

PENDER COUNTY, NORTH CAROLINA

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2020

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Pender County, North Carolina

**List of Principal Officials
June 30, 2020**

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

Chad McEwen

Finance Officer

Margaret Blue

Pender County, North Carolina

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pender County, North Carolina (the County) as of and for the year ended June 30, 2020, 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, 2020, 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 August 13, 2021, 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.

PBMares, LLP

Morehead City, North Carolina
August 13, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2020

As management of Pender County, we offer readers of Pender County, North Carolina's financial statements this narrative overview and analysis of the financial activities of Pender County for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements which follow this narrative.

Financial Highlights

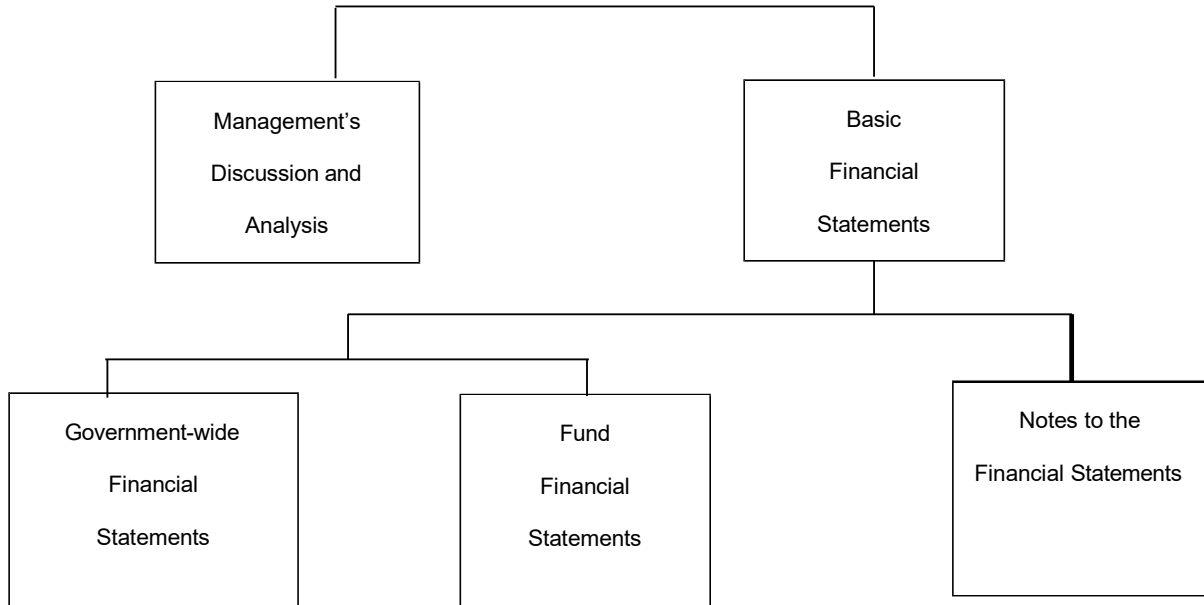
- The assets and deferred outflows of resources of Pender County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,913,076 (net position).
- The government's total net position produced an increase of \$11,202,708 during the fiscal year. This included an increase of \$9,525,078 from governmental sources, and business-type funds produced an increase of \$1,677,630.
- As of the close of the current fiscal year, Pender County's governmental funds reported combined ending fund balances of \$48,646,872, a decrease of \$212,527 in comparison with the prior year. Approximately 43.3% of this total amount, or \$21,041,227, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$22,024,565 or 31.4% of total general fund expenditures for the fiscal year.
- Pender County's total long term debt decreased \$6,245,798 or 3.0% during the current fiscal year. The key factors of this decrease were due the principal payments of debt and only small 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



Summary Detail

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 11) 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 11.

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 assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$6,913,076 net position as of June 30, 2020. The County's net position increased \$11,202,708 for the fiscal year ended June 30, 2020. Net position is reported in three categories: net investment in capital assets, \$64,705,583, restricted net position of \$20,503,151, and unrestricted net position (deficit) of (\$78,295,658).

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 (\$78,295,658) at June 30, 2020. 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 \$86.33 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, 2020

Pender County's Net Position (Deficit)
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 59,541,999	\$ 57,045,635	\$ 15,900,158	\$ 14,235,758	\$ 75,442,157	\$ 71,281,393
Capital assets, net	31,761,942	30,222,095	102,424,099	104,633,940	134,186,041	134,856,035
Total assets	91,303,941	87,267,730	118,324,257	118,869,698	209,628,198	206,137,428
 Total deferred outflows of resources	 7,632,106	 6,800,430	 810,713	 798,006	 8,442,819	 7,598,436
 Current and other liabilities	 16,198,971	 15,053,634	 3,206,861	 3,504,622	 19,405,832	 18,558,256
Long-term liabilities	120,195,823	125,687,975	67,355,172	69,209,401	187,550,995	194,897,376
Total liabilities	136,394,794	140,741,609	70,562,033	72,714,023	206,956,827	213,455,632
 Total deferred inflows of resources	 3,920,845	 4,231,221	 280,269	 338,643	 4,201,114	 4,569,864
 Net position (deficit):						
Net investment in capital assets	31,021,942	29,211,842	34,895,420	35,133,540	65,917,362	64,345,382
Restricted	20,503,151	18,695,780	-	-	20,503,151	18,695,780
Unrestricted deficit	(92,904,690)	(98,812,292)	13,397,248	11,481,498	(79,507,442)	(87,330,794)
Total net position (deficit)	\$ (41,379,592)	\$ (50,904,670)	\$ 48,292,668	\$ 46,615,038	\$ 6,913,071	\$ (4,289,632)

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 obtaining a collection percentage of 96.03%, even during a global pandemic.
- Significant debt service payments made and very little debt issuance in current year.
- 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, 2020

Pender County Changes in Net Position (Deficit)
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 5,916,402	\$ 5,180,033	\$ 17,011,180	\$ 15,950,602	\$ 22,927,582	\$ 21,130,635
Operating grants and contributions	12,720,323	13,501,787	1,259,053	1,300,594	13,979,376	14,802,381
Capital grants and contributions	-	-	65,710	179,745	65,710	179,745
General revenues:						
Property taxes	65,770,318	60,788,056	-	-	65,770,318	60,788,056
Other taxes	15,865,555	14,923,035	-	-	15,865,555	14,923,035
Investment earnings, unrestricted	227,365	1,174,124	16,087	59,432	243,452	1,233,556
Miscellaneous, unrestricted	1,888,118	2,662,119	746,245	938,603	2,634,363	3,600,722
Total revenues	102,388,081	98,229,154	19,098,275	18,428,976	121,486,356	116,658,130
Expenses:						
General government	12,375,281	11,934,558	-	-	12,375,281	11,934,558
Public safety	29,316,588	35,323,067	-	-	29,316,588	35,323,067
Economic and physical development	7,189,859	4,231,485	-	-	7,189,859	4,231,485
Human services	14,877,926	14,163,455	-	-	14,877,926	14,163,455
Cultural and recreation	2,151,275	1,915,749	-	-	2,151,275	1,915,749
Education	22,036,603	32,465,325	-	-	22,036,603	32,465,325
Interest on long term debt	3,337,661	695,976	-	-	3,337,661	695,976
Sanitation	-	-	5,619,019	5,464,100	5,619,019	5,464,100
Water and sewer	-	-	11,960,263	11,183,283	11,960,263	11,183,283
Section 8 Housing	-	-	1,348,292	1,366,407	1,348,292	1,366,407
Country Court	-	-	70,881	36,334	70,881	36,334
Total expenses	91,285,193	100,729,615	18,998,455	18,050,124	110,283,648	118,779,739
Increase (decrease) in net position before transfers	11,102,888	(2,500,461)	99,820	378,852	11,202,708	(2,121,609)
Transfers	(1,577,810)	(1,716,748)	1,577,810	1,716,748	-	-
Increase (decrease) in net position after transfers	9,525,078	(4,217,209)	1,677,630	2,095,600	11,202,708	(2,121,609)
Net position, beginning	(50,904,670)	(46,687,461)	46,615,038	44,519,438	(4,289,632)	(2,168,023)
Net position (deficit), ending	<u>\$ (41,379,592)</u>	<u>\$ (50,904,670)</u>	<u>\$ 48,292,668</u>	<u>\$ 46,615,038</u>	<u>\$ 6,913,076</u>	<u>\$ (4,289,632)</u>

Governmental Activities. The County's governmental activities net position increased by \$9,525,078 primarily due to the following:

- Increases in property tax valuation following revaluation.
- FEMA funding reimbursed from prior year expenditures related to Hurricane Florence.
- Sales tax increases from online spending during a global pandemic as well as drastic cost cutting measures implemented immediately in the onset of the global pandemic during the last quarter of the fiscal year.

Business-type Activities: Business-type activities increased Pender County's net position by \$1,677,630. Key elements of this increase are as follows:

- Charges for services increased by \$1,060,578 or 6.6%.
- 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 \$22,024,565, while total fund balance reached \$41,086,722. 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 31.4% of general fund expenditures, while total fund balance represents 58.57% of that same amount.

The major School Special Revenue Fund is used to track Pender County Schools contributions. At June 30, 2020, committed fund balance was \$1,322,642 for school capital projects.

At June 30, 2020, the governmental funds of Pender County reported a combined fund balance of \$48,646,872, a .43% decrease over last year, which is consistent with prior years.

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 \$9,963,729 and decreased expenditures by \$2,130,344.

Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2020

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 \$13,397,248. The total growth in net position for those funds was \$1,677,630. 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, 2020, totals \$134,186,041 (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.
- Purchase of buildings for Cape Fear Community College Burgaw Campus.
- Major software system purchases.
- Completion and construction of enterprise water and wastewater projects.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 10,761,595	\$ 10,544,045	\$ 558,434	\$ 558,434	\$ 11,320,029	\$ 11,102,479
Buildings	15,655,482	15,804,709	98,232,379	101,171,374	113,887,861	116,976,083
Furniture, vehicles, and equipment	3,509,910	2,286,338	292,395	128,661	3,802,305	2,414,999
Other	698,044	148,782	2,796,192	2,775,471	3,494,236	2,924,253
Construction in progress	1,136,911	1,438,221	544,699	-	1,681,610	1,438,221
Total	\$ 31,761,942	\$ 30,222,095	\$ 102,424,099	\$ 104,633,940	\$ 134,186,041	\$ 134,856,035

Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2020

Long-term Debt. As of June 30, 2020, Pender County had total bonded debt outstanding of \$152,204,000, all of which is debt backed by the full faith and credit of the County.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Limited obligation debt	\$ 5,208,974	\$ 5,486,561	\$ 33,336,026	\$ 34,568,439	\$ 38,545,000	\$ 40,055,000
General obligation bonds	86,790,000	94,270,000	45,734,000	46,686,000	132,524,000	140,956,000
Blended component unit debt*	-	-	(18,865,000)	(19,325,000)	(18,865,000)	(19,325,000)
Subtotal general obligation debt	86,790,000	94,270,000	26,869,000	27,361,000	113,659,000	121,631,000
Revenue bonds	-	-	4,468,000	4,555,000	4,468,000	4,555,000
Federal revolving loan	-	-	512,887	543,057	512,887	543,057
Capital leases	1,214,779	-	-	-	1,214,779	-
Installment purchases	1,308,328	2,033,328	82,120	88,795	1,390,448	2,122,123
Net pension liability (LEOSSA)	1,625,621	1,389,357	-	-	1,625,621	1,389,357
Net pension liability (LERS)	7,016,820	5,517,072	447,882	367,522	7,464,702	5,884,594
Total other postemployment benefits	14,402,423	12,262,264	919,313	824,464	15,321,736	13,086,728
Compensated absences	1,352,535	1,742,239	116,160	108,752	1,468,695	1,850,991
Unamortized bond premiums	10,481,419	11,145,203	2,538,275	2,673,307	13,019,694	13,818,510
Total	\$ 129,400,899	\$ 133,846,024	\$ 69,289,663	\$ 71,090,336	\$ 198,690,562	\$ 204,936,360

*See Note 3, section B 6-c

Pender County's total debt decreased by \$6,245,798 (3.0%) 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 \$483,116,052. The County does not have any unissued bonds at June 30, 2020.

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 2020 census population estimate was 64,103 with a growth rate of 1.65%, up 23% 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 2021 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. Many people throughout the County are still recovering from Hurricane Florence and will continue.

March 2020 marked the onset of a global pandemic caused by the COVID-19 Coronavirus. While there were countless impacts on the people of Pender County and the local economies, there were significant financial impacts from the numerous Executive Orders issued ranging from closing places of business to extensions of requirements for payments related to taxes and services. The County immediately implemented mitigating cost cutting strategies in order to compensate for extremely unprecedented and unknown circumstances, and future budgets planned with very conservative projections.

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.

**Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
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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, 2021

Governmental Activities: The County Commissioners approved a \$70,274,153 General Fund Budget on June 15, 2020, which was included within a total budget ordinance of \$115,891,725, adopted on the same date, with a tax rate of \$.645 per 100 of assessed valuation, which is the same as the previous fiscal year. The initial budget ordinance does not include an appropriation from the Fund Balance of the General Fund.

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 evaluate the best way to accommodate the growth in eastern Pender County.

Pender County, North Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2020

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 County is now able to serve an additional 900 water customers in 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 an economic benefit for competing with other areas in eastern North Carolina, it is not self-sustaining and requires subsidy from the General Fund at this time. The facility has an initial treatment capacity of 500,000 gallons per day and utilizes an NPDES permit that was acquired via inter-local agreement with the Cape Fear Public Utility Authority in New Hanover County. The NPDES provides for a point discharge to the Cape Fear River of up to 4 million gallons per day; however, permit provisions allow for construction in incremental capacities as demand increases.

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

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Pender County, 805 S. Walker Street, P.O. Box 1578, Burgaw, North Carolina 28425. You can also call (910) 259-1407, visit our website at www.pendercountync.gov.

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BASIC FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2020

	Primary Government			Component Unit
	Governmental	Business-type		Pender County
	Activities	Activities	Total	ABC Board
Assets				
Cash and cash equivalents	\$ 34,429,949	\$ 15,196,491	\$ 49,626,440	\$ 919,824
Accounts receivables, net	3,441,459	1,962,048	5,403,507	641
Taxes receivables, net	3,493,359	-	3,493,359	-
Accrued interest receivable	314,402	-	314,402	-
Internal balances	1,537,316	(1,537,316)	-	-
Due from other governments	7,621,062	6,415	7,627,477	-
Notes receivable	1,033,328	-	1,033,328	-
Prepaid items	-	-	-	39,653
Inventories	24,888	-	24,888	900,445
Restricted cash and cash equivalents	7,523,514	272,520	7,796,034	-
Restricted net pension asset, Register of Deeds	122,722	-	122,722	-
Capital assets:				
Land and construction in progress	11,898,506	-	11,898,506	12,350
Capital assets net of depreciation/amortization	19,863,436	102,424,099	122,287,535	145,786
Total capital assets	31,761,942	102,424,099	134,186,041	158,136
Total assets	91,303,941	118,324,257	209,628,198	2,018,699
Deferred Outflows of Resources				
Deferred charge on refunding	1,739,789	277,630	2,017,419	-
Pension and OPEB deferrals	5,892,317	533,083	6,425,400	100,515
Total deferred outflows of resources	7,632,106	810,713	8,442,819	100,515
Liabilities				
Accounts payable	5,790,384	769,233	6,559,617	1,017,471
Accrued interest payable	1,169,190	360,437	1,529,627	-
Customer deposits	-	142,700	142,700	-
Unearned revenue	34,321	-	34,321	-
Long-term liabilities:				
Due within one year	9,205,076	1,934,491	11,139,567	-
Due in more than one year	120,195,823	67,355,172	187,550,995	147,743
Total liabilities	136,394,794	70,562,033	206,956,827	1,165,214
Deferred Inflows of Resources				
Pension and OPEB deferrals	3,920,845	280,269	4,201,114	-
Total deferred inflows of resources	3,920,845	280,269	4,201,114	-
Net position (deficit)				
Net investment in capital assets	31,021,942	34,895,420	65,917,362	158,136
Restricted for:				
Stabilization by State statute	13,848,209	-	13,848,209	-
Net pension asset, ROD	122,722	-	122,722	-
Health	4,397,945	-	4,397,945	-
Public safety	1,358,401	-	1,358,401	-
Sheriff's seizures	59,313	-	59,313	-
Tax revaluation	250,001	-	250,001	-
Automation enhancement and preservation	466,560	-	466,560	-
Working capital	-	-	-	255,104
Unrestricted (deficit)	(92,904,685)	13,397,248	(79,507,437)	540,760
Total net position (deficit)	\$ (41,379,592)	\$ 48,292,668	\$ 6,913,076	\$ 954,000

See Notes to Financial Statements

Pender County, North Carolina

Statement of Activities

For the Fiscal Year Ended June 30, 2020

		Program Revenues		
Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental:				
General government	\$ 12,375,281	\$ 5,396,174	\$ 1,993,482	\$ -
Public safety	29,316,588	288,984	2,516,929	-
Economic and physical development	7,189,859	-	-	-
Human services	14,877,926	-	8,193,040	-
Cultural and recreation	2,151,275	231,244	16,872	-
Education	22,036,603	-	-	-
Interest on long-term debt	3,337,661	-	-	-
Total governmental activities	91,285,193	5,916,402	12,720,323	-
Business-type:				
Resource Recovery Fund	5,619,019	5,651,966	52,002	-
Water Districts	7,234,464	6,913,925	-	-
Water and Water Treatment Plant Fund	2,929,137	1,621,631	-	-
Waste Water Treatment and Sewer Fund	1,796,662	2,821,723	-	-
Section 8 Housing	1,348,292	-	1,207,051	-
Country Court Apartments	70,881	1,935	-	65,710
Total business-type activities	18,998,455	17,011,180	1,259,053	65,710
Total primary government	\$ 110,283,648	\$ 22,927,582	\$ 13,979,376	\$ 65,710
Component unit:				
Pender County ABC Board	\$ 8,569,577	\$ 8,603,522	\$ -	\$ -
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
\$ (4,985,625)	\$ -	\$ (4,985,625)	\$ -
(26,510,675)	-	(26,510,675)	-
(7,189,859)	-	(7,189,859)	-
(6,684,886)	-	(6,684,886)	-
(1,903,159)	-	(1,903,159)	-
(22,036,603)	-	(22,036,603)	-
(3,337,661)	-	(3,337,661)	-
(72,648,468)	-	(72,648,468)	-
-	84,949	84,949	-
-	(320,539)	(320,539)	-
-	(1,307,506)	(1,307,506)	-
-	1,025,061	1,025,061	-
-	(141,241)	(141,241)	-
-	(3,236)	(3,236)	-
-	(662,512)	(662,512)	-
(72,648,468)	(662,512)	(73,310,980)	-
-	-	-	33,945
65,770,318	-	65,770,318	-
15,865,555	-	15,865,555	-
227,365	16,087	243,452	242
1,888,118	746,245	2,634,363	1,476
(1,577,810)	1,577,810	-	-
82,173,546	2,340,142	84,513,688	1,718
9,525,078	1,677,630	11,202,708	35,663
(50,904,670)	46,615,038	(4,289,632)	918,337
\$ (41,379,592)	\$ 48,292,668	\$ 6,913,076	\$ 954,000

Governmental Funds
Balance Sheet
June 30, 2020

	General	Public School Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 28,488,509	\$ -	\$ 5,094,956	\$ 33,583,465
Accounts receivable, net	3,061,882	-	379,577	3,441,459
Taxes receivable, net	2,781,499	-	711,860	3,493,359
Due from other governments	5,894,954	1,251,243	474,865	7,621,062
Due from other funds	2,860,082	-	-	2,860,082
Inventory	24,888	-	-	24,888
Loans receivable	1,033,328	-	-	1,033,328
Restricted cash and cash equivalents	5,173,819	71,399	2,278,296	7,523,514
Total assets	\$ 49,318,961	\$ 1,322,642	\$ 8,939,554	\$ 59,581,157
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 5,104,532	\$ -	\$ 667,420	\$ 5,771,952
Due to other funds	-	693,220	629,546	1,322,766
Total liabilities	5,104,532	693,220	1,296,966	7,094,718
Deferred inflows of resources	3,127,707	-	711,860	3,839,567
Fund balances:				
Nonspendable:				
Inventory	24,888	-	-	24,888
Restricted:				
Stabilization by State statute	13,848,209	-	-	13,848,209
Health Department	4,397,945	-	-	4,397,945
Public safety	-	-	1,358,401	1,358,401
Sheriff's seizures	59,313	-	-	59,313
Tax revaluation	250,001	-	-	250,001
Automation enhancement and preservation	466,560	-	-	466,560
Committed:				
School capital projects	-	1,322,642	823,050	2,145,692
Capital outlay and improvements	-	-	5,039,395	5,039,395
Assigned:				
Subsequent years expenditures	15,241	-	-	15,241
Unassigned	22,024,565	(693,220)	(290,118)	21,041,227
Total fund balances	41,086,722	629,422	6,930,728	48,646,872
Total liabilities, deferred inflows of resources and fund balances	\$ 49,318,961	\$ 1,322,642	\$ 8,939,554	\$ 59,581,157

See Notes to Financial Statements

**Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position (Deficit)
June 30, 2020**

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

Total Fund Balance, Governmental Funds	\$ 48,646,872
Charges relating to advance refunding debt issue	1,739,789
Net pension asset, ROD	122,722
Capital assets used in governmental activities that are not financial resources and therefore are not reported in the funds	31,761,942
Pension and OPEB plan deferred outflows	5,892,317
Accrued interest receivable on the Statement of Net Position (Deficit)	314,402
Property taxes receivable	3,493,359
Grant revenue receivable	311,887
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)	828,052
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(129,400,899)
Accrued interest payable on the Statement of Net Position (Deficit)	(1,169,190)
Pension and OPEB deferred inflows	<u>(3,920,845)</u>
Net position (deficit) of governmental activities	\$ <u>(41,379,592)</u>

See Notes to Financial Statements

Governmental Funds**Statement of Revenues, Expenditures and****Changes in Fund Balance****For the Fiscal Year Ended June 30, 2020**

	General	Public School Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 51,526,383	\$ -	\$ 12,037,497	\$ 63,563,880
Unrestricted intergovernmental	12,346,656	4,601,779	-	16,948,435
Restricted intergovernmental	9,712,335	-	2,991,298	12,703,633
Permits and fees	1,894,990	-	-	1,894,990
Charges for services	2,938,532	-	-	2,938,532
Interest	524,610	924	39,030	564,564
Miscellaneous	187,411	-	7,000	194,411
Total revenues	79,130,917	4,602,703	15,074,825	98,808,445
Expenditures				
General government	12,231,821	-	-	12,231,821
Public safety	14,799,299	-	13,770,217	28,569,516
Economic and physical development	3,306,286	-	3,830,476	7,136,762
Human services	14,022,826	-	-	14,022,826
Culture and recreation	1,881,561	-	-	1,881,561
Education	21,909,041	334,281	-	22,243,322
Debt service:				
Principal	1,757,179	7,480,000	-	9,237,179
Interest	243,832	3,578,063	-	3,821,895
Total expenditures	70,151,845	11,392,344	17,600,693	99,144,882
Revenues over (under) expenditures	8,979,072	(6,789,641)	(2,525,868)	(336,437)
Other financing sources (uses)				
Sale of surplus property	1,012,770	-	-	1,012,770
Loan proceeds	300,000	-	-	300,000
Insurance proceeds	388,950	-	-	388,950
Transfers in	-	4,948,260	6,093,327	11,041,587
Transfers out	(12,619,397)	-	-	(12,619,397)
Total other financing sources (uses), net	(10,917,677)	4,948,260	6,093,327	123,910
Net change in fund balances	(1,938,605)	(1,841,381)	3,567,459	(212,527)
Fund Balances				
Beginning	43,025,327	2,470,803	3,363,269	48,859,399
Ending	\$ 41,086,722	\$ 629,422	\$ 6,930,728	\$ 48,646,872

See Notes to Financial Statements

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2020**

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

Net change in fund balances - total governmental funds	\$ (212,527)
--	--------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Increase in purchased capital assets, net of decrease in construction in progress	3,552,013
Depreciation expense	(1,966,954)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to decrease net assets	(45,212)
--	----------

Pension and OPEB deferred outflows	1,126,588
------------------------------------	-----------

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	2,034,592
Increase in accrued interest receivable	171,846
Increase in grant revenue	311,887

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	(6,235,282)
Retirement of long-term liabilities	10,680,407

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	1,566,683
Decrease in accrued interest payable	115,363
Amortization of deferred refunding costs	(294,913)
Pension and OPEB related deferred inflows	(1,252,968)

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.

Change in net position of governmental activities

(26,445)
<u>\$ 9,525,078</u>

See Notes to Financial Statements

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General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 52,009,339	\$ 52,009,339	\$ 51,526,383	\$ (482,956)
Unrestricted intergovernmental	9,646,294	11,042,470	12,346,656	1,304,186
Restricted intergovernmental	10,208,543	17,049,924	9,712,335	(7,337,589)
Permits and fees	1,202,705	1,202,705	1,894,990	692,285
Charges for services	1,055,726	2,781,898	2,938,532	156,634
Interest	816,000	816,000	524,610	(291,390)
Miscellaneous	1,822,782	1,822,782	187,411	(1,635,371)
Total revenues	76,761,389	86,725,118	79,130,917	(7,594,201)
Expenditures				
General government	12,933,972	13,112,588	12,050,741	1,061,847
Public safety	13,709,823	15,391,875	14,799,299	592,576
Economic and physical development	3,294,931	3,077,074	3,306,286	(229,212)
Human services	16,926,623	17,385,142	14,022,826	3,362,316
Culture and recreation	1,920,644	2,478,638	1,881,561	597,077
Education, schools	27,109,940	21,909,680	21,909,041	639
Debt service:				
Principal	1,352,726	1,763,318	1,757,179	6,139
Interest	243,879	243,879	243,832	47
Total expenditures	77,492,538	75,362,194	69,970,765	5,391,429
Revenues over (under) expenditures	(731,149)	11,362,924	9,160,152	(2,202,772)
Other financing sources (uses)				
Note receivable payments	1,075,000	1,075,000	-	(1,075,000)
Loan proceeds	-	300,000	300,000	-
Sale of surplus property	-	-	1,012,770	1,012,770
Insurance proceeds	-	81,414	388,950	307,536
Transfers from other funds	8,052,615	8,064,532	-	(8,064,532)
Transfers to other funds	(8,718,148)	(20,959,443)	(12,744,397)	8,215,046
Contingency	29,182	(184,226)	-	184,226
Appropriated fund balance	292,500	259,799	-	(259,799)
Total other financing sources (uses), net	731,149	(11,362,924)	(11,042,677)	320,247
Revenues under expenditures and other financing sources (uses), net	\$ -	\$ -	(1,882,525)	\$ (1,882,525)
Fund balance, beginning			42,719,246	
Fund balance, ending			40,836,721	
A legally budgeted Tax Reassessment Fund is consolidated into the General Fund for reporting purposes:				
Transfer from General Fund			125,000	
Contracted services			(181,080)	
Fund balance, beginning of year			306,081	
Fund balance, end of year			<u>\$ 41,086,722</u>	

See Notes to Financial Statements

Pender County, North Carolina

Proprietary Funds

Statement of Net Position

June 30, 2020

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water and Water Treatment Plant Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,414,916	\$ 5,609,821	\$ -
Accounts receivable, net	777,604	872,060	8,021
Due from other governments	-	-	-
Due from Districts	-	-	475,000
Restricted cash and cash equivalents	-	119,100	129,820
Total current assets	3,192,520	6,600,981	612,841
Noncurrent assets:			
Capital assets, net	3,023,511	20,409,752	30,681,415
Advance to Districts	-	-	18,390,000
Total noncurrent assets	3,023,511	20,409,752	49,071,415
Total assets	6,216,031	27,010,733	49,684,256
Deferred Outflows of Resources	167,039	390,692	100,933
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	454,434	260,755	157,470
Due to other funds	-	-	654,971
Customer deposits payable	-	119,100	-
Compensated absences liability - current	3,153	22,263	6,949
Installment notes payable - current	30,170	-	-
Due to Water and Water Treatment Plant Fund	-	400,000	-
Revenue bonds payable - current	-	-	89,000
Limited obligation bonds payable - current	-	-	475,000
General obligation bonds payable - current	-	-	287,000
Total current liabilities	487,757	802,118	1,670,390
Noncurrent liabilities:			
Compensated absences liability	6,400	45,201	14,110
Other postemployment benefit liability	211,440	340,152	165,475
Net pension liability	105,207	178,436	84,157
Advance from Water and Water Treatment Plant Fund	-	16,205,000	-
Installment notes payable	482,717	-	-
Revenue bonds payable	-	-	4,379,000
Limited obligation bonds payable	-	-	18,390,000
General obligation bonds payable	-	1,180,941	15,680,000
Total noncurrent liabilities	805,764	17,949,730	38,712,742
Total liabilities	1,293,521	18,751,848	40,383,132
Deferred Inflows of Resources	53,426	136,029	39,531
Net Position			
Net investment in capital assets	2,510,624	2,866,691	10,246,415
Unrestricted	2,525,499	5,646,857	(883,889)
Total net position	\$ 5,036,123	\$ 8,513,548	\$ 9,362,526

See Notes to Financial Statements

Exhibit 8

Waste Water Treatment and Sewer Fund	Total Aggregate Nonmajor Funds	Eliminations	Total	Governmental Activities - Internal Service Fund
\$ 5,151,762	\$ 2,019,992	\$ -	\$ 15,196,491	\$ 846,484
46,453	257,910	-	1,962,048	-
-	6,415	-	6,415	-
-	-	(475,000)	-	-
-	23,600	-	272,520	-
5,198,215	2,307,917	(475,000)	17,437,474	846,484
20,883,493	27,425,928	-	102,424,099	-
-	-	(18,390,000)	-	-
20,883,493	27,425,928	(18,390,000)	102,424,099	-
26,081,708	29,733,845	(18,865,000)	119,861,573	846,484
47,108	104,941	-	810,713	-
201,451	55,560	-	1,129,670	18,432
-	882,345	-	1,537,316	-
-	23,600	-	142,700	-
2,626	2,752	-	37,743	-
-	6,867	-	37,037	-
-	75,000	(475,000)	-	-
-	-	-	89,000	-
790,711	-	-	1,265,711	-
-	218,000	-	505,000	-
994,788	1,264,124	(475,000)	4,744,177	18,432
4,451	8,254	-	78,416	-
73,544	128,702	-	919,313	-
27,769	52,313	-	447,882	-
-	2,185,000	(18,390,000)	-	-
-	75,253	-	557,970	-
-	-	-	4,379,000	-
14,827,461	-	-	33,217,461	-
-	10,894,189	-	27,755,130	-
14,933,225	13,343,711	(18,390,000)	67,355,172	-
15,928,013	14,607,835	(18,865,000)	72,099,349	18,432
17,566	33,717	-	280,269	-
5,265,321	14,006,369	-	34,895,420	-
4,917,916	1,190,865	-	13,397,248	828,052
\$ 10,183,237	\$ 15,197,234	\$ -	\$ 48,292,668	\$ 828,052

Pender County, North Carolina

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Position

For the Fiscal Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water and Water Treatment Plant Fund
Operating Revenues			
Charges for services	\$ 5,603,369	\$ 5,469,700	\$ 1,621,631
Dwelling rental	-	-	-
Miscellaneous	48,597	446,160	-
Total operating revenues	<u>5,651,966</u>	<u>5,915,860</u>	<u>1,621,631</u>
Operating Expenses			
Cost of services	5,519,694	4,159,037	1,294,406
Depreciation and amortization	93,308	676,950	950,193
Total operating expenses	<u>5,613,002</u>	<u>4,835,987</u>	<u>2,244,599</u>
Operating income (loss)	<u>38,964</u>	<u>1,079,873</u>	<u>(622,968)</u>
Nonoperating Revenues (Expenses)			
Restricted intergovernment	52,002	-	-
Interest income	-	13,733	1,680
Miscellaneous income	376,572	-	-
Insurance proceeds	-	-	-
Interest expense	(6,017)	(698,776)	(684,538)
Total net nonoperating revenues (expenses), net	<u>422,557</u>	<u>(685,043)</u>	<u>(682,858)</u>
Income (loss) before transfers	<u>461,521</u>	<u>394,830</u>	<u>(1,305,826)</u>
Transfers in	-	-	1,636,420
Transfers out	-	(1,111,971)	(380,000)
Total transfers in (out), net	<u>-</u>	<u>(1,111,971)</u>	<u>1,256,420</u>
Change in net position	<u>461,521</u>	<u>(717,141)</u>	<u>(49,406)</u>
Net position, beginning	4,574,602	9,230,689	9,411,932
Net position, ending	<u>\$ 5,036,123</u>	<u>\$ 8,513,548</u>	<u>\$ 9,362,526</u>

See Notes to Financial Statements

Exhibit 9

Waste Water Treatment and Sewer Fund	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 2,821,723	\$ 977,745	\$ 16,494,168	\$ -
-	1,735	1,735	-
-	20,520	515,277	-
2,821,723	1,000,000	17,011,180	-
388,421	1,767,613	13,129,171	26,445
817,414	1,049,769	3,587,634	-
1,205,835	2,817,382	16,716,805	26,445
1,615,888	(1,817,382)	294,375	(26,445)
-	1,272,761	1,324,763	-
-	674	16,087	-
-	143,927	520,499	-
-	225,746	225,746	-
(590,827)	(301,492)	(2,281,650)	-
(590,827)	1,341,616	(194,555)	-
1,025,061	(475,766)	99,820	(26,445)
1,550,434	1,903,443	5,090,297	-
(2,020,516)	-	(3,512,487)	-
(470,082)	1,903,443	1,577,810	-
554,979	1,427,677	1,677,630	(26,445)
9,628,258	13,769,557	46,615,038	854,497
\$ 10,183,237	\$ 15,197,234	\$ 48,292,668	\$ 828,052

Pender County, North Carolina

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		
	Resource Recovery Fund	Rocky Point/ Topsail Water & Sewer Fund	Water and Water Treatment Plant Fund
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 5,515,876	\$ 5,908,975	\$ 1,634,983
Payments to customers and suppliers	(5,419,183)	(3,262,135)	(1,039,720)
Payments to employees	(413,246)	(788,679)	(286,558)
Net cash provided by (used in) operating activities	(316,553)	1,858,161	308,705
Cash Flows From Capital and Related Financing Activities			
Acquisition & construction of capital assets	(29,788)	(170,272)	(119,651)
Repayment of installment notes and bonds	(30,170)	(390,000)	(365,000)
Interest paid	(6,017)	(737,962)	(684,538)
Net cash used in capital and related financing activities	(65,975)	(1,298,234)	(1,169,189)
Cash Flows From Noncapital Financing Activities			
Due to (from) other funds	-	678,906	795,484
HUD operating grants	-	-	-
Restricted revenue	52,002	-	-
Miscellaneous revenues	376,572	-	-
Transfers in (out)	-	(1,111,971)	65,000
Net cash provided by (used in) noncapital financing activities	428,574	(433,065)	860,484
Cash Flows From Noncapital Financing Activities			
Interest on cash and cash equivalents	-	13,733	1,680
Net increase (decrease) in cash and cash equivalents	46,046	140,595	1,680
Cash and Cash Equivalents			
Beginning	2,368,870	5,588,326	128,140
Ending	\$ 2,414,916	\$ 5,728,921	\$ 129,820

See Notes to Financial Statements

Exhibit 10

Waste Water Treatment and Sewer Fund	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 2,843,217	\$ 970,039	\$ 16,873,090	\$ -
(256,264)	(1,483,585)	(11,460,887)	(26,658)
(146,971)	(269,958)	(1,905,412)	-
2,439,982	(783,504)	3,506,791	(26,658)
-	(1,058,081)	(1,377,792)	-
(772,413)	(290,675)	(1,848,258)	-
(667,303)	(309,393)	(2,405,213)	-
(1,439,716)	(1,658,149)	(5,631,263)	-
-	(51,022)	1,423,368	-
-	1,207,051	1,207,051	-
-	65,710	117,712	-
-	367,968	744,540	-
(470,082)	1,903,443	386,390	-
(470,082)	3,493,150	3,879,061	-
-	674	16,087	-
530,184	1,052,171	1,770,676	(26,658)
4,621,578	991,421	13,698,335	873,142
\$ 5,151,762	\$ 2,043,592	\$ 15,469,011	\$ 846,484

(Continued)

Pender County, North Carolina

Proprietary Funds

Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2020

	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)	\$ 38,964	\$ 1,079,873	\$ (622,968)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	93,308	676,950	950,193
Change in assets and liabilities:			
Accounts receivable	(136,090)	(17,535)	13,260
Accounts payable and accrued expenses	(348,120)	37,607	(50,574)
Customer deposits payable	-	10,650	-
Compensated absences	6,758	23,377	(485)
OPEB	21,813	35,101	17,071
(Increase) decrease in deferred outflows of resources	319	6,422	(4,098)
Increase (decrease) in net pension liability	18,686	32,017	15,097
Increase (Decrease) in deferred inflows of resources	(12,191)	(26,301)	(8,791)
Net cash provided by (used in) operating activities	\$ (316,553)	\$ 1,858,161	\$ 308,705

See Notes to Financial Statements

Exhibit 10
(Continued)

Waste Water Treatment Plant and Sewer	Total Aggregate Nonmajor Funds	Total	Governmental Activities - Internal Service Fund
\$ 1,615,888	\$ (1,817,382)	\$ 294,375	\$ (26,445)
817,414	1,049,769	3,587,634	-
21,494	(36,826)	(155,697)	-
(4,386)	6,645	(358,828)	(213)
-	4,500	15,150	-
(18,304)	(3,939)	7,407	-
7,587	13,277	94,849	-
(841)	(514)	1,288	-
4,995	8,192	78,987	-
(3,865)	(7,226)	(58,374)	-
\$ 2,439,982	\$ (783,504)	\$ 3,506,791	\$ (26,658)

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Agency Funds
Assets	
Current assets:	
Cash and cash equivalents	\$ 429,388
Accounts Receivable	4,097
Total assets	<u>433,485</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	433,485
Total liabilities	<u>433,485</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 Funds. 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. This District is reported as a non-major enterprise fund. Separate financial statements are not issued for the District.

Pender County, North Carolina

Notes to Financial Statements

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

Central Pender Water and Sewer District (“the District”): The District was established by the Pender County Board of Commissioners on February 20, 2006. It includes a section of Southeast and Central Pender County in the vicinity of the Town of Burgaw. Approximately 850 potential customers (households and businesses) are within the District. The citizens within the Central Pender Water and Sewer District approved a General Obligation Bond Referendum on November 7, 2006, to fund the future construction of a water distribution system to serve the District. The GO Bond Referendum, which took effect upon its approval by the qualified voters in the District on November 7, 2006, was extended from seven to ten years after the date such bond order took effect. This District is reported as a non-major enterprise fund. Separate financial statements are not issued for the District.

Discretely Presented Component Unit

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.

Notes to Financial Statements

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.

Pender County, North Carolina

Notes to Financial Statements

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

The County reports the following fiduciary fund type:

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

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 District Fund, 911 Emergency Telephone Fund, CARES Act Fund, Capital Improvements 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.

Notes to Financial Statements

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

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

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

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

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

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

C. Budgetary data

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

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

**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), which consists of two SEC registered funds, is authorized 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 short-term bond fund in which invests in treasuries, government agencies, and money market instruments allowed under G.S. 159-30. 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	\$ 4,397,945
General Fund	AE&P Funds	466,560
General Fund	Sheriff - Federal and State Drug Seizure	59,313
General Fund	Tax revaluation	250,001
School Capital Projects Fund	Unexpended bond proceeds for schools	1,008,756
Cares Act Grant Fund	Unexpended grant proceeds	1,269,540
Capital Improvements Fund	Limited Obligation Bonds	71,399
Total Governmental Activities		<u>7,523,514</u>
Business-Type Activities		
Rocky Point/Topsail Water And Sewer	Customer Deposits	119,100
Maple Hill Water	Customer Deposits	5,800
Scotts Hill Water & Sewer	Customer Deposits	3,200
Country Court Apartments	Customer Deposits	2,000
Water and Water Treatment Plant	USDA debt reserves	129,820
Moore's Creek Water District	Customer Deposits	11,600
Central PenderWater District	Customer Deposits	1,000
Total Business-Type Activities		<u>272,520</u>
Total Restricted Cash		<u>\$ 7,796,034</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, 2019. 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.

Pender County, North Carolina

Notes to Financial Statements

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

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 value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets 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:

	<u>Years</u>
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:

	<u>Years</u>
Property	15-50
Equipment	5-10
Vehicles	5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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.

Notes to Financial Statements

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, 2020 amounted to \$1,468,695 in total, \$1,352,535 of which represents the liability of the governmental funds and is recorded in the government-wide financial statements and \$116,160 is recorded in the Enterprise Funds. The 75% remaining unused sick leave accumulated at the time of retirement may also be used in the determination of length of service for retirement benefit purposes. Since no termination payment is involved, no accrual for this part of the sick leave is provided by the County.

ABC Board employees may accumulated up to 240 hours earned vacation, and such leave is fully vested when earned. Accumulated earned vacation amounted to approximately \$28,345 at June 30, 2020. 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.

Notes to Financial Statements

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 Statute 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 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.

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

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

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

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

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.

Pender County, North Carolina

Notes to Financial Statements

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

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 (\$90,026,464) consists of the following:

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	\$ 56,276,787
Less accumulated depreciation	<u>24,514,845</u>
Net capital assets	31,761,942
Net pension asset	122,722
Pension and OPEB plan deferred outflows	5,892,317
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	1,739,789
Internal service assets and liabilities are included in governmental activities in the statement of net position	828,052
Deferred inflows of resources for grant receivable	311,887
Accrued interest receivable	314,402
Deferred inflows of resources for taxes receivable	3,493,359
Pension and OPEB related deferred inflows	(3,920,845)

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	(105,003,500)
Compensated absences	(1,352,535)
Other postemployment benefits (OPEB)	(14,402,423)
Net pension and total pension liabilities	(8,642,441)
Accrued interest payable	<u>(1,169,190)</u>
Total adjustment	<u>\$ (90,026,464)</u>

Pender County, North Carolina

Notes to Financial Statements

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

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$9,737,605 is comprised of the following:

Capital outlay expenditures recorded in the fund statements	
but capitalized as assets in the statement of activities	\$ 3,552,013
Cost of disposed capital asset not recorded in fund statements	(45,212)
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	(1,966,954)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statements of activities - it affects only the government-wide statement of net position	(1,969,371)
Principal payments on debt owed are recorded as an use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	9,237,179
Expenses reported on fund statements that are capitalized on government-wide statements - refunding costs	(294,913)
Debt premium	663,784
Pension and OPEB deferred outflows of resources	1,126,588
Internal service fund net loss	(26,445)
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	389,704
Other postemployment benefits	(2,140,159)
LGERS and LEO pensions	(1,736,012)
Pension and OPEB expense and deferred inflows of resources	310,376
Interest payable	115,363
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	315,226
Increase in accrued interest receivable	171,846
Increase in deferred property taxes	2,034,592
Total adjustment	<u><u>\$ 9,737,605</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, 2020, actual expenditures exceeded budgeted expenditures for the following funds: Fire Service District Fund, Revaluation fund, and 911 Emergency Telephone Systems Fund.

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

For the fiscal year ended June 30, 2020, the Fire Service District Fund and Resue District Fund had deficit ending fund balances. The County plans to fund these funds 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, 2020, the County's deposits had a carrying amount of \$9,357,619 and a bank balance of \$11,421,150. Of the bank balance, \$500,000 was covered by federal depository insurance and \$10,921,150 was covered by collateral held under the Pooling Method.

At June 30, 2020, Pender County had \$4,806 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, 2020, the carrying amount of deposits for Pender County ABC Board was \$919,824 and the bank balance was \$859,227. At June 30, 2020, the Board has a concentration of credit risk in that deposits with a carrying amount of \$919,824 and bank balances of \$859,227 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, 2020, the County's investments consisted of \$48,489,438 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, 2020, were as follows:

	Accounts Receivable	Property Taxes	Sales Tax	Due from Other Governments	Total
Governmental Activities:					
General	\$ 3,061,882	\$ 3,055,955	\$ 1,061,342	\$ 4,833,612	\$ 12,012,791
Other Governmental	379,577	765,334	-	1,726,108	2,871,019
Total Receivables	3,441,459	3,821,289	1,061,342	6,559,720	14,883,810
Allowance for Doubtful Accounts	-	327,930	-	-	327,930
Total Governmental Activities	\$ 3,441,459	\$ 3,493,359	\$ 1,061,342	\$ 6,559,720	\$ 14,555,880
Business-type Activities					
Maple Hill Water Fund	\$ 72,084	\$ -	\$ -	\$ -	\$ 72,084
Section 8 Admin. Fund	-	-	-	5,756	5,756
Country Court	-	-	-	659	659
Waste Water Treatment and Sewer	59,031	-	-	-	59,031
Resource Recovery	1,042,660	-	-	-	1,042,660
Moore's Creek Water District	192,355	-	-	-	192,355
Central Pender Water District	62,853	-	-	-	62,853
Water and Water Treatment Plant	13,777	-	-	-	13,777
Rocky Point/Topsail Water & Sewer	1,606,463	-	-	-	1,606,463
Scott's Hill Water & Sewer	122,414	-	-	-	122,414
Total Receivables	3,171,637	-	-	6,415	3,178,052
Allowance for Doubtful Accounts	1,209,589	-	-	-	1,209,589
Total Business-type Activities	\$ 1,962,048	\$ -	\$ -	\$ 6,415	\$ 1,968,463

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

Local Option Sales Tax	\$ 4,035,921
ABC Distribution	95,898
FEMA grants	1,580,634
Health Grants	90,887
DSS Grants	756,380
Total	<u>\$ 6,559,720</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, 2020 of \$1,033,328 consists of an interest free note from RC Creations with a maturity date of August 31, 2025.

4. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Capital Assets July 1, 2019	Additions	Adjustments Retirements and Transfers	Capital Assets June 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,544,045	\$ 217,550	\$ -	\$ 10,761,595
Construction in progress	1,438,221	133,016	(434,326)	1,136,911
Total capital assets not being depreciated	11,982,266	350,566	(434,326)	11,898,506
Capital assets being depreciated:				
Buildings and Improvements	31,533,389	763,983	(28,870)	32,268,502
Intangibles	1,402,201	594,731	-	1,996,932
Equipment	2,948,827	1,857,449	(39,926)	4,766,350
Vehicles	5,078,936	419,610	(152,049)	5,346,497
Total capital assets being depreciated	40,963,353	3,635,773	(220,845)	44,378,281
Less accumulated depreciation for:				
Buildings & Improvements	15,728,680	913,210	(28,870)	16,613,020
Intangibles	1,253,419	45,469	-	1,298,888
Equipment	1,704,494	653,358	(25,136)	2,332,716
Vehicles	4,036,931	354,917	(121,627)	4,270,221
Total accumulated depreciation	22,723,524	\$ 1,966,954	\$ (175,633)	24,514,845
Total capital assets being depreciated, net	18,239,829			19,863,436
Governmental activity capital assets, net	\$ 30,222,095			\$ 31,761,942

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

General government	\$ 881,988
Public Safety	632,157
Human Services	181,123
Education	60,374
Economic and physical development	45,281
Cultural and recreational	166,031
Total depreciation expense	<u>\$ 1,966,954</u>

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

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Business-type activities:					
Waste Water Treatment and Sewer Fund					
Capital assets not being depreciated:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 23,204,151	\$ -	\$ -	\$ -	\$ 23,204,151
Equipment	16,295	-	-	-	16,295
Vehicles	17,330	-	-	-	17,330
Total capital assets being depreciated	23,237,776	-	-	-	23,237,776
Less accumulated depreciation for:					
Buildings and improvements	1,513,517	813,948	-	-	2,327,465
Equipment	16,295	-	-	-	16,295
Vehicles	7,057	3,466	-	-	10,523
Total accumulated depreciation	1,536,869	\$ 817,414	\$ -	\$ -	2,354,283
Total capital assets being depreciated, net	21,700,907				20,883,493
Waste Water Treatment and Sewer capital assets, net	<u>\$ 21,700,907</u>				<u>\$ 20,883,493</u>

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Business-type activities:					
Maple Hill Water Fund					
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 8,099	\$ -	\$ -	\$ 8,099
Total capital assets not being depreciated	-	8,099	-	-	8,099
Capital assets, being depreciated:					
Buildings and improvements	5,633,929	-	-	-	5,633,929
Total capital assets being depreciated	5,633,929	-	-	-	5,633,929
Less accumulated depreciation for:					
Buildings and improvements	1,464,048	140,283	-	-	1,604,331
Total accumulated depreciation	1,464,048	\$ 140,283	\$ -	\$ -	1,604,331
Total capital assets being depreciated, net	4,169,881				4,029,598
Maple Hill capital assets, net	<u>\$ 4,169,881</u>				<u>\$ 4,037,697</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
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	5,106	-	-	26,293,493
Intangibles	9,485	-	-	-	9,485
Vehicles	567,604	66,668	(25,691)	18,300	626,881
Equipment	70,332	98,498	-	-	168,830
Total capital assets being depreciated	26,935,808	170,272	(25,691)	18,300	27,098,689
Less accumulated depreciation for:					
Buildings and improvements	5,785,182	654,603	-	-	6,439,785
Intangibles	9,485	-	-	-	9,485
Vehicles	524,283	12,870	(25,691)	18,300	529,762
Equipment	43,921	9,477	-	-	53,398
Total accumulated depreciation	6,362,871	\$ 676,950	\$ (25,691)	\$ 18,300	7,032,430
Total capital assets being depreciated, net	20,572,937				20,066,259
Rocky Point/Topsail capital assets, net	\$ 20,916,430				\$ 20,409,752

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Business-type activities:					
Section 8 Administration 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, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Business-type activities:					
Country Court Apartments Fund					
Capital assets, being depreciated:					
Buildings and improvements	\$ 717,617	\$ 513,382	\$ (24,550)	\$ -	\$ 1,206,449
Intangibles	1,200	-	-	-	1,200
Total capital assets being depreciated	718,817	513,382	(24,550)	-	1,207,649
Less accumulated depreciation for:					
Buildings and improvements	202,057	30,244	(24,550)	-	207,751
Intangibles	1,200	-	-	-	1,200
Total accumulated depreciation	203,257	\$ 30,244	\$ (24,550)	\$ -	208,951
Total capital assets being depreciated, net	515,560				998,698
Country Court capital assets, net	\$ 515,560				\$ 998,698

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Business-type activities:					
Resource Recovery Fund					
Capital assets not being depreciated:					
Land	\$ 192,241	\$ -	\$ -	\$ -	\$ 192,241
Total capital assets not being depreciated	192,241	-	-	-	192,241
Capital assets, being depreciated:					
Buildings and improvements	3,553,015	-	-	-	3,553,015
Vehicles	-	29,788	-	-	29,788
Equipment	55,235	-	-	-	55,235
Total capital assets being depreciated	3,608,250	29,788	-	-	3,638,038
Less accumulated depreciation for:					
Buildings and improvements	662,193	88,343	-	-	750,536
Vehicles	-	4,965	-	-	4,965
Equipment	51,267	-	-	-	51,267
Total accumulated depreciation	713,460	\$ 93,308	\$ -	\$ -	806,768
Total capital assets being depreciated, net	2,894,790				2,831,270
Solid Waste capital assets, net	\$ 3,087,031				\$ 3,023,511

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Business-type activities:					
Scotts Hill Water & Sewer Fund					
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 536,600	\$ -	\$ -	\$ 536,600
Total capital assets not being depreciated	-	536,600	-	-	536,600
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	653,858	77,752	-	-	731,610
Vehicles	21,376	-	-	-	21,376
Total accumulated depreciation	675,234	\$ 77,752	\$ -	\$ -	752,986
Total capital assets being depreciated, net	2,456,234				2,378,482
Scott's Hill capital assets, net	<u>\$ 2,456,234</u>				<u>\$ 2,915,082</u>

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Business-type activities:					
Water and WaterTreatment Plant Fund					
Capital assets, being depreciated:					
Buildings and improvements	\$ 34,352,806	\$ -	\$ -	\$ -	\$ 34,352,806
Intangibles	935,082	108,451	-	-	1,043,533
Vehicles	68,834	-	-	-	68,834
Equipment	22,720	11,200	-	-	33,920
Total capital assets being depreciated	35,379,442	119,651	-	-	35,499,093
Less accumulated depreciation for:					
Buildings and improvements	3,440,536	858,578	-	-	4,299,114
Intangibles	348,103	86,738	-	-	434,841
Vehicles	63,192	2,418	-	-	65,610
Equipment	15,654	2,459	-	-	18,113
Total accumulated depreciation	3,867,485	\$ 950,193	\$ -	\$ -	4,817,678
Total capital assets being depreciated, net	31,511,957				30,681,415
Water Treatment Plant capital assets, net	<u>\$ 31,511,957</u>				<u>\$ 30,681,415</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Business-type activities:					
Moore's Creek Water District					
Capital assets, being depreciated:					
Buildings and improvements	\$ 8,797,465	\$ -	\$ -	\$ -	\$ 8,797,465
Vehicles	38,791	-	-	-	38,791
Total capital assets being depreciated	8,836,256	-	-	-	8,836,256
Less accumulated depreciation for:					
Buildings and improvements	240,397	225,888	-	-	466,285
Vehicles	5,819	7,758	-	-	13,577
Total accumulated depreciation	246,216	\$ 233,646	\$ -	\$ -	479,862
Total capital assets being depreciated, net	8,590,040				8,356,394
Moore's Creek capital assets, net	\$ 8,590,040				\$ 8,356,394
	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
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	9,786,771	-	-	-	9,786,771
Intangibles	3,125,000	-	-	-	3,125,000
Total capital assets being depreciated	12,911,771	-	-	-	12,911,771
Less accumulated depreciation for:					
Buildings and improvements	623,570	255,344	-	-	878,914
Intangibles	625,000	312,500	-	-	937,500
Total accumulated depreciation	1,248,570	\$ 567,844	\$ -	\$ -	1,816,414
Total capital assets being depreciated, net	11,663,201				11,095,357
Central Pender capital assets, net	\$ 11,685,901				\$ 11,118,057
Business-type activities capital assets, net	\$ 104,633,941				\$ 102,424,099

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, 2020.

Discretely presented component unit Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Capital assets not being depreciated:					
Land	\$ 8,250	\$ 4,100	\$ -	\$ -	\$ 12,350
Total capital assets not being depreciated	8,250	4,100	-	-	12,350
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	198,397	86,539	(47,846)	-	237,090
Vehicle	51,267	-	-	-	51,267
Total capital assets being depreciated	406,383	86,539	(47,846)	-	445,076
Less accumulated depreciation for:					
Buildings	17,147	-	-	-	17,147
Building addition	78,462	1,931	-	-	80,393
Land improvements	3,328	666	-	-	3,994
Roof replacement	29,694	-	-	-	29,694
Equipment	171,983	11,254	(43,372)	-	139,865
Vehicle	17,944	10,253	-	-	28,197
Total accumulated depreciation	318,558	\$ 24,104	\$ (43,372)	\$ -	299,290
ABC Board capital assets, net	\$ 96,075				\$ 158,136

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, 2020, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental Activities:					
General	\$ 4,182,576	\$ 921,956	\$ 1,169,190	\$ -	\$ 6,273,722
Other Governmental	667,420	-	-	-	667,420
Internal Service	-	-	-	18,432	18,432
Total Governmental Activities	\$ 4,849,996	\$ 921,956	\$ 1,169,190	\$ 18,432	\$ 6,959,574
Business-type Activities					
Maple Hill Water Fund	\$ 13,473	\$ 2,429	\$ 467	\$ -	\$ 16,369
Waste Water Treatment Plant and Sewer	36,333	6,457	158,661	-	201,451
Resource Recovery	437,811	15,215	1,408	-	454,434
Section 8 Administration	3,802	6,154	-	-	9,956
Country Court	1,453	390	23	-	1,866
Scott's Hill Water & Sewer	219	836	7,280	-	8,335
Water and Water Treatment Plant	27,597	11,006	118,867	-	157,470
Rocky Point Water & Sewer	175,872	27,393	57,490	-	260,755
Moore's Creek Water District	1,056	830	7,571	-	9,457
Central Pender Water District	77	830	8,670	-	9,577
Total Business-type Activities	\$ 697,693	\$ 71,540	\$ 360,437	\$ -	\$ 1,129,670

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.

Notes to Financial Statements

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, 2020, was 9.70% of compensation for law enforcement officers and 9.01% 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 \$1,806,948 for the year ended June 30, 2020. Contributions to the pension plan from the ABC Board were \$39,303 for the year ended June 30, 2020.

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, 2020, the County reported a liability of \$7,464,702 for its proportionate share of LGERS' net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. At June 30, 2020, the County's proportion was .27334% (measured as of June 30, 2019), which was a decrease of .0025% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

Pender County, North Carolina**Notes to Financial Statements****Note 3. Detail Notes on All Funds (Continued)**

For the year ended June 30, 2020, the County recognized pension expense of \$3,406,492. At June 30, 2020, 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	\$ 1,278,146	\$ -
Changes of assumptions	1,216,623	-
Net difference between projected and actual earnings on pension plan investments	182,075	-
Changes in proportion and differences between County contributions and proportionate share of contributions	286,055	-
County contributions subsequent to the measurement date	1,806,948	-
Total	<u>\$ 4,769,847</u>	<u>\$ -</u>

The County paid \$1,806,948 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2021	\$ 1,408,201
2022	485,567
2023	795,871
2024	273,260
2025	-
Thereafter	-
	<u>\$ 2,962,899</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	\$ 4,483,657	\$ -	\$ 4,483,657
PCP Wastewater Treatment Plant Fund	17,744	333	18,077
Water Treatment Plant Operating Fund	53,775	-	53,775
Scotts Hill Water and Sewer Fund	4,093	333	4,426
Resource Recovery Operating Fund	67,226	-	67,226
Section 8 Administration Fund	16,885	360	17,245
Rocky Point/Topsail Water and Sewer Fund	114,018	6,382	120,400
Maple Hill Water Fund	12,449	450	12,899
	<u>\$ 4,769,847</u>	<u>\$ 7,858</u>	<u>\$ 4,777,705</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	\$ -	\$ 4,929	\$ 4,929
PCP Wastewater Treatment Plant Fund	-	-	-
Water Treatment Plant Operating Fund	-	7	7
Scotts Hill Water and Sewer Fund	-	-	-
Resource Recovery Operating Fund	-	2,922	2,922
Section 8 Administration Fund	-	-	-
Rocky Point/Topsail Water and Sewer Fund	-	-	-
Maple Hill Water Fund	-	-	-
	<u>\$ -</u>	<u>\$ 7,858</u>	<u>\$ 7,858</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,			
	2020	2021	2022	Total
Governmental activities	\$ (1,643)	\$ (1,643)	\$ (1,643)	\$ (4,929)
PCP Wastewater Treatment Plant Fund	111	111	111	333
Water Treatment Plant Operating Fund	(2)	(2)	(3)	(7)
Scotts Hill Water and Sewer Fund	111	111	111	333
Resource Recovery Operating Fund	(974)	(974)	(974)	(2,922)
Section 8 Administration Fund	120	120	120	360
Rocky Point/Topsail Water and Sewer Fund	2,127	2,127	2,128	6,382
Maple Hill Water Fund	150	150	150	450
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018, 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 healthstatus (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, 2018 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.

Notes to Financial Statements

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, 2020 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 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 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 liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00 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)	\$ 17,073,139	\$ 7,464,702	\$ (521,855)
ABC Boards proportionate share of the net pension liability (asset)	\$ 337,915	\$ 147,743	\$ (10,329)

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

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

b. 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 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	68
Total	<u>70</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, 2018 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	3.26 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, 2019.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

Deaths After Retirement (Healthy): Mortality rates are based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table. The RP-2014 annuitant tables have no rates prior to age 50. The RP-2014 Total Data Set Employee Mortality Table is used for ages less than 50.

Deaths After Retirement (Disabled): Mortality rates are based on the RP-2014 Total Data Set for Disabled Annuitants Mortality Table. Rates for male members are multiplied by 103% for all ages. Rates for female members are multiplied by 99% for all ages.

Deaths Before Retirement: Mortality rates are based on the RP-2014 Total Data Set Employee Mortality Table.

Mortality Projection: All mortality rates are projected from 2014 using generational improvement with Scale MP-2015.

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. The County paid \$45,474 as benefits came due for the reporting period.

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

At June 30, 2020, the County reported a total pension liability of \$1,625,621. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the County recognized pension expense of \$148,596.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,970	\$ 29,981
Changes of assumptions	92,600	52,502
Contributions made subsequent to the measurement date	45,474	-
Total	<u>\$ 223,044</u>	<u>\$ 82,483</u>

The County paid \$45,474 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, 2021. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Amount
2021	\$ 18,604
2022	18,604
2023	18,604
2024	15,469
2025	19,384
Thereafter	4,422
	<u>\$ 95,087</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
County's proportionate share of the total pension liability	\$ 1,766,680	\$ 1,625,621	\$ 1,496,705

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

	2020
Beginning balance December 31, 2018	\$ 1,389,357
Service cost	80,247
Interest on the total pension liability	49,745
Difference between expected and actual experience	101,373
Changes of assumptions or other inputs	50,379
Benefit payments	(45,480)
Ending balance of the total pension liability December 31, 2019	<u>\$ 1,625,621</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.

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 \$22,711 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 \$7,523 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported a pension asset of \$122,722 for its proportionate share of RODSPF's net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018.

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

The total pension asset was then rolled forward to the measurement date of June 30, 2019 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, 2019, the County's proportion was 0.62163%, which was a decrease of .09916% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$12,776. At June 30, 2020, 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	\$ -	\$ 5,918
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,256	-
Changes in proportion and differences between County contributions and proportionate share of contributions	16,132	-
County contributions subsequent to the measurement date	7,523	-
Total	<u>\$ 24,911</u>	<u>\$ 5,918</u>

\$7,523 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 4,140
2022	6,014
2023	3,740
2024	(2,424)
2025	-
Thereafter	-
	<u>\$ 11,470</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018, 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, 2018 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, 2020 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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	\$ 101,444	\$ 122,722	\$ 140,712

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, 2019 and the total pension liability for LGERS and net pension asset for ROD used to calculate the respective net pension liability and asset was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2019, with an actuarial valuation date of December 31, 2018. 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.

Pender County, North Carolina**Notes to Financial Statements****Note 3. Detail Notes on All Funds (Continued)**

Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
County's proportionate share of net pension liability (asset)	\$ 7,464,702	\$ (122,722)	n/a	\$ 7,341,980
County's proportion of the net pension liability	0.27334%	0.62163%	n/a	
Total pension liability	\$ -	\$ -	\$ 1,625,621	\$ 1,625,621
Pension expense	\$ 3,406,492	\$ 12,776	\$ 148,596	\$ 3,567,864

At June 30, 2020, 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	\$ 1,278,146	\$ -	\$ 84,970	\$ 1,363,116
Changes of assumptions	1,216,623	-	92,600	1,309,223
Net difference between projected and actual earnings on pension plan investments	182,075	1,256	-	183,331
Changes in proportion and differences between County contributions and proportionate share of contributions	286,055	16,132	-	302,187
County contributions (LGERS, ROD) and administrative costs (LEOSSA) subsequent to the measurement date	1,806,948	7,523	45,474	1,859,945
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ -	\$ 5,918	\$ 29,981	\$ 35,899
Changes of assumptions	-	-	52,502	52,502

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.

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

Plan Membership. At June 30, 2020, the plan membership consisted of the following:

	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, 2019 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	3.5 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, 2020, 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$ 19,249,004	\$ 15,321,736	\$ 12,378,591

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
\$ 12,012,348	\$ 15,321,736	\$ 19,874,534

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

Changes in Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2020, the County reported a total OPEB liability of \$15,321,736. 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, 2019 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2020, the components of the total OPEB liability of the County, measured as of June 30, 2019, were as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2019	\$ 13,086,728
Service Cost	605,947
Interest	506,864
Difference between expected and actual experience	(10,594)
Changes of assumptions or other inputs	1,247,481
Benefit payments	<u>(114,690)</u>
Net changes	<u>2,235,008</u>
Balance at June 30, 2020	<u><u>\$ 15,321,736</u></u>

For the year ended June 30, 2020, the County recognized OPEB expense of \$676,908. At June 30, 2020, 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	\$ -	\$ 1,381,773
Changes of assumptions or other inputs	1,103,588	2,277,867
County contributions subsequent to the measurement date	131,206	
Total	<u><u>\$ 1,234,794</u></u>	<u><u>\$ 3,659,640</u></u>

\$131,206 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, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	(435,903)
2022	(435,903)
2023	(435,903)
2024	(435,903)
2025	(435,903)
Thereafter	<u>(376,537)</u>
	<u><u>(2,556,052)</u></u>

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:

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 - OPEB			
Governmental activities	\$ 1,160,706	\$ -	\$ 1,160,706
PCP Wastewater Treatment Plant Fund	5,927	23,104	29,031
Water Treatment Plant Operating Fund	13,336	33,822	47,158
Scotts Hill Water and Sewer Fund	2,223	10,481	12,704
Resource Recovery Operating Fund	17,040	82,772	99,812
Section 8 Administration Fund	5,186	14,767	19,953
Rocky Point/Topsail Water and Sewer Fund	27,412	-	27,412
Maple Hill Water Fund	2,964	-	2,964
	<u>\$ 1,234,794</u>	<u>\$ 164,946</u>	<u>\$ 1,399,740</u>

	Original Fund Allocation	Change in Fund Allocation	Total Deferred Inflows
Deferred Inflows Reconciliation - OPEB			
Governmental activities	\$ 3,440,063	\$ 107,184	\$ 3,547,247
PCP Wastewater Treatment Plant Fund	17,566	-	17,566
Water Treatment Plant Operating Fund	39,524	-	39,524
Scotts Hill Water and Sewer Fund	6,587	-	6,587
Resource Recovery Operating Fund	50,503	-	50,503
Section 8 Administration Fund	15,370	-	15,370
Rocky Point/Topsail Water and Sewer Fund	81,244	54,785	136,029
Maple Hill Water Fund	8,783	2,977	11,760
	<u>\$ 3,659,640</u>	<u>\$ 164,946</u>	<u>\$ 3,824,586</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,						
	2021	2022	2023	2024	2025	Thereafter	Total
Governmental activities	\$ 16,071	\$ 16,071	\$ 16,071	\$ 16,071	\$ 16,071	\$ 26,829	\$ 107,184
PCP Wastewater Treatment Plant Fund	(3,464)	(3,464)	(3,464)	(3,464)	(3,464)	(5,784)	(23,104)
Water Treatment Plant Operating Fund	(5,071)	(5,071)	(5,071)	(5,071)	(5,071)	(8,467)	(33,822)
Scotts Hill Water and Sewer Fund	(1,571)	(1,571)	(1,571)	(1,571)	(1,571)	(2,626)	(10,481)
Resource Recovery Operating Fund	(12,410)	(12,410)	(12,410)	(12,410)	(12,410)	(20,722)	(82,772)
Section 8 Administration Fund	(2,214)	(2,214)	(2,214)	(2,214)	(2,214)	(3,697)	(14,767)
Rocky Point/Topsail Water and Sewer Fund	8,213	8,213	8,213	8,213	8,213	13,720	54,785
Maple Hill Water Fund	446	446	446	446	446	747	2,977
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Pender County, North Carolina

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	\$ 2,017,419	\$ -
Pensions and OPEB deferrals	6,425,400	4,201,114
Taxes receivable, net (General)	-	2,781,499
Taxes receivable, net (Fire & Rescue)	-	711,861
Grant receivables	-	311,887
Less amounts recorded in full accrual	-	(3,805,247)
Total	<u>\$8,442,819</u>	<u>\$4,201,114</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.

5. 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, 2020, is as follows:

	Fiscal Year Ended June 30,	
	2020	2019
Unpaid claims at July 1	\$ 18,432	\$ 71,379
Incurred claims and judgements for current and prior year events where the County has retained risk of loss	26,445	60,984
Payments on claims for current and prior year events where the County has retained risk of loss	26,445	113,931
Unpaid claims at June 30	<u>\$ 18,432</u>	<u>\$ 18,432</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.

6. Contingent Liabilities

At June 30, 2020, 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)

7. Long-Term Obligations

a. Mortgage Notes

Pender County Housing Authority (Country Court Enterprise Fund) has two notes outstanding aggregating \$82,120 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, 2020 are as follows:

Year Ending June 30,	Government-Wide Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	316,024	170,782	1,547,365	1,242,927	1,863,389	1,413,709
2026-2030	1,718,958	634,042	8,291,042	4,913,920	10,010,000	5,547,962
2031-2035	1,990,376	230,958	9,626,055	3,078,678	11,616,431	3,309,636
2036-2040	-	-	4,965,000	1,471,688	4,965,000	1,471,688
2041-2045	-	-	3,500,000	378,225	3,500,000	378,225
Total	\$ 5,208,794	\$ 1,868,723	\$ 33,336,026	\$ 16,562,047	\$ 38,544,820	\$ 18,430,770

c. Capital Leases

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

The first agreement was executed on July 1, 2019 to lease information technology equipment and requires 48 monthly payments of \$25,662. The second lease was executed on July 1, 2019 to lease Axon tasers and consists of down payment of \$20,000 and 4 annual payments of \$44,437. The third lease was executed on August 1, 2019 to lease Axon body cameras and consists of down payment of \$24,000 and 4 annual payments of \$53,962.

The following is an analysis of the assets recorded under capital leases at June 30, 2020:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 1,669,371	\$ 454,592	\$ 1,214,779

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

Year Ending June 30,	Amount
2021	\$ 430,470
2022	430,470
2023	303,695
2024	98,399
Total minimum lease payments	1,263,034
Less: amount representing interest	48,255
Present value of the minimum lease payments	\$ 1,214,779

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

d. General Obligation Bonds

The general obligation bonds serviced by the General Fund are collateralized by the full faith, credit and taxing power of the County. The general obligation bonds serviced by the Water Fund and Sewer Fund are collateralized by the full faith, credit and taxing power of the Maple Hill Water District, the Rocky Point/Topsail Water and Sewer District, and the Scotts Hill Water and Sewer District. The following individual issues are outstanding at June 30, 2020:

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.	\$ 465,000
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.	15,075,000
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.	19,600,000
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.	8,725,000
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.	42,925,000
Total General Obligation Bonds (Governmental Activities)	<u>86,790,000</u>

Serviced by Water and Sewer Districts:

\$9,500,000 Water Treatment Plant Bonds, Water Series, 2012A to USDA Rural Development, due in annual payments ranging from \$125,000 to \$430,000, plus interest at 3.50% through June 2052.	8,684,000
\$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.	6,383,000
\$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%.	900,000
\$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.	135,000
\$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.	2,125,000
\$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.	16,605,000
\$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.	5,082,000
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.	5,820,000
Total General Obligation Bonds (Business-type Activities)	<u>45,734,000</u>
Total General Obligation Bonds	<u>\$ 132,524,000</u>

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

e. Installment Purchase Obligations

Serviced by General Fund:

\$2,000,000 note to Four County EMC to finance a 0% interest loan from the County to RC Creation Holdings, LLC (through USDA Rural Development REDLG grant program), to be used for the purchase of (or reimbursement for purchase of) equipment. Principal payments will be repaid in 120 equal monthly installments. The interest rate is 0%. A similar note with the same repayment terms to reimburse Pender County is held by RC Creation Holdings, LLC. \$ 1,033,328

\$300,000 note to Four County EMC to Finance a 0% interest loan to be used for the purchase of the Cape Fear Community College Burgaw Campus buildings. Principal payments will be repaid in 60 equal monthly installments. The interest rate is 0%. 275,000

Total Governmental Activities \$ 1,308,328

Total Installment Purchases \$ 1,308,328

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, 2020, are as follows:

Year Ending June 30,	General Obligation Bonds		Installment Note		Mortgage Notes		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 8,450,000	\$ 4,810,870	\$ 260,000	\$ -	\$ 6,867	\$ 786	\$ 13,528,523
2022	8,534,000	4,420,598	260,000	-	7,121	715	13,222,434
2023	8,583,000	4,081,583	260,000	-	7,193	643	12,932,419
2024	8,574,000	3,758,068	260,000	-	7,265	571	12,599,904
2025	8,569,000	3,408,481	260,000	-	7,338	498	12,245,317
2026-2030	31,022,000	12,613,825	8,328	-	33,071	1,423	43,678,647
2031-2035	26,437,000	7,685,856	-	-	13,265	151	34,136,272
2036-2040	15,292,000	3,913,076	-	-	-	-	19,205,076
2041-2045	8,170,000	2,011,990	-	-	-	-	10,181,990
2046-2050	5,393,000	912,130	-	-	-	-	6,305,130
2051-2055	3,232,000	197,061	-	-	-	-	3,429,061
2056-2060	268,000	5,025	-	-	-	-	273,025
Total	\$ 132,524,000	\$ 47,818,563	\$ 1,308,328	\$ -	\$ 82,120	\$ 4,787	\$ 181,737,798

f. Revenue Bond

The \$4,955,000 Water Revenue Bond, 2012C to USDA Rural Development, due in annual payments ranging from \$75,000 to \$205,000, plus interest at 2.75% through June 2052, has a balance of \$4,468,000 as of June 30, 2020.

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 June 30,	Principal	Interest
2021	\$ 89,000	\$ 122,870
2022	91,000	120,423
2023	94,000	117,920
2024	96,000	115,335
2025	99,000	112,695
2026-2030	540,000	520,989
2031-2035	617,000	442,586
2036-2040	706,000	352,991
2041-2045	809,000	250,443
2046-2050	922,000	157,768
2051-2052	405,000	33,249
Total	<u>\$ 4,468,000</u>	<u>\$ 2,347,269</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, 2020, is as follows:

Change in net position	\$ (587,570)
Add back:	
Depreciation	3,464,082
Interest expense	<u>2,315,273</u>
Income available for debt service (net revenue)	5,191,785
Debt service, principal and interest paid (debt service requirement)	4,126,386
110% Debt service coverage	4,539,025
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.

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

g. 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 \$512,887 as of June 30, 2020.

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

Year Ending June 30,	Principal	Interest
2021	\$ 30,170	\$ 8,565
2022	30,170	8,061
2023	30,170	7,558
2024	30,170	7,054
2025	30,170	6,550
2026-2030	150,850	25,192
2031-2035	150,850	12,596
2036-2037	60,337	1,510
Total	<u>\$ 512,887</u>	<u>\$ 77,086</u>

h. Debt Related to Capital Activities

Of the total Governmental Activities debt listed only \$740,000 relates to assets for which the County holds title. There was no unspent restricted cash associated with the governmental activities capital assets debt.

	Governmental	Business-Type
Capital assets	\$ 31,761,942	\$ 102,424,099
Less: long-term debt	(740,000)	(65,268,034)
Less: premiums on long term debt	-	(2,538,275)
Add: deferred refunding charges	-	277,630
Add: unexpended bond proceeds	-	-
Net investment in capital assets	<u>\$ 31,021,942</u>	<u>\$ 34,895,420</u>

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, 2020:

	Balance 7/1/2019	Additions	Retirements	6/30/2020	Current Portion of Balance
Governmental Activities					
General Obligation Bonds	\$ 94,270,000	\$ -	\$ 7,480,000	\$ 86,790,000	\$ 7,475,000
Limited Obligation Debt	5,486,561	-	277,587	5,208,974	284,289
Installment Note	2,033,328	300,000	1,025,000	1,308,328	260,000
Capital Leases	-	1,669,371	454,592	1,214,779	406,343
Unamortized Bond Premium	11,145,203	-	663,784	10,481,419	-
Total pension liability (LEOSSA)	1,389,357	236,264	-	1,625,621	-
Net pension liability (LGRS)	5,517,072	1,499,748	-	7,016,820	-
Total Postemployment liabilities	12,262,264	2,140,159	-	14,402,423	-
Compensated Absences	1,742,239	389,740	779,444	1,352,535	779,444
Total	\$ 133,846,024	\$ 6,235,282	\$ 10,680,407	\$ 129,400,899	\$ 9,205,076

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	\$ 34,568,439	-	\$ 1,232,413	\$ 33,336,026	\$ 1,265,711
General Obligation Bonds	46,686,000	-	952,000	45,734,000	980,000
Blended component unit debt*	(19,325,000)		(460,000)	(18,865,000)	(475,000)
Subtotal General Obligation Debt	27,361,000	-	492,000	26,869,000	505,000
Revenue Bond	4,555,000	-	87,000	4,468,000	89,000
Federal Revolving Loan	543,057	-	30,170	512,887	30,170
Installment & Mortgage Notes	88,795	-	6,675	82,120	6,867
Unamortized Bond Premium	2,673,307	-	135,032	2,538,275	-
Net pension liability (LGRS)	367,522	80,360	-	447,882	-
Total Postemployment liabilities	824,464	94,849	-	919,313	-
Compensated Absences	108,752	45,151	37,743	116,160	37,743
Total	\$ 71,090,336	\$ 220,360	\$ 2,021,033	\$ 69,289,663	\$ 1,934,491

*See Note 3 section B 6-c.

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

j. Other

The County's legal debt margin at June 30, 2020 approximates \$483,116,052. There are no bonds authorized but unissued at June 30, 2020.

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, 2020, include the following interfund gross receivables and payables:

	Receivables	Payables
General Fund	\$ 2,860,082	\$ -
Public School Special Revenue Fund	-	693,220
Fire Service District Fund	-	273,078
Rescue District Fund	-	143,432
911 Emergency Telephone Fund	-	213,036
Scotts Hill	-	678,906
Country Court	-	42,268
Central Pender Water District	-	161,171
Water Treatment Plant and Water Fund	-	654,971
Total	<u>\$ 2,860,082</u>	<u>\$ 2,860,082</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, 2020, can be summarized as follows:

From the General Fund to the Capital Improvements Fund to fund projects.	\$ 15,960
From the General Fund to the Country Court Apartments Fund to provide resources.	227,376
From the General Fund to the Revaluation Fund to provide resources.	125,000
From the General Fund to the Public School Special Revenue Fund for debt service payments	4,948,260
From the General Fund to the Fire District Fund to provide resources.	665,553
From the General Fund to the Capital Improvements Fund to fund projects.	5,411,814
From the General Fund to the PCP Operating Fund to provide resources.	1,350,434
From the Water and Water Treatment Plant Fund to Rocky Point/Topsail Island Water & Sewer Fund to provide resources	65,000
From the Water/Waste Water Capacity Fees Fund to Maple Hill Water Fund	11,182
From the Water/Waste Water Capacity Fees Fund to Water and Water Treatment Plant to provide resources	1,271,420
From the Water/Waste Water Capacity Fees Fund to Rocky Point Water & Sewer Fund to provide resources	453,837
From the Water/Waste Water Capacity Fees Fund to PCP Waste Water Treatment Plant Fund to provide resources	120,000
From the Water/Waste Water Capacity Fees Fund to Central Pender Water District Fund to provide resources	164,077
From the Water and Water Treatment Plant Fund to PCP Waste Water Treatment Plant Fund to provide resources	80,000
From the Water and Water Treatment Plant Fund to Water Treatment Plant Fund to provide resources	300,000
From the Rocky Point/Topsail Island Water & Sewer Fund to the Scotts Hill Water & Sewer Operating Fund to provide resources.	1,500,808
	<u>\$ 16,710,721</u>
Governmental	\$ 1,577,810
Business-type	<u>\$ 1,577,810</u>

D. Fund Balance

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

Pender County, North Carolina

Notes to Financial Statements

Note 3. Detail Notes on All Funds (Continued)

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

Total Fund Balance - General Fund	\$ 41,086,722
Less:	
Nonspendable	24,888
Stabilization by State Statute	13,848,209
Health Department Escrow	4,397,945
Sheriff's Seizures	59,313
Tax Revaluation	250,001
Automation Enhancement and Preservation	466,560
Appropriated Fund Balance in 2021 Budget	15,241
Remaining Fund Balance	<u><u>\$ 22,024,565</u></u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The General Fund had outstanding encumbrances of \$1,309,850.

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, 2020. Per the policy, they have 36 months to reinstate the fund balance to meet the 20% requirement if they fail to obtain the stated amount of available fund balance.

Total Fund Balance - General Fund	\$ 41,086,722
Less: Restricted	(19,062,157)
Available Fund Balance	<u><u>\$ 22,024,565</u></u>
General Fund Expenditures	<u><u>\$ 71,151,845</u></u>
Available Fund Balance as % General Fund Expenditures	31%

Note 4. Joint Ventures

The County, in conjunction with the State of North Carolina, New Hanover County and the Pender County Board of Education, participates in a joint venture to operate Cape Fear Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$433,977 to the community college operating purposes and \$252,000 for capital expenses during the fiscal year ended June 30, 2020. 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, 2020. 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, 2020 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, 2020. 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, 2020, 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, 2020.

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, 2020.

Note 7. Pending GASB Statements

The GASB has issued several pronouncements prior to June 30, 2020 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, 2020.

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

Note 7. Pending GASB Statements (Continued)

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 March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020, and did not have a material impact on the County's financial position, overall cash flow or balances or results of operations. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to the public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022.

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.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement is effective for reporting periods beginning after June 15, 2022.

Note 7. Pending GASB Statements (Continued)

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately (June 2020), and did not have a material impact on the County's financial position, overall cash flow or balances or results of operations. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Note 8. Subsequent Events

The County has evaluated its subsequent events (events occurring after June 30, 2020) through August 13, 2021 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.

The County issued Limited Obligation Bonds on October 29, 2020 for \$37,114,444 to refund \$15,283,717 in General Obligation Bonds and to refund \$19,418,184 in 2012 Limited Obligation Bonds.

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

Schedule of Proportionate Share of Net Pension Liability (Asset)
Local Governmental Employees' Retirement System
Last Seven Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.27334%	0.24805%	0.25790%	0.26029%	0.25865%	0.25546%	0.25960%
County's proportionate share of the net pension liability (asset) \$	\$ 7,464,702	\$ 5,884,594	\$ 3,939,998	\$ 5,524,225	\$ 1,160,806	\$ (1,506,565)	\$ 3,129,177
County's covered payroll	\$ 19,210,323	\$ 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	38.86%	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%	99.07%	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.

Schedule of County Contributions
Local Governmental Employees' Retirement System
Last Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,806,948	\$ 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	<u>1,806,948</u>	<u>1,524,690</u>	<u>1,208,210</u>	<u>1,233,545</u>	<u>1,099,527</u>	<u>1,068,154</u>	<u>1,023,364</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 19,809,003	\$ 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	9.12%	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.

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)
Registers of Deeds' Supplemental Pension Fund
Last Seven Fiscal Years*

	<u>2020</u>	<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) %	0.62163%	0.72079%	0.74470%	0.72559%	0.70577%	0.67167%	0.66000%
County's proportionate share of the net pension liability (asset) \$	\$ (122,722)	\$ (119,384)	\$ (127,113)	\$ (135,656)	\$ (163,555)	\$ (152,245)	\$ (140,884)
County's covered payroll	\$ 79,007	\$ 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	-155.33%	-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%	188.75%

* 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 Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,523	\$ 5,908	\$ 6,168	\$ 6,270	\$ 5,928	\$ 5,648	\$ 5,484
Contributions in relation to the contractually required contribution	<u>7,523</u>	<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>	<u>\$ -</u>
County's covered payroll	\$ 100,339	\$ 79,007	\$ 57,471	\$ 198,658	\$ 176,691	\$ 173,510	\$ 376,502
Contributions as a percentage of covered payroll	7.50%	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.

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Four Fiscal Years

	2020	2019	2018	2017
Beginning balance	\$ 1,389,357	\$ 1,364,566	\$ 1,156,255	\$ 1,080,043
Service cost	80,247	82,584	71,903	69,071
Interest on the total pension liability	49,745	43,093	44,631	38,558
Difference between expected and actual experience	101,373	(42,146)	(2,144)	-
Changes of assumptions or other inputs	50,379	(56,991)	93,921	(31,417)
Benefit payments	(45,480)	(1,749)	-	-
Ending balance of the total pension liability	<u>\$ 1,625,621</u>	<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.

Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Four Fiscal Years

	2020	2019	2018	2017
Total pension liability	\$ 1,625,621	\$ 1,389,357	\$ 1,364,566	\$ 1,156,255
Covered payroll	\$ 3,557,965	\$ 3,315,521	\$ 3,206,779	\$ 2,782,922
Total pension liability as a percentage of covered payroll	45.69%	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.

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 Changes in the Total OPEB Liability and Related Ratios
Last Three Fiscal Years*

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 605,947	\$ 735,867	\$ 859,652
Interest	506,864	529,945	472,731
Differences between expected and actual experience	(10,594)	(1,781,711)	(2,578)
Changes of assumptions	1,247,481	(1,223,407)	(2,031,656)
Benefit payments	(114,690)	(119,073)	(115,955)
Net change in total OPEB liability	2,235,008	(1,858,379)	(817,806)
Total OPEB liability - beginning	13,086,728	14,945,107	8,503,553
Prior period restatement	-	-	7,259,360
Total OPEB liability - beginning, restated	13,086,728	14,945,107	15,762,913
Total OPEB liability - ending	<u>\$ 15,321,736</u>	<u>\$ 13,086,728</u>	<u>\$ 14,945,107</u>
 Covered employee payroll	 \$ 16,422,948	 \$ 16,341,735	 \$ 14,340,852
	93.29%	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.

MAJOR GOVERNMENTAL FUNDS

- General Fund
 - School Special Revenue Fund
-

GENERAL FUND

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

General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(Page 1 of 3)

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues			
Ad valorem taxes	\$ 52,009,339	\$ 51,526,383	\$ (482,956)
Unrestricted intergovernmental	11,042,470	12,346,656	1,304,186
Restricted intergovernmental	17,049,924	9,712,335	(7,337,589)
Permits and fees	1,202,705	1,894,990	692,285
Charges for services	2,781,898	2,938,532	156,634
Interest	816,000	524,610	(291,390)
Miscellaneous	1,822,782	187,411	(1,635,371)
Total revenues	86,725,118	79,130,917	(7,594,201)
Expenditures			
General government:			
Governing body	255,677	239,851	15,826
County manager	490,418	496,022	(5,604)
Human resources	355,328	307,304	48,024
Board of Elections	655,222	619,000	36,222
Finance	708,986	714,795	(5,809)
Information systems	1,772,504	1,492,728	279,776
Tax administrator	919,483	852,455	67,028
Tax collections	606,814	438,697	168,117
AE&P fund	14,775	14,775	-
Register of deeds	1,192,823	1,208,768	(15,945)
Public buildings	3,192,389	2,969,773	222,616
Vehicle maintenance	682,916	627,033	55,883
Inspections	795,803	802,197	(6,394)
Court facilities	19,500	13,182	6,318
County attorney	101,885	73,230	28,655
Non-departmental	1,348,065	1,180,931	167,134
Total general government	13,112,588	12,050,741	1,061,847
Public safety:			
Sheriff	8,005,006	7,722,940	282,066
Jail	2,826,902	2,595,082	231,820
Animal control	304,875	290,512	14,363
Emergency management	3,864,539	3,822,138	42,401
Forest resources	246,621	226,848	19,773
Sheriff seizure	71,117	57,389	13,728
Medical examiner	72,815	84,390	(11,575)
Total public safety	15,391,875	14,799,299	592,576

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, 2020
(Page 2 of 3)**

Economic and physical development:			
Extension service	\$ 172,798	\$ 168,219	\$ 4,579
Planning	649,007	528,114	120,893
Tourism office	220,457	206,124	14,333
Option 4 payments	652,995	1,097,693	(444,698)
Outside agencies	1,381,817	1,306,136	75,681
Total economic and physical development	3,077,074	3,306,286	(229,212)
Human services:			
Health department	6,647,105	5,498,143	1,148,962
Public assistance	10,358,207	8,142,583	2,215,624
Veterans	190,118	187,388	2,730
EDTAP transportation	189,712	194,712	(5,000)
Total human services	17,385,142	14,022,826	3,362,316
Culture and recreation			
Parks	503,485	451,429	52,056
Recreation	750,599	299,127	451,472
Shooting range	161,394	104,969	56,425
Libraries	884,295	846,695	37,600
Youth alternatives	178,865	179,341	(476)
Total culture and recreation	2,478,638	1,881,561	597,077
Education, schools			
Local current expense	18,830,040	18,830,040	-
Capital outlay	2,417,084	2,417,084	-
Community college	662,556	661,917	639
Total education	21,909,680	21,909,041	639
Debt service:			
Principal	1,763,318	1,757,179	6,139
Interest	243,879	243,832	47
Total debt service	2,007,197	2,001,011	6,186
Total expenditures	75,362,194	69,970,765	5,391,429
Revenues over expenditures	11,362,924	9,160,152	(2,202,772)
			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, 2020

(Page 3 of 3)

Other financing sources (uses)

Loan receivables payments	\$ 1,075,000	\$ -	\$ (1,075,000)
Loan proceeds	300,000	300,000	-
Sale of surplus property	-	1,012,770	1,012,770
Insurance proceeds	81,414	388,950	307,536
Transfers in (out):			
Transfers from ther funds	8,064,532	-	(8,064,532)
Transfers to other funds	(20,959,443)	(12,744,397)	8,215,046
Contingency	(184,226)	-	184,226
Appropriated fund balance	259,799	-	(259,799)

**Total other financing
sources (uses), net**

<u>(11,362,924)</u>	<u>(11,042,677)</u>	<u>320,247</u>
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**Revenues under expenditures and
other financing sources (uses), net**

<u>\$ -</u>	<u>(1,882,525)</u>	<u>\$ (1,882,525)</u>
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Fund balance, beginning

<u>42,719,246</u>

Fund balance, ending

<u>\$ 40,836,721</u>

Revaluation Fund
Statement of Revenue, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures	<u>125,000</u>	<u>181,080</u>	<u>(56,080)</u>
Revenues under expenditures	<u>(125,000)</u>	<u>(181,080)</u>	<u>(56,080)</u>
Other financing sources			
Transfer from General Fund	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total other financing sources	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>(56,080)</u>	<u>\$ (56,080)</u>
Fund balances			
Beginning		<u>306,081</u>	
Ending		<u>\$ 250,001</u>	

School Special Revenue Fund
Statement of Revenue, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Other taxes - sales	\$ 4,149,985	\$ 4,601,779	\$ 451,794
Lottery funds	500,000	-	(500,000)
Investment earnings	-	924	924
Total revenues	<u>4,649,985</u>	<u>4,602,703</u>	<u>(47,282)</u>
Expenditures			
Option 4 redistribution	277,450	334,281	(56,831)
Debt service payment	7,480,000	7,480,000	-
Interest expense	3,578,063	3,578,063	-
Total expenditures	<u>11,335,513</u>	<u>11,392,344</u>	<u>(56,831)</u>
Revenue under expenditures	(6,685,528)	(6,789,641)	(104,113)
Other financing sources			
Transfer from General fund	4,948,260	4,948,260	-
Fund balance appropriated	1,737,268	-	(1,737,268)
Total other financing sources	<u>6,685,528</u>	<u>4,948,260</u>	<u>(1,737,268)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>(1,841,381)</u>	<u>\$ (1,841,381)</u>
Fund balances			
Beginning		2,470,803	
Ending		<u>\$ 629,422</u>	

NON-MAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet
Non-major Governmental Funds
June 30, 2020

	Government Fund Types		
	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds
Assets			
Cash and cash equivalents	\$ 6,467	\$ 5,088,489	\$ 5,094,956
Accounts receivable	-	379,577	379,577
Taxes receivable (net)	711,860	-	711,860
Due from other governments	474,865	-	474,865
Restricted cash	1,269,540	1,008,756	2,278,296
Total assets	\$ 2,462,732	\$ 6,476,822	\$ 8,939,554
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 53,043	\$ 614,377	\$ 667,420
Due to other funds	629,546	-	629,546
Total liabilities	682,589	614,377	1,296,966
Deferred inflows of resources	711,860	-	711,860
Fund balances:			
Restricted:			
Public safety	1,358,401	-	1,358,401
Committed:			
School capital projects	-	823,050	823,050
Capital outlay and improvements	-	5,039,395	5,039,395
Unrestricted	(290,118)	-	(290,118)
Total fund balances	1,068,283	5,862,445	6,930,728
Total liabilities, deferred inflows of resources and fund balances	\$ 2,462,732	\$ 6,476,822	\$ 8,939,554

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2020**

	Government Funds		
	Special Revenue Funds	Capital Projects Funds	Total Non-major Governmental Funds
Revenues			
Ad valorem taxes	\$ 12,037,497	\$ -	\$ 12,037,497
Restricted intergovernmental	1,706,894	1,284,404	2,991,298
Miscellaneous revenue	-	7,000	7,000
Investment earnings	25,343	13,687	39,030
Total revenues	13,769,734	1,305,091	15,074,825
Expenditures			
Current:			
Public safety	13,402,367	-	13,402,367
Economic and physical development	-	3,830,476	3,830,476
Education	-	-	-
Capital outlay	367,850	-	367,850
Total expenditures	13,770,217	3,830,476	17,600,693
Revenues under expenditures	(483)	(2,525,385)	(2,525,868)
Other financing sources			
Transfers in	665,553	5,427,774	6,093,327
Total other financing sources	665,553	5,427,774	6,093,327
Net change in fund balance	665,070	2,902,389	3,567,459
Fund balances			
Beginning	403,213	2,960,056	3,363,269
Ending	\$ 1,068,283	\$ 5,862,445	\$ 6,930,728

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, 2020

	Fire Service District Fund	Rescue District Fund	911 Emergency Telephone Fund	CARES ACT Grant Fund	Totals
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 6,467	\$ 6,467
Taxes receivable (net)	320,746	391,114	-	-	711,860
Restricted cash and equivalents	-	-	-	1,269,540	1,269,540
Due from other governments	43,094	102,606	329,165	-	474,865
Total assets	\$ 363,840	\$ 493,720	\$ 329,165	\$ 1,276,007	\$ 2,462,732
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 19,048	\$ 260	\$ 27,268	\$ 6,467	\$ 53,043
Due to other funds	273,078	143,432	213,036	-	629,546
Total liabilities	292,126	143,692	240,304	6,467	682,589
Deferred inflows of resources	320,746	391,114	-	-	711,860
Fund balances:					
Restricted:					
Public safety	-	-	88,861	1,269,540	1,358,401
Unrestricted	(249,032)	(41,086)	-	-	(290,118)
Total fund balances	(249,032)	(41,086)	88,861	1,269,540	1,068,283
Total liabilities, deferred inflows of resources and fund balances	\$ 363,840	\$ 493,720	\$ 329,165	\$ 1,276,007	\$ 2,462,732

Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020

	Fire Service District Fund	Rescue District Fund	911 Emergency Telephone Fund	CARES ACT Grant Fund	Totals
Revenues					
Ad valorem taxes	\$ 4,965,809	\$ 7,071,688	\$ -	\$ -	\$ 12,037,497
Restricted intergovernmental	-	-	430,887	1,276,007	1,706,894
Miscellaneous revenues	-	25,343	-	-	25,343
Total revenues	4,965,809	7,097,031	430,887	1,276,007	13,769,734
Expenditures					
Public safety	5,780,321	7,258,354	357,225	6,467	13,402,367
Capital outlay	-	-	367,850	-	367,850
Total expenditures	5,780,321	7,258,354	725,075	6,467	13,770,217
Revenues over (under) expenditures	(814,512)	(161,323)	(294,188)	1,269,540	(483)
Other financing sources					
Transfers from General Fund	665,553	-	-	-	665,553
Total other financing sources	665,553	-	-	-	665,553
Revenues and other financing sources over (under) expenditures	(148,959)	(161,323)	(294,188)	1,269,540	665,070
Fund balances					
Beginning	(100,073)	120,237	383,049	-	403,213
Ending	<u>\$ (249,032)</u>	<u>\$ (41,086)</u>	<u>\$ 88,861</u>	<u>\$ 1,269,540</u>	<u>\$ 1,068,283</u>

Fire Service District Fund
Statement of Revenue, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 4,793,073	\$ 4,965,809	\$ 172,736
Total revenues	<u>4,793,073</u>	<u>4,965,809</u>	<u>172,736</u>
Expenditures			
Public safety:			
Fire Districts:			
Pender Central	283,839	306,570	(22,731)
Maple Hill	246,984	248,719	(1,735)
Rocky Point	506,448	546,518	(40,070)
Shiloh	264,590	281,115	(16,525)
Penderlea	503,721	600,191	(96,470)
Atkinson	276,029	284,104	(8,075)
Northeast Pender	267,983	278,312	(10,329)
Scotts Hill	224,110	231,187	(7,077)
Long Creek	402,236	414,939	(12,703)
Hampstead	856,357	883,399	(27,042)
Sloop Point	1,614,122	1,665,094	(50,972)
Penderlea - Dublin Area	12,207	13,055	(848)
Mobile home tax adjustment	-	27,118	(27,118)
Total expenditures	<u>5,458,626</u>	<u>5,780,321</u>	<u>(321,695)</u>
Revenues under expenditures	<u>(665,553)</u>	<u>(814,512)</u>	<u>(148,959)</u>
Other financing sources			
Transfer from General Fund	665,553	665,553	-
Total other financing sources	<u>665,553</u>	<u>665,553</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>(148,959)</u>	<u>\$ (148,959)</u>
Fund balances			
Beginning		(100,073)	
Ending		<u>\$ (249,032)</u>	

Rescue District Fund
Statement of Revenue, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Rescue district taxes:			
Pender County EMS taxes	\$ 7,356,486	\$ 7,071,688	\$ (284,798)
Miscellaneous revenues	-	25,343	25,343
Total revenues	<u>7,356,486</u>	<u>7,097,031</u>	<u>(259,455)</u>
Expenditures			
Public safety:			
Pender volunteer EMS & rescue	<u>7,356,486</u>	<u>7,258,354</u>	<u>98,132</u>
Total expenditures	<u>7,356,486</u>	<u>7,258,354</u>	<u>98,132</u>
Revenues under expenditures	<u>\$ -</u>	<u>(161,323)</u>	<u>\$ (161,323)</u>
Fund balances			
Beginning		<u>120,237</u>	
Ending		<u>\$ (41,086)</u>	

911 Emergency Telephone Systems
Statement of Revenue, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	\$ 477,680	\$ 430,887	\$ (46,793)
Total revenues	<u>477,680</u>	<u>430,887</u>	<u>(46,793)</u>
Expenditures			
Travel	2,000	783	1,217
Training	6,000	1,513	4,487
Telephone	17,000	17,062	(62)
Supplies & materials	1,150	1,059	91
Contracted services	184,280	151,005	33,275
Telecommunication service	195,000	177,494	17,506
Other equipment	26,000	8,309	17,691
Capital outlay	44,873	367,850	(322,977)
Reserves	1,377	-	1,377
Total expenditures	<u>477,680</u>	<u>725,075</u>	<u>(247,395)</u>
 Revenues under expenditures	 <u>\$ -</u>	 (294,188)	 <u>\$ (294,188)</u>
Fund balances			
Beginning		383,049	
Ending		<u>\$ 88,861</u>	

CARES ACT Grant Fund
Statement of Revenue, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and the Year Ended June 30, 2020

	Total		Actual		Variance
	Project	Prior	Current	Total	Positive
	Estimate	Years	Year	to Date	(Negative)
Revenues					
Cares Grant	\$ 2,499,872	\$ -	\$ 1,276,007	\$ 1,276,007	\$ (1,223,865)
Total revenues	2,499,872	-	1,276,007	1,276,007	(1,223,865)
Expenditures					
Current:					
Salaries and benefits	1,737,011	-	-	-	1,737,011
Due to municipalities	624,968	-	-	-	624,968
Supplies and materials	137,893	-	-	-	137,893
Contracted services	-	-	6,467	6,467	(6,467)
Total expenditures	2,499,872	-	6,467	6,467	2,493,405
Revenues over					
expenditures	\$ -	\$ -	\$ 1,269,540	\$ 1,269,540	\$ 1,269,540

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, 2020

	Capital Improvements Fund	School Capital Projects Fund	Totals
Assets			
Cash and investments	\$ 4,714,343	\$ 374,146	\$ 5,088,489
Restricted cash	133,835	874,921	1,008,756
Accounts receivable	379,577	-	379,577
Total assets	\$ 5,227,755	\$ 1,249,067	\$ 6,476,822
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 188,360	\$ 426,017	\$ 614,377
Total liabilities	188,360	426,017	614,377
Fund balances:			
Restricted:			
Capital outlay and improvements	5,039,395	823,050	5,862,445
Total fund balances	5,039,395	823,050	5,862,445
Total liabilities and fund balances	\$ 5,227,755	\$ 1,249,067	\$ 6,476,822

Non-major Capital Projects Fund
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020

	Capital Improvements Fund	School Capital Projects Fund	Totals
Revenues			
Restricted intergovernmental	\$ 1,284,404	\$ -	\$ 1,284,404
Miscellaneous revenue	7,000	-	7,000
Interest revenue	-	13,687	13,687
Total revenues	<u>1,291,404</u>	<u>13,687</u>	<u>1,305,091</u>
Expenditures			
Capital outlay	3,227,139	603,337	3,830,476
Total expenditures	<u>3,227,139</u>	<u>603,337</u>	<u>3,830,476</u>
Revenues under expenditures	<u>(1,935,735)</u>	<u>(589,650)</u>	<u>(2,525,385)</u>
Other financing sources			
Transfers from:			
General Fund	5,427,774	-	5,427,774
Total other financing sources	<u>5,427,774</u>	<u>-</u>	<u>5,427,774</u>
Revenues and other financing sources over (under) expenditures	<u>3,492,039</u>	<u>(589,650)</u>	<u>2,902,389</u>
Fund balances			
Beginning	1,547,356	1,412,700	2,960,056
Ending	<u>\$ 5,039,395</u>	<u>\$ 823,050</u>	<u>\$ 5,862,445</u>

Capital Improvements Fund - Capital Project Fund
Statement of Revenue, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Emergency Management Grant	\$ 5,143,436	\$ 3,207,115	\$ 28,065	\$ 3,235,180	\$ (1,908,256)
Coastal Management Grant	7,500	7,500	-	7,500	-
Golden Leaf Foundation Grant	454,800	247,954	36,794	284,748	(170,052)
NC EM DRA Grant	3,000,000	427,072	284,377	711,449	(2,288,551)
OSBM DRA Grant	500,000	-	500,000	500,000	-
State Acquisition Reloc Fund	2,162,040	585,560	385,168	970,728	(1,191,312)
Agricultural Building Generator	50,000	-	50,000	50,000	-
NC Soil & Water Conservation Grant	516,422	-	-	-	(516,422)
USDA EWP Program Grant	1,549,268	-	-	-	(1,549,268)
NCEM HMGP Grant	4,991,638	-	-	-	(4,991,638)
Duke Energy rebate	-	46,090	-	46,090	46,090
Donations	122,500	128,770	7,000	135,770	13,270
NC Wildlife Grant	10,000	10,000	-	10,000	-
Total revenues	18,507,604	4,660,061	1,291,404	5,951,465	(12,556,139)
Expenditures					
Capital Outlay:					
HVAC installation	1,201,004	1,190,650	-	1,190,650	10,354
Pender Memorial park	222,795	13,783	-	13,783	209,012
Hampstead sidewalk project	200,000	-	68,272	68,272	131,728
Hampstead Kiwanis park	273,569	214,875	-	214,875	58,694
Jail renovations	1,520,423	105,946	12,800	118,746	1,401,677
Courthouse renovations	11,872	-	-	-	11,872
Unified Development Ordinance	87,000	-	-	-	87,000
Library	149,000	78,626	68,467	147,093	1,907
Renovation Probation	157,500	140,790	-	140,790	16,710
Comprehensive land use plan	42,500	42,500	-	42,500	-
Agricultural building generator	350,960	117,366	176,825	294,191	56,769
Public Safety Software	194,279	-	226,882	226,882	(32,603)
NC EM DRA Grant	4,700,000	-	159,959	159,959	4,540,041
OSBM DRA Grant	7,125,085	5,725,170	1,486,617	7,211,787	(86,702)
NC Soil & Water Conservation Grant	1,995,981	-	-	-	1,995,981
State Acquisition Reloc Fund	1,512,500	709	-	709	1,511,791
Golden Leaf	154,800	86,345	35,203	121,548	33,252
FEMA Grants	9,108,916	4,165,368	992,114	5,157,482	3,951,434
Total expenditures	29,008,184	11,882,128	3,227,139	15,109,267	13,898,917
Revenues under expenditures	(10,500,580)	(7,222,067)	(1,935,735)	(9,157,802)	1,342,778
Other financing sources					
Loan proceeds	1,303,341	1,292,891	-	1,292,891	(10,450)
Premium on LOB's	96,836	108,430	-	108,430	11,594
Bond issuance cost	(22,782)	(23,682)	-	(23,682)	(900)
Insurance proceeds	1,027,846	30,000	-	30,000	(997,846)
Contingency	(91,599)	-	-	-	91,599
Transfers from General Fund	8,186,938	7,800,936	5,427,774	13,228,710	5,041,772
Total other financing sources, net	10,500,580	9,208,575	5,427,774	14,636,349	4,135,769
Revenues and other financing sources, net over expenditures	\$ -	\$ 1,986,508	3,492,039	\$ 5,478,547	\$ 5,478,547
Fund balances					
Beginning			1,547,356		
Ending			<u>\$ 5,039,395</u>		

School Capital Project Fund
Statement of Revenue, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2020

			Actual			Variance
	Project		Prior	Current	Total	Positive
	Authorization		Years	Year	to Date	(Negative)
Revenues						
Unrestricted intergovernmental	\$	-	\$ 372,388	\$ -	\$ 372,388	\$ 372,388
Interest income		-	628,276	13,687	641,963	641,963
Total revenues		-	1,000,664	13,687	1,014,351	1,014,351
Expenditures						
Intergovernmental:						
Schools:						
Burgaw Middle	2,903,397		6,610,993	-	6,610,993	(3,707,596)
Pender High School	2,225,062		2,225,062	-	2,225,062	-
Penderlea School	24,677,096		20,412,876	603,337	21,016,213	3,660,883
West Pender Middle School	2,246,522		2,246,523	-	2,246,523	(1)
Cape Fear E/M	8,485,271		8,455,271	-	8,455,271	30,000
SC K-12	41,988,896		41,988,895	-	41,988,895	1
Bond closing costs	785,701		629,974	-	629,974	155,727
Total expenditures	83,311,945		82,569,594	603,337	83,172,931	139,014
Revenues under expenditures	(83,311,945)		(81,568,930)	(589,650)	(82,158,580)	1,153,365
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)	-
Premium on debt issued	8,311,945		8,211,630	-	8,211,630	(100,315)
Bond proceeds	75,000,000		75,000,000	-	75,000,000	-
Total other financing sources, net	83,311,945		83,211,630	-	83,211,630	(100,315)
Revenues and other financing sources, net over (under) expenditures	\$ -	\$ 1,642,700	(589,650)	\$ 1,053,050	\$ 1,053,050	
Fund balances						
Beginning				1,412,700		
Ending				\$ 823,050		

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 Operating 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 Fund: 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 Fund: 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, 2020**

	Budget	Actual	Variance, Positive (Negative)
Operating Revenues			
Landfill fees	\$ 1,300,000	\$ 1,511,332	\$ 211,332
User fees	4,200,000	4,092,037	(107,963)
Recycling	-	13,100	13,100
Miscellaneous	-	35,497	35,497
Total operating revenues	5,500,000	5,651,966	151,966
Operating Expenditures			
Salaries and employee benefits	430,000	426,590	3,410
Contracted services	162,000	135,905	26,095
Other operating expenditures	5,004,868	4,935,158	69,710
Principal	30,170	30,170	-
Interest	9,070	6,017	3,053
Capital outlay	275,892	29,788	246,104
Total operating expenditures	5,912,000	5,563,628	348,372
Operating revenues over (under) operating expenditures	(412,000)	88,338	500,338
Non-Operating Revenues			
Solid waste disposal tax	38,000	52,002	14,002
White goods	24,000	-	(24,000)
Scrap tire	70,000	84,540	14,540
Reimbursement from schools	280,000	292,032	12,032
Total non-operating revenues	412,000	428,574	16,574
Revenues over expenditures	\$ -	\$ 516,912	\$ 516,912
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over expenditures modified accrual basis, above		\$ 516,912	
OPEB expense		(21,036)	
Pension expense		(1,005)	
Principal payments		30,170	
Capital outlay		29,788	
Depreciation		(93,308)	
Change in net position, full accrual basis		\$ 461,521	

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, 2020

	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 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), net	669,720	603,923	-	603,923	(65,797)
Revenues over expenditures and other financing sources (uses), net	\$ -	\$ 61,154	\$ -	\$ 61,154	\$ 61,154

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, 2020

	Budget	Actual	Variance, Positive (Negative)
Revenues			
School fees - sewer	\$ 28,500	12,544	\$ (15,956)
Commercial sewer fees	78,000	75,804	(2,196)
Water fees	4,800,000	5,381,352	581,352
Connections fees - water	243,000	309,075	66,075
Other fees	93,770	137,085	43,315
Investment income	-	13,733	13,733
Total operating revenues	8,712,270	5,929,593	(2,782,677)
Expenditures			
Sewer operations:			
Salaries and employee benefits	23,000	22,842	158
Contracted services	72,000	71,029	971
Other operating expenditures	32,000	31,621	379
Total	127,000	125,492	1,508
Water Operations:			
Salaries and employee benefits	800,000	758,199	41,801
Contracted services	409,695	643,672	(233,977)
Water purchases	1,760,000	2,048,113	(288,113)
Other operating expenditures	1,370,568	443,389	927,179
Capital outlay	2,322,860	170,276	2,152,584
Debt service payments:			
Principal	39,000	390,000	(351,000)
Interest	739,176	737,962	1,214
Total	7,441,299	5,191,611	2,249,688
Revenues over expenditures	1,143,971	612,490	(593,399)
Other Financing Sources (Uses)			
Transfers in (out):			
Water/Wastewater Capacity Fees Fund	453,837	453,837	-
Scotts Hill CPF	(1,500,808)	(1,500,808)	-
Rocky Point CPF Phase V	(30,000)	(30,000)	-
Water Treatment Operating Fund	(67,000)	(65,000)	2,000
Appropriated fund balance	3,469,000	-	(3,469,000)
Total other financing uses, net	(1,143,971)	(1,141,971)	2,000
Revenues, financing uses, net and appropriated fund balance under expenditures	\$ -	\$ (529,481)	\$ (1,045,236)
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues under expenditures and other financing uses, net, modified accrual basis, above		\$ (529,481)	
OPEB expense		(116,399)	
Pension expense		(2,673)	
Principal payments		390,000	
Premium amortization		39,086	
Capital outlay		170,276	
Rocky Point Water Fund - Phase V		30,000	
Depreciation		(697,950)	
Change in net position, full accrual basis		\$ (717,141)	

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, 2020

	Actual				
	Total Project Estimates	Prior Years	Current Year	Completed Total to Date	Variance Positive Negative
Revenues					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-	-
Expenditures					
Capital outlay	30,000	-	-	-	30,000
Total expenditures	30,000	-	-	-	30,000
Revenues under expenditures	(30,000)	-	-	-	30,000
Other Financing Sources					
Transfer from Rocky Point Water & Sewer	30,000	-	30,000	30,000	-
Total other financing sources	30,000	-	30,000	30,000	-
Revenues over expenditures and other financing sources	\$ -	\$ -	\$ 30,000	\$ 30,000	\$ 30,000

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

Exhibit E-3

**Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance, Positive (Negative)
Revenues			
Water fees	\$ 1,548,615	\$ 1,621,631	\$ 73,016
Investment income	-	1,680	1,680
Miscellaneous revenues	10,953	-	(10,953)
Total operating revenues	1,559,568	1,623,311	63,743
Expenditures			
Salaries and employee benefits	286,075	286,073	2
Contract services	80,953	150,490	(69,537)
Water purchases	180,000	158,670	21,330
Operating expenditures	789,007	679,893	109,114
Capital outlay	120,000	119,650	350
Debt service payments:			
Principal	365,000	365,000	-
Interest	686,953	684,538	2,415
Total operating expenditures	2,507,988	2,444,314	63,674
Revenues over (under) expenditures	(948,420)	(821,003)	127,417
Other Financing Sources (Uses)			
Transfers in (out):			
PCP Waste Water Treatment Plant Fund	(88,000)	(80,000)	8,000
Water Plant Capital Project Fund	(300,000)	(300,000)	-
Water/Wastewater Capacity Fees Fund	1,271,420	1,271,420	-
Rocky Point/Topsail Water & Sewer Fund	65,000	65,000	-
Total other financing sources , net	948,420	956,420	8,000
Revenues over (under) expenditures and other financing sources (uses), net	\$ -	\$ 135,417	\$ 135,417
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;		\$ 135,417	
Depreciation		(950,193)	
Principal payments		365,000	
Capital outlay		119,650	
Pension expense		(17,603)	
OPEB expense		(1,677)	
Transfer from capital project fund		300,000	
Change in net position, full accrual basis		\$ (49,406)	

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

Exhibit E-3a

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual	Variance, Positive (Negative)
Revenues			
EDA Grant	\$ 1,200,000	\$ -	\$ (1,200,000)
Total revenues	<u>1,200,000</u>	<u>-</u>	<u>(1,200,000)</u>
Expenditures			
Contracted services-engineer	84,000	-	84,000
Capital outlay	1,290,000	-	1,290,000
Total operating expenditures	<u>1,374,000</u>	<u>-</u>	<u>1,374,000</u>
Revenues under expenditures	<u>(174,000)</u>	<u>-</u>	<u>174,000</u>
Other Financing Sources (Uses)			
Transfer from Water Fund	300,000	300,000	-
Contingency	(126,000)	-	126,000
Total other financing sources, net	<u>174,000</u>	<u>300,000</u>	<u>126,000</u>
Revenues over expenditures			
other financing sources, net	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

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

Exhibit E-4

**Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance, Positive (Negative)
Revenues			
Water and sewer capacity fees	\$ 1,300,000	\$ 2,277,626	\$ 977,626
Sewer fees	476,310	544,097	67,787
Total operating revenues	1,776,310	2,821,723	1,045,413
Expenditures			
Salaries and employee benefits	130,000	128,667	1,333
Contracted services	49,715	45,581	4,134
Operating expenditures	276,595	206,297	70,298
Debt service payments:			
Principal	772,275	772,413	(138)
Interest	678,159	667,303	10,856
Total operating expenditures	1,906,744	1,820,261	86,483
Revenues over (under) expenditures	(130,434)	1,001,462	1,131,896
Other Financing Sources (Uses)			
Bond closing costs	-	-	-
Transfers in (out):			
Rocky Point/Topsail Water Fund	(453,837)	(453,837)	-
Central Pender Water & Sewer Fund	(164,077)	(164,077)	-
PCP WWTP Fund	(120,000)	(120,000)	-
Water Fund	(1,271,420)	(1,271,420)	-
Water Treatment Fund	80,000	80,000	-
Water/Wastewater Capacity Fees Fund	-	120,000	120,000
Maple Hill Sewer Fund	(11,182)	(11,182)	-
General Fund	1,350,434	1,350,434	-
Appropriated fund balance	720,516	-	(720,516)
Total other financing sources (uses), net	130,434	(470,082)	(600,516)
Revenues over expenditures and other financing sources (uses), net	\$ -	531,380	\$ 531,380
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over expenditures and other financing sources (uses), net, modified accrual to full accrual;		531,380	
Depreciation		(817,414)	
Premium amortization		76,476	
Long term debt repayments		772,413	
OPEB expense		(1,955)	
Pension expense		(5,921)	
Change in net position, full accrual basis		\$ 554,979	

Pender County, North Carolina
PCP Waste Water Treatment Plant Fund

Exhibit E-4a

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance, Positive (Negative)
Revenues			
Water fees	\$ -	\$ -	\$ -
Sewer fees	476,310	544,097	67,787
Total operating revenues	<u>476,310</u>	<u>544,097</u>	<u>67,787</u>
Expenditures			
Salaries and employee benefits	130,000	128,667	1,333
Contracted services	49,715	45,581	4,134
Operating expenditures	276,595	206,297	70,298
Debt service payments:			
Principal	772,275	772,413	(138)
Interest	678,159	667,303	10,856
Total operating expenditures	<u>1,906,744</u>	<u>1,820,261</u>	<u>86,483</u>
Revenues over (under) expenditures	<u>(1,430,434)</u>	<u>(1,276,164)</u>	<u>154,270</u>
Other Financing Sources (Uses)			
Transfer to PCP WWTP Fund	(120,000)	-	120,000
Transfer from Water/Wastewater Capacity Fees Fund	120,000	120,000	-
Transfer from Water Fund	80,000	80,000	-
Transfer From General Fund	1,350,434	1,350,434	-
Total other financing sources, net	<u>1,430,434</u>	<u>1,550,434</u>	<u>120,000</u>
Revenues over expenditures			
other financing sources, net	<u>\$ -</u>	<u>274,270</u>	<u>\$ 274,270</u>
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over expenditures and other financing sources, net, modified accrual to full accrual;		274,270	
Premium amortization		76,476	
Principal payments		772,413	
Depreciation		(811,131)	
OPEB expense		(1,955)	
Pension expense		(5,921)	
Change in net position, full accrual basis		<u>\$ 304,152</u>	

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

Exhibit E-4b

**Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues	\$ -	\$ -	\$ -
Total revenue	-	-	-
Expenditures			
Sewer operations	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	\$ -	\$ -	\$ -

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

Excess of revenues over expenditures:

modified accrual basis, above

\$ -

Depreciation

(6,283)

Change in net position, full accrual basis

\$ (6,283)

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

Exhibit E-4c

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water and sewer capacity fees	\$ 1,300,000	\$ 2,277,626	\$ 977,626
Total revenue	<u>1,300,000</u>	<u>2,277,626</u>	<u>977,626</u>
Expenditures			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>1,300,000</u>	<u>2,277,626</u>	<u>977,626</u>
Other Financing Sources (Uses)			
Transfer to Rocky Point/Topsail Water Fund	(453,837)	(453,837)	-
Transfer to PCP WWTP Fund	(120,000)	(120,000)	-
Transfer to Central Pender Water & Sewer Fund	(164,077)	(164,077)	-
Transfer to Maple Hill Sewer Fund	(11,182)	(11,182)	-
Transfer to Water Treatment Plant Fund	(1,271,420)	(1,271,420)	-
Fund balance appropriated	720,516		(720,516)
Total other financing uses, net	<u>(1,300,000)</u>	<u>(2,020,516)</u>	<u>(720,516)</u>
Revenues over expenditures and other financing uses, net	<u>\$ -</u>	<u>\$ 257,110</u>	<u>\$ 257,110</u>

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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, 2020

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 115,799	\$ 163,243	\$ -
Accounts receivable, net of allowance for doubtful accounts	37,735	5,756	-
Due from other governments	-	-	659
Restricted cash	5,800	-	2,000
Total current assets	159,334	168,999	2,659
Noncurrent Assets:			
Capital assets, net	4,037,697	-	998,698
Total noncurrent assets	4,037,697	-	998,698
Total assets	4,197,031	168,999	1,001,357
Deferred Outflows of Resources	18,598	37,198	-
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	15,902	9,956	1,843
Due to other funds	-	-	42,268
Accrued interest payable	467	-	23
Customer deposits payable	5,800	-	2,000
Compensated absences liability - current	-	1,683	-
Installment notes payable-current	-	-	6,867
Advance from Water Treatment Plant	10,000	-	-
General obligation bonds payable - current	-	-	-
Total current liabilities	32,169	11,639	53,001
Noncurrent liabilities:			
Compensated absences liability	-	5,048	-
Other postemployment benefit liability	36,772	64,351	-
Net pension liability	19,483	26,425	-
Installment notes payable	-	-	75,253
Advance from Water Treatment Plant	125,000	-	-
General obligation bonds payable	18,792	-	-
Total noncurrent liabilities	200,047	95,824	75,253
Total liabilities	232,216	107,463	128,254
Deferred Inflows of Resources	11,760	15,370	-
Net Position			
Investment in capital assets net of related debt	3,886,640	-	916,578
Unrestricted	85,013	83,364	(43,475)
Total net position	\$ 3,971,653	\$ 83,364	\$ 873,103

Exhibit E-5

Scotts Hill Water & Sewer Fund	Moore's Creek Water District Fund	Central Pender Water District Fund	Total Non-Major
\$ 1,690,649	\$ 50,301	\$ -	\$ 2,019,992
48,645	127,686	43,844	263,666
-	-	-	659
3,200	11,600	1,000	23,600
1,742,494	189,587	44,844	2,307,917
2,915,082	8,356,394	11,118,057	27,425,928
2,915,082	8,356,394	11,118,057	27,425,928
4,657,576	8,545,981	11,162,901	29,733,845
49,145	-	-	104,941
1,054	1,886	907	31,548
678,906	-	161,171	882,345
7,281	7,571	8,670	24,012
3,200	11,600	1,000	23,600
1,069	-	-	2,752
-	-	-	6,867
65,000	-	-	75,000
-	102,000	116,000	218,000
756,510	123,057	287,748	1,264,124
3,206	-	-	8,254
27,579	-	-	128,702
6,405	-	-	52,313
-	-	-	75,253
2,060,000	-	-	2,185,000
156,932	4,995,444	5,723,021	10,894,189
2,254,122	4,995,444	5,723,021	13,343,711
3,010,632	5,118,501	6,010,769	14,607,835
6,587	-	-	33,717
665,165	3,258,950	5,279,036	14,006,369
1,024,337	168,530	(126,904)	1,190,865
\$ 1,689,502	\$ 3,427,480	\$ 5,152,132	\$ 15,197,234

Pender County, North Carolina

Proprietary Funds

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

For the Fiscal Year Ended June 30, 2020

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund
Operating revenues			
Charges for services	\$ 218,185	\$ -	\$ -
Dwelling rental	-	-	1,735
Other operating revenues	12,698	-	200
Total operating revenues	230,883	-	1,935
Operating expenses	-		
Salaries and benefits	69,126	136,924	9,329
Housing assistance payments	-	1,066,409	-
Operating expenses	105,278	16,643	30,148
Contracted services	13,550	9,108	-
Housing administration	-	119,208	-
Water purchases	-	-	-
Depreciation	140,283	-	30,244
Total operating expenses	328,237	1,348,292	69,721
Operating income (loss)	(97,354)	(1,348,292)	(67,786)
Nonoperating revenues (expenses)			
Interest income	-	7	667
Restricted intergovernmental	-	1,207,051	65,710
Miscellaneous revenues	-	138,637	-
Insurance proceeds	-	-	225,746
Fraud recovery	-	5,290	-
Interest expense	(5,610)	-	(1,160)
Total net nonoperating revenues (expenses)	(5,610)	1,350,985	290,963
Income (loss) before transfers	(102,964)	2,693	223,177
Transfers in	11,182	-	227,376
Total transfers in	11,182	-	227,376
Change in net position	(91,782)	2,693	450,553
Net position, beginning	4,063,435	80,671	422,550
Net position, ending	\$ 3,971,653	\$ 83,364	\$ 873,103

Exhibit E-6

Scotts Hill Water & Sewer Fund	Moore's Creek Water District Fund	Central Pender Water District Fund	Total Non-Major
\$ 302,655	\$ 281,975	\$ 174,930	\$ 977,745
-	-	-	1,735
4,737	525	2,360	20,520
307,392	282,500	177,290	1,000,000
27,549	30,227	30,227	303,382
-	-	-	1,066,409
9,488	9,973	7,188	178,718
2,356	671	211	25,896
-	-	-	119,208
74,000	-	-	74,000
77,752	233,646	567,844	1,049,769
191,145	274,517	605,470	2,817,382
116,247	7,983	(428,180)	(1,817,382)
-	-	-	674
-	-	-	1,272,761
-	-	-	138,637
-	-	-	225,746
-	-	-	5,290
(88,642)	(96,106)	(109,974)	(301,492)
(88,642)	(96,106)	(109,974)	1,341,616
27,605	(88,123)	(538,154)	(475,766)
1,500,808	-	164,077	1,903,443
1,500,808	-	164,077	1,903,443
1,528,413	(88,123)	(374,077)	1,427,677
161,089	3,515,603	5,526,209	13,769,557
\$ 1,689,502	\$ 3,427,480	\$ 5,152,132	\$ 15,197,234

Pender County, North Carolina

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020

	Maple Hill Water Fund	Section 8 Admin. Fund	Country Court Apartments Fund
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 232,025	\$ -	\$ 3,635
Payments to customers and suppliers	(103,858)	(1,237,404)	(31,787)
Payments to employees	(72,418)	(107,600)	(7,629)
Net cash provided by (used in) operating activities	55,749	(1,345,004)	(35,781)
Cash Flows from Capital and Related Financing Activities			
Acquisition & construction of capital assets	(8,099)	-	(513,382)
Repayment of debt	(10,000)	-	(6,675)
Interest paid	(6,279)	-	(1,160)
Net cash provided by (used in) capital and related financing activities	(24,378)	-	(521,217)
Cash Flows from Noncapital Financing Activities			
Due to (from) other funds	-	-	13,735
HUD operating grants	-	1,207,051	-
FEMA grants	-	-	65,710
Miscellaneous revenues	-	142,222	225,746
Transfers in (out)	11,182	-	227,376
Net cash provided by noncapital financing activities	11,182	1,349,273	532,567
Cash Flows from Investing Activities			
Interest income	-	7	667
Net increase (decrease) in cash and cash equivalents	42,553	4,276	(23,764)
Cash and Cash Equivalents			
Beginning	79,046	158,967	25,764
Ending	<u>\$ 121,599</u>	<u>\$ 163,243</u>	<u>\$ 2,000</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (97,354)	\$ (1,348,292)	\$ (67,786)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	140,283	-	30,244
Change in assets and liabilities:			
Accounts receivable	542	(1,705)	(659)
Accounts payable and accrued expenses	8,651	161	720
Customer deposits payable	600	-	1,700
Compensated absences	-	(3,414)	-
OPEB	3,793	6,639	-
Increase in deferred outflows of resources	(1,864)	1,449	-
Increase (decrease) in net pension liability	3,501	3,549	-
Increase (decrease) in deferred inflows of resources	(2,403)	(3,391)	-
Net cash provided by (used in) operating activities	\$ 55,749	\$ (1,345,004)	\$ (35,781)

Exhibit E-7

Scotts Hill Water & Sewer Fund	Moore's Creek Water District Fund	Central Pender Water District Fund	Total Non-Major
\$ 311,518	\$ 259,166	\$ 163,695	\$ 970,039
(94,031)	(9,810)	(6,695)	(1,483,585)
(21,857)	(30,227)	(30,227)	(269,958)
195,630	219,129	126,773	(783,504)
(536,600)	-	-	(1,058,081)
(60,000)	(100,000)	(114,000)	(290,675)
(93,847)	(97,014)	(111,093)	(309,393)
(690,447)	(197,014)	(225,093)	(1,658,149)
-	-	(64,757)	(51,022)
-	-	-	1,207,051
-	-	-	65,710
-	-	-	367,968
1,500,808	-	164,077	1,903,443
1,500,808	-	99,320	3,493,150
-	-	-	674
1,005,991	22,115	1,000	1,052,171
687,858	39,786	-	991,421
\$ 1,693,849	\$ 61,901	\$ 1,000	\$ 2,043,592
\$ 116,247	\$ 7,983	\$ (428,180)	\$ (1,817,382)
77,752	233,646	567,844	1,049,769
4,126	(25,335)	(13,795)	(36,826)
(4,426)	835	704	6,645
-	2,000	200	4,500
(525)	-	-	(3,939)
2,845	-	-	13,277
(99)	-	-	(514)
1,142	-	-	8,192
(1,432)	-	-	(7,226)
\$ 195,630	\$ 219,129	\$ 126,773	\$ (783,504)

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

Exhibit E-8

**Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance, Positive (Negative)
Operating Revenues			
Water fees	\$ 155,000	\$ 158,851	\$ 3,851
Sewer fees	63,000	59,334	(3,666)
Other fees	-	12,698	12,698
Total operating revenues	218,000	230,883	12,883
Operating Expenditures			
Water:			
Salaries and employee benefits	43,000	42,306	694
Contract services	12,000	2,455	9,545
Water purchases	58,000	54,909	3,091
Operating expenditures	24,037	26,586	(2,549)
Debt service payments:			
Principal	10,000	10,000	-
Interest	6,313	6,279	34
Total water operating expenditures	153,350	142,535	10,815
Sewer:			
Salaries and employee benefits	24,000	23,793	207
Contract services	18,000	13,550	4,450
Operating expenditures	33,832	21,328	12,504
Total sewer operating expenditures	75,832	58,671	17,161
Operating revenues over (under) operating expenditures	(11,182)	29,677	40,859
Other Financing Sources			
Transfers in:			
Water/Wastewater Capacity Fees Fund	11,182	11,182	-
Total other financing sources	11,182	11,182	-
Revenues, other financing sources over expenditures	\$ -	\$ 40,859	\$ 40,859
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over expenditures and other financing sources, modified accrual basis, above		\$ 40,859	
Premium amortization		669	
Principal payments		10,000	
Depreciation		(140,283)	
Pension expense		(4,229)	
OPEB expense		1,202	
Change in net position, full accrual basis		\$ (91,782)	

Pender County, North Carolina
Maple Hill Sewer Capital Project Fund

Exhibit E-8a

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
State Reserve Project Grant	\$ 1,028,088	\$ -	\$ -	\$ -	\$ (1,028,088)
Total revenue	1,028,088	-	-	-	(1,028,088)
Expenditures					
Capital outlay	955,000	-	3,538	3,538	951,462
Contract services	327,695	-	4,560	4,560	323,135
Total expenditures	1,282,695	-	8,098	8,098	1,274,597
Revenues under expenditures	(254,607)	-	(8,098)	(8,098)	246,509
Other financing sources (uses):					
Contingency	(76,951)	-	-	-	76,951
Bond proceeds	342,696	-	-	-	(342,696)
Bond closing costs	(11,138)	-	-	-	11,138
Total other financing sources (uses), net	254,607	-	-	-	(254,607)
Revenues under expenditures and other financing sources (uses), net	\$ -	\$ -	\$ (8,098)	\$ (8,098)	\$ (8,098)

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, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental-HUD	\$ 1,352,958	\$ 1,207,051	\$ (145,907)
Miscellaneous revenues	58,821	138,637	79,816
Fraud recovery	6,250	5,290	(960)
Investment income	100	7	(93)
Total revenue	1,418,129	1,350,985	(67,144)
Expenditures			
Salaries and benefits	131,624	130,384	1,240
Housing assistance payments	1,091,383	1,066,409	24,974
Contracted services	9,110	9,108	2
Operating expenditures	186,012	135,851	50,161
Total expenditures	1,418,129	1,341,752	76,377
Revenues over expenditures	\$ -	\$ 9,233	\$ 9,233

Reconciliation of modified accrual basis with full
accrual basis:

Excess of revenues over expenditures modified accrual basis, above	\$ 9,233
Pension expense	(5,647)
OPEB expense	(893)
Change in net position, full accrual basis	\$ 2,693

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, 2020

	Final Budget	Actual	Variance Postive (Negative)
Revenues			
Dwelling rentals	\$ 66,640	\$ 1,735	\$ (64,905)
Miscellaneous revenues	370	200	(170)
FEMA	65,710	65,710	-
Interest income	160	667	507
Total revenue	132,880	68,312	(64,568)
Expenditures			
Administration and tenant services	45,029	31,718	13,311
Contracted services	27,597	7,759	19,838
Capital outlay	505,540	513,382	(7,842)
FMHA debt service payments	7,836	7,835	1
Total expenditures	586,002	560,694	25,308
Revenues under expenditures	(453,122)	(492,382)	(39,260)
Other Financing Sources (Uses)			
Insurance proceeds	225,746	225,746	-
Transfers in (out):			
Reserve Fund	-	750	750
General Fund	227,376	227,376	-
Reserve Fund	-	(750)	(750)
Total other financing sources, net	453,122	453,122	-
Revenues under expenditures and other financing sources, net	\$ -	\$ (39,260)	\$ (39,260)
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues under expenditures and other financing sources, net, modified accrual basis, above		\$ (39,260)	
Capital outlay		513,382	
Depreciation		(30,244)	
Principal payments		6,675	
Change in net position, full accrual basis		\$ 450,553	

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, 2020

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Water fees	\$ 310,000	\$ 302,655	\$ (7,345)
Miscellaneous fees	2,000	4,737	2,737
Total revenue	312,000	307,392	(4,608)
Operating expenditures			
Salaries and benefits	25,766	25,094	672
Operating expenditures	13,211	9,488	3,723
Contracted services	7,500	2,356	5,144
Capital outlay	37,485	-	37,485
Water purchases	74,000	74,000	-
Interest expense	94,038	93,847	191
Principal payments	60,000	60,000	-
Total expenditures	312,000	264,785	47,215
Revenues over expenditures	-	42,607	42,607
Other financing sources:			
Transfers in:			
Rocky Point-Topsail Water and Sewer Fund	-	1,500,808	(1,500,808)
Total other financing sources	-	1,500,808	(1,500,808)
Revenues over expenditures and other financing sources	\$ -	\$ 1,543,415	\$ 1,543,415
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over expenditures and other financing sources, modified accrual basis, above		\$ 1,543,415	
Depreciation		(77,752)	
Bond premium and refunding amortization, net		5,205	
Principal payments		60,000	
Pension expense		(1,450)	
OPEB expense		(1,005)	
Change in net position, full accrual basis		\$ 1,528,413	

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

Exhibit E-11a

Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Total revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Contract services	115,308	-	115,308	115,308	-
Construction	1,305,000	-	421,292	421,292	883,708
Total expenditures	1,420,308	-	536,600	536,600	883,708
Revenues under expenditures	(1,420,308)	-	(536,600)	(536,600)	883,708
Other financing sources (uses):					
Contingency	(80,500)	-	-	-	80,500
Transfer in	1,500,808	-	1,500,808	1,500,808	-
Total other financing sources (uses), net	1,420,308	-	1,500,808	1,500,808	80,500
Revenues over expenditures and other financing sources (uses), net	\$ -	\$ -	\$ 964,208	\$ 964,208	\$ 964,208

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

Exhibit E-12

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Operating revenue			
Water fees	\$ 279,288	\$ 281,975	\$ 2,687
Miscellaneous	-	525	525
Total revenue	<u>279,288</u>	<u>282,500</u>	<u>3,212</u>
Operating expenditures			
Salaries and benefits	47,204	30,227	16,977
Operating expenditures	33,921	9,973	23,948
Contracted services	1,000	671	329
Principal	100,000	100,000	-
Interest	97,163	97,014	149
Total expenditures	<u>279,288</u>	<u>237,885</u>	<u>41,403</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 44,615</u>	<u>\$ 44,615</u>
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over expenditures modified accrual basis, above		\$ 44,615	
Bond principal		100,000	
Depreciation		(233,646)	
Bond premium		908	
Change in net position, full accrual basis		<u>\$ (88,123)</u>	

**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, 2020**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water fees	\$ 128,226	\$ 174,930	\$ 46,704
Miscellaneous revenue	-	2,360	2,360
Total revenue	<u>128,226</u>	<u>177,290</u>	<u>49,064</u>
Expenditures			
Salaries and benefits	47,204	30,227	16,977
Operating expenditures	10,629	7,188	3,441
Contracted services	9,207	211	8,996
Principal	114,000	114,000	-
Interest	111,263	111,093	170
Total expenditures	<u>292,303</u>	<u>262,719</u>	<u>29,584</u>
Revenues under expenditures	<u>(164,077)</u>	<u>(85,429)</u>	<u>78,648</u>
Other financing sources:			
Transfer from Water/Wastewater Capacity Fees Fund	164,077	164,077	-
Total other financing sources	<u>164,077</u>	<u>164,077</u>	<u>-</u>
Revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ 78,648</u>	<u>\$ 78,648</u>
Reconciliation of modified accrual basis with full accrual basis:			
Revenues over expenditures and other financing sources, modified accrual basis, above		\$ 78,648	
Bond principal		114,000	
Depreciation		(567,844)	
Bond premium		1,119	
Change in net position, full accrual basis		<u>\$ (374,077)</u>	

INTERNAL SERVICE FUNDS

- Self-Insured Internal Service Funds: 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 Funds**

Exhibit F-1

**Combining Balance Sheet
June 30, 2020**

	Employee Health Insurance Fund	Workers Compensation Fund	Totals
Assets			
Cash and cash equivalents	\$ 222,833	\$ 623,651	\$ 846,484
Total assets	<u>222,833</u>	<u>623,651</u>	<u>846,484</u>
Liabilities			
Accounts payable and accrued liabilities	-	18,432	18,432
Total liabilities	<u>-</u>	<u>18,432</u>	<u>18,432</u>
Net Position			
Unrestricted	222,833	605,219	828,052
Total net position	<u>\$ 222,833</u>	<u>\$ 605,219</u>	<u>\$ 828,052</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, 2020

Exhibit F-1a

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Charges for services			
Total operating revenues	\$ -	\$ -	\$ -
Operating expenses			
Claims paid	-	26,445	(26,445)
Total operating expenses	-	26,445	(26,445)
Revenues under expenditures	-	(26,445)	(26,445)
Other financing sources			
Total other financing sources	-	-	-
Revenues under expenditures and other financing sources	<u>\$ -</u>	<u>\$ (26,445)</u>	<u>\$ (26,445)</u>
Net position			
Beginning		<u>249,278</u>	
Ending		<u>\$ 222,833</u>	

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, 2020

	Agency						Totals
	Ad Valorem and DMV Collections	Four H Fund	Extension Education	Pesticide Recycling Grant	Tourism Development Authority	Sea Oats Travel	June 30, 2020
Assets							
Cash and cash equivalents	\$ 364	\$ 1,112	\$ 6,332	\$ 1,558	\$ 31,227	\$ 388,795	\$ 429,388
Accounts receivable	-	-	-	-	4,097	-	4,097
Total assets	\$ 364	\$ 1,112	\$ 6,332	\$ 1,558	\$ 35,324	\$ 388,795	\$ 433,485
Liabilities							
Intergovernmental payables	\$ 364	\$ 1,112	\$ 6,332	\$ 1,558	\$ 35,324	\$ 388,795	\$ 433,485
Total liabilities	\$ 364	\$ 1,112	\$ 6,332	\$ 1,558	\$ 35,324	\$ 388,795	\$ 433,485

Agency Funds
Combining Statement of Changes In Assets And Liabilities
For the Fiscal Year Ended June 30, 2020

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Ad Valorem and Vehicle Tax:				
Assets:				
Cash and cash equivalents	\$ 5,458	\$ -	\$ 5,094	\$ 364
Accounts receivable	142	-	142	-
	<u>\$ 5,600</u>	<u>\$ -</u>	<u>\$ 5,236</u>	<u>\$ 364</u>
Liabilities:				
Intergovernmental payable	<u>\$ 5,600</u>	<u>\$ -</u>	<u>\$ 5,236</u>	<u>\$ 364</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>\$ 421</u>	<u>\$ 5,911</u>	<u>\$ -</u>	<u>\$ 6,332</u>
Liabilities:				
Intergovernmental payable	<u>\$ 421</u>	<u>\$ 5,911</u>	<u>\$ -</u>	<u>\$ 6,332</u>
Pesticide Recycling Grant:				
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 1,558</u>	<u>\$ -</u>	<u>\$ 1,558</u>
Liabilities:				
Intergovernmental payable	<u>\$ -</u>	<u>\$ 1,558</u>	<u>\$ -</u>	<u>\$ 1,558</u>
Tourism Development Authority				
Assets:				
Cash and cash equivalents	\$ 20,664	\$ 20,563	\$ 10,000	\$ 31,227
Accounts receivable	-	4,097	-	4,097
	<u>\$ 20,664</u>	<u>\$ 24,660</u>	<u>\$ 10,000</u>	<u>\$ 35,324</u>
Liabilities:				
Intergovernmental payable	<u>\$ 20,664</u>	<u>\$ 24,660</u>	<u>\$ 10,000</u>	<u>\$ 35,324</u>
Sea Oats Travel				
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 388,795</u>	<u>\$ -</u>	<u>\$ 388,795</u>
Liabilities:				
Intergovernmental payable	<u>\$ -</u>	<u>\$ 388,795</u>	<u>\$ -</u>	<u>\$ 388,795</u>
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 27,655	\$ 416,827	\$ 15,094	\$ 429,388
Accounts receivable	142	4,097	142	4,097
	<u>\$ 27,797</u>	<u>\$ 420,924</u>	<u>\$ 15,236</u>	<u>\$ 433,485</u>
Liabilities:				
Intergovernmental payable	<u>\$ 27,797</u>	<u>\$ 420,924</u>	<u>\$ 15,236</u>	<u>\$ 433,485</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, 2020

Year	Uncollected Balance 6/30/2019	Additions	Collections And Credits	Uncollected Balance 6/30/2020
2019-20	\$ -	\$ 52,173,227	\$ 50,100,494	\$ 2,072,733
2018-19	958,436	-	514,602	443,834
2017-18	286,990	-	104,813	182,177
2016-17	189,901	-	61,185	128,716
2015-16	102,391	-	22,785	79,606
2014-15	46,187	-	7,080	39,107
2013-14	75,937	-	42,835	33,102
2012-13	80,660	-	53,535	27,125
2011-12	75,614	-	51,564	24,050
2010-11	86,507	-	61,002	25,505
2009-10	88,762	-	88,762	-
Totals	\$ 1,991,385	\$ 52,173,227	\$ 51,108,657	\$ 3,055,955

Less allowance for uncollectible accounts:

General Fund

274,457

Ad valorem taxes receivable - net:

General Fund

\$ 2,781,498

Reconcilement with revenues:

Ad valorem taxes - General Fund

\$ 49,627,981

Reconciling items:

Penalties and Interest

(205,975)

Discounts, Releases, Refunds

1,686,651

Total Collections and Credits

\$ 51,108,657

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

Exhibit H-2

For the Fiscal Year Ended June 30, 2020

	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	\$ 7,561,721,691	\$ 0.645	\$ 48,773,105	\$ 48,773,105	\$ -
Vehicle taxes collected by DMV	653,697,364	0.645	4,216,348	-	4,216,348
Total	<u>8,215,419,055</u>		<u>52,989,453</u>	<u>48,773,105</u>	<u>4,216,348</u>
Discoveries:					
Current year taxes	94,768,527	0.645	611,257	611,257	-
Total	<u>94,768,527</u>		<u>611,257</u>	<u>611,257</u>	<u>-</u>
Abatements					
Current year taxes	(221,315,096)	0.645	(1,427,483)	(1,427,483)	-
Total	<u>(221,315,096)</u>		<u>(1,427,483)</u>	<u>(1,427,483)</u>	<u>-</u>
Total For Year	<u>\$ 8,088,872,486</u>		<u>\$ 52,173,227</u>	<u>\$ 47,956,879</u>	<u>\$ 4,216,348</u>
Net levy			\$ 52,173,227	\$ 47,956,879	\$ 4,216,348
Uncollected taxes at June 30, 2020			2,072,733	2,072,733	-
Current year's taxes collected			<u>\$ 50,100,494</u>	<u>\$ 45,884,146</u>	<u>\$ 4,216,348</u>
Current levy collection percentage			<u>96.03%</u>	<u>95.68%</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, 2020

Secondary Market Disclosures:

Assessed Valuation	
Assessment Ratio	100%
Real Property	\$ 6,891,950,281
Personal Property	529,295,259
Public Service Companies	<u>140,476,151</u>
Total Assessed Valuation	7,561,721,691
Tax Rate per \$100	<u>0.645</u>
Levy (includes discoveries, releases and abatements)	<u><u>\$ 48,773,105</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>\$ 12,037,498</u>
Total	<u><u>\$ 12,037,498</u></u>

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

Exhibit H-3

For the Fiscal Year Ended June 30, 2020

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2019 Assessed Valuation</u>	<u>% of Total Valuation</u>
Red Mountain Timber Co. LLC	Timber Production	\$ 42,361,433	0.56%
Duke Energy Progress Inc	Utilities	59,029,032	0.78%
Four County EMC	Utilities	35,082,132	0.46%
RC Creation Holdings LLC	Manufacturing	10,913,382	0.14%
LL Building Products Inc	Retail	17,276,161	0.23%
Walmart Real Estate	Real Estate	8,990,564	0.12%
Innovative Solar 67 LLC	Renewable Energy	9,442,170	1.44%
Jones Onslow EMC	Utilities	12,609,774	0.17%
TC&I Timber Co LLC	Timber Production	10,102,538	0.13%
Totals		<u>\$ 205,807,186</u>	<u>4.04%</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***

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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 13, 2021. 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 findings 2020-001 and 2020-002 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 financial statements. 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 finding 2020-001.

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. 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 County's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Morehead City, North Carolina
August 13, 2021



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

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, 2020. 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 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 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–Medical Assistance Program (Medicaid; Title XIX)

As described in finding 2020-003 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
2020-003	93.778	Medicaid Cluster – 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 Medicaid Cluster–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 Medicaid Cluster for the year ended June 30, 2020.

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 and Questioned Costs for the year ended June 30, 2020.

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 finding 2020-003 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.

PBMares, LLP

Morehead City, North Carolina
August 13, 2021



**Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance
in Accordance with 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, 2020. 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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, 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 qualified and unmodified opinions 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 Medicaid Cluster-Medical Assistance Program (Medicaid; Title XIX)

As described in finding 2020-004 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
2020-004	93.778	Medicaid Cluster-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 on Medicaid Cluster-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 Medicaid Cluster for the year ended June 30, 2020.

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, 2020.

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 and the State Single Audit Implementation Act, 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 2020-004 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 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 applicable sections of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purposes.

PBMares, LLP

Morehead City, North Carolina
August 13, 2021

PENDER COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Fiscal Year Ended June 30, 2020

Section I. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X

Yes

No

Significant deficiency(ies) identified?

Yes

X

None Reported

Noncompliance material to financial statements noted?

X

Yes

No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

X

Yes

No

Significant deficiency(ies) identified?

Yes

X

None Reported

Type of auditor's report issued on compliance for Medicaid Cluster - Medical Assistance Program (Medicaid; Title XIX):

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:

Program Name

CFDA

Medicaid Cluster - Medical Assistance Program (Medicaid; Title XIX)

93.778

1571 Administrative Costs - Crosscutting Requirements:

Supplemental Nutrition Assistance Program Cluster

10.561

Child Care Development Fund Cluster

93.596

Temporary Assistance for Needy Families

93.558

Children's Health Insurance Program - NC Health Choice

93.767

Child Support Enforcement

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

PENDER COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2020**

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 Medicaid Cluster - Medical Assistance Program (Medicaid; Title XIX):

 Qualified

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

 Unmodified

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>
Medicaid Cluster - Medical Assistance Program (Medicaid; Title XIX)	93.778
1571 Administrative Costs - Crosscutting Requirements:	
Children's Health Insurance Program - NC Health Choice	93.767
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036
School Nurse Funding Initiative	N/A
Disaster Recovery Act 2019	23014-2317-7105

PENDER COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2020**

Section II. Financial Statement Findings

Material Noncompliance and Material Weakness in Internal Control - Budget Violation

Finding: 2020-001

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 and Context: For fiscal year ended June 30, 2020, actual expenditures exceeded the authorized appropriations made by the governing board for the following funds: Revaluation Fund, Fire Service District Fund, and 911 Emergency Telephone Fund.

Effect: Moneys were spent that had not been appropriated.

Cause: This over expenditure occurred due to insufficient Pre-Audit certification review as required by NC G.S. 159-28 (a1).

Identification of a Repeat Finding: This is a repeat of finding 2019-003 from the immediate previous audit.

Recommendation: We recommend County and department management closely monitor budget reports against expenditures to ensure sufficient appropriations exist prior to the approval of the expenditure.

Management's Response: See corrective action plan.

Material Weakness in Internal Control - Year-End Closeout

Finding: 2020-002

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 and Context: 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 year-end closeout.

Identification of a Repeat Finding: This is a repeat of finding 2019-002 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.

Management's Response: See corrective action plan.

(Continued)

PENDER COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2020**

Section III. Federal Award Findings and Questioned Costs

Noncompliance and Material Weakness in Internal Control Over Compliance - Medicaid Cluster

Finding: 2020-003

US Department of Health and Human Services

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

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

CFDA # 93.778

Award Year: 2020

Criteria: Per the NC Department of Health and Human Services-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 60 claims tested, we noted 2 errors which resulted in ineligible benefits and 3 additional errors, identified in connection with the testing performed on those 60 claims, that also resulted in ineligible benefits. Therefore, a total of 5 eligibility errors were identified in an ultimate sample of 63 individual recipients tested. 1 case (included in original sample) in which claim recipient's mother timely notified the agency's Food & Nutrition Services (FNS) caseworker that the entire household had moved out of the state. FNS caseworker closed the FNS case and completed and submitted DSS Form 8194 (Income Maintenance Transmittal Form) to the agency's applicable Family & Children's' (F&C) Medicaid caseworker and supervisor for appropriate disposition. F&C caseworker failed to react timely to a reported change in client's situation until error was identified at auditor's testing 11/04/2020, therefore the entire case households' full Medicaid benefits continued in Pender County. The claim recipient, mother and 2 siblings were therefore not eligible for any Medicaid benefits for the periods: 10/01/2019 - 06/30/2020 resulting in a total of 4 individual eligibility errors. 1 case (included in original sample) in which claim recipient was receiving full Medicaid (MAF-C) benefits as a parent caretaker, of his daughter who was not receiving benefits in his case and had actually been removed from the home and placed with a relative in another county. This information was documented by a FNS caseworker in case notes, however there is no evidence that the FNS caseworker notified the F&C's Medicaid caseworker or supervisor of the change. FNS caseworker failed to report a change in client's situation and notify all applicable programs until error was identified at auditor's testing 11/10/2020, therefore, claim recipient received full Medicaid benefits in error. The claim recipient was not eligible for full MAF-C benefits for the periods: 04/01/2019 - 01/31/2020 and continues due to the COVID-19 emergency provisions. Although recipient was not eligible for MAF-C he may have been eligible for MAF-D benefits for the same periods.

Of the 60 claims tested, we noted 6 instances which included incorrect countable and/or non-countable income resulting in incorrect budget calculations; 7 instances which included incorrect MAGI tax household or member relationship status which is required under the Modified Adjusted Gross Income (MAGI) for proper eligibility determinations for Family and Children's' Medicaid; 2 instances where agency caseworkers failed to react timely to a change in client's situation; 1 instance which included incorrect countable resources and incorrect budget calculations; 10 instances in which the local agency failed to prepare a child support referral when there was not absent parent documentation and the parent/caretaker was receiving benefits in the case; 5 instances where agency caseworkers failed to run online verification matches (OVS) and / or (AVS) in NC FAST for all applicable members of the household; and 4 instances where agency caseworker failed to obtain, update and verify a beneficiary's social security number and therefore failed to verify citizenship.

(Continued)

PENDER COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2020**

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

Questioned Costs: None at local level.

Management's Response: See corrective action plan.

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

Cause: Insufficient training and review of client eligibility files.

Questioned Costs: None at local level.

Identification of a Repeat Finding: This is a repeat of finding 2019-004 from the immediate previous audit.

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

Management's Response: See corrective action plan.

Section IV. State Award Findings and Questioned Costs

**Noncompliance and Material Weakness in Internal Control Over Compliance - Medicaid Cluster
Finding: 2020-004**

US Department of Health and Human Services

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

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

CFDA # 93.778

Award Year: 2020

See Section III. Federal Award Findings and Questioned Costs, Finding 2020-003.

Questioned Costs: None at local level.

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
Chad McEwen

County Attorney
Carl W. "Trey" Thurman, III

PENDER COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN For the Fiscal Year Ended June 30, 2020

Section II. Financial Statement Findings

Name of contact person: Margaret Blue, Finance Director

Proposed completion date: June 30, 2021

Finding: **2020-001**

Corrective Action:

Pender County has established budget monitoring procedures and will continue to keep this as a top priority. These budget violations are due to two main circumstances. The EMS and Fire District tax funds were impacted by timing differences. The new tax software implemented in fiscal year 2019-2020 caused some delays in processing tax refunds throughout the fiscal year. When there were a large volume of refunds processed near the end of the year, it created a situation in which funds had been remitted and needed to be refunded. These funds were refunded in the distribution for the month immediately following the year end.

Finding: **2020-002**

Corrective Action:

Year end timelines have been established and communicated to relevant Departmental personnel as well as Management and Finance Department personnel. Duties are delegated based on function, and year-round reconciliations maintain current account balances Year end timelines have been established and communicated to relevant Departmental personnel as well as Management and Finance Department personnel. Duties are delegated based on function, and year-round reconciliations maintain current account balances and limit year end efforts and adjustments. Strict cutoffs have been established and enforced, reminders distributed, and deadlines scheduled for each piece of the audit. A lot of efforts in continuous process improvement in recent years will go a long way in the future for efficiency in the year end closing process. In past years there have been greater than 100 adjusting entries after the final trial balance was given to the auditor. In the prior year, the amount was significantly reduced, and for fiscal year 2020 audit, there were very few. Finance and Management will continue to work diligently on reducing time and efforts required after year end so that audit functions can be completed in a timely fashion. Inconsistency in audit firm and personnel also resulted in duplication of efforts and delays in reviewing information submitted as well. The County has initiated the engagement of a new audit firm and made timeliness very much a priority.

(Continued)

PENDER COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN (CONTINUED)
For the Fiscal Year Ended June 30, 2020
(Continued)

Section III. Federal Award Findings and Questioned Costs

Finding: 2020-003

Corrective Action:

Audit Finding Review Training was held on 11/18/2020 with Family and Children's Medicaid to review Audit results and errors found. Verification sheet for F&C Medicaid was reviewed. This form is to be used for every application and recertification. Additional trainings/unit meetings were also held on 12/21/20, 1/7/21, 2/1/21, 3/5/21, 3/23/21 and 4/28/21. Areas covered were review of: Child Support referrals, Income, verification of Social Security Number, tax household, household relationship, reacting to changes, addresses, and OVS. Ongoing trainings continue. Individual conferences were held on 11/18/21 with each worker with an error. During the conference, the case record was reviewed along with policy, error explained and steps to take to prevent error from reoccurring. Each quarter Pender County is required to submit to the State a Quarterly Report of cases 2nd party reviewed along with verification of trainings held, agendas and attendance sheets. Pender is required to review 124 cases per quarter. Pender reviewed 181 cases for the quarter of July - September 2020, 186 cases for the quarter of October - December 2020, 186 cases for the quarter of January - March 2021, and 191 cases for the quarter of April - June 2021. There are 4 Medicaid Supervisors. Each month supervisors pull cases from each worker to 2nd party review. Supervisors meet with each worker that they have an error or internal control issue. Errors and internal control issues are discussed monthly at Unit meetings. Policy, manual changes, Admin letters, job aids and other information are also discussed and reviewed monthly during Unit meetings.

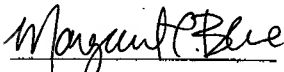
Section IV. State Award Findings and Questioned Costs

Finding: 2020-004

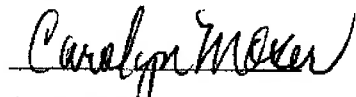
Corrective Action: See Corrective Action Plan for 2020-003.



Chad McEwen
County Manager



Margaret Blue
County Finance Director



Carolyn Moser
Director of Health & Human Services



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

PENDER COUNTY, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2020**

Finding:	2019-001
Status:	Corrected.
Finding:	2019-002
Status:	See identification of repeat finding at 2020-002.
Finding:	2019-003
Status:	See identification of repeat finding at 2020-001.
Finding:	2019-004
Status:	See identification of repeat finding at 2020-003.
Finding:	2019-005
Status:	See identification of repeat finding at 2020-004.

Chad McEwen
County Manager

Margaret C. Blue
County Finance Director

PENDER COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Dept. of Agriculture</u>						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for the						
Supplemental Nutrition Assistance Program						
Supplemental Nutrition Assistance Program (SNAP) Cluster:						
SNAP - Food Stamp Admin	10.561		\$ 420,755	\$ -	\$ -	\$ 420,755
SNAP - Food Stamp Fraud Admin	10.561		33,561	-	-	33,561
Total SNAP Cluster			<u>454,316</u>	<u>-</u>	<u>-</u>	<u>454,316</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		354,080	-	-	-
Direct Benefit Payments:						
Special Supplemental Nutrition Program for						
Women, Infants, & Children (WIC)	10.557		-	-	-	-
Total U.S. Dept. of Agriculture			<u>808,396</u>	<u>-</u>	<u>-</u>	<u>454,316</u>
<u>U.S. Dept. of Justice</u>						
Direct Program:						
Edward Byrne Memorial Justice Assistance Grant Program						
Bulletproof Vest	16.738		8,658	-	-	-
Total U.S. Dept. of Justice			<u>8,658</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Treasury</u>						
Passed-through the Office of State Budget and Management:						
NC Pandemic Recovery Office						
COVID-19 Coronavirus Relief Fund (CRF)	21.019		6,467	-	-	-
Total U.S. Dept. of Treasury			<u>6,467</u>	<u>-</u>	<u>-</u>	<u>-</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 Part B						
Grants for Supportive Services and Senior Services - Access	93.044		78,778	4,634	83,412	-
Special Programs for the Aging - Title III Part C						
Nutrition Services - Congregate Meals	93.045		49,884	2,937	52,821	-
Special Programs for the Aging - Title III Part C						
Nutrition Services - Home Delivered Meals	93.045		94,439	5,560	99,999	-
Nutrition Services Incentive Program (NSIP)	93.053		19,356	-	19,356	-
Total Aging Cluster			<u>242,457</u>	<u>13,131</u>	<u>255,588</u>	<u>-</u>
National Family Caregiver Support - Title III Part E	93.052		36,284	2,419	38,703	-
Special Programs for the Aging - Title III Part D - Disease						
Prevention and Health Promotion Services - EBHP	93.043		5,506	324	5,830	-
Total Division of Aging and Adult Services			<u>41,790</u>	<u>2,743</u>	<u>44,533</u>	<u>-</u>
Total Passed-through Cape Fear Council of Governments:						

(Continued)

PENDER COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
For the Fiscal Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Passed-through N.C. Dept of Health and Human Services:						
Administered by Division of Social Services						
Social Services Block Grant (SSBG)						
SSBG - State In Home Services	93.667		\$ 416	\$ -	\$ -	\$ 59
SSBG - In-Home Services Over 60	93.667		5,826	-	-	832
SSBG - Other Services and Training	93.667		56,471	-	-	18,824
SSBG - Adult Protective Services	93.667		26,709	-	-	(3,970)
Total Division of Aging and Adult Services:			<u>373,669</u>	<u>15,874</u>	<u>300,121</u>	<u>15,745</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		53,514	19,907	-	-
Immunization Grants	93.268		12,750	-	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		5,850	-	-	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977		100	-	-	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		36,466	-	-	-
Family Planning Services	93.217		47,188	-	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		27,433	-	-	-
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		70,569	-	-	-
Preventive Health and Health Services Block Grant	93.991		30,921	-	-	-
Total Division of Public Health			<u>290,781</u>	<u>19,907</u>	<u>-</u>	<u>-</u>
Division of Social Services:						
Administration:						
Promoting Safe and Stable Families Program - Family Preservation	93.556		16,707	-	-	-
Promoting Safe and Stable Families Program - Refugee Assistance Admin	93.566		1,287	-	-	-
Child Support Enforcement - IV-D Administration	93.563		315,862	-	-	162,717
Child Support Enforcement - IV-D Offset Fees ESC	93.563		5	-	-	3
Child Support Enforcement - IV-D Offset Fees Federal	93.563		3,999	(346)	-	2,406
Low Income Home Energy Assistance:						
Administration	93.568		29,188	-	-	-
Benefit Payments	93.568		223,998	-	-	-
Crisis Intervention Program	93.568		135,667	-	-	-
Temporary Assistance for Needy Families (TANF):						
TANF - Admin	93.558		60,020	-	-	107,344
TANF - Services	93.558		294,160	-	-	230,444
Total TANF			<u>354,180</u>	<u>-</u>	<u>-</u>	<u>337,788</u>
Administration for Children and Families						
Foster Care and Adoption Cluster (Note 4)						
IV-E Admin Foster Care	93.658		57	-	-	57
IV-E Adoption	N/A		38,553	-	-	55,667
IV-E Foster Care	N/A		15,307	15,267	-	426
IV-E Foster Care/Off TRN	93.658		79,453	-	-	79,453
IV-E CPS	93.658		61,412	21,840	-	39,572
IV-E Adoption/Off TRN	93.659		10,421	-	-	10,421
IV-E Adoption Subsidy & Vendor	93.659		-	-	-	36,945
IV-E Admin County Paid	93.658		66,599	33,300	-	33,300
IV-E Foster Care Max	93.658		357	-	-	173
IV-E FC & Extended Max	93.658		75,506	13,801	-	13,801
IV-E FC & Extended Reg	93.658		78,695	17,555	-	17,037
Total Foster Care and Adoption (Note 4)			<u>426,360</u>	<u>101,763</u>	<u>-</u>	<u>286,852</u>

(Continued)

PENDER COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
For the Fiscal Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Passed-through N.C. Dept of Health and Human Services:						
Division of Social Services:						
Stephanie Tubbs Jones Child Welfare Services Program -						
Permanency Planning - Families for Kids	93.645		\$ 71,086	\$ -	\$ -	23,695
John H. Chafee Foster Care Program for Successful						
Transition to Adulthood:						
Independent Living Transitional	93.674		1,500	-	-	-
Links	93.674		15,562	3,890	-	-
Division of Child Development and Early Education:						
Subsidized Child Care (Note 4)						
<u>Child Care Development Fund Cluster:</u>						
Division of Social Services:						
Child Care Development Mandatory and Match Fund-Administration	93.596		82,410	-	-	-
Total Subsidized Child Care Cluster (Note 4)			82,410	-	-	-
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Social Services:						
Administration:						
Medicaid Cluster:						
Medical Assistance Program (Medicaid; Title XIX):						
Adult Care Home Case Management	93.778		11,407	3,791	-	7,616
MAC	93.778		7,739	-	-	7,739
State County Special Assistance	93.778		68,359	-	-	22,789
Medical Assistance Program	93.778		1,474,204	-	-	493,485
Medical Transportation Services Admin	93.778		126,740	-	-	126,740
Total Medicaid Cluster			1,688,449	3,791	-	658,369
Division of Social Services:						
Administration:						
State Children's Health Insurance Program - N.C. Health Choice	93.767		63,408	1,401	-	4,027
Total U.S. Dept. of Health and Human Services			4,094,118	146,280	300,121	1,491,602
<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		937,246	289,070	-	-
Hazard Mitigation Grant Program - Hurricane Matthew	97.039		413,233	-	-	-
Emergency Management Performance Grants	97.042		66,409	-	-	-
Total U.S. Dept. of Homeland Security			1,416,888	289,070	-	-
<u>U.S. Dept. of Housing and Urban Development</u>						
Direct Program						
Section 8 Housing Choice Vouchers	14.871		1,063,464	-	-	-
Section 8 Housing Vouchers - Admin Fees	14.871		118,937	-	-	-
Total U.S. Dept. of Housing and Urban Development			1,182,401	-	-	-
Total Federal Awards			7,516,928	435,350	300,121	1,945,918

(Continued)

PENDER COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
For the Fiscal Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
State Awards:						
<u>N.C. Dept. of Administration</u>						
Veterans Service			\$ -	\$ 2,182	\$ -	\$ -
Total N.C. Dept. of Administration			-	2,182	-	-
<u>N.C. Dept. of Cultural and Natural Resources</u>						
Division of State Library						
State Aid to Public Libraries			-	98,862	-	-
LSTA Grant			-	16,872	-	-
Total N.C. Dept. of Cultural and Natural Resources			-	115,734	-	-
<u>N.C. Office of State Budget & Management</u>						
Disaster Recovery Act 2019	23014-2317-7105		-	500,000	-	-
Total N.C. Office of State Budget & Management			-	500,000	-	-
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
Scrap Tire Program			-	84,540	-	-
Solid Waste Disposal Tax			-	52,002	-	-
Total N.C. Dept. of Environmental Quality			-	136,542	-	-
<u>N.C. Dept. of Health and Human Services</u>						
Division of Social Services						
Energy Assistance Private			-	6,394	-	-
SC/SA Domiciliary Care			-	-	-	258,661
County Fund Programs			-	-	-	1,321,986
St Child Welfare/CPS/CS			-	46,241	-	-
CWS - Adoption			-	-	-	17,371
Work First Non Reimbursable			-	-	-	583,934
CSE Disaster Non Reimbursable			-	-	-	17,053
State Foster Home			-	40,742	-	40,742
State Foster Home Fund (SFHF) Maximization			-	84,856	-	84,856
Extended Foster Care Maximization Non IV-E			-	107,245	-	-
FC At Risk Maximization			-	282	-	139
SAA/SAD HB 1030			-	-	-	34
Total Division of Social Services			-	285,760	-	2,324,776
Division of Public Health						
General Aid to Counties			-	77,111	-	-
Child Health			-	15,185	-	-
Maternal Health			-	21,878	-	-
Family Planning State			-	5,555	-	-
Women Health Service Fund			-	7,756	-	-
Food and Lodging fees			-	15,353	-	-
School Health Center			-	88,880	-	-
School Nurse Funding Initiative			-	150,000	-	-
Mosquito and Tick Suppression			-	2,000	-	-
General Communicable Disease Control			-	9,999	-	-
Healthy Community Activities			-	3,785	-	-
HIV/STD State			-	500	-	-
STD Drugs			-	676	-	-
TB Control			-	6,493	-	-
Breast and Cervical Cancer Control			-	6,725	-	-
Total Division of Public Health			-	411,896	-	-
Division of Child Development						
Non-Allocating County Cost			-	-	-	360,069
Division of Aging and Adult Services						
In Home Support Services DSS		NC-16	-	249,180	249,180	-
Senior Center General Purpose		NC-16	-	21,145	21,145	-
FAN		NC-16	-	564	564	-
Total Division of Aging and Adult Services			-	270,889	270,889	-
Total N. C. Department of Health and Human Services			-	968,545	270,889	2,684,845

(Continued)

PENDER COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
For the Fiscal Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
<u>N.C. Dept. of Public Safety</u>						
Disaster Recovery Act - Hurricane Matthew		2016-124	\$ -	\$ 269,496	\$ -	-
Disaster Recovery Act - Hurricane Florence		2019-224	-	14,881	-	-
Teen Court			-	19,884	-	-
Counseling Service			-	11,359	-	-
JCPC Positive Action			-	7,608	-	-
Restitution			-	26,216	-	-
Office of Juvenile Justice Youth Services			-	110,225	-	-
Total N.C. Dept. of Public Safety			-	<u>459,669</u>	-	-
<u>N.C. Dept. of Transportation</u>						
NC DOT Cluster ROAP						
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	81,456	-	-
ROAP Work First Transitional - Employment		DOT-16CL	-	16,820	-	-
ROAP Rural General Public Program (RGP)		DOT-16CL	-	96,436	-	-
Total NC Department of Transportation ROAP Cluster			-	<u>194,712</u>	-	-
<u>Golden Leaf Foundation</u>						
Hurricane Florence Disaster Relief Fund			-	36,795	-	-
Total State Awards			-	<u>2,414,179</u>	<u>270,889</u>	<u>2,684,845</u>
Total Federal and State Awards			<u>\$ 7,516,928</u>	<u>\$ 2,849,529</u>	<u>\$ 571,010</u>	<u>\$ 4,630,763</u>

PENDER COUNTY, NORTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2020

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (the "Schedule") includes the federal and State grant activity of Pender County, North Carolina, primary government, under programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* 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 Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Pender County's indirect costs are determined by a State-approved plan contracted annually with DMG Maximus, Inc. and therefore has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: 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 5: 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.

Note 6: Coronavirus Relief Funds

Pender County received \$1,279,007 of funding from the Coronavirus Relief Fund (21.019) and is scheduled to receive \$1,223,865 in July 2020. At least twenty-five percent (25%) of the funds are mandated to go to municipalities within Pender County, at the discretion of the County. Municipalities are to have a plan to spend these funds by September 1, 2020, or any funds received are to be returned to the County. Counties and municipalities are liable to the State for funds not spent in accordance with US Dept. of Treasury, the granting agency, guidelines. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under state statute, municipalities are liable to the State, not the County, for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 31, 2021.