accounts receivable	124,753	-	-	124,753
Total assets	\$ 1,651,349	\$ -	\$ 2,030,019	\$ 3,681,368
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 103,993	\$ -	\$ 617,319	\$ 721,312
Total liabilities	103,993	-	617,319	721,312
Fund balances:				
Restricted:				
Capital outlay and improvements	1,547,356	-	1,412,700	2,960,056
Total fund balances	1,547,356	-	1,412,700	2,960,056
Total liabilities and fund balances	\$ 1,651,349	\$ -	\$ 2,030,019	\$ 3,681,368

Non-major Capital Projects Fund
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019

	Capital Improvements Fund	Capital Facilities Reserve Fund	School Capital Projects Fund	Totals
Revenues				
Restricted intergovernmental	\$ 138,094	\$ -	\$ -	\$ 138,094
Interest income	-	-	70,979	70,979
Total revenues	138,094	-	70,979	209,073
Expenditures				
Capital outlay	785,457	-	6,822,640	7,608,097
Total expenditures	785,457	-	6,822,640	7,608,097
Revenues over (under) expenditures	(647,363)	-	(6,751,661)	(7,399,024)
Other financing sources (uses)				
Transfers from (to):				
Capital Facilities Fund	99,148	-	-	99,148
Capital Improvements Fund	-	(99,148)	-	(99,148)
General Fund	90,000	-	-	90,000
Total other financing sources (uses)	189,148	(99,148)	-	90,000
Revenues and other financing sources over (under) expenditures	(458,215)	(99,148)	(6,751,661)	(7,309,024)
Fund balances				
Beginning	2,005,571	99,148	8,164,361	10,269,080
Ending	<u>\$ 1,547,356</u>	<u>\$ -</u>	<u>\$ 1,412,700</u>	<u>\$ 2,960,056</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, 2019

	Project	Prior	Actual	Total	Variance
	Authorization	Years	Current	to Date	Positive
			Year		(Negative)
Revenues					
Emergency Management Grant	\$ 2,099,254	\$ 837,454	\$ 45,240	\$ 882,694	\$ (1,216,560)
Community development	122,500	123,520	600	124,120	1,620
Mallard Bay Dredging	-	56,765	-	56,765	56,765
Coastal Management Grant	7,500	-	7,500	7,500	-
Golden Leaf Foundation Grant	-	-	84,754	84,754	84,754
NC Wildlife Grant	10,000	10,000	-	10,000	-
Total revenues	2,239,254	1,027,739	138,094	1,165,833	(1,073,421)
Expenditures					
Capital Outlay:					
HVAC installation	1,202,395	1,211,301	60,619	1,271,920	(69,525)
Pender Memorial park	222,795	13,785	-	13,785	209,010
Hampstead sidewalk project	200,000	-	-	-	200,000
Hampstead Kiwanis park	273,569	223,800	-	223,800	49,769
Jail renovations	1,520,423	93,727	12,220	105,947	1,414,476
Comprehensive land use	42,500	42,500	-	42,500	-
Library	149,000	79,579	(954)	78,625	70,375
Renovation Probation	175,000	143,820	-	143,820	31,180
FEMA Grants	3,099,254	858,587	713,572	1,572,159	1,527,095
Total expenditures	6,884,936	2,667,099	785,457	3,452,556	3,432,380
Revenues under expenditures	(4,645,682)	(1,639,360)	(647,363)	(2,286,723)	2,358,959
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 from Capital Facilities Fund	-	-	99,148	99,148	99,148
Transfers to General Fund	(1,327,818)	2,304,730	-	2,304,730	3,632,548
Transfers from General Fund	2,277,218	3,240,884	90,000	3,330,884	1,053,666
Total other financing sources (uses)	4,645,682	8,254,397	189,148	8,443,545	3,797,863
Revenues and other financing					
sources over (under) expenditures	\$ -	\$ 6,615,037	(458,215)	\$ 6,156,822	\$ 6,156,822
Fund balances					
Beginning			2,005,571		
Ending			<u>\$ 1,547,356</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, 2019

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

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, 2019

		Actual		Variance
	Project	Prior	Current	Positive
	Authorization	Years	Year	(Negative)
Revenues				
Unrestricted intergovernmental	\$ -	\$ 372,388	\$ -	\$ 372,388
Interest income	-	557,297	70,979	628,276
Total revenues	-	929,685	70,979	1,000,664
Expenditures				
Intergovernmental:				
Schools:				
Burgaw Middle	2,903,397	2,903,397	3,907,596	6,810,993
Pender High School	2,225,062	2,225,062		2,225,062
Penderlea School	25,445,364	20,412,876		20,412,876
West Pender Middle School	2,246,522	2,246,523		2,246,523
Cape Fear E/M	8,485,271	8,455,271		8,455,271
SC K-12	38,580,880	39,073,851	2,915,044	41,988,895
Bond closing costs	785,701	629,974		629,974
Total expenditures	80,672,197	75,946,954	6,822,640	82,769,594
Revenues under expenditures	(80,672,197)	(75,017,269)	(6,751,661)	(81,768,930)
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)	-	-	-
Premium on debt issued	8,311,945	8,211,630	-	8,211,630
Bond proceeds	75,000,000	75,000,000	-	75,000,000
	80,672,197	83,211,630	-	83,211,630
Revenues and other financing sources over (under) expenditures	\$ -	\$ 8,194,361	(6,751,661)	\$ 1,442,700
Fund balances				
Beginning			8,164,361	
Ending			\$ 1,412,700	

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, 2019

	Budget	Actual	Variance, Positive (Negative)
Operating Revenues			
Landfill fees	\$ 1,100,000	\$ 1,931,693	\$ 831,693
User fees	4,104,081	4,156,692	52,611
Recycling	-	14,571	14,571
Miscellaneous	-	60,970	60,970
Total operating revenues	5,204,081	6,163,926	959,845
Operating Expenditures			
Salaries and employee benefits	388,396	375,663	12,733
Contracted services	132,561	-	132,561
Other operating expenditures	4,970,193	4,964,559	5,634
Principal	30,170	30,170	-
Interest	9,573	9,573	-
Capital outlay	51,113	-	51,113
Total operating expenditures	5,582,006	5,379,965	202,041
Operating revenues under operating expenditures	(377,925)	783,961	1,161,886
Non-Operating Revenues			
Solid waste disposal tax	38,000	49,760	
White goods	20,000	12,949	(7,051)
Scrap tire	60,000	106,847	46,847
Reimbursement from schools	250,000	322,947	72,947
Total non-operating revenues	368,000	492,503	112,743
Revenues over (under) expenditures	(9,925)	1,276,464	1,274,629
Other Financing Sources (Uses)			
Transfers in (out):			
General Fund	9,925	9,295	630
Hampstead Transfer Station	-	12,860	12,860
Total other financing sources (uses)	9,925	22,155	13,490
Revenues under expenditures and other financing uses	\$ -	\$ 1,298,619	\$ 1,288,119
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 1,298,619	
OPEB expense		(30,986)	
Pension expense		5,024	
Principal payments		30,170	
Capital Project Fund transfer in from Hampstead Transfer Fund		(12,860)	
Depreciation		(88,343)	
Change in net position, full accrual basis		\$ 1,201,624	

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, 2019

	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	525,756	-	525,756	103,064
Total expenditures	669,720	542,921	-	542,921	126,799
Revenues over (under) expenditures	(669,720)	(542,769)	-	(542,769)	126,951
Other Financing Sources (Uses)					
Transfers from General Fund	13,394	13,394	-	13,394	-
CWSRF loan proceeds	669,720	603,397	-	603,397	(66,323)
Debt issuance costs	(13,394)	(12,868)	-	(12,868)	526
Total other financing sources (uses)	669,720	603,923	-	603,923	(65,797)
Revenues under expenditures and other financing sources (uses)	\$ -	\$ 61,154	\$ -	\$ 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, 2019

	Total Project Estimates	Actual			Variance Positive Negative
		Prior Years	Current Year	Total to Date	
Revenues					
Development fees	\$ 600,000	\$ -	\$ -	\$ -	\$ (600,000)
Total revenues	600,000	-	-	-	(600,000)
Expenditures					
Capital outlay	1,235,021	310,916	-	310,916	924,105
Total expenditures	1,235,021	310,916	-	310,916	924,105
Revenues over expenditures	(635,021)	(310,916)	-	(310,916)	324,105
Other Financing Sources (Uses)					
Transfer to Resource Recovery Fund	-	-	12,860	12,860	12,860
Transfers from Resource Recovery Fund	635,021	284,566	-	284,566	(350,455)
Total other financing sources (uses)	635,021	284,566	12,860	297,426	(337,595)
Revenues over expenditures and other financing sources (uses)	\$ -	\$ (26,350)	\$ 12,860	\$ (13,490)	\$ (13,490)

Project closed out in 2019.

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, 2019

	Budget	Actual	Variance, Positive (Negative)
Revenues			
School fees - sewer	\$ 26,000	\$ 16,859	\$ (9,141)
Commercial sewer fees	82,000	80,056	(1,944)
Water fees	4,150,000	4,889,271	739,271
Connections fees - water	175,000	177,473	2,473
Other fees	71,225	126,826	55,601
Investment income	-	21,870	21,870
Total operating revenues	4,504,225	5,312,355	808,130
Expenditures			
Sewer operations:			
Salaries and employee benefits	21,748	19,999	1,749
Contracted services	75,500	70,900	4,600
Other operating expenditures	11,534	7,458	4,076
Total	108,782	98,357	10,425
Water Operations:			
Salaries and employee benefits	819,248	610,202	209,046
Contracted services	798,328	581,587	216,741
Water purchases	1,730,000	1,698,225	31,775
Other operating expenditures	435,942	531,541	(95,599)
Debt service payments:			
Principal	375,000	375,000	-
Interest	750,426	759,487	(9,061)
Total	4,908,944	4,556,042	352,902
Revenues over (under) expenditures	(513,501)	657,956	1,171,457
Other Financing Sources (Uses)			
Transfers in (out):			
General Fund	233,170	24,107	(209,063)
Rocky Point Water Fund - Phase V		(6,725)	(6,725)
Water/Waste Water Capacity Fees Fund	280,331	-	(280,331)
Total other financing sources	513,501	17,382	(496,119)
Revenues, other sources, and appropriated fund balance over expenditures	\$ -	\$ 675,338	\$ 675,338
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 675,338	
OPEB expense		(53,707)	
Pension expense		65,096	
Principal payments		375,000	
Premium amortization		49,206	
Capital Project Fund transfer to Rocky Point/Topsail Water & Sewer Fund		6,725	
Depreciation		(679,338)	
Change in net position, full accrual basis		\$ 438,320	

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

Exhibit E-2a

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Total Project Estimates	Actual		Completed Total to Date	Variance Positive Negative
		Prior Years	Current Year		
Revenues					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-	-
Expenditures					
Capital outlay	6,725	6,725	-	6,725	-
Total expenditures	6,725	6,725	-	6,725	-
Revenues under expenditures	(6,725)	(6,725)	-	(6,725)	-
Other Financing Sources (Uses)					
Transfer from Rocky Point Water & Sewer	6,725	-	6,725	6,725	-
Total other financing sources (uses)	6,725	-	6,725	6,725	-
Revenues over (under) expenditures and other financing sources	\$ -	\$ (6,725)	\$ 6,725	\$ -	\$ -

Capital project closed at June 30, 2019

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, 2019

	Budget	Actual	Variance, Positive (Negative)
Revenues			
Water fees	\$ 1,454,000	\$ 1,524,537	\$ 70,537
Investment income	-	2,667	2,667
Payment from district	1,298,177	-	(1,298,177)
Total operating revenues	2,752,177	1,527,204	(1,224,973)
Expenditures			
Salaries and employee benefits	343,113	298,977	44,136
Contract services	40,795	93,819	(53,024)
Water purchases	154,923	154,923	-
Operating expenditures	634,617	579,671	54,946
Capital outlay	89,449	-	89,449
Debt service payments:			
Principal	797,000	352,000	445,000
Interest	1,551,692	764,146	787,546
Total operating expenditures	3,611,589	2,243,536	1,368,053
Revenues over (under) expenditures	(859,412)	(716,332)	143,080
Other Financing Sources (Uses)			
Transfers in (out):			
General fund	9,412	-	(9,412)
Water Capacity Fees Fund	850,000	-	(850,000)
Total other financing sources	859,412	-	(859,412)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (716,332)	\$ (716,332)
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;		\$ (716,332)	
Depreciation		(949,102)	
Principal payments		352,000	
Pension expense		14,680	
OPEB expense		(24,887)	
Change in net position, full accrual basis		\$ (1,323,641)	

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, 2019

	Budget	Actual	Variance, Positive (Negative)
Revenues			
Water and sewer capacity fees	\$ 1,200,000	\$ 1,640,590	\$ 440,590
Sewer fees	200,000	386,956	186,956
Total operating revenues	1,400,000	2,027,546	627,546
Expenditures			
Salaries and employee benefits	115,393	113,756	1,637
Contracted services	26,400	26,362	38
Operating expenditures	256,774	183,961	72,813
Debt service payments:			
Principal	750,210	750,256	(46)
Interest	715,670	708,103	7,567
Total operating expenditures	1,864,447	1,782,438	82,009
Revenues over (under) expenditures	(464,447)	245,108	709,555
Other Financing Sources (Uses)			
Bond closing costs	(272)	(272)	-
Transfers in (out):			
To Rocky Point Fund	(1,200,000)	-	1,200,000
From General Fund	1,664,719	1,674,131	9,412
Total other financing sources	464,447	1,673,859	1,209,412
Revenues under expenditures and other financing sources (uses)	\$ -	1,918,967	\$ 1,918,967
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;		1,918,967	
Depreciation		(817,288)	
Investment income capital project fund		32,597	
Premium amortization		76,476	
Long term debt repayments		750,256	
Debt issuance costs		(1,377)	
OPEB expense		(10,894)	
Pension expense		6,510	
Change in net position, full accrual basis		\$ 1,955,247	

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

Exhibit E-4a

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive Negative
Revenues					
Gold Leaf	\$ 400,000	\$ 400,000	\$ -	\$ 400,000	\$ -
Rural Center Grant	500,000	500,000	-	500,000	-
EDA Grant	2,275,000	2,275,000	-	2,275,000	-
CDBG	750,000	750,000	-	750,000	-
Other revenue	-	363,058	-	363,058	363,058
Investment income	-	48,079	32,597	80,676	80,676
Total revenue	3,925,000	4,336,137	32,597	4,368,734	443,734
Expenditures					
Construction	23,569,253	23,928,536	-	23,928,536	(359,283)
Bond Issuance Cost	-	130,733	1,377	132,110	(132,110)
Total expenditures	23,569,253	24,059,269	1,377	24,060,646	(491,393)
Revenues over (under) expenditures	(19,644,253)	(19,723,132)	31,220	(19,691,912)	(47,659)
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):	-	-	(1,049,262)	(1,049,262)	(1,049,262)
Transfer to General Fund	-	(72,813)	-	(72,813)	(72,813)
Total other financing sources	19,644,253	19,698,231	(1,049,262)	18,648,969	(995,284)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (24,901)	\$ (1,018,042)	\$ (1,042,943)	\$ (1,042,943)

Capital project closed at end of June 30, 2019

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

Exhibit E-4b

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water and sewer capacity fees	\$ 1,200,000	\$ 1,640,590	\$ 440,590
Total revenue	1,200,000	1,640,590	440,590
Expenditures			
Total expenditures	-	-	-
Revenues over expenditures	1,200,000	1,640,590	440,590
Other Financing Sources (Uses)			
Reserves	(12,169)	-	12,169
Transfers out:			
Water Treatment Plant Fund	(850,000)	-	850,000
Water Plant Operating Fund	(57,500)	-	57,500
Rocky Point Water Fund	(280,331)	-	280,331
Total other financing sources (uses)	(1,200,000)	-	1,200,000
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 1,640,590	\$ 1,640,590

(This Page Was Intentionally Left Blank)

NON-MAJOR ENTERPRISE FUNDS

- Maple Hill Water Fund: This fund is used to account for the operations of the Maple Hill Water District.
 - Section 8 Administration Fund: This fund is used to account for the funds received from HUD to provide housing assistance to individuals.
 - County Court Apartments Fund: This fund is used to account for the funds received from Rural Development.
 - Scotts Hill Water and Sewer Fund: This fund is used to account for the operations of the Scott's Hill Water and Sewer District.
 - Moore's Creek Water District Fund: This fund is used to account for the operations of the Moore's Creek Water District.
 - Central Pender Water District Fund: This fund is used to account for the operations of the Central Pender Water District.
-

Pender County, North Carolina

**Proprietary Funds
Combining Statement of Net Position
June 30, 2019**

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 73,846	\$ 158,967	\$ 25,464
Accounts receivable, net of allowance for doubtful accounts	38,277	4,051	-
Due from other funds	-	-	831
Due from other governments	-	-	659
Restricted cash	5,200	-	300
Total current assets	117,323	163,018	27,254
Noncurrent Assets:			
Capital assets, net	4,169,881	-	515,560
Total noncurrent assets	4,169,881	-	515,560
Total assets	4,287,204	163,018	542,814
Deferred Outflows of Resources	16,848	35,749	-
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	7,216	9,795	31,146
Due to other funds	-	-	-
Accrued interest payable	502	-	23
Customer deposits payable	5,200	-	300
Compensated absences liability - current	-	2,536	-
Installment notes payable-current	-	-	6,867
Advance from Water Treatment Plant	10,000	-	-
General obligation bonds payable - current	-	-	-
Total current liabilities	22,918	12,331	38,336
Noncurrent liabilities:			
Compensated absences liability	-	7,609	-
Other postemployment benefit liability	32,979	57,712	-
Net pension liability	15,982	21,683	-
Installment notes payable	-	-	81,928
Advance from Water Treatment Plant	154,575	-	-
General obligation bonds payable	-	-	-
Total noncurrent liabilities	203,536	87,004	81,928
Total liabilities	226,454	99,335	120,264
Deferred Inflows of Resources	14,163	18,761	-
Net Position			
Investment in capital assets net of related debt	4,008,155	-	460,114
Restricted by HUD Section 8	-	-	-
Unrestricted	55,280	80,671	(37,564)
Total net position	\$ 4,063,435	\$ 80,671	\$ 422,550

Exhibit E-5

Scotts Hill Water & Sewer	Moore's Creek Water District	Central Pender Water District	Total Non-Major
\$ 684,658	\$ 30,186	\$ -	\$ 973,121
52,771	102,352	30,049	227,500
-	-	-	831
-	-	-	659
3,200	9,600	-	18,300
740,629	142,138	30,049	1,220,411
2,456,234	8,590,039	11,685,901	27,417,615
2,456,234	8,590,039	11,685,901	27,417,615
3,196,863	8,732,177	11,715,950	28,638,026
50,379	-	-	102,976
5,290	901	33	54,381
678,906	-	225,928	904,834
7,471	7,720	8,840	24,556
3,200	9,600	800	19,100
1,200	-	-	3,736
-	-	-	6,867
60,000	-	-	70,000
-	100,000	114,000	214,000
756,067	118,221	349,601	1,297,474
3,600	-	-	11,209
24,734	-	-	115,425
5,263	-	-	42,928
-	-	-	81,928
2,288,470	-	-	2,443,045
-	5,098,353	5,840,140	10,938,493
2,322,067	5,098,353	5,840,140	13,633,028
3,078,134	5,216,574	6,189,741	14,930,502
8,019	-	-	40,943
107,764	3,391,686	5,731,761	13,699,480
-	-	-	-
53,325	123,917	(205,552)	70,077
\$ 161,089	\$ 3,515,603	\$ 5,526,209	\$ 13,769,557

Pender County, North Carolina

Proprietary Funds

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2019**

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund
Operating Revenues			
Charges for services	\$ 210,652	\$ -	\$ -
Dwelling rental	-	-	9,836
Other operating revenues	5,067	-	38
Total operating revenues	215,719	-	9,874
Operating expenses			
Salaries and benefits	59,155	115,481	-
Housing assistance payments	-	1,104,681	-
Operating expenses	77,226	25,391	-
Contracted services	12,444	120,854	6,831
Housing administration	-	-	19,167
Water purchases	51,687	-	-
Depreciation	140,283	-	8,230
Total operating expenses	340,795	1,366,407	34,228
Operating income (loss)	(125,076)	(1,366,407)	(24,354)
Nonoperating revenues (expenses)			
Interest income	-	-	2,298
Restricted intergovernmental	-	1,250,834	-
Miscellaneous revenues	-	126,934	-
Insurance proceeds	-	-	361,425
Fraud recovery	-	7,621	-
Interest expense	(5,919)	-	(2,106)
Total net nonoperating revenues (expenses)	(5,919)	1,385,389	361,617
Income (loss) before transfers	(130,995)	18,982	337,263
Transfers in	2,513	3,219	7,336
Transfers out	-	-	(7,000)
Total transfers in (out)	2,513	3,219	336
Change in net position	(128,482)	22,201	337,599
Net position, beginning	4,191,917	58,470	84,951
Net position, ending	\$ 4,063,435	\$ 80,671	\$ 422,550

Exhibit E-6

Scotts Hill Water & Sewer	Moore's Creek Water District	Central Pender Water District	Total Non-Major
\$ 302,831	\$ 286,387	\$ 121,488	\$ 921,358
-	-	-	9,836
5,169	-	2,640	12,914
308,000	286,387	124,128	944,108
27,482	-	-	202,118
-	-	-	1,104,681
8,811	20,690	6,312	138,430
2,311	81	3	142,524
-	-	-	19,167
74,189	-	-	125,876
77,752	228,007	562,437	1,016,709
190,545	248,778	568,752	2,749,505
117,455	37,609	(444,624)	(1,805,397)
-	-	-	2,298
-	174,172	5,573	1,430,579
-	-	(120)	126,814
-	-	-	361,425
-	-	-	7,621
(90,469)	(97,942)	(112,069)	(308,505)
(90,469)	76,230	(106,616)	1,620,232
26,986	113,839	(551,240)	(185,165)
663	1,242	1,242	16,215
-	-	-	(7,000)
663	1,242	1,242	9,215
27,649	115,081	(549,998)	(175,950)
133,440	3,400,522	6,076,207	13,945,507
\$ 161,089	\$ 3,515,603	\$ 5,526,209	\$ 13,769,557

Pender County, North Carolina

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2019

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund
Cash Flows from operating activities			
Receipts from customers and users	\$ 212,721	\$ -	\$ 8,724
Payments to customers and suppliers	(128,531)	(1,246,034)	(32,581)
Payments to employees	(91,121)	(108,838)	-
Net cash provided by (used in) operating activities	(6,931)	(1,354,872)	(23,857)
Cash Flows From Capital and Related Financing Activities			
Acquisition & construction of capital assets	-	-	(354,000)
Repayment of debt	(10,000)	-	(6,327)
Interest paid	(6,702)	-	(2,106)
Net cash provided by (used in) capital and related financing activities	(16,702)	-	(362,433)
Cash Flows from Noncapital Financing Activities			
Due to (from) other funds	37,039	-	-
HUD operating grants	-	1,248,359	(120)
Rural development grants	-	-	-
Miscellaneous revenues	-	134,555	361,425
Transfers in (out)	2,513	3,219	336
Net cash provided by (used in) noncapital financing activities	39,552	1,386,133	361,641
Cash Flows from Investing Activities			
Interest income	-	-	2,298
Net decrease in cash and cash equivalents	15,919	31,261	(22,351)
Cash and Cash Equivalents			
Beginning	63,127	127,706	48,115
Ending	\$ 79,046	\$ 158,967	\$ 25,764
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (125,076)	\$ (1,366,407)	\$ (24,354)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	140,283	-	8,230
Change in assets and liabilities:			
Accounts receivable	(3,098)	-	-
Accounts payable and accrued expenses	(16,122)	4,892	(6,028)
Customer deposits payable	100	-	(1,150)
Compensated absences	(2,927)	3,687	(555)
OPEB	(4,622)	8,483	-
Increase in deferred outflows of resources	(3,418)	(22,754)	-
Increase (decrease) in net pension liability	2,561	4,904	-
Increase in deferred inflows of resources	5,388	12,323	-
Net cash provided by (used in) operating activities	\$ (6,931)	\$ (1,354,872)	\$ (23,857)

Exhibit E-7

Scotts Hill Water & Sewer	Moore's Creek Water District	Central Pender Water District	Total Non-Major
\$ 301,898	\$ 366,348	\$ 537,468	\$ 1,427,159
(83,679)	(12,149)	(12,554)	(1,515,528)
(22,266)	-	-	(222,225)
195,953	354,199	524,914	(310,594)
-	(338,257)	(433,997)	(1,126,254)
(60,000)	(99,000)	(113,000)	(288,327)
(95,674)	(98,850)	(113,188)	(316,520)
(155,674)	(536,107)	(660,185)	(1,731,101)
-	-	(198,180)	(161,141)
-	-	-	1,248,239
-	174,172	5,573	179,745
-	-	(120)	495,860
663	(15,698)	1,242	(7,725)
663	158,474	(191,485)	1,754,978
-	-	-	2,298
40,942	(23,434)	(326,756)	(284,419)
646,916	63,220	326,756	1,275,840
\$ 687,858	\$ 39,786	\$ -	\$ 991,421
\$ 117,455	\$ 37,609	\$ (444,624)	\$ (1,805,397)
77,752	228,007	562,437	1,016,709
(6,502)	77,961	412,740	481,101
2,966	8,622	(6,239)	(11,909)
400	2,000	600	1,950
2,670	-	-	2,875
8,325	-	-	12,186
(12,721)	-	-	(38,893)
(266)	-	-	7,199
5,874	-	-	23,585
\$ 195,953	\$ 354,199	\$ 524,914	\$ (310,594)

**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, 2019**

	Budget	Actual	Variance, Positive (Negative)
Operating Revenues			
Water fees	\$ 140,000	\$ 154,864	\$ 14,864
Sewer fees	60,500	55,788	(4,712)
Other fees	2,500	5,067	2,567
Total operating revenues	203,000	215,719	12,719
Operating Expenditures			
Water:			
Salaries and employee benefits	38,123	35,116	3,007
Contract services	5,483	5,483	-
Water purchases	51,699	51,687	12
Operating expenditures	28,538	26,625	1,913
Debt service payments:			
Principal	18,575	10,000	8,575
Interest	6,913	6,702	211
Total water operating expenditures	149,331	135,613	13,718
Sewer:			
Salaries and employee benefits	24,337	23,343	994
Contract services	7,765	6,961	804
Operating expenditures	24,080	24,474	(394)
Total sewer operating expenditures	56,182	54,778	1,404
Operating revenues over operating expenditures	(2,513)	25,328	27,841
Other Financing Sources (Uses)			
Transfers in (out):			
General fund	2,513	2,513	-
Total other financing sources (uses)	2,513	2,513	-
Revenues, other financing sources (uses) over (under) expenditures	\$ -	\$ 27,841	\$ 27,841
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 27,841	
Premium amortization		783	
Principal payments		10,000	
Depreciation		(140,283)	
Expense in capital project		(26,127)	
Pension expense		4,745	
OPEB expense		(5,441)	
Change in net position, full accrual basis		\$ (128,482)	

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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental-HUD	\$ 1,170,497	\$ 1,250,834	\$ 80,337
Miscellaneous revenues	126,987	126,934	(53)
Fraud recovery	11,000	7,621	(3,379)
Total revenue	1,308,484	1,385,389	76,905
Expenditures			
Salaries and benefits	108,843	112,424	(3,581)
Housing assistance payments	1,049,500	1,104,681	(55,181)
Contracted services	130,097	120,854	9,243
Operating expenditures	23,263	25,391	(2,128)
Total expenditures	1,311,703	1,363,350	(51,647)
Revenues over (under) expenditures	(3,219)	22,039	25,258
Other Financing Sources (Uses)			
Transfers in (out):			
General Fund	3,219	3,219	-
Total other financing sources (uses)	3,219	3,219	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 25,258	\$ 25,258

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

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	\$ 25,258
Pension expense	6,589
OPEB expense	(9,646)
Change in net position, full accrual basis	\$ 22,201

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, 2019

	Final Budget	Actual	Variance Postive (Negative)
Revenues			
Dwelling rentals	\$ 61,996	\$ 9,836	\$ (52,160)
Miscellaneous revenues	120	38	(82)
Interest income	2,105	2,298	193
Total revenue	64,221	12,172	(52,049)
Expenditures			
Administration and tenant services	37,947	19,167	18,780
Contracted services	8,000	6,831	1,169
Capital outlay	401,226	384,000	17,226
FMHA debt service payments	8,433	8,433	-
Total expenditures	455,606	418,431	37,175
Revenues over (under) expenditures	(391,385)	(406,259)	(14,874)
Other Financing Sources (Uses)			
Insurance proceeds	391,426	361,425	(30,001)
Bond closing costs	(1,377)	-	1,377
Transfers in (out):			
Reserve Fund	7,000	7,000	-
General Fund	336	336	-
Reserve Fund	(7,000)	(7,000)	-
Fund balance appropriated	1,000	-	(1,000)
Total other financing sources (uses)	391,385	361,761	(29,624)
Revenues over (under) expenditures and other financing sources	\$ -	\$ (44,498)	\$ (44,498)
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ (44,498)	
Capital outlay		384,000	
Depreciation		(8,230)	
Principal payments		6,327	
Change in net position, full accrual basis		\$ 337,599	

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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Water fees	\$ 300,000	\$ 300,281	\$ 281
Connection fees	2,000	2,550	550
Miscellaneous fees	-	5,169	5,169
Total revenue	302,000	308,000	6,000
Operating expenditures			
Salaries and benefits	24,802	26,269	(1,467)
Operating expenditures	20,334	8,811	11,523
Contracted services	7,500	2,311	5,189
Capital outlay	20,000	-	20,000
Water purchases	74,189	74,189	-
Total expenditures	146,825	111,580	35,245
Non-operating expenditures			
Interest expense	95,838	95,674	164
Principal payments	60,000	60,000	-
Total non-operating expenditures	155,838	155,674	164
Revenues over expenditures	(663)	40,746	41,409
Other financing sources (uses):			
Transfers in (out):			
General Fund	663	663	-
Total other financing sources (uses)	663	663	-
Revenues over expenditures and other financing sources	\$ -	\$ 41,409	\$ 41,409

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

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	41,409
Depreciation	(77,752)
Bond premium and refunding amortization, net	5,205
Principal payments	60,000
Pension expense	2,836
OPEB expense	(4,049)
Change in net position, full accrual basis	\$ 27,649

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, 2019

	Final Budget	Actual	Variance Postive (Negative)
Operating revenue			
Water fees	\$ 269,000	\$ 285,657	\$ 16,657
Miscellaneous	-	1,150	1,150
Total revenue	269,000	286,807	17,807
Operating expenditures			
Operating expense	20,784	20,690	94
Salaries and benefits	38,388	-	38,388
Capital outlay	-	38,790	(38,790)
Contracted services	13,050	81	12,969
Principal	99,000	99,000	-
Interest	99,020	98,850	170
Total expenditures	270,242	257,411	12,831
Revenues over expenditures	(1,242)	29,396	30,638
Other financing sources (uses):			
Transfers in (out):			
Moore Creek CP Fund	-	33,744	33,744
General Fund	1,242	1,242	-
Total other financing sources (uses)	1,242	34,986	33,744
Revenues over expenditures and other financing sources	\$ -	\$ 64,382	\$ 64,382

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

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	\$ 64,382
Transfer in from Moore Creek CP Fund	(33,744)
Capital outlay	38,790
Bond principal	99,000
Depreciation	(228,007)
Bond premium	908
USDA grant proceeds	174,172
Connection fees	(420)
Change in net position, full accrual basis	\$ 115,081

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, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Connection fees	\$ 78,100	\$ 27,354	\$ -	\$ 27,354	\$ (50,746)
Rural Development Grant	3,467,432	3,202,790	174,172	3,376,962	(90,470)
Miscellaneous revenues	-	119,486	(420)	119,066	119,066
Interest income	-	8,657	-	8,657	8,657
Total revenue	3,545,532	3,358,287	173,752	3,532,039	(13,493)
Expenditures					
Construction	8,826,532	8,739,627	57,838	8,797,465	29,067
Total expenditures	8,826,532	8,739,627	57,838	8,797,465	29,067
Revenues over (under) expenditures	(5,281,000)	(5,381,340)	115,914	(5,265,426)	15,574
Other financing sources (uses):					
Transfer out	-	-	(33,744)	(33,744)	(33,744)
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	(33,744)	5,265,426	(15,574)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (82,170)	\$ 82,170	\$ -	\$ -

Capital project closed at June 30, 2019

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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water fees	\$ 232,500	\$ 121,488	\$ (111,012)
Miscellaneous revenue	-	2,640	2,640
Total revenue	232,500	124,128	(108,372)
Expenditures			
Salaries and benefits	39,125	-	39,125
Operating expenditures	14,185	6,312	7,873
Contracted services	11,550	3	11,547
Principal	113,000	113,000	-
Interest	113,382	113,188	194
Total expenditures	291,242	232,503	58,739
Revenues over (under) expenditures	(58,742)	(108,375)	(49,633)
Other financing sources (uses):			
Transfers in (out):			
Central Pender CP Fund	-	324,983	324,983
Water Capacity CP Fund	57,500	-	(57,500)
General Fund	1,242	1,242	-
Total other financing sources (uses)	58,742	326,225	267,483
Revenues over expenditures and other financing sources	\$ -	\$ 217,850	\$ 217,850
Reconciliation of modified accrual basis with full accrual basis:			
Revenues over (under) expenditures and other financing sources, modified accrual basis, above		\$ 217,850	
Bond principal		113,000	
Depreciation		(562,437)	
Rural development grant		5,573	
Bond premium		1,119	
Transfer in from Central Pender CP Fund		(324,983)	
Other expense		(120)	
Change in net position, full accrual basis		\$ (549,998)	

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, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Connection fees	\$ 81,700	\$ 22,596	\$ -	\$ 22,596	\$ (59,104)
Rural Development Grant	3,910,091	3,847,360	5,573	3,852,933	(57,158)
Other income	-	176,511	(120)	176,391	176,391
Interest income	-	13,155	-	13,155	13,155
Total revenue	3,991,791	4,059,622	5,453	4,065,075	73,284
Expenditures					
Construction	9,497,211	9,677,642	-	9,677,642	(180,431)
Contingency	326,309	-	5,530	5,530	320,779
Interest	215,271	126,299	-	126,299	88,972
Total expenditures	10,038,791	9,803,941	5,530	9,809,471	229,320
Revenues over (under) expenditures	(6,047,000)	(5,744,319)	(77)	(5,744,396)	302,604
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)	-
Transfer to Central Pender Fund	-	-	324,983	324,983	
Total other financing sources (uses)	6,047,000	6,069,378	324,983	6,394,361	22,378
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 325,059	\$ (325,060)	\$ 649,965	\$ 649,965

Capital project closed at June 30, 2019

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, 2019

	Employee Health Insurance Fund	Workers Compensation Fund	Totals
Assets			
Cash and cash equivalents	\$ 249,491	\$ 623,651	\$ 873,142
Total assets	<u>249,491</u>	<u>623,651</u>	<u>873,142</u>
Liabilities			
Accounts payable and accrued liabilities	213	18,432	18,645
Total liabilities	<u>213</u>	<u>18,432</u>	<u>18,645</u>
Net Position			
Unrestricted	249,278	605,219	854,497
Total net position	<u>\$ 249,278</u>	<u>\$ 605,219</u>	<u>\$ 854,497</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, 2019

Exhibit F-1a

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Charges for services			
Total operating revenues	\$ -	\$ 315,740	\$ 315,740
Operating expenses			
Claims paid	-	313,523	(313,523)
Total operating expenses	-	313,523	(313,523)
Revenues over (under) expenditures	-	2,217	2,217
Other financing sources (uses)			
Total other financing sources (uses)	-	-	-
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 2,217</u>	<u>\$ 2,217</u>
Net position			
Beginning		<u>247,061</u>	
Ending		<u>\$ 249,278</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, 2019

Exhibit F-1b

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Charges for services			
Total operating revenues	\$ -	\$ -	\$ -
Operating expenses			
Claims paid		(51,947)	51,947
Total operating expenses	-	(51,947)	51,947
Revenues under expenditures	-	51,947	51,947
Other financing sources (uses)			
Transfers in (out)	-	-	-
Appropriated fund balance		-	-
Total other financing sources (uses)	-	-	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 51,947	\$ 51,947
Net position			
Beginning		553,272	
Ending		\$ 605,219	

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, 2019

	Agency					Totals
	Ad Valorem and DMV Collections	Four H Fund	Extension Education	Pesticide Recycling Grant	Tourism Development Authority	June 30, 2019
Assets						
Cash and cash equivalents	\$ 5,458	\$ 1,112	\$ 421	\$ -	\$ 20,664	\$ 27,655
Accounts receivable	142	-	-	-	-	142
Total assets	<u>\$ 5,600</u>	<u>\$ 1,112</u>	<u>\$ 421</u>	<u>\$ -</u>	<u>\$ 20,664</u>	<u>\$ 27,797</u>
Liabilities						
Intergovernmental payables	\$ 5,600	\$ 1,112	\$ 421	\$ -	\$ 20,664	\$ 27,797
Total liabilities	<u>\$ 5,600</u>	<u>\$ 1,112</u>	<u>\$ 421</u>	<u>\$ -</u>	<u>\$ 20,664</u>	<u>\$ 27,797</u>

Agency Funds
Combining Statement of Changes In Assets And Liabilities
For the Fiscal Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Ad Valorem and Vehicle Tax:				
Assets:				
Cash and cash equivalents	\$ 4,706	\$ 752	\$ -	\$ 5,458
Accounts receivable	3,616	-	3,474	142
	<u>\$ 8,322</u>	<u>\$ 752</u>	<u>\$ 3,474</u>	<u>\$ 5,600</u>
Liabilities:				
Intergovernmental payable	<u>\$ 8,322</u>	<u>\$ 752</u>	<u>\$ 3,474</u>	<u>\$ 5,600</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>\$ 9,696</u>	<u>\$ -</u>	<u>\$ 9,275</u>	<u>\$ 421</u>
Liabilities:				
Intergovernmental payable	<u>\$ 9,696</u>	<u>\$ -</u>	<u>\$ 9,275</u>	<u>\$ 421</u>
Pesticide Recycling Grant:				
Assets:				
Cash and cash equivalents	<u>\$ 1,558</u>	<u>\$ -</u>	<u>\$ 1,558</u>	<u>\$ -</u>
Liabilities:				
Intergovernmental payable	<u>\$ 1,558</u>	<u>\$ -</u>	<u>\$ 1,558</u>	<u>\$ -</u>
Tourism Development Authority				
Assets:				
Cash and cash equivalents	\$ 13,043	\$ 7,621	\$ -	\$ 20,664
Accounts receivable	-	-	-	-
	<u>\$ 13,043</u>	<u>\$ 7,621</u>	<u>\$ -</u>	<u>\$ 20,664</u>
Liabilities:				
Intergovernmental payable	<u>\$ 13,043</u>	<u>\$ 7,621</u>	<u>\$ -</u>	<u>\$ 20,664</u>
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 30,115	\$ 8,373	\$ 10,833	\$ 27,655
Accounts receivable	3,616	-	3,474	142
	<u>\$ 33,731</u>	<u>\$ 8,373</u>	<u>\$ 14,307</u>	<u>\$ 27,797</u>
Liabilities:				
Intergovernmental payable	<u>\$ 33,731</u>	<u>\$ 8,373</u>	<u>\$ 14,307</u>	<u>\$ 27,797</u>

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, 2019

Year	Uncollected Balance 6/30/2018	Additions	Collections And Credits	Uncollected Balance 6/30/2019
2018-19	\$ -	\$ 49,119,914	\$ 48,161,478	\$ 958,436
2017-18	700,493	-	413,503	286,990
2016-17	345,669	-	155,768	189,901
2015-16	201,646	-	99,255	102,391
2014-15	99,826	-	53,639	46,187
2013-14	115,340	-	39,403	75,937
2012-13	110,022	-	29,362	80,660
2011-12	85,860	-	10,246	75,614
2010-11	94,422	-	7,915	86,507
2009-10	89,614	-	852	88,762
2008-09	81,141	-	81,141	-
Totals	<u>\$ 1,924,033</u>	<u>\$ 49,119,914</u>	<u>\$ 49,052,562</u>	<u>\$ 1,991,385</u>
Less allowance for uncollectible accounts:				
General Fund				<u>828,859</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 1,162,526</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 49,290,068
Reconciling items:				
Penalties and Interest				(317,368)
Discounts, Releases, Refunds				<u>79,862</u>
Total Collections and Credits				<u>\$ 49,052,562</u>

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

Exhibit H-2

For the Fiscal Year Ended June 30, 2019

	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	\$ 6,538,483,504	0.685	\$ 44,788,612	\$ 44,788,612	\$ -
Vehicle taxes collected by DMV	635,435,912	0.685	4,352,736	-	4,352,736
Total	<u>7,173,919,416</u>		<u>49,141,348</u>	<u>44,788,612</u>	<u>4,352,736</u>
Discoveries:					
Current year taxes	<u>7,084,234</u>	0.685	<u>48,527</u>	<u>48,527</u>	<u>-</u>
Total	<u>7,084,234</u>		<u>48,527</u>	<u>48,527</u>	<u>-</u>
Abatements					
Current year taxes	<u>(10,213,285)</u>		<u>(69,961)</u>	<u>(69,961)</u>	<u>-</u>
Total	<u>(10,213,285)</u>		<u>(69,961)</u>	<u>(69,961)</u>	<u>-</u>
Total For Year	<u>\$ 7,170,790,365</u>		<u>\$ 49,119,914</u>	<u>\$ 44,767,178</u>	<u>\$ 4,352,736</u>
Net levy			\$ 49,119,914	\$ 44,767,178	\$ 4,352,736
Uncollected taxes at June 30, 2019			<u>958,436</u>	<u>958,436</u>	<u>-</u>
Current year's taxes collected			<u>\$ 48,161,478</u>	<u>\$ 43,808,742</u>	<u>\$ 4,352,736</u>
Current levy collection percentage			<u>98.05%</u>	<u>97.86%</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, 2019

Secondary Market Disclosures:

Assessed Valuation		
Assessment Ratio		100%
Real Property	\$	6,193,861,893
Personal Property		224,496,712
Public Service Companies		120,124,917
Total Assessed Valuation		<u>6,538,483,522</u>
Tax Rate per \$100		<u>0.685</u>
Levy (includes discoveries, releases and abatements)	\$	<u><u>44,788,612</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>12,991,019</u>
Total	\$	<u><u>12,991,019</u></u>

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

Exhibit H-3

For the Fiscal Year Ended June 30, 2019

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2018 Assessed Valuation</u>	<u>% of Total Valuation</u>
Red Mountain Timber Co. LLC	Timber Production	\$ 49,059,114	0.75%
Duke Energy Progress Inc	Utilities	47,227,487	0.72%
Four County EMC	Utilities	31,582,842	0.48%
RC Creation Holdings LLC	Manufacturing	20,754,440	0.32%
LL Building Products Inc	Retail	17,945,762	0.27%
Empire Distributors of NC Inc	Wholesale Beverage Dist	12,996,188	0.20%
Lowe's Home Centers Inc	Retail	11,607,238	0.18%
Weingarten Investments Inc	Real Estate	11,199,698	0.17%
Jones Onslow EMC	Utilities	10,956,894	0.17%
TC&I Timber Co LLC	Timber Production	10,937,444	0.17%
Totals		<u><u>\$ 224,267,107</u></u>	<u><u>3.43%</u></u>

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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 5, 2020. 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 the County's financial statements. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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.

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

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2019-003.

The County's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Morehead City, North Carolina
June 5, 2020

**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**

Independent Auditor's Report

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

Report on Compliance for Major Federal Programs

We have audited Pender County, North Carolina's (the County) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Pender County's major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of Pender County Alcoholic Beverage Control Board (ABC Board), a discretely presented component unit of the 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 the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Medicaid Cluster

As described in finding 2019-004 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2019-004	93.778/93.777/93.775	Medicaid Cluster	Eligibility

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph above, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of other compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings add questioned costs for the year ended June 30, 2019.

Other Matters

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

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-004, that we consider to be a material weakness.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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

RSM VS LLP

Morehead City, North Carolina
June 5, 2020

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited Pender County, North Carolina's (the County), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2019. The County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of Pender County Alcoholic Beverage Control Board (ABC Board), a discretely presented component unit of the 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 the County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Medical Assistance Program (Medicaid; Title XIX)

As described in finding 2019-005 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2019-005	93.778	Medical Assistance Program (Medicaid; Title XIX)	Eligibility

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (Medicaid; Title XIX)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph above, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program (Medicaid; Title XIX) for the year ended June 30, 2019.

Opinion on Each of the Other Major State Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major State programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-005, that we consider to be a material weakness. The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned. Pender County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

RSM US LLP

Morehead City, North Carolina
June 5, 2020

PENDER COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019**

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> </u>	Yes	<u> X </u>	None Reported
Noncompliance material to financial statements noted?	<u> X </u>	Yes	<u> </u>	No

Federal Awards

Internal control over major federal programs:

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

Type of auditor's report issued on compliance for the medicaid cluster:

Qualified

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X

Yes

No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
Supplemental Nutrition Assistance (SNAP) Cluster	10.561
Medicaid Cluster	93.778/93.777/93.775
Temporary Assistance for Needy Families (TANF) Cluster	93.558
Children's Health Insurance Program	93.767
Child Support Enforcement Program	93.563
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036

Dollar threshold used to distinguish between Type A and Type B Programs

 \$ 750,000

Auditee qualified as low-risk auditee?

Yes

 X

No

(Continued)

PENDER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2019

Section I. Summary of Auditor's Results (Continued)

State Awards

Internal control over major state programs:

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

Type of auditor's report issued on compliance for major Medical Assistance Program (medicaid):	<u>Qualified</u>
--	------------------

Type of auditor's report issued on compliance for all other major programs:	<u>Unmodified</u>
---	-------------------

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	<u>X</u> Yes	<u> </u> No
--	--------------	----------------------

Identification of major State programs:

<u>Program Name</u>	<u>Grant Number</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036
Medical Assistance Program (Medicaid; Title XIX)	93.778
1571 Administrative Costs - Crosscutting Requirements	N/A
School Nurse Funding Initiative	N/A

PENDER COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2019**

Section II. Financial Statement Findings

Finding: 2019-001

Material Weakness in Internal Control – Financial Reporting on Schedule of Expenditures of Federal and State Awards

Criteria: Accounting principles generally accepted in the United States, as applied to governments (GAAP), require that amounts reimbursable from federal or state grants be recorded as receivables when all requirements for reimbursement have been completed, and expenditures associated with reimbursable amounts should be identified in the general ledger as federal or state financial award expenditures. Additionally, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act (the Act) require auditees to prepare a Schedule of Expenditures of Federal and State Awards (SEFSA) for the period covered by the auditee's financial statements.

Condition: A portion of federal and state award revenues were not accrued appropriately, thus causing grant revenue and receivables to be understated as of June 30, 2019.

Effect: For the purpose of preparing and reporting federal and state award expenditures as required by the Uniform Guidance and the Act, certain amounts reported as expenditures pursuant to federal and state awards for the fiscal year ended June 30, 2019, required material adjustments. Federal and state expenditures were understated by a total of \$625,015.

Cause: Year-end closeout and reporting procedures not performed timely.

Recommendation: We recommend the County strengthen policies and procedures to efficiently and effectively prepare and review the SEFSA. Additionally, the County should provide training to appropriate staff related to preparation of the SEFSA; and reconciling the SEFSA with the general ledger.

Views of Responsible Officials: Management concurs with the finding. See Corrective Action Plan.

Finding: 2019-002

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. 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.

(Continued)

PENDER COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2019**

Section II. Financial Statement Findings (Continued)

Identification of a Repeat Finding: This is a repeat of finding 2018-001 from the immediate previous audit.

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 Corrective Action Plan.

Finding: 2019-003

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, 2019, actual expenditures exceeded budgeted expenditures for the following funds: Revaluation Fund, Fire Service District Fund, School Capital Project Fund, Section 8 Administration Fund, and Employee Health Insurance 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.

Identification of a Repeat Finding: This is a repeat of finding 2018-004 from the immediate previous audit.

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, 2019**

Section III. Federal Award Findings and Questioned Costs

Finding: 2019-004

Noncompliance and Material Weakness in Internal Control over Compliance – Medicaid Cluster

US Department of Health and Human Services

Passed through the North Carolina Department of Health and Human Services (NC DHHS)

Program Name: Medicaid Cluster, Medical Assistance (Medicaid) Program

CFDA # 93.778

Criteria: Per NCDHHS-Division of Health Benefits, the County Department of Social Services Agency is responsible to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan (42 CFR Section 431.10).

Condition and Context: Of the original 77 claims tested, we noted 3 errors which resulted in ineligible benefits and 1 additional error, identified in connection with the testing performed on those 77 claims, that also resulted in ineligible benefits. Therefore, a total of 4 eligibility errors identified in a sample of 78 individual recipients tested. 1 case (included in the original sample) in which the claim recipient had SSA disability income which was unaddressed by the local agency and exceeded the limit for MAF-C, full Medicaid benefits based on the recipient's tax household status. Re-determination at testing determined that had the recipient not been receiving full Medicaid benefits, they would have been able to meet a deductible for various periods of time during the ineligible period and therefore would have been eligible for benefits under a different program MAF-M. The recipient was therefore not eligible for any Medicaid benefits for the periods: 10/01/2017 - 03/31/2018; 04/01/2018 - 04/04/2018; 10/01/2018 - 10/07/2018 & 04/01/2019 - 04/11/2019. 1 case (included in the original sample) in which the local DSS agency failed to react to a "critical age of 19" change in recipient's status and perform a required exparte recertification to determine availability of ongoing benefits. Recipient continued to receive MAF-N, with full Medicaid benefits instead of applicable MAF-D, family planning benefits only for the period 09/01/2018 - 07/31/2019. 1 case (included in the original sample) in which the local agency failed to react to a change in recipient's status when the agency was notified that the recipient had moved out of state and was applying for benefits there. The agency closed the case in NCFAS, however failed to properly end-date the certification period timely resulting in benefits continuing through the end of the original certification period in error. The recipient was therefore not eligible for any Medicaid benefits for the period: 01/01/2019 - 07/31/2019. 1 case (not included in original sample) in which a sibling of the claim recipient, who had turned 19 "critical age change" and therefore should have become a tax household of 1 prior to the certification period, had countable income that exceeded the limit for MAF-C for a household of 1 and therefore was not eligible for full Medicaid benefits for the period 09/01/2018 - 12/31/2019. Based on the countable income, the recipient would have only been eligible for MAF-D family planning benefits for the same period.

PENDER COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2019**

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

Of the 78 total claims tested, we noted 13 cases which included incorrect countable and/or non-countable income resulting in incorrect budget calculations; 14 cases which included incorrect MAGI tax household or member relationship status which are required under the Modified Adjusted Gross Income (MAGI) for proper eligibility determinations for Family and Children's' Medicaid; 1 case in which the local agency failed to react timely to a change in a claim recipient or recipient's parent/caretaker's situation; 2 cases which included incorrect countable resources; 10 cases in which the local agency failed to prepare a child support referral when there was no absent parent documentation and the parent/caretaker was receiving benefits in the case; 4 cases in which the agency failed to run required online verification search (OVS) in the NC FAST system for all applicable case participants; 20 cases in which the agency failed to obtain, update and verify a recipient's social security number in order to complete eligibility verifications and verify citizenship.

Of the original 77 claims tested, we also noted 6 cases in which the local Pender County DSS Agency internal control required verification form for Family & Childrens' Medicaid (MAGI) and/or Adult Medicaid review verification sheet or DSS Form 5007V and manual budgets was not completed and present in the case file documentation. This is not a state requirement but simply a local agency policy used to ensure accuracy and proper input into NCFAST. These internal control errors are also procedural agency errors only which did not affect the overall eligibility of the case and did not result in questioned costs.

Effect: Ineligible persons received benefits. Additionally there is significant potential for additional ineligible persons to receive benefits.

Cause: Administrative oversight.

Questioned Costs: None noted at local level.

Recommendation: We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements.

Views of Responsible Officials: Management concurs with the finding. See Corrective Action Plan.

Section IV. State Award Findings and Questioned Costs

Finding: 2019-005

Noncompliance and Material Weakness in Internal Control over Compliance – Medical Assistance Program (Medicaid; Title XIX)

US Department of Health and Human Services

Passed through the North Carolina Department of Health and Human Services (NC DHHS)

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

See Section III. Federal Award Findings and Questioned Costs, Finding 2019-005.

Questioned Costs: None

Management's Response: See Corrective Action Plan.

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
Ched McEwen
County Attorney
Carl W. "Trey" Thurman, III
Clerk to the Board
Melissa Long

**Pender County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2019**

Section II. Financial Statement Findings

Name of contact person: Margaret Blue, Finance Director

Proposed completion date: May 31, 2020

Finding: 2019-001

Corrective Action: Finance Management has reviewed the process for SEFSA preparation and reconciliation and has made significant improvements. The process for original allocation and posting of restricted intergovernmental has been adjusted to very clearly post to the general ledger monthly. Finance procedures for reconciliation and preparation of the SEFSA have been communicated and put in place so that year end SEFSA amounts can be determined well in advance of year end audit procedures and agreed to NC DHHS confirmations as soon as they are released.

Finding: 2019-002

Corrective Action: Structured year end procedures have been established and relevant tasks assigned to each individual within the Finance Department. Those procedures that can be started and/or completed prior to year end will begin June 1, all others will begin July 1 and be completed no later than August 30, prior to auditor scheduled fieldwork. Procedures that can gradually be done monthly throughout the year have been incorporated into the Finance Department's monthly reconciliation process implemented in the subsequent fiscal year.

Finding: 2019-003

Corrective Action: Major budgetary reviews and projections will be completed during the annual budget preparation process and collaboration with each department will resolve any potential budgetary concerns during this process. Several of the current year budget violations stem from hurried reactions to a very pressing Hurricane Florence emergency response situation. Finance Management has engaged numerous departments in financial planning procedures during emergency preparedness and disaster response so to avoid this situation for future events.

(Continued)



**Pender County, North Carolina
Corrective Action Plan (Continued)
For the Fiscal Year Ended June 30, 2019**

Section III. Federal Award Findings and Questioned Costs

Finding: 2019-004

Corrective Action: Note that this year was the first year, since MAGI budgeting started (2014), that MAGI cases have been pulled as part of the County Single Audit process. DHHS Management has instituted a verification sheet for applications and reviews in order for the workers to double check the information and be sure it is entered correctly and verified. Supervisors are continuing to do second party reviews on cases to try and identify errors and make corrections if need be. Pender County has completed refresher training with staff to reinforce Medicaid Policy. The Quality Improvement/Training Supervisor is also doing second party reviews of cases as well. With the goal, in coordination with the supervisors, to identify themes or consistent errors by staff. The Quality Improvement Training Supervisor has worked individually with staff as well as with particular units to also increase worker knowledge, reduce errors and increase understanding of policy focusing on the particular areas identified in the audit. Pender County's current Medicaid case count is approximately 10,417 cases representing 15,114 individuals.

Section IV. State Award Findings and Questioned Costs

Finding: 2019-005

Corrective Action: See section III. Federal Award Findings and Questioned Costs, Finding 2019-004.



Chad McEwen
County Manager



Margaret Blue
County Finance Director

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
Chad McEwen
County Attorney
Carl W. "Trey" Thurman, III
Clerk to the Board
Melissa Long

PENDER COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Fiscal Year Ended June 30, 2019

Finding: 2018-001

Status: See Identification of repeat finding at 2019-002.

Finding: 2018-002

Status: Finance Management spent significant time evaluating capital projects for construction in progress as well as capitalization of completed projects in the current year and resolved this issue going forward.

Finding: 2018-003

Status: The HR department is continuing to navigate and transition between paper enrollment forms and electronic enrollment forms. Our initial goal of having the benefits platform up and running by March 2019 was not met but HR is working closely with ITS to have it ready for 2021 Open Enrollment. Although we have not fully implemented our benefits platform, we have continued to make strides each year to further improve our processes, including a full Audit of the 2020 open enrollment benefits. In addition, HR staff have been randomly pulling employee files throughout the year and checking for appropriate documentation to ensure compliance.

Finding: 2018-004

Status: See identification of repeat finding at 2019-003.

Finding: 2018-005

Status: Finance Management spent significant time evaluating capital projects for construction in progress as well as capitalization of completed projects in the current year and resolved this issue going forward.

Chad McEwen
County Manager

Margaret Blue
County Finance Director



Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

<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>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		\$ 460,455	\$ 37,289	\$ 423,165
Food Stamp Fraud Admin.	10.561		27,256	-	27,256
Supplemental Nutrition Assistance Program Cluster			<u>487,711</u>	<u>37,289</u>	<u>450,421</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		291,119	-	-
Direct Program					
Administered by County Engineering Department					
Rural Utilities Service Grant					
Direct Grant	10.760		179,745	-	-
Total U.S. Dept. of Agriculture			<u>958,575</u>	<u>37,289</u>	<u>450,421</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					
HCCBG - Access	93.044		71,347	4,197	8,394
HCCBG - Congregate Meals	93.045		46,304	2,726	5,448
HCCBG - Home Delivered Meals	93.045		72,233	4,253	8,498
NSIP - Nutrition	93.053		14,250	-	-
Total Aging Cluster			<u>204,134</u>	<u>11,176</u>	<u>22,340</u>
Title III Preventive Health	93.043		5,428	320	640
Family Caregiver Services	93.052		41,250	2,750	-
Total Division of Aging and Adult Services			<u>250,812</u>	<u>14,246</u>	<u>22,980</u>

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

<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>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		53,462	4,220	-
Immunization	93.268		12,750	-	-
Preventative Health and Health Service Block Grant	93.758		39,946	-	-
Sexually Transmitted Disease Control	93.977		100	-	-
HPP and PHEP Aligned Coop Agreement	93.074		33,427	-	-
Cancer Prevention and Control Programs	93.752		4,590	-	-
Family Planning Services	93.217		30,692	-	-
CDC - Tuberculosis	93.116		28,383	-	-
Total Division of Public Health			<u>209,340</u>	<u>4,220</u>	<u>-</u>
Division of Social Services:					
Administration:					
Adult Care Home Case Management	93.778		4,556	2,278	2,278
MAC	93.778		7,751	-	7,751
Adoption/Foster Care	N/A		53,954	9,348	50,003
Refugee Assistance Admin	93.566		805	-	-
State County Special Assistance	93.778		-	-	19,849
IV-D Administration	93.563		264,788	-	136,406
IV-D Offset Fees Admin	93.563		37	-	19
IV-D Offset Fees ESC	93.563		12	-	6
IV-D Offset Fees Federal	93.563		1,442	-	743
Low Income Energy Assistance:					
Administration	93.568		46,986	-	-
Direct Benefit Payments	93.568		214,800	-	-
Crisis Intervention Program	93.568		159,389	-	-
Temporary Assistance for Needy Families Cluster:					
Temporary Assistance for Needy Families - Admin	93.558		60,211	-	105,700
Temporary Assistance for Needy Families - Services - Admin	93.558		303,510	-	222,457
Total TANF Cluster			<u>363,721</u>	<u>-</u>	<u>328,157</u>
Administration for Children and Families					
Foster Care and Adoption Cluster (Note 5)					
IV-E Admin Foster Care	93.658		38	-	38
IV-E Foster Care/Off TRN	93.658		97,955	-	97,955
IV-E Admin County Paid	93.658		24,238	12,119	12,119
IV-E CPS	93.658		36,122	19,982	16,140
IV-E FC & Extended Reg	93.658		20,499	4,985	4,984
IV-E Adoption/Off TRN	93.659		-	-	2,020
IV-E Adopt & Vendo & GUA	93.659		-	-	37,384
IV-E Adoption	N/A		9	-	11
Extended FC Max Non IV-E	N/A		-	62,361	-
Total Foster Care and Adoption Cluster			<u>178,861</u>	<u>99,447</u>	<u>170,651</u>

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

<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>Local Expenditures</u>
Passed-through N.C. Dept of Health and Human Services:					
Permanency Planning	93.645		\$ (24,606)	\$ -	\$ (8,202)
Links	93.674		19,743	4,936	-
Total Division of Social Services			<u>1,292,239</u>	<u>116,009</u>	<u>707,661</u>
Division of Aging and Adult Services:					
SSBG - State In Home Services	93.667		164	-	23
SSBG - In-Home Services Over 60	93.667		5,915	-	845
SSBG - Other Services and Training	93.667		214,563	-	71,521
SSBG - Adult Protective Services	93.667		28,310	-	9,437
Total Division of Aging and Adult Services			<u>248,952</u>	<u>-</u>	<u>81,826</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		73,306	-	-
Total Child Care Development Fund Cluster			<u>73,306</u>	<u>-</u>	<u>-</u>
Total Subsidized Child Care (Note 5)			<u>73,306</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		1,264,020	-	424,622
Medical Transportation	93.778		93,552	-	93,552
Total Medical Assistance Program			<u>1,357,572</u>	<u>-</u>	<u>518,174</u>
Division of Social Services:					
Administration:					
State Children's Insurance Program - N.C. Health Choice	93.767		51,385	-	-
Total State Children's Insurance Program - N.C. Health Choice			<u>51,385</u>	<u>-</u>	<u>-</u>
Total U.S. Dept. of Health and Human Services			<u>3,483,606</u>	<u>134,475</u>	<u>1,330,641</u>

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</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		3,806,240	1,268,747	-
EMG Performance Grant	97.042		38,524	-	-
Total U. S. Department of Homeland Security			<u>3,844,764</u>	<u>1,268,747</u>	<u>-</u>
<u>U.S. Dept. of Housing and Urban Development</u>					
Direct Program					
Lower Income Housing Assistance Program -					
Section 8 Housing Voucher Program	14.871		1,128,448	-	-
Section 8 Housing Voucher Program Admin Fees	14.871		122,386	-	-
Total U.S. Dept. of Housing and Urban Development			<u>1,250,834</u>	<u>-</u>	<u>-</u>
Total Federal Awards			<u>9,537,779</u>	<u>1,440,511</u>	<u>1,781,062</u>
State Awards:					
<u>N.C. Dept. of Cultural and Natural Resources</u>					
Division of State Library					
State Aid to Public Libraries			-	108,623	-
Total N.C. Dept. of Cultural and Natural Resources			<u>-</u>	<u>108,623</u>	<u>-</u>
<u>N.C. Department of Environmental Quality</u>					
Division of Waste Management					
White Goods Management Program			-	12,949	-
Scrap Tire Program			-	106,847	-
Solid Waste Disposal Tax			-	49,760	-
Electronics Management			-	3,822	-
Total N.C. Dept. of Environmental and			<u>-</u>	<u>173,378</u>	<u>-</u>
Natural Resources			<u>-</u>	<u>173,378</u>	<u>-</u>

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

<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>Local Expenditures</u>
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services					
CP&L Energy Assistance			\$ -	\$ 4,753	\$ -
SC/SA Domiciliary Care			-	-	289,063
County Fund Programs			-	-	1,098,200
St Child Welfare/CPS/CS			-	38,466	-
CWS - Adoption			-	-	16,176
AFDC Incentive Program Integrity			-	127	-
Work First Non Reimbursable			-	-	619,212
Foster Home			-	140,240	140,239
SFHF Maximization			-	291,668	291,668
SAA/SAD HB 1030			-	-	16,881
Total Division of Social Service			-	475,254	2,471,439
Division of Aging and Adult Services					
Passed through Cape Fear Council of Governments					
In Home Support Services			-	278,844	30,983
Senior Center General Purpose			-	21,385	7,128
Fans			-	979	-
Total Division of Aging and Adult Services			-	301,208	38,111
Division of Public Health					
Child Health			-	15,185	-
Maternal Health (HMHC)			-	21,878	-
Family Planning - State			-	48,287	-
Food and Lodging			-	16,549	-
Mosquito and Tick Suppression			-	2,000	-
Mosquito - Hurricane Florence			-	129,270	-
CHA/CHIP Peer Review			-	77,111	-
Women's Health Service Fund			-	7,756	-
School Health Center			-	88,880	-
School Nurse Funding Initiative			-	150,000	-
General Communicable Disease Control			-	9,999	-
HIV STD SSBG Aid			-	500	-
STD Drugs			-	1,206	-
TB Control			-	6,493	-
Breast and Cervical Cancer Program			-	5,100	-
Total Division of Public Health			-	580,214	-
Division of Child Development					
Non-Allocating County Cost			-	-	368,642
Total N. C. Department of Health and Human Services			-	1,356,676	2,878,192

Pender County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

<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>Local Expenditures</u>
<u>N.C. Dept. of Public Safety</u>					
Teen Court			\$ -	\$ 19,884	\$ -
Counseling Service			-	12,315	-
JCPC Positive Action			-	7,632	-
Restitution			-	26,216	-
Hazard Mitigation - Hurricane Matthew			-	15,960	-
NC State DRA 17 Grant			-	45,240	-
Office of Juvenile Justice Youth Services			-	48,500	-
Total N.C. Dept. of Public Safety			-	175,747	-
<u>N.C. Dept. of Transportation</u>					
ROAP Elderly and Disabled Transportation Assistance		DOT-16CL	-	14,591	-
ROAP EDTAP		DOT-16CL	-	69,716	-
ROAP Employment		DOT-16CL	-	81,727	-
Surf City VFD Expansion			-	15,000	-
Total NC Department of Transportation			-	181,034	-
<u>Golden Leaf Foundation</u>					
North Carolina Hurricane Florence Disaster Relief			-	84,754	-
<u>N.C. Wildlife Resources Comission</u>					
Partners for Green Growth			-	7,500	-
Total State Awards			-	2,087,712	2,878,192
Total Federal and State Awards			\$9,537,779	\$3,528,223	\$4,659,254

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, 2019

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, 2019. 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.

Pender County does not have any federal or State amounts passed through subrecipients.

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

Pender County had the following loan balance outstanding at June 30, 2019 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, 2019 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	-	\$ 11,116,000

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, Foster Care and Adoption.

Note 6: Relationship to Fund Financial Statements

Substantially all federal and State financial award programs (other than direct benefit payments) are accounted for in the County's governmental and proprietary funds.